NEW ISSUE – BOOK-ENTRY ONLY

Moody's: aa2
(See "RATING" herein)

DASNY

DAC Bond

$14,250,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
INTERAGENCY COUNCIL POOLED LOAN PROGRAM
REVENUE BONDS, SERIES 2018A

Consisting of:

$11,705,000 Subseries 2018A-1

$2,545,000 Subseries 2018A-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 2018A consisting of Subseries 2018A-1 (the "Subseries 2018A-1 Bonds") and Subseries 2018A-2 (Federally Taxable) (the "Subseries 2018A-2 Bonds;" and together with the Subseries 2018A-1 Bonds, the "Series 2018 Bonds") will be special limited obligations of the Dormitory Authority of the State of New York ("DASNY"). Principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2018 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 2018 Bonds by the Series 2018A Resolution Authorizing Up To $22,000,000 InterAgency Council Pooled Loan Program Revenue Bonds, Series 2018A, adopted June 20, 2018 (the "Series 2018 Resolution"), including a Debt Service Reserve Fund.

The Revenues pledged to the payment of the Series 2018 Bonds are comprised of certain payments to be made under separate Loan Agreements dated as of June 20, 2018 (each a "Series 2018 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, other than Ability Beyond Disability, Inc. which is a State of Connecticut not-for-profit corporation: Ability Beyond Disability and Ability Beyond Disability, Inc. (which shall be considered a single Series 2018 Participant), Citizens Options Unlimited, Inc., Community Services Support Corporation and Nassau County AHRC Foundation, Inc. (which shall be considered a single Series 2018 Participant with respect to the hereinafter defined Citizens Non-HUD Facilities), Citizens Options Unlimited, Inc., MRCS V, Inc. and Nassau County AHRC Foundation, Inc. (which shall be considered a single Series 2018 Participant with respect to the hereinafter defined Citizens HUD Facilities), Lifespire, Inc., SCO Family of Services, Sinergia, Inc. and Young Adult Institute, Inc. (each a "Series 2018 Participant" and collectively, the "Series 2018 Participants").

Each Series 2018 Loan Agreement is a general obligation of the respective Series 2018 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 2018 Bonds corresponding to such Series 2018 Participant's proportionate share of the proceeds of the Series 2018 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 2018 Loan Agreements are several and not joint obligations of the Series 2018 Participants. Each of the Series 2018 Participant's obligations under its respective Series 2018 Loan Agreement will be secured by a security interest in certain revenues of such Series 2018 Participant granted to DASNY and pledged and assigned to the Trustee.

A DEFAULT BY ANY ONE OR MORE OF THE SERIES 2018 PARTICIPANTS UNDER THEIR RESPECTIVE Series 2018 LOAN AGREEMENTS MAY RESULT IN A DEFAULT UNDER THE RESOLUTION AND THE SERIES 2018 ReSOLUTION WITH RESPECT TO SUCH SERIES 2018 PARTICIPANT'S ALLOCABLE PORTION OF THE SERIES 2018 BONDS; HOWEVER, ANY LIABILITY WITH RESPECT TO SUCH DEFAULT IS LIMITED SOLELY TO THE SERIES 2018 PARTICIPANT OR SERIES 2018 PARTICIPANTS THAT ARE IN DEFAULT, WITHOUT RIGHT OF CONTRIBUTION FROM THE NON-DEFAULTING SERIES 2018 PARTICIPANTS. ANY SUCH DEFAULT, HOWEVER, COULD RESULT IN A DEFAULT IN PAYMENT OF THE Series 2018 BONDS.

The Series 2018 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 2018 Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple in excess thereof. Interest (due January 1, 2019 and each July 1 and January 1 thereafter) on the Series 2018 Bonds will be payable by check mailed to the registered owners thereof and principal and Redemption Price of the Series 2018 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 2018 Bonds by wire transfer, as more fully described herein.

The Series 2018 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 2018 Bonds. Purchases of beneficial ownership interests in the Series 2018 Bonds may be made only through the DTC book-entry system. Beneficial Owners (as defined herein) of the Series 2018 Bonds will not receive certificates representing their interests in the Series 2018 Bonds. See "PART 3 - THE SERIES 2018 BONDS – Book-Entry-Only System" herein.

Redemption and Purchase in Lieu of Redemption: The Series 2018 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 2018 Participants, as applicable, and others, interest on the Subseries 2018A-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 2018A-1 Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed under the Code; provided, however, that such interest on the Subseries 2018A-1 Bonds is taken into account in determining adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018. Barclay Damon LLP is further of the opinion that interest on the Series 2018 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 2018A-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 2018 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 2018 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 2018 Bonds in definitive form in Albany, New York on or about August 15, 2018.

MUNICIPAL CAPITAL MARKETS GROUP, INC.

July 25, 2018

$14,250,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
INTERAGENCY COUNCIL POOLED LOAN PROGRAM
REVENUE BONDS, SERIES 2018A

Consisting of:

$11,705,000 Subseries 2018A-1

Consisting of:

$3,080,000 Serial Bonds

Maturing July 1	Principal Amount	Coupon	Yield	CUSIP[(1)]
2019	$140,000	4.00%	1.60%	64990G FC1
2020	120,000	4.00	1.80	64990G FD9
2021	110,000	4.00	2.00	64990G FE7
2022	340,000	4.00	2.14	64990G FF4
2023	355,000	4.00	2.27	64990G FG2
2024	380,000	4.00	2.38	64990G FH0
2025	390,000	4.00	2.50	64990G FJ6
2026	410,000	4.00	2.62†	64990G FK3
2027	405,000	4.00	2.69†	64990G FL1
2028	430,000	4.00	2.81†	64990G FM9

$2,410,000 3.25% Term Bond due July 1, 2033 to Yield 3.45% CUSIP[(1)] 64990G FN7

$2,845,000 3.40% Term Bond due July 1, 2038 to Yield 3.65% CUSIP[(1)] 64990G FP2

$3,370,000 3.50% Term Bond due July 1, 2043 to Yield 3.75% CUSIP[(1)] 64990G FQ0

$2,545,000
Subseries 2018A-2
(Federally Taxable)

$1,265,000 3.50% Term Bond due July 1, 2028 to Yield 3.60% CUSIP[(1)] 64990G FR8

$1,280,000 4.00% Term Bond due July 1, 2041 to Yield 4.25% CUSIP[(1)] 64990G FS6

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(1) Copyright, American Bankers Association (ABA). CUSIP data herein are provided by CUSIP Global Services, operated on behalf of the ABA by S&P Capital IQ, a division of McGraw-Hill Financial, Inc. CUSIP numbers have been assigned by an independent company not affiliated with DASNY and are included solely for the convenience of the holder of the Series 2018 Bonds. Neither DASNY nor the Underwriter is responsible for the selection or uses of the CUSIP numbers, and no representation is made as to their correctness on the Series 2018 Bonds or as indicated above. CUSIP numbers are subject to being changed after the issuance of the Series 2018 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2018 Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Series 2018 Bonds.

† Yield calculated to first optional redemption date of July 1, 2025.

No dealer, broker, salesman or other person has been authorized by DASNY, the Series 2018 Participants or the Underwriter to give any information or to make any representations with respect to the Series 2018 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 2018 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 2018 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 2018 Participants, the InterAgency Council of Developmental Disabilities Agencies, Inc. (the "Program Facilitator") and other sources that DASNY believes are reliable. DASNY does not guarantee the accuracy or completeness of such information and such information is not to be construed as a representation of DASNY. DASNY does not directly or indirectly guarantee, endorse or warrant (1) the creditworthiness or credit standing of the Series 2018 Participants or the Program Facilitator, (2) the sufficiency of the security for the Series 2018 Bonds, or (3) the value or the investment quality of the Series 2018 Bonds.

Each Series 2018 Participant has reviewed the portions of this Official Statement describing such Series 2018 Participant, its Series 2018 Facilities, its Mortgages, if any, including "PART 1 – INTRODUCTION" (but solely with respect to the headings "The Series 2018 Participants," "Additional Security – Pledged Revenues and Standby Intercepts," "The Mortgages," "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2018 BONDS – Security for the Series 2018 Bonds - Pledged Revenues – Intercept Funds," " – Security for the Series 2018 Bonds – Mortgages," "PART 3 – THE SERIES 2018 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2018 Bonds," "PART 4 - THE SERIES 2018 PARTICIPANTS," "PART 5 - SOURCES OF SERIES 2018 PARTICIPANT REVENUE," "PART 6 - ESTIMATED SOURCES AND USES OF FUNDS," "PART 11 - BONDHOLDERS' RISKS," "PART 15 – CONTINUING DISCLOSURE," "PART 18 – INDEPENDENT PUBLIC ACCOUNTANTS," and the information relating to it contained in Appendices A, B and C. It is a condition to the sale and delivery of the Series 2018 Bonds that each Series 2018 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 2018 Participants make no representations as to the accuracy or completeness of any other information included in this Official Statement.

The Program Facilitator has reviewed the portions of this Official Statement describing itself and the information contained in "PART 5 - SOURCES OF SERIES 2018 PARTICIPANT REVENUE" and "PART 11 - BONDHOLDERS' RISKS." It is a condition to the sale and delivery of the Series 2018 Bonds that the Program Facilitator certify that, as of each such date, such parts and such information do not contain any untrue statement of a material fact and do not omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements were made, not misleading. The Program Facilitator makes no representations as to the accuracy or completeness of any other information included in this Official Statement.

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

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

References in this Official Statement to the Act, the Resolution, the Series 2018 Resolution and the Series 2018 Loan Agreements do not purport to be complete. Refer to the Act, the Resolution, the Series 2018 Resolution and the Series 2018 Loan Agreements for full and complete details of their provisions. Copies of the Resolution, the Series 2018 Resolution and the Series 2018 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 2018 Participants have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2018 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2018 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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DASNY

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
$14,250,000
INTERAGENCY COUNCIL POOLED LOAN PROGRAM
REVENUE BONDS, SERIES 2018A
Consisting of:

$11,705,000 Subseries 2018A-1 **$2,545,000 Subseries 2018A-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"), Ability Beyond Disability and Ability Beyond Disability, Inc. (which shall be considered a single Series 2018 Participant), Community Services Support Corporation, Citizens Options Unlimited, Inc. and Nassau County AHRC Foundation, Inc. (which shall be considered a single Series 2018 Participant with respect to the Citizens Non-HUD Facilities as defined in Appendix A), Citizens Options Unlimited, Inc., MRCS V, Inc. and Nassau County AHRC Foundation, Inc. (which shall be considered a single Series 2018 Participant with respect to the hereinafter defined Citizens HUD Facilities; the "Citizens HUD Facilities Participant"), Lifespire, Inc., SCO Family of Services, Sinergia, Inc. and Young Adult Institute, Inc. (collectively, the "Series 2018 Participants") in connection with the offering by DASNY of its $14,250,000 aggregate principal amount of InterAgency Council Pooled Loan Program Revenue Bonds, Series 2018A, consisting of $11,705,000 Subseries 2018A-1 Bonds and $2,545,000 Subseries 2018A-2 Bonds (Federally Taxable) (collectively, the "Series 2018 Bonds").

The following is a brief description of certain information concerning the Series 2018 Bonds, DASNY and the Series 2018 Participants. A more complete description of such information and additional information that may affect decisions to invest in the Series 2018 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain capitalized terms used in this Official Statement are defined in Appendix D hereto.

Purpose of the Issue

The Series 2018 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 2018 Facilities") of the Series 2018 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 2018 Facilities, (ii) making a deposit to each account of the Debt Service Reserve Fund securing the Series 2018 Bonds (the "Series 2018 Debt Service Reserve Fund") in an amount equal to the aggregate of each Series 2018 Participant's Allocable Portion of the Series 2018 Debt Service Reserve Fund Requirement (defined herein), and (iii) paying certain costs of issuance of the Series 2018 Bonds. The respective Loan Agreements entered into with DASNY by the Series 2018 Participants (the "Series 2018 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 2018 Bonds as the same become due. See "PART 6 – ESTIMATED SOURCES AND USES OF FUNDS." For a description of the Series 2018 Facilities being financed or refinanced with proceeds of the Series 2018 Bonds, see "Appendix A - Description of Series 2018 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 2018 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 2018 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 2018 Bonds will be issued pursuant to the Act, the Resolution and the Series 2018 Resolution. The term "Resolutions" shall mean the Resolution and the Series 2018 Resolution. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2018 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 2018 Participants) that conduct business throughout the State, but primarily in The City of New York metropolitan area. See "PART 4 - THE SERIES 2018 PARTICIPANTS."

The Series 2018 Participants

Each of the Series 2018 Participants is a not-for-profit corporation organized and existing under the laws of the State (except Ability Beyond Disability, Inc., which is a not-for-profit corporation organized and existing under the laws of the State of Connecticut). See "PART 4 - THE SERIES 2018

PARTICIPANTS," "PART 5 - SOURCES OF SERIES 2018 PARTICIPANT REVENUE," "Appendix A - Description of Series 2018 Participants," "Appendix B - Audited Financial Statements of Series 2018 Participants," and "Appendix C - Unaudited Financial Information of Series 2018 Participants."

Upon delivery of the Series 2018 Bonds, the Series 2018 Participants will receive loans from DASNY from the proceeds thereof in the following principal amounts, representing each Series 2018 Participant's Allocable Portion of each Subseries of the Series 2018 Bonds:

Series 2018 Participant	Subseries 2018A-1	Subseries 2018A-2	Total
Ability Beyond Disability and Ability Beyond Disability, Inc.	$1,575,000	$ 75,000	$1,650,000
Citizens Options Unlimited, Inc., Community Services Support Corporation and Nassau County AHRC Foundation, Inc.	4,115,000	220,000	4,335,000
Citizens Options Unlimited, Inc., MRCS V, Inc. and Nassau County AHRC Foundation, Inc.	0	1,930,000	1,930,000
Lifespire, Inc.	1,770,000	80,000	1,850,000
SCO Family of Services	455,000	45,000	500,000
Sinergia, Inc.	1,645,000	90,000	1,735,000
Young Adult Institute, Inc.	2,145,000	105,000	2,250,000

No Series 2018 Participant is responsible for the payment obligations of any other Series 2018 Participant. If a Series 2018 Participant fails to pay amounts due under its Series 2018 Loan Agreement in respect of its Allocable Portion of the Series 2018 Bonds, DASNY's sole remedy will be against the defaulting Series 2018 Participant and no other Series 2018 Participant.

See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2018 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 2018 BONDS - Redemption Provisions - Extraordinary Mandatory Redemption."

The Series 2018 Bonds

The Series 2018 Bonds are dated their date of delivery and bear interest from such date (payable January 1, 2019, and on each July 1 and January 1 thereafter) at the rates and will mature at the times set forth on the inside cover page of this Official Statement. See "PART 3 - THE SERIES 2018 BONDS - Description of the Series 2018 Bonds."

Payment of the Series 2018 Bonds

The Series 2018 Bonds are special, limited obligations of DASNY payable from the applicable Revenues, which consist of the aggregate of certain payments required to be made by the Series 2018 Participants pursuant to their respective Series 2018 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 2018 Bonds. The Revenues are pledged and assigned to the Trustee.

Pursuant to its Series 2018 Loan Agreement, each Series 2018 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 2018 Bonds, in each case corresponding to the proceeds of each maturity of each Subseries of the Series 2018 Bonds loaned to it by DASNY. The obligation of each Series 2018 Participant to make payments under its Series 2018 Loan Agreement constitutes a general obligation of such Series 2018 Participant. The payment obligations of the Series 2018 Participants under their respective Series 2018 Loan Agreements are several, not joint, and are not cross-collateralized with the obligations of any other Series 2018 Participant. For the purposes of a Series 2018 Loan Agreement delivered by more than one entity, such payment obligations are joint and several with respect to the entities comprising such Series 2018 Participant. Where an entity is a party to more than one Series 2018 Loan Agreement, such Loan Agreements are not cross-defaulted or cross-collateralized. For a listing of each Series 2018 Participant's Allocable Portion of the principal and Sinking Fund Installments of and interest on the Series 2018 Bonds, see "PART 3 – THE SERIES 2018 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2018 Bonds."

Security for the Series 2018 Bonds

The Series 2018 Bonds will be secured by the pledge and assignment to the Trustee of the Revenues, the proceeds from the sale of the Series 2018 Bonds (until disbursed as provided by the Resolution) and all funds and accounts authorized by the Resolution and established by the Series 2018 Resolution (with the exception of the Arbitrage Rebate Fund), including the Series 2018 Debt Service Reserve Fund, which will be funded at its requirement upon issuance of the Series 2018 Bonds with proceeds of the Series 2018 Bonds. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2018 BONDS - Security for the Series 2018 Bonds."

The Series 2018 Bonds are separately secured from all other Series of Bonds. The Holders of any Series of Bonds other than the Series 2018 Bonds are not entitled to the rights, benefits and security conferred upon the Holders of the Series 2018 Bonds.

The Series 2018 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 2018 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 2018 Participants to DASNY pursuant to its Series 2018 Loan Agreement, subject to Prior Pledges. Certain of the Series 2018 Participants have previously pledged their Public Funds (a portion of which consists of the Pledged Revenues) to DASNY, an industrial development agency, the U.S. Department of Housing and Urban Development ("HUD") or a bank or other financial institution as security for the respective obligations of such Series 2018 Participants in connection with bonds previously issued by DASNY or such industrial development agency or loans from HUD or lines of credit or other borrowings from financial institutions. In addition, a Series 2018 Participant may, with the consent of DASNY, hereafter secure a line of credit with a Prior Pledge pursuant to its Series 2018 Loan Agreement. The pledge of the Pledged Revenues granted by each such Series 2018 Participant is subject and subordinate to such Prior Pledges in all respects. See "PART 4 - THE SERIES 2018 PARTICIPANTS" and "Appendix A - Description of Series 2018 Participants" for a description of each of the Series 2018 Participants, including their respective Prior Pledges of their respective Pledged Revenues.

Pledged Revenues are all of a Series 2018 Participant's Public Funds attributable to its Series 2018 Facilities. . In the case of each Series 2018 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 2018 Participant's Series 2018 Facility or Facilities.

With the exception of (i) certain renovation costs for the Citizens Non-HUD Facilities and (ii) certain renovation costs and costs of furniture, fixtures and equipment for Sinergia, Inc., each as further described in Appendix A, OPWDD has pre-approved pursuant to separate Prior Property Approvals (each a "PPA") each Series 2018 Facility for reimbursement of amounts calculated to be approximately sufficient to pay the principal and interest costs incurred by the related Series 2018 Participant in connection with its financing or refinancing of the acquisition, renovation and furnishing, as applicable, of such Series 2018 Facility, in each case subject to annual appropriation by the State Legislature and so long as such Series 2018 Participant operates the applicable Series 2018 Facility in accordance with certain defined standards. Except as set forth in the immediately preceding sentence, assuming annual appropriation of sufficient funds and continued compliance with operational standards by the Series 2018 Participant, it is expected that the amounts received by such Series 2018 Participant pursuant to its respective PPAs will be approximately sufficient to pay the annual principal of and interest on its respective Allocable Portion of the Series 2018 Bonds for such Series 2018 Facility; any difference between the two amounts is expected to be covered by the Pledged Revenues of such Series 2018 Participant expected to be received for operating and administrative expenses associated with such Series 2018 Facility. See "PART 5 - SOURCES OF SERIES 2018 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities."

The Pledged Revenues will be paid directly to each Series 2018 Participant and may be disposed of by such Series 2018 Participant for any of its corporate purposes. However, pursuant to the Act, the respective Series 2018 Loan Agreements, and separate agreements entered into by DASNY, each Series 2018 Participant and OPWDD (each an "Intercept Agreement"), upon the occurrence of certain events described herein, but subject to any Prior Pledges of the Pledged Revenues, DASNY may direct OPWDD to remit the Pledged Revenues payable by OPWDD to a Series 2018 Participant pursuant to its PPA or PPAs (the "Intercept Funds"), directly to DASNY or the Trustee for application to the payment of such Series 2018 Participant's Allocable Portion of the Outstanding Series 2018 Bonds.

Pledged Revenues of one Series 2018 Participant will not be available to satisfy the obligations of any other Series 2018 Participant. For the purposes of a Series 2018 Loan Agreement delivered by more than one entity, the Pledged Revenues of such Series 2018 Participant shall refer to the Pledged Revenues with respect to any and all entities comprising such Series 2018 Participant. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2018 BONDS - Security for the Series 2018 Bonds - Pledged Revenues - Intercept Funds" and "- Standby Intercepts." See also, "Appendix A - Description of Series 2018 Participants" and "Appendix E - Summary of Certain Provisions of the Series 2018 Loan Agreements."

The ability of each Series 2018 Participant to satisfy its payment obligations under its Loan Agreement with respect to its Allocable Portion of the Series 2018 Bonds and DASNY's ability to realize upon its security interests in the Pledged Revenues of each Series 2018 Participant are largely dependent upon the continued operation by each Series 2018 Participant of its Series 2018 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 2018 Participant and its ability to continue to generate sufficient revenues to support all of its facilities, including its Series 2018 Facilities, (ii) the continued compliance by the Series 2018 Participant with State and local operational standards with respect to its Series 2018 Facilities, and (iii) the continued commitment of Public Funds to support the programs and facilities operated by the

Series 2018 Participant, particularly with respect to its Series 2018 Facilities, including continued appropriations by the State in amounts sufficient for OPWDD to make payments to the Series 2018 Participant pursuant to its PPA or PPAs. For a more detailed discussion of risk factors affecting the ability of the Series 2018 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 2018 Bonds, see "PART 11 - BONDHOLDERS' RISKS." See also, "PART 5 - SOURCES OF SERIES 2018 PARTICIPANT REVENUE."

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

A failure by a Series 2018 Participant to timely pay its obligations under its Series 2018 Loan Agreement might result in an event of default under the Resolutions if either (a) such Series 2018 Participant's loan is accelerated in accordance with the provisions of its Series 2018 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 2018 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 2018 Bonds that corresponds to a principal installment on the defaulting Series 2018 Participant's loan under the terms of its Series 2018 Loan Agreement (referred to as the "Defaulted Allocable Portion"). The funds available for the payment of a Defaulted Allocable Portion of the Series 2018 Bonds are limited by the Resolution to only those Revenues payable by or on behalf of such defaulting Series 2018 Participant pursuant to its Series 2018 Loan Agreement, funds on deposit with the Trustee attributable to such Series 2018 Participant and amounts recovered upon the realization on any collateral granted to DASNY as security for such Series 2018 Participant's obligations under its Series 2018 Loan Agreement and pledged to the payment of the Series 2018 Bonds.

After the application of all such amounts to the payment of the Defaulted Allocable Portion of the Series 2018 Bonds following the acceleration or extraordinary mandatory redemption thereof in accordance with the Resolutions, such Defaulted Allocable Portion of the Series 2018 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 2018 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 2018 BONDS - Redemption Provisions - Extraordinary Mandatory Redemption."

NO SERIES 2018 PARTICIPANT IS RESPONSIBLE FOR THE PAYMENT OBLIGATIONS OF ANY OTHER SERIES 2018 PARTICIPANT. IF A SERIES 2018 PARTICIPANT FAILS TO PAY AMOUNTS DUE UNDER ITS SERIES 2018 LOAN AGREEMENT IN RESPECT OF ITS ALLOCABLE PORTION OF THE SERIES 2018 BONDS, DASNY'S SOLE REMEDY WILL BE AGAINST THE DEFAULTING SERIES 2018 PARTICIPANT AND NO OTHER SERIES 2018 PARTICIPANT. FOR THE PURPOSES OF A SERIES 2018 LOAN AGREEMENT DELIVERED BY MORE THAN ONE ENTITY, THE PAYMENT OBLIGATIONS OF SUCH SERIES 2018 PARTICIPANT ARE JOINT AND SEVERAL WITH RESPECT TO THE ENTITIES COMPRISING SUCH SERIES 2018 PARTICIPANT.

The Mortgages

Except for the Citizens HUD Facilities Participant, each Series 2018 Participant's obligations under its Series 2018 Loan Agreement will be additionally secured by one or more mortgages (each a "Mortgage"; collectively, the "Mortgages") from such Series 2018 Participant to DASNY, granting a mortgage lien on its Series 2018 Facilities, and by a security interest in the fixtures, furniture and equipment financed with the proceeds of the Series 2018 Bonds located therein or used in connection therewith, such liens and security interests subject to applicable Permitted Encumbrances.

The Mortgages do not presently provide any security for the Series 2018 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 2018 Loan Agreement provides that DASNY, without the consent of the Trustee or the Holders of the applicable Series 2018 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 2018 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 2018 BONDS - Security for the Series 2018 Bonds - Mortgages."

The Citizens HUD Facilities Participant will not grant a mortgage lien and security interest to DASNY on its Series 2018 Facilities, which Series 2018 Facilities are owned by MRCS V, Inc. and located at 9 Rondel Lane, Commack, New York and 12 Manor Road North, Greenlawn, New York (collectively, the "Citizens HUD Facilities"). The Citizens HUD Facilities Participant's obligations under its Series 2018 Loan Agreement will not be secured by any mortgage or real property security interest. See "PART 11—BONDHOLDERS' RISKS—Specific Risks Related to the Citizens HUD Facilities Participant" for a discussion of why there are no mortgages on its Series 2018 Facilities.

See "Appendix A - Description of Series 2018 Participants" for a description of (i) which Series 2018 Participants (a) own or lease and (b) will grant mortgages (and the nature of such mortgages) on their respective Series 2018 Facilities and (ii) the Citizens HUD Facilities.

PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2018 BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2018 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 2018 Resolution and the Series 2018 Loan Agreements, copies of which are on file with DASNY and the Trustee. See also "Appendix E - Summary of Certain Provisions of the Series 2018 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 2018 Bonds

The Series 2018 Bonds are special, limited obligations of DASNY. The principal, Sinking Fund Installments, and Redemption Price of and interest on the Series 2018 Bonds are payable solely from the Revenues. With respect to the Series 2018 Participants, the Revenues consist of the aggregate of the payments required to be made by each of the Series 2018 Participants under its respective Series 2018 Loan Agreement on account of such Series 2018 Participant's Allocable Portion of (i) the principal, Sinking Fund Installments, and Redemption Price of and interest due on the Series 2018 Bonds, and (ii) the Series 2018 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 2018 Bonds. The aggregate of payments due and payable to DASNY under all of the Series 2018 Loan Agreements will be sufficient to pay (i) the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2018 Bonds when due, (ii) amounts necessary to maintain the Series 2018 Debt Service Reserve Fund at its required level, and (iii) the annual fees of DASNY and the Trustee.

Each Series 2018 Loan Agreement is a general obligation of the respective Series 2018 Participant, pursuant to which such Series 2018 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 2018 Bonds as reflected in the debt service table set forth in "PART 3 – THE SERIES 2018 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2018 Bonds." The payment obligations of the Series 2018 Participants with respect to their respective Allocable Portions of the Series 2018 Bonds are several, not joint. For the purposes of a Series 2018 Loan Agreement delivered by more than one entity, the payment obligations for a Series 2018 Participant shall be joint and several with respect to the entities comprising such Series 2018 Participant. Each Series 2018 Participant is obligated to repay only its Allocable Portion of the Series 2018 Bonds. Each Series 2018 Participant's payments under its respective Series 2018 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 2018 Bonds.

Payments under each of the Series 2018 Loan Agreements are to be made monthly on the 10th day of each month. Each payment under the Series 2018 Loan Agreements is to be equal to one-sixth of the respective Series 2018 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 2018 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2018 Bonds." Each of the Series 2018 Loan Agreements also obligates the respective Series 2018 Participant to pay, at least 45 days prior to a redemption date of Series 2018 Bonds called for redemption, its Allocable Portion of the amount, if any, required to pay the Redemption Price of such Series 2018 Bonds. See "PART 3 – THE SERIES 2018 BONDS – Redemption Provisions."

Security for the Series 2018 Bonds

General

The Series 2018 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 2018 Participants" for a description of each of the Series 2018 Participants, including their respective Prior Pledges of their respective Pledged Revenues.

The Series 2018 Bonds will also be secured by the proceeds from the sale of such Series 2018 Bonds (until disbursed as provided in the Resolutions) and all funds and accounts authorized by the Resolution and established by the Series 2018 Resolution (with the exception of the Arbitrage Rebate Fund), including the Series 2018 Debt Service Reserve Fund.

Pursuant to the terms of the Resolution, the Series 2018 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 2018 Loan Agreements, each Series 2018 Participant has pledged and assigned to DASNY its Pledged Revenues in an amount sufficient to satisfy its payment obligations under its Series 2018 Loan Agreement, subject to any Prior Pledges. With respect to each Series 2018 Participant, the Pledged Revenues are all Public Funds attributable to its respective Series 2018 Facilities, including any Intercept Funds. Public Funds are all moneys payable to a Series 2018 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."

With the exception of (i) certain renovation costs for the Citizens Non-HUD Facilities and (ii) certain renovation costs and costs of furniture, fixtures and equipment for Sinergia, Inc., each as further described in Appendix, all of the Series 2018 Facilities are supported by an OPWDD PPA, which the applicable Series 2018 Participant has received. These PPAs represent OPWDD's pre-approval of the applicable Series 2018 Facilities for reimbursement of certain amounts approximately sufficient to pay the annual principal and interest costs incurred by the related Series 2018 Participant in connection with its financing or refinancing of the acquisition, renovation and furnishing, as applicable, of such Series 2018 Facility, in each case subject to annual appropriation by the State Legislature and so long as such Series 2018 Participant operates the applicable Series 2018 Facility in accordance with certain defined standards. Except as set forth in the immediately preceding sentence, assuming annual appropriation of sufficient funds and continued compliance with such standards, it is expected by each Series 2018 Participant that the amounts received by such Series 2018 Participant pursuant to its respective PPA or PPAs will be approximately sufficient to pay the annual principal of and interest on its respective Allocable Portion of the Series 2018 Bonds related to such Series 2018 Facilities; any difference between the two amounts is expected to be covered by the Pledged Revenues of such Series 2018 Participant expected to be received for operating and administrative expenses associated with such Series 2018 Facility. See "PART 5 - SOURCES OF SERIES 2018 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities." Certain of the Series 2018 Facilities may also be supported by additional OPWDD PPAs, but such other OPWDD PPAs were issued with respect to other projects at such Series 2018 Facilities and not those being financed with the Series 2018 Bonds and, therefore, payments under such other PPAs do not constitute Pledged Revenues.

Standby Intercepts

The Act and each Series 2018 Loan Agreement authorize an intercept mechanism whereby public entities responsible for the payment of Pledged Revenues are authorized and required to pay a Series 2018 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 2018 Loan Agreement, until the occurrence of an event with respect to a Series 2018 Participant described in clause (a) or (b) below, a Series 2018 Participant's Pledged Revenues subject to such an intercept will be paid directly to such Series 2018 Participant and will be available to be applied towards any of its corporate purposes. However, pursuant to the respective Series 2018 Loan Agreements and the respective Intercept Agreements, upon the occurrence of (a) an event of default under a Series 2018 Participant's Series 2018 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 2018 Participant's Series 2018 Loan Agreement, or (b) a drawing of funds from the Series 2018 Debt Service Reserve Fund for the benefit of such Series 2018 Participant that has not been repaid by such Series 2018 Participant as required by its Series 2018 Loan Agreement and the Resolutions, DASNY may, in addition to all other remedies available pursuant to such Series 2018 Participant's Series 2018 Loan Agreement, cause such Series 2018 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 2018 Participant pursuant to its Series 2018 Loan Agreement. See "PART 5 - SOURCES OF SERIES 2018 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities." Intercepted Pledged Revenues of one Series 2018 Participant will not be available to satisfy the payment obligations of any other Series 2018 Participant.

There can be no assurance that the amount of any Series 2018 Participant's intercepted Pledged Revenues will be sufficient to satisfy such Series 2018 Participant's payment obligations with respect to its Allocable Portion of the Series 2018 Bonds. In the event that amounts received upon the intercept of a Series 2018 Participant's Pledged Revenues are insufficient to pay all of a Series 2018 Participant's Allocable Portion of the principal of and interest on the Series 2018 Bonds when due, such amounts received will be applied pro rata to such Series 2018 Participant's Allocable Portion of each Subseries of the Series 2018 Bonds.

The ability of each Series 2018 Participant to satisfy its payment obligations under its Series 2018 Loan Agreement with respect to its Allocable Portion of the Series 2018 Bonds and DASNY's ability to realize upon its security interests in the Series 2018 Participant's Pledged Revenues are largely dependent upon the continued operation by the Series 2018 Participant of its Series 2018 Facilities, which may be adversely affected by a number of risk factors. Such risk factors, which may affect the Series 2018 Participants differently, include, but are not limited to, (i) the financial condition of the Series 2018 Participant and its ability to continue to generate sufficient revenues to support all of its facilities, including its Series 2018 Facilities, (ii) the continued compliance by the Series 2018 Participant with State and local operational standards with respect to its Series 2018 Facilities, (iii) the continued commitment of Public Funds to support the programs and facilities operated by the Series 2018 Participant, particularly with respect to the Series 2018 Facilities and (iv) the continued appropriation by the State legislature of amounts sufficient for OPWDD and other State agencies to make payments, including Pledged Revenues, to the Series 2018 Participant pursuant to its PPA(s) or otherwise. For a more detailed discussion of risk factors affecting the Pledged Revenues and the ability of the Series 2018 Participants to pay amounts owed under their respective Series 2018 Loan Agreements, as well as other risk factors affecting payment on the Series 2018 Bonds, see "PART 11 - BONDHOLDERS' RISKS." See also "PART 5 - SOURCES OF SERIES 2018 PARTICIPANT REVENUE" and "Appendix A - Descriptions of the Series 2018 Participants," which includes for each Series 2018 Participant a description of its outstanding long-term and short-term indebtedness and credit facilities secured by security interests that are Prior Pledges with respect to its Pledged Revenues.

Debt Service Reserve Fund

The Resolution authorizes, and the Series 2018 Resolution establishes, the Series 2018 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 2018 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 2018 Bonds (the "Series 2018 Debt Service Reserve Fund Requirement").

Proceeds of the Series 2018 Bonds will be deposited in separate accounts established in the Series 2018 Debt Service Reserve Fund for each Series 2018 Participant in amounts equal to the respective Series 2018 Participant's Allocable Portion of the Series 2018 Debt Service Reserve Fund Requirement. If, on the fourth Business Day preceding an interest payment date for the Series 2018 Bonds, the amount on deposit in the account established for a Series 2018 Participant in the Debt Service Fund is less than the amount necessary to pay such Series 2018 Participant's Allocable Portion of the principal or Sinking Fund Installments of and interest on the Outstanding Series 2018 Bonds payable on such interest payment date, the Trustee is required to transfer moneys from the applicable account of the Series 2018 Debt Service Reserve Fund to the corresponding account of the Debt Service Fund in an amount sufficient to provide for such payment. Each Series 2018 Loan Agreement requires the respective Series 2018 Participant to restore in full any amount withdrawn from the Series 2018 Debt Service Reserve Fund for its benefit within five days after receiving notice of a withdrawal. Each Series 2018 Loan Agreement also requires the respective Series 2018 Participant to restore in full its Allocable Portion of the Series 2018 Debt Service Reserve Fund Requirement within five days after receiving notice of a deficiency in the Series 2018 Debt Service Reserve Fund resulting from a devaluation of the investments held therein.

Each Series 2018 Participant is responsible for only its Allocable Portion of the Series 2018 Debt Service Reserve Fund Requirement. Moneys in the Series 2018 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 2018 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 2018 Debt Service Reserve Fund Requirement or any Series 2018 Participant's Allocable Portion thereof. See "Appendix F - Summary of Certain Provisions of the Resolutions."

Mortgages

Except for the Citizens HUD Facilities Participant, each Series 2018 Participant's obligations under its Series 2018 Loan Agreement will be additionally secured by its Mortgage granting to DASNY a mortgage lien on its Series 2018 Facilities, and by a security interest granted to DASNY in the fixtures, furniture and equipment financed with the proceeds of the Series 2018 Bonds now or hereafter located on the mortgaged property, such mortgage liens and security interests subject to applicable Permitted Encumbrances. The Citizens HUD Facilities Participant will not grant a mortgage lien and security interest to DASNY on its Series 2018 Facilities. See "Appendix A - Description of Series 2018 Participants" for a description of the Series 2018 Facilities that are owned by a Series 2018 Participant and subject to its Mortgage and for a description of the Citizens HUD Facilities.

See "PART 11—BONDHOLDERS' RISKS—Specific Risks Related to the Citizens HUD Facilities Participant" for a discussion of why there are no mortgages on the Citizens HUD Facilities.

DASNY may, but has no present intention to, assign all or a portion of any of the Mortgages or such security interests to the Trustee. Upon (a) a withdrawal from an applicable account of the Series 2018 Debt Service Reserve Fund that has not been restored by the respective Series 2018 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 2018 Participant's Series 2018 Loan Agreement and the acceleration of the loan thereunder, DASNY is required to assign such Series 2018 Participant's Mortgage and the related security interest in the fixtures, furnishings and equipment financed with the proceeds of the Series 2018 Bonds to the Trustee for the benefit of the Holders of such Series 2018 Participant's Allocable Portion of the Outstanding Series 2018 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 2018 Bonds. **Each Mortgage secures only the obligations of the Series 2018 Participant granting the Mortgage, and, in the event of a default by a Series 2018 Participant that may lead to the assignment of its Mortgage, only the Mortgage of that defaulting Series 2018 Participant may be assigned**.

Prior to any assignment of a Mortgage to the Trustee, each Series 2018 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 2018 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 2018 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 2018 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 2018 Participant's owned Series 2018 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 2018 Participants."

Events of Default

Events of Default

The Resolutions provide that events of default thereunder constitute events of default with respect to the Series 2018 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 2018 Bonds of any Subseries; *provided, however,* if the failure to make any such payment is caused by a failure of a Series 2018 Participant to timely pay its Allocable Portion of the principal, Sinking Fund Installments or Redemption Price of or interest on the Series 2018 Bonds pursuant to the terms of its Series 2018 Loan Agreement, then it shall be an event of default under the Resolutions only with respect to the Defaulted Allocable Portion of the Series 2018 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 2018A-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 2018 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 2018 Bonds); or

(iv) an event of default under a Series 2018 Loan Agreement shall have occurred and is continuing and, as a result thereof, all sums payable by a Series 2018 Participant under such Series 2018 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 2018 Loan Agreement shall constitute an event of default under the Resolutions only with respect to the Defaulted Allocable Portion of the Series 2018 Bonds.

With respect to an event of default affecting only the Defaulted Allocable Portion of the Series 2018 Bonds and not any other portion of the Series 2018 Bonds, the Trustee will determine such Defaulted Allocable Portion in the manner described in "PART 3 - THE SERIES 2018 BONDS - Redemption Provisions - Extraordinary Mandatory Redemption."

The Series 2018 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 2018 Bonds, an event of default by a Series 2018 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 2018 Participant's Series 2018 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 2018 Participant’s failure to timely pay its Allocable Portion of the Series 2018 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 2018 Bonds, by a notice in writing to DASNY, declare the principal of and interest on all of the Outstanding Series 2018 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 2018 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 2018 Participant to timely pay its Allocable Portion of the Series 2018 Bonds pursuant to its Series 2018 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 2018 Bonds then Outstanding declare the principal of and interest on the Defaulted Allocable Portion of the Series 2018 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 2018 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 2018 Bonds, the Holders of not less than 25% in principal amount of the Outstanding Series 2018 Bonds or 25% in principal amount of Defaulted Allocable Portion of the Series 2018 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 2018 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 2018 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 2018 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 2018 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 2018 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 2018 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 2018 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 2018 Participant's Series 2018 Loan Agreement, including such Series 2018 Participant's Pledged Revenues and other amounts derived from the exercise of any remedies under such Series 2018 Loan Agreement and the realization of any security or collateral granted by such defaulting Series 2018 Participant as security for its loan, and (ii) the moneys and securities on deposit in only those accounts established pursuant to the Series 2018 Resolution for the payment of such defaulting Series 2018 Participant's Allocable Portion of the Series 2018 Bonds. Holders of a Defaulted Allocable Portion of the Series 2018 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 2018 Participant for the payment of the Series 2018 Bonds or any other security pledged by such other non-defaulting Series 2018 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 2018 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 2018 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 2018 Bonds on a pro rata basis in accordance with the Resolution, (i) the remaining Defaulted Allocable Portion of the Series 2018 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 2018 Bonds shall be deemed to have been discharged and satisfied, and (iii) the Holders of the Defaulted Allocable Portion of the Series 2018 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 2018 Bonds. Upon such payment and/or cancellation of a Defaulted Allocable Portion of the Outstanding Series 2018 Bonds, DASNY shall execute and the Trustee shall authenticate a new Series 2018 Bond or Series 2018 Bonds in a principal amount equal to the Outstanding principal amount of the Series 2018 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 2018 Bonds of less than all of the principal of and interest on a Defaulted Allocable Portion of the Series 2018 Bonds then Outstanding following an acceleration or extraordinary mandatory redemption of such Defaulted Allocable Portion of the Series 2018 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 2018 Bonds under the Resolutions.

General

The Series 2018 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 2018 BONDS

Set forth below is a narrative description of certain provisions relating to the Series 2018 Bonds. These provisions have been summarized, and this description does not purport to be complete. Reference should be made to the Resolution, the Series 2018 Resolution and the Series 2018 Loan Agreements, copies of which are on file with DASNY and the Trustee. See also "Appendix E - Summary of Certain Provisions of the Series 2018 Loan Agreements" and "Appendix F - Summary of Certain Provisions of the Resolutions" for a more complete description of certain provisions of the Series 2018 Bonds.

General

The Series 2018 Bonds will be issued pursuant to the Resolutions. The Series 2018 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 2018 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 2018 Bonds, payments of principal, Sinking Fund Installments, Redemption Price and interest on the Series 2018 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 2018 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 2018 Bonds, the Series 2018 Bonds will be exchangeable for fully registered Series 2018 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 2018 Bonds

The Series 2018 Bonds will be dated their date of delivery and will bear interest from such date (payable on January 1, 2019, and on each July 1 and January 1 thereafter) at the rates per annum, and will mature on July 1 in each of the years set forth on the inside cover page of this Official Statement. The Series 2018 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 2018 Bonds may be exchanged for other Series 2018 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 Series 2018 Bonds maturing on or after July 1, 2026 are subject to redemption, on or after July 1, 2025, as a whole or in part at any time at the option of DASNY, at a Redemption Price of par, plus accrued interest to the redemption date.

Extraordinary Mandatory Redemption

Each Defaulted Allocable Portion of the Series 2018 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 2018 Participant as security for its loan upon an acceleration of such loan under its Series 2018 Loan Agreement. The Series 2018 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 2018 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 2018 Bonds on the redemption date less the amount of accrued interest to be paid on such Defaulted Allocable Portion of the Series 2018 Bonds on such date, by (B) the principal amount of the Defaulted Allocable Portion of the Series 2018 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 2018 Bonds to be redeemed based upon the schedule of amortization of the defaulting Series 2018 Participant's loan which has been accelerated. All Series 2018 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 2018 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 2018 Bond by the total principal scheduled to be paid in the year of maturity of such Series 2018 Bond on all loans made with the proceeds of the Series 2018 Bonds, including the defaulted loan.

The particular Series 2018 Bonds of each affected maturity to be redeemed will be selected in the manner described below under "- Selection of Series 2018 Bonds to be Redeemed."

Special Redemption

The Series 2018 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 2018 Facility of a Series 2018 Participant, (b) from unexpended proceeds of the Series 2018 Bonds upon abandonment of all or a portion of a Series 2018 Facility due to a legal or regulatory impediment and (c) the proceeds of the sale of a Series 2018 Facility.

Mandatory Sinking Fund Redemption

The Subseries 2018A-1 Bonds maturing on July 1, 2033, July 1, 2038 and July 1, 2043 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 2018A-1 Bonds specified for each such year below:

Subseries 2018A-1 Bonds Maturing July 1, 2033		Subseries 2018A-1 Bonds Maturing July 1, 2038		Subseries 2018A-1 Bonds Maturing July 1, 2043	
Year	Sinking Fund Installment	Year	Sinking Fund Installment	Year	Sinking Fund Installment
2029	$450,000	2034	$525,000	2039	$625,000
2030	475,000	2035	550,000	2040	650,000
2031	480,000	2036	565,000	2041	670,000
2032	495,000	2037	595,000	2042	700,000
2033†	510,000	2038†	610,000	2043†	725,000

†Final maturity.

The Subseries 2018A-2 Bonds maturing on July 1, 2028 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 2018A-2 Bonds specified for each such year below:

Subseries 2018A-2 Bonds Maturing July 1, 2028		Subseries 2018A-2 Bonds Maturing July 1, 2041	
Year	Sinking Fund Installment	Year	Sinking Fund Installment
2019	$260,000	2029	$ 75,000
2020	255,000	2030	80,000
2021	280,000	2031	85,000
2022	60,000	2032	85,000
2023	65,000	2033	90,000
2024	65,000	2034	95,000
2025	65,000	2035	95,000
2026	70,000	2036	100,000
2027	70,000	2037	105,000
2028†	75,000	2038	110,000
		2039	115,000
		2040	120,000
		2041†	125,000

†Final maturity.

The Series 2018 Participants may elect to have the Series 2018 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 2018 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 2018 Bonds of the Subseries and maturity so purchased will be reduced for such year.

Selection of Series 2018 Bonds to be Redeemed

In the case of redemptions of Series 2018 Bonds described above under " - Optional Redemption," DASNY will select the maturities of the Allocable Portion of the applicable Subseries of Series 2018 Bonds to be redeemed. In the case of redemption of Series 2018 Bonds described above under " - Special Redemption," Series 2018 Bonds will be redeemed to the extent practicable pro rata among maturities of the Allocable Portion of the Series 2018 Bonds, but only in integral multiples of $5,000 within each maturity. If less than all of the Series 2018 Bonds of a maturity are to be redeemed (pursuant to an optional, special, extraordinary mandatory or mandatory sinking fund redemption), the Series 2018 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 2018 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 2018 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 2018 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 2018 Bond to be redeemed to receive notice of redemption thereof will not affect the validity of the proceedings for the redemption of such Series 2018 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 2018 Bonds.

If, on the redemption date, moneys for the redemption of the Series 2018 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 2018 Bonds of such Subseries and maturity will cease to accrue from and after the redemption date and such Series 2018 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 2018 Bonds, see "Appendix F - Summary of Certain Provisions of the Resolutions."

Purchase in Lieu of Optional Redemption

The Series 2018 Bonds maturing after July 1, 2026 are also subject to purchase prior to maturity, at the election of DASNY, on or after July 1, 2025, 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 Series 2018 Bonds to be so purchased.

Notice of Purchase and its Effect

Notice of the purchase of Series 2018 Bonds will be given by DASNY in the name of one or more of the Series 2018 Participants to the registered owners of the Series 2018 Bonds to be purchased by first-class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the Purchase Date specified in such notice. The Series 2018 Bonds to be purchased are required to be tendered on the applicable Purchase Date to the Trustee. Series 2018 Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. Such purchase shall not operate to extinguish the indebtedness of DASNY evidenced thereby and such Series 2018 Bonds need not be cancelled, but shall remain Outstanding under the Resolution and in such case shall continue to bear interest.

DASNY's obligation to purchase a Series 2018 Bond to be purchased or cause it to be purchased is conditioned upon the availability of sufficient money to pay the Purchase Price for all of the Series 2018 Bonds to be purchased on such Purchase Date. If sufficient money is available on the applicable Purchase Date to pay the applicable Purchase Price of the Series 2018 Bonds to be purchased, the former registered owners of such Series 2018 Bonds will have no claim thereunder or under the Resolution or otherwise for payment of any amount other than the applicable Purchase Price. If sufficient money is not available on the applicable Purchase Date for payment of the applicable Purchase Price, the Series 2018 Bonds tendered or deemed tendered for purchase will continue to be registered in the name of the registered owners on the applicable Purchase Date, who will be entitled to the payment of the principal of and interest on such Series 2018 Bonds in accordance with their terms.

In the event not all of the Outstanding Series 2018 Bonds of a Subseries and maturity are to be purchased, the Series 2018 Bonds of such Subseries and maturity to be purchased will be selected by lot in the same manner as Series 2018 Bonds of a Subseries and maturity to be redeemed in part are to be selected.

Book-Entry-Only System

DTC will act as securities depository for the Series 2018 Bonds. The Series 2018 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 2018 Bond certificate will be issued for each maturity of the respective Subseries of Series 2018 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 2018 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2018 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 2018 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 2018 Bonds, except in the event that use of the book-entry system for the Series 2018 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2018 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 2018 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 2018 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2018 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 2018 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 2018 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 2018 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 2018 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 2018 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2018 Bonds, giving any notice permitted or required to be given to registered owners under the Resolutions, registering the transfer of the Series 2018 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 2018 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 2018 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 2018 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 2018 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 2018 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 2018 Bonds may thereafter be exchanged for an equal aggregate principal amount of Series 2018 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 2018 Bonds

The following table sets forth the amounts required to be paid by each of the Series 2018 Participants during each twelve-month period ending June 30 of the Bond Years shown for the payment of the interest on the Series 2018 Bonds payable on January 1 of such year and the principal and Sinking Fund Installments of and interest on the Series 2018 Bonds payable on the succeeding July 1.

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Total Debt Service by Series 2018 Participant

	Ability Beyond Disability and Ability Beyond Disability, Inc.		Citizens Options Unlimited, Inc., Community Services Support Corporation and Nassau County AHRC Foundation, Inc.		Citizens Options Unlimited, Inc., MRCS V, Inc. and Nassau County AHRC Foundation, Inc.	
FY Ending	Principal & Sinking Fund Installments	Interest	Principal & Sinking Fund Installments	Interest	Principal & Sinking Fund Installments	Interest
6/30/2019	$40,000	$51,488.25	$115,000	$135,103.17	$65,000	$64,911.67
6/30/2020	45,000	57,182.50	105,000	149,665.00	55,000	71,675.00
6/30/2021	45,000	55,507.50	110,000	145,815.00	60,000	69,750.00
6/30/2022	45,000	53,832.50	120,000	141,815.00	60,000	67,650.00
6/30/2023	50,000	52,032.50	120,000	137,015.00	65,000	65,550.00
6/30/2024	50,000	50,032.50	140,000	132,215.00	65,000	63,275.00
6/30/2025	50,000	48,032.50	140,000	126,615.00	65,000	61,000.00
6/30/2026	55,000	46,032.50	145,000	121,015.00	70,000	58,725.00
6/30/2027	55,000	43,832.50	140,000	115,215.00	70,000	56,275.00
6/30/2028	60,000	41,632.50	150,000	109,615.00	75,000	53,825.00
6/30/2029	60,000	39,232.50	155,000	103,615.00	75,000	51,200.00
6/30/2030	65,000	37,282.50	165,000	98,577.50	80,000	48,200.00
6/30/2031	65,000	35,170.00	170,000	93,215.00	85,000	45,000.00
6/30/2032	65,000	33,057.50	175,000	87,690.00	85,000	41,600.00
6/30/2033	70,000	30,945.00	185,000	82,002.50	90,000	38,200.00
6/30/2034	70,000	28,670.00	190,000	75,990.00	95,000	34,600.00
6/30/2035	75,000	26,290.00	195,000	69,530.00	95,000	30,800.00
6/30/2036	75,000	23,740.00	200,000	62,900.00	100,000	27,000.00
6/30/2037	80,000	21,190.00	210,000	56,100.00	105,000	23,000.00
6/30/2038	80,000	18,470.00	215,000	48,960.00	110,000	18,800.00
6/30/2039	85,000	15,750.00	215,000	41,650.00	115,000	14,400.00
6/30/2040	85,000	12,775.00	235,000	34,125.00	120,000	9,800.00
6/30/2041	90,000	9,800.00	240,000	25,900.00	125,000	5,000.00
6/30/2042	95,000	6,650.00	245,000	17,500.00		
6/30/2043	95,000	3,325.00	255,000	8,925.00		

Total Debt Service by Series 2018 Participant (continued)

	Lifespire, Inc.		SCO Family of Services		Singeria, Inc.	
FY Ending	Principal & Sinking Fund Installments	Interest	Principal & Sinking Fund Installments	Interest	Principal & Sinking Fund Installments	Interest
6/30/2019	$55,000	$57,779.72	$15,000	$15,527.89	$45,000	$54,093.06
6/30/2020	50,000	63,750.00	15,000	17,165.00	45,000	59,975.00
6/30/2021	50,000	61,875.00	20,000	16,640.00	45,000	58,325.00
6/30/2022	50,000	60,025.00	15,000	15,915.00	50,000	56,675.00
6/30/2023	55,000	58,025.00	15,000	15,315.00	50,000	54,675.00
6/30/2024	55,000	55,825.00	15,000	14,715.00	50,000	52,675.00
6/30/2025	60,000	53,625.00	15,000	14,115.00	55,000	50,675.00
6/30/2026	60,000	51,225.00	15,000	13,515.00	60,000	48,475.00
6/30/2027	60,000	48,825.00	15,000	12,915.00	60,000	46,075.00
6/30/2028	65,000	46,425.00	15,000	12,315.00	60,000	43,675.00
6/30/2029	70,000	43,825.00	20,000	11,715.00	60,000	41,275.00
6/30/2030	70,000	41,550.00	20,000	11,065.00	70,000	39,325.00
6/30/2031	70,000	39,275.00	20,000	10,415.00	70,000	37,050.00
6/30/2032	75,000	37,000.00	20,000	9,765.00	70,000	34,775.00
6/30/2033	75,000	34,562.50	20,000	9,115.00	70,000	32,500.00
6/30/2034	80,000	32,125.00	20,000	8,465.00	70,000	30,225.00
6/30/2035	80,000	29,405.00	20,000	7,785.00	80,000	27,845.00
6/30/2036	85,000	26,685.00	20,000	7,105.00	80,000	25,125.00
6/30/2037	90,000	23,795.00	25,000	6,425.00	80,000	22,405.00
6/30/2038	90,000	20,735.00	25,000	5,575.00	90,000	19,685.00
6/30/2039	95,000	17,675.00	25,000	4,725.00	90,000	16,625.00
6/30/2040	95,000	14,350.00	25,000	3,850.00	90,000	13,475.00
6/30/2041	100,000	11,025.00	25,000	2,975.00	95,000	10,325.00
6/30/2042	105,000	7,525.00	30,000	2,100.00	100,000	7,000.00
6/30/2043	110,000	3,850.00	30,000	1,050.00	100,000	3,500.00

Total Debt Service by Series 2018 Participant (continued)

	Young Adult Institute, Inc.	
FY Ending	Principal & Sinking Fund Installments	Interest
6/30/2019	$65,000	$70,237.58
6/30/2020	60,000	77,567.50
6/30/2021	60,000	75,342.50
6/30/2022	60,000	73,142.50
6/30/2023	65,000	70,742.50
6/30/2024	70,000	68,142.50
6/30/2025	70,000	65,342.50
6/30/2026	75,000	62,542.50
6/30/2027	75,000	59,542.50
6/30/2028	80,000	56,542.50
6/30/2029	85,000	53,342.50
6/30/2030	85,000	50,580.00
6/30/2031	85,000	47,817.50
6/30/2032	90,000	45,055.00
6/30/2033	90,000	42,130.00
6/30/2034	95,000	39,205.00
6/30/2035	100,000	35,975.00
6/30/2036	105,000	32,575.00
6/30/2037	110,000	29,005.00
6/30/2038	110,000	25,265.00
6/30/2039	115,000	21,525.00
6/30/2040	120,000	17,500.00
6/30/2041	120,000	13,300.00
6/30/2042	125,000	9,100.00
6/30/2043	135,000	4,725.00

PART 4 - THE SERIES 2018 PARTICIPANTS

Descriptions of the Series 2018 Participants, their operations and the Series 2018 Facilities they will finance or refinance with the proceeds of the Series 2018 Bonds are set forth in Appendix A hereto. Copies of the most recent audited financial statements for each of the Series 2018 Participants are set forth in Appendix B hereto, and copies of recent unaudited financial information for each of the Series 2018 Participants are set forth in Appendix C hereto. Prospective purchasers of the Series 2018 Bonds should carefully review Appendix A, Appendix B and Appendix C.

Each of the Series 2018 Participants, other than Ability Beyond Disability, Inc., is a not-for-profit corporation, organized and existing under the laws of the State. Ability Beyond Disability, Inc. is a not-for-profit corporation organized and existing under the laws of the State of Connecticut. All of the Series 2018 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 2018 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 2018 Participant's charitable purposes. When revenues are not sufficient to cover expenses, the Series 2018 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 2018 Participant typically serve without remuneration, though expenses associated with attendance at board meetings or other official board functions may be reimbursed.

Other than Nassau AHRC Foundation, Inc., each of the Series 2018 Participants owns and/or leases and/or operates one or more facilities, including the Series 2018 Facilities as described in Appendix A, in the State, to provide services to individuals who are developmentally disabled or have other special needs. Nassau AHRC Foundation, Inc. operates to publicly solicit and receive funds in support of individuals with intellectual and other disabilities. Each of the Series 2018 Participants has represented that it has the appropriate licenses and authority to provide its services under State statutes. The Series 2018 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 2018 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 2018 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 2018 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 2018 Participants**. See "PART 5 - SOURCES OF SERIES 2018 PARTICIPANT REVENUE."

The Series 2018 Participants have engaged the Program Facilitator to act as the facilitator for the InterAgency Council Pooled Loan Program. For its services, each Series 2018 Participant will pay the Program Facilitator a fee of .25% of the principal amount of its Allocable Portion of the Series 2018 Bonds at closing for new money loans and an annual fee of .125% of all of its outstanding Allocable Portion of Series 2018 Bonds. The Program Facilitator fee will not exceed $15,000 per year for any Series 2018 Participant. Each Series 2018 Participant is a member of the Program Facilitator.

All of the Series 2018 Facilities financed by the Series 2018 Bonds are covered by PPAs funded by OPWDD.

All of the Series 2018 Participants have over 20 years of experience providing services. See "PART 5 - SOURCES OF SERIES 2018 PARTICIPANT REVENUE." Also see "Appendix A - Description of Series 2018 Participants" for descriptions of (i) which Series 2018 Participants (a) have Prior Pledges of their respective Pledged Revenues and (b) will grant mortgages (and the nature of such mortgages) on their respective Series 2018 Facilities and (ii) the Citizens HUD Facilities.

PART 5 - SOURCES OF SERIES 2018 PARTICIPANT REVENUE

General

OPWDD and other State agencies provide a portion of the revenues of the Series 2018 Participants through contracts and reimbursement arrangements for the provision of their services, although the percentage of OPWDD and other State agencies revenues varies among the Series 2018 Participants. See "Appendix A - Description of Series 2018 Participants." Other government funding sources for one or more of the Series 2018 Participants are also described in Appendix A.

New York State Office for People with Developmental Disabilities

The following information concerning OPWDD and the PPA process included in this Part 5 has been provided by the Program Facilitator and is subject to change. The Program Facilitator obtained the information from publicly available information, including the New York State Annual Information Statement dated July 2, 2018 (the "2018 AIS"), the New York State Statement of Updated Annual Information Pursuant To Continuing Disclosure Agreements For FY 2017 (Ended March 31, 2017) dated July 27, 2017 (the "2017 Updated CDA Information"), and the Enacted Budget Financial Plans of the State for State fiscal years 2016 through 2019 ("Enacted Budget Plans"), as well as OPWDD's website.

Neither OPWDD nor any other State office, division, department, agency or officer, including the State Division of Budget, has authorized the Program Facilitator to provide the information concerning OPWDD and its operations for inclusion in this Official Statement or otherwise consented to such inclusion or agreed to execute a continuing disclosure agreement with respect to the Series 2018 Bonds described in this Official Statement. According to the State website on which the 2018 AIS and the 2017 Updated CDA Information are posted, (a) no portion of any of such documents may be included in or incorporated by reference in any official statement unless (i) the State Division of Budget ("DOB") has expressly consented and (ii) DOB has agreed to execute a continuing disclosure agreement relating to the bonds or notes described in the official statement, (b) any inclusion or incorporation by reference in an official statement without such consent and agreement by DOB is unauthorized and (c) the State expressly disclaims any responsibility with respect to the inclusion, intended use, and updating of the information so included or referenced.

The information included in this Part 5 which was obtained from the 2017 Updated CDA Information relates to obligations issued by DASNY under statutory authority and resolutions unrelated to the statutory authority and Resolutions pursuant to which the Series 2018 Bonds are being issued. While the Program Facilitator believes the information obtained from the 2017 Updated CDA Information provides material information for prospective investors in the Series 2018 Bonds, prospective investors should carefully review such information with an awareness that it was developed and posted to discharge disclosure undertakings regarding bonds related to different service providers and payable through a payment structure that is different from the payment structure made in connection with the Series 2018 Bonds. Furthermore, none of the State, DASNY or any other State agency or official has any obligation to continue updating the information in the 2017 Updated CDA Information when the bonds for which the 2017 Updated CDA Information is provided are no longer outstanding.

General

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

OPWDD is charged with developing a comprehensive, cost-effective, and integrated system to serve the full range of needs of individuals with developmental disabilities. OPWDD operates five regional offices, which oversee the provision of not-for-profit services, and six State operations offices, which are responsible for State-delivered programs and services. The 13 service districts within the State operations offices administer community-based and, where applicable, institutionally-based service programs for persons with developmental disabilities within regional catchment areas. Institutional programs offer residential care and habilitative services in campus settings, informally known as developmental centers, and at special population units located throughout the State. The community-based service programs, funded and regulated by OPWDD, reflect the cooperative efforts of local governments, not-for-profit service providers, including the Series 2018 Participants, and OPWDD as a provider of services. Community programs include State- and not-for-profit-operated residential and day services, as well as a variety of support services to families and individuals living in their own homes, including respite and crisis intervention, which help prevent unnecessary and costly out-of-home placement. OPWDD is responsible for the regulation and licensing of residential facilities such as the Series 2018 Facilities financed with the proceeds of the Series 2018 Bonds. Such regulation and licensing includes determining the need for the facility, review of plans and specifications for construction, inspections and audits and the establishment of a reimbursement rate for services.

OPWDD coordinates both residential and non-residential services for more than 128,000 New Yorkers with developmental disabilities, including intellectual disabilities, cerebral palsy, Down syndrome, autism spectrum disorders, and other disabilities. It provides services directly (referred to above as "State-operated services") and through a network of approximately 750 not-for-profit service providing agencies, with about 80% of services provided by the not-for-profit service provider agencies and 20% provided directly by the State.

OPWDD's community services system using private not-for-profit agencies continues to grow, which reflects the needs of the State's residents, subject to the funds available in the OPWDD budget. The 2018-19 budget for OPWDD increased by 3.7% over the 2017-18 budget, including $120 million for new community services, which includes an estimated $60 million for new integrated residential settings and $15 million for affordable housing initiatives. Additionally, $39 million has been added to support the transition of OPWDD's Medicaid Service Coordination program to a comprehensive care coordination model as a first step in the transition to managed care.

Funding for OPWDD is subject to appropriation by the State legislature, and there is no assurance that there will be continued appropriations by the State legislature in amounts sufficient for OPWDD to make payments to the Series 2018 Participants pursuant to their respective PPAs.

Population Statistics for Residential Programs

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

Year As of 3/31	State Operated Developmental Center	OPWDD Funded Community Based Residences
2015	468	41,966
2016	297	42,314
2017	233	42,737

Source: 2017 *Updated CDA Information*

Historical Total State Funding

The total State funding for OPWDD purposes for State Fiscal Years 2016, 2017 and 2018 are as follows:

Fiscal Year	OPWDD
2016	$3,223,358,000[(1)]
2017	2,974,349,000[(2)]
2018	2,935,355,000[(3)]

[(1)] Source: Enacted Budget Financial Plan for FY 2017 (page T-159)
[(2)] Source: Enacted Budget Financial Plan for FY 2018 (page T-158)
[(3)] Source: Enacted Budget Financial Plan for FY 2019 (page T-159)

State Fiscal Year 2018-19 Enacted Budget

The State Fiscal Year 2018-19 Enacted Budget (the "Enacted Budget") provides approximately $24 million in increased local assistance funding for DMH agencies. The spending increase is related to, among other things, new community services regulated by OPWDD and OMH, as individuals are transitioned from State-operated services to community-integrated settings; new OPWDD funding to promote access to vital supports and services for individuals aging out of their educational settings or moving from home; and funding for community based services at facilities for individuals relocating from institutional settings.

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 was developed to satisfy the regulatory requirement for OPWDD and the approval process of capital costs for program sites for the New York State Division of the Budget and to facilitate the capital financing of such sites. The PPA identifies funding and financing sources for capital costs and the level and method of reimbursement for such costs.

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

PPA Regulatory Compliance Process

OPWDD 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 (b) "substantial renovation" of an existing OPWDD-regulated site, with "substantial renovation" defined as renovation expenses that exceed 75% of the fair market value of the site as determined from the applicable municipal assessment rolls. All of the Series 2018 Facilities are New PPA Lien Projects; however certain of these New PPA Lien Projects (the "Renovation Projects") will also require additional renovations the costs of which have not been approved by OPWDD. For a description of which Series 2018 Facilities include Renovation Projects, see "Appendix A - Description of Series 2018 Participants."

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

In order to secure performance of the Regulatory Compliance Contract, the Capital Component Security 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 2018 Facilities are Approved Mortgages.

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

Pursuant to the State's Mental Hygiene Law, the State Commissioner of OPWDD (the "Commissioner") has the authority to appoint a Temporary Operating Receiver ("TOR") when OPWDD determines that a temporary operator is necessary to ensure continuity of services at a facility, such as the Series 2018 Facilities. The Commissioner may appoint a TOR to assume sole responsibility for the operations of the facility for a limited period of time in the event that (i) the established operator is seeking extraordinary financial assistance; (ii) OPWDD demonstrates that the established operator is experiencing serious financial instability issues; (iii) OPWDD demonstrates that the established operator's board of directors or administration is unable or unwilling to ensure the proper operation of the program; or (iv) OPWDD indicates there are conditions that seriously endanger or jeopardize continued access to necessary services within the community. In addition, the established operator may at any time request the Commissioner to appoint a TOR.

The TOR is a provider of services that has been established and issued an operating certificate (an "Operating Certificate") for a facility, such as the Series 2018 Facilities, that (a) agrees to provide services on a temporary basis in the best interests of the individuals served by the program operating in the facility, (b) has a history of compliance with applicable law, rules and regulations and a record of providing care of good quality, as determined by the Commissioner and (c) prior to appointment as a TOR, develops a plan determined to be satisfactory by the Commissioner to address the program's deficiencies. The TOR shall use its best efforts to implement the plan deemed satisfactory by the Commissioner to correct or eliminate any deficiencies in the program and to promote the quality and accessibility of services in the community served by the provider of services. During the term of appointment, the TOR shall have the authority to direct the staff of the established operator as necessary to appropriately provide services for individuals. The initial term of the appointment of the TOR shall not exceed ninety days. After ninety days, if the Commissioner determines that termination of the TOR would cause significant deterioration of the quality of, or access to, care in the community or that reappointment is necessary to correct the deficiencies that required the appointment of the TOR, the Commissioner may authorize an additional ninety-day term. However, such authorization shall include the Commissioner's requirements for conclusion of the temporary operatorship to be satisfied within the additional term. Notwithstanding the appointment of a TOR, the established operator shall remain obligated for the continued provision of services.

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

OPWDD Rights With Respect to Series 2018 Facilities

In addition to the statutory receivership remedy described above, each Series 2018 Loan Agreement provides for a contractual remedy upon the failure of a Series 2018 Participant to operate its Series 2018 Facilities in accordance with regulatory standards. Each Series 2018 Participant has covenanted and agreed in its Series 2018 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 2018 Facilities in accordance with the valid operating certificate issued by OPWDD for such Series 2018 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 2018 Facility for the remaining term during which such Series 2018 Participant has agreed to operate such certified program at the Series 2018 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 2018 Participant under its Series 2018 Loan Agreement with respect to such Series 2018 Facility as they become due and owing. See "Appendix D - Summary of Certain Provisions of the Series 2018 Loan Agreements" for further details of OPWDD's rights with respect to the Series 2018 Facilities and DASNY's remedy upon an event of default by a Series 2018 Participant under its Series 2018 Loan Agreement to request OPWDD to exercise such rights.

PART 6 – ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of proceeds of the Series 2018 Bonds:

	Subseries 2018A-1 Bonds	Subseries 2018A-2 Bonds
Estimated Sources of Funds		
Proceeds of Series 2018 Bonds	$11,705,000.00	$2,545,000.00
Net Original Issue Premium (Discount)	(30,113.95)	(57,053.40)
Total Sources of Funds	$11,674,886.05	$2,487,946.60
Estimated Uses of Funds		
Deposit to Project Loan Fund	$10,866,264.66	$1,672,000.00
Deposit to Series 2018 Debt Service Reserve Fund	375,923.67	76,550.08
Underwriter's Discount	233,497.72	104,227.28
Costs of Issuance	199,200.00	635,169.24
Total Uses of Funds	$11,674,886.05	$2,487,946.60

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 June 30, 2018, DASNY had approximately $51.3 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. One of the appointments to the Board by the Governor is 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.

WELLINGTON Z. CHEN, Queens.

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

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., New York.

Paul S. Ellis was appointed as a Member of DASNY by the Speaker of the State Assembly on September 19, 2016. Mr. Ellis is the Managing Member of Paul Ellis Law Group LLC, a law firm with a corporate/ securities/capital markets practice with emphasis on private placements, mergers and acquisitions, venture capital/ private equity transactions and joint ventures. He previously worked for Donovan Leisure Newton & Irvine and Winston & Strawn and served in staff positions in the U.S. Senate and the Massachusetts House of Representatives. He co-founded the New York Technology Council and serves on the Board of the NY Tech Alliance and as Chairman of the Housing Committee of Bronx Community Board 8. He holds a Bachelor of Arts degree from Harvard University and a Juris Doctor degree from Georgetown University Law Center.

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, insurance and information services, 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. In addition, he is responsible for the supervision of DASNY's environmental affairs unit. 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, real property, sustainability and engineering, as well as other technical services. Mr. Curro joined DASNY in 2001 as Director of Technical Services, and most recently served as Director of Construction Support Services. He is a registered Professional Engineer in New York and has worked in the construction industry for more than 30 years. He holds a Bachelor of Science in Civil Engineering from the University of Rhode Island, a Master of Engineering in Structural Engineering from Rensselaer Polytechnic Institute and a Master of Business Administration from Rensselaer Polytechnic Institute's Lally School of Management.

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

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, 2018. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

PART 8 - LEGALITY OF THE SERIES 2018 BONDS FOR INVESTMENT AND DEPOSIT

Under State law, the Series 2018 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 2018 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 2018 Bonds are negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution, the Series 2018 Resolution and in the Series 2018 Bonds.

PART 10 - TAX MATTERS

Subseries 2018A-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 2018 Participants, as applicable, and others, interest on the Subseries 2018A-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 2018A-1 Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed under the Code; provided, however, that such interest on the Subseries 2018A-1 Bonds is taken into account in determining adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018.

The Code imposes various requirements that must be met in order that interest on the Subseries 2018A-1 Bonds 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 2018A-1 Bonds and the rebate of certain earnings in respect of such investments to the United States. DASNY, each of the Series 2018 Participants, as applicable, and others have made certain representations, certifications of fact, and statements of reasonable expectations and DASNY and each of the Series 2018 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 2018A-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 2018 Participants to comply with any such covenant, the interest on the Subseries 2018A-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 2018A-1 Bonds, regardless of the date on which the event causing such inclusion occurs. Further, although the interest on the Subseries 2018A-1 Bonds is excludable from gross income for federal income tax purposes, receipt or accrual of the interest may otherwise affect the tax liability of a Beneficial Owner of a Subseries 2018A-1 Bond. The tax effect of receipt or accrual of the interest will depend upon the tax status of a Beneficial Owner of a Subseries 2018A-1 Bond and such Beneficial Owner's other items of income, deduction or credit. The opinion of Barclay Damon LLP expresses no opinion with respect to any such effect.

The excess of the principal amount of a maturity of a Subseries 2018A-1 Bond over the issue price of such maturity of Subseries 2018A-1 Bond (a "Discount Bond") constitutes "original issue discount," the accrual of which, to the extent properly allocable to the Beneficial Owner thereof, constitutes "original issue discount" which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a maturity of Subseries 2018A-1 Bonds is the first price at which a substantial amount of such maturity of Subseries 2018A-1 Bonds is sold to the public (excluding underwriters and other intermediaries). 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. Beneficial Owners of Discount Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Discount Bonds.

Subseries 2018A-1 Bonds purchased, whether at original issuance or otherwise, at prices greater than the stated principal amount thereof are "Premium Bonds." Premium Bonds will be subject to requirements under the Code relating to tax cost reduction associated with the amortization of bond premium and, under certain circumstances, the Beneficial Owner of Premium Bonds may realize taxable gain upon disposition of such 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 a Beneficial Owner of Premium Bonds is treated as having received for federal tax purposes (and an adjustment to basis). Beneficial Owners of Premium Bonds are advised to consult with their own tax advisors with respect to the tax consequences of ownership of Premium Bonds.

Prospective purchasers of the Subseries 2018A-1 Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of the Subseries 2018A-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 2018A-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 2018A-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 2018A-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 2018A-1 Bonds, if other than the registered owner).

Barclay Damon LLP is further of the opinion that interest on the Subseries 2018A-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."

The opinion of Barclay Damon LLP is based on current legal authority, covers certain matters not directly addressed by such authority and represents the judgment of Barclay Damon LLP as to the proper treatment of the Subseries 2018A-1 Bonds for federal income tax purposes. It is not binding on the IRS or the courts. 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 2018A-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 2018A-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 2018A-1 Bonds. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of Beneficial Owners of the Subseries 2018A-1 Bonds may occur. Prospective purchasers of the Subseries 2018A-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 2018A-1 Bonds ends with the issuance of the Subseries 2018A-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 2018A-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 2018A-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 2018A-1 Bonds, and may cause DASNY, the Series 2018 Participants, as applicable, or the Bondholders to incur significant expense.

Subseries 2018A-2 Bonds

In the opinion of Barclay Damon LLP, interest on the Subseries 2018A-2 Bonds is not excluded from the gross income of the owners thereof for purposes of federal income taxation. Interest on the Subseries 2018A-2 Bonds is exempt from existing personal income taxes of New York State or any political subdivisions thereof (including The City of New York and the City of Yonkers). Beneficial Owners of the Subseries 2018A-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 2018A-2 Bonds by original purchasers of the Subseries 2018A-2 Bonds who are "U.S. Holders", as defined herein. This summary (i) is based on the Code, U.S. 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 2018A-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 Beneficial Owner in light of its particular circumstances or to Beneficial Owners subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Subseries 2018A-2 Bonds as a position in a "hedge" or "straddle," Beneficial Owners whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, Beneficial Owners who acquire Subseries 2018A-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.

Current and future legislative proposals, if enacted into law, administrative actions or court decisions, at either the federal or state level, may affect the value and marketability of the Subseries 2018A-2 Bonds.

Beneficial Owners of Subseries 2018A-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 2018A-2 Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

U.S. Holders

The term "U.S. Holder" means a beneficial owner of a Subseries 2018A-2 Bond that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

Interest and Original Issue Discount

Interest on the Subseries 2018A-2 Bonds that is "qualified stated interest" generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or received (in accordance with the U.S. Holder's regular method of tax accounting). Generally, "qualified stated interest" means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate and includes the semi-annual interest payments on the Subseries 2018A-2 Bonds.

Interest on the Subseries 2018A-2 Bonds includes any accrued original issue discount. Original issue discount with respect to a Subseries 2018A-2 Bond is equal to the excess, if any, of the stated redemption price at maturity of a Subseries 2018A-2 Bond over the initial offering price thereof to the public (excluding underwriters and other intermediaries) at which price a substantial amount of all Subseries 2018A-2 Bonds with the same maturity were sold, provided that such excess equals or exceeds a de minimis amount (generally ¼% of the product of the stated redemption price of a bond at maturity and the number of complete years from its issue date to its maturity). The stated redemption price at maturity of a Subseries 2018A-2 Bond is the sum of all scheduled amounts payable on the Subseries 2018A-2 Bond (other than qualified stated interest). A U.S. Holder of a Subseries 2018A-2 Bonds with original issue discount must include the discount in income as ordinary interest for federal income tax purposes as it accrues in advance of receipt of cash payments attributable to such income, regardless of the U.S. Holder's regular method of tax accounting. Original issue discount accrues actuarially on a constant yield basis over the term of each Subseries 2018A-2 Bond and the basis of such Subseries 2018A-2 Bond acquired at such initial offering price by an initial purchaser of each Subseries 2018A-2 Bond will be increased by the amount of such accrued discount. Beneficial Owners should consult with their own tax advisors with respect to the computation of original issue discount during the period in which any Subseries 2018A-2 Bond is held.

Certain non-corporate U.S. Holders will be subject to a 3.8% tax, in addition to regular tax on income and gains, on some or all of their net investment income, which generally will include interest on the Subseries 2018A-2 Bonds and any net gain recognized upon a disposition of a Subseries 2018A-2 Bond. U.S. Holders should consult with their tax advisors regarding the applicability of this tax.

Disposition and Defeasance

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Subseries 2018A-2 Bond, a Beneficial Owner 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 Beneficial Owner's adjusted tax basis in the Subseries 2018A-2 Bond.

For federal income tax purposes, the defeasance of Subseries 2018A-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 2018A-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 2018A-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 2018A-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 2018A-2 Bonds, if other than the registered owner).

Under the Foreign Account Tax Compliance Act ("FATCA"), foreign financial institutions must comply with information reporting rules with respect to their U.S. account holders and investors or be required to withhold tax on U.S. source payments made to them.

PART 11 - BONDHOLDERS’ RISKS

General

The Series 2018 Bonds involve a certain degree of risk. Prospective investors in the Series 2018 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 2018 Bonds. This Official Statement contains only summaries of the Resolution, the Series 2018 Resolution, the Series 2018 Loan Agreements and the related documents. Prospective investors are urged to read such documents in their entirety prior to investing in the Series 2018 Bonds. Copies of such documents may be obtained from the Underwriter prior to the issuance of the Series 2018 Bonds. See Appendix A for a discussion of the financial condition and results of operations of the Series 2018 Participants, Appendix B for copies of the audited financial statements of the Series 2018 Participants, and Appendix C for copies of recent unaudited financial information for each of the Series 2018 Participants.

Set forth below are certain risk factors affecting an investment in the Series 2018 Bonds, including, among others, risk factors that could adversely affect a Series 2018 Participant’s operations, revenues and expenses, including those relating to its Series 2018 Facilities, to an extent which cannot be determined at this time. Such risk factors should be considered before any investment in the Series 2018 Bonds is made. These risk factors should not be considered definitive or exhaustive.

Special, Limited Obligations of DASNY

The Series 2018 Bonds are special, limited obligations of DASNY payable solely from revenues expected to be received by DASNY from the Series 2018 Participants under the applicable Series 2018 Loan Agreement and from amounts held in the funds established pursuant to the Resolutions (other than the Arbitrage Rebate Fund). The Series 2018 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 2018 Participants

The obligations of each Series 2018 Participant under its Series 2018 Loan Agreement are independent of the obligations of each other Series 2018 Participant under their respective Series 2018 Loan Agreements. A failure by a Series 2018 Participant to timely pay its obligations under its Series 2018 Loan Agreement might result in an event of default under the Resolutions with respect to such Series 2018 Participant's Allocable Portion of the Series 2018 Bonds. Upon the happening and continuance of an event of default affecting only a Defaulted Allocable Portion of the Series 2018 Bonds, payment on such Defaulted Allocable Portion of Series 2018 Bonds will be limited to amounts received from or payable by or on behalf of such Series 2018 Participant and amounts derived upon the realization of any security or collateral granted by such defaulting Series 2018 Participant. With respect to Series 2018 Bonds comprising part of a Defaulted Allocable Portion of the Series 2018 Bonds, Holders of such Series 2018 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 2018 Participant for the payment of other Series 2018 Bonds or any other security pledged by such other non-defaulting Series 2018 Participants as security for their loans. The Series 2018 Bonds that comprise a Defaulted Allocable Portion of the Series 2018 Bonds will be selected by the Trustee in the same manner as Series 2018 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 2018 BONDS - Events of Default - Special Provisions Relating to Defaults," "PART 3 - THE SERIES 2018 BONDS - Redemption Provisions" and "Appendix F - Summary of Certain Provisions of the Resolutions."

Reliance on Credit of the Series 2018 Participants

The Series 2018 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 2018 Participants pursuant to their respective PPAs are expected to provide moneys approximately sufficient to pay annual debt service on their respective loans for the Series 2018 Facilities covered by such PPA or PPAs (with any difference between the two amounts covered by the Pledged Revenues of such Series 2018 Participant expected to be received for operating and administrative expenses associated with such Series 2018 Facility), there can be no assurance that the funds received by a particular Series 2018 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 2018 Participant's Allocable Portion of the Series 2018 Bonds attributable to the Series 2018 Facilities to which the PPA or PPAs relate (whether because of non-appropriation of funds by the State, failure of a Series 2018 Participant to operate its Series 2018 Facility or Facilities in accordance with operational standards, a prior pledge of such PPA or otherwise).

The payment obligations of the Series 2018 Participants are several, not joint. The Holders of the Series 2018 Bonds must therefore rely upon the credit of each Series 2018 Participant for the payment of the Series 2018 Bonds (and not the credit of DASNY, the Trustee, the Underwriter, the Program Facilitator, the State or any municipality or agency of the State). See "PART 1 - INTRODUCTION - Additional Security - Pledged Revenues and Standby Intercepts," "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2018 BONDS - Security for the Series 2018 Bonds," and "PART 5 - SOURCES OF SERIES 2018 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities." For the purposes of a Series 2018 Loan Agreement delivered by more than one entity, the payment obligations for a Series 2018 Participant shall be joint and several with respect to the entities comprising such Series 2018 Participant.

Each Series 2018 Participant covenants in its Series 2018 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 2018 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 2018 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 2018 Loan Agreement if such Series 2018 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 2018 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 2018 Participant is unable to demonstrate compliance.

Revenues of Series 2018 Participants

Future revenues of each Series 2018 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 2018 Bonds depends upon the receipt by the Trustee of the Loan Repayments under the Series 2018 Loan Agreements. Some of the risks that could affect the ability of one or more of the Series 2018 Participants to pay such amounts are failure of (i) the legislature of the State, or any of the counties or cities in which Series 2018 Participants operate, to approve sufficient appropriations for the purchase of services from the Series 2018 Participants; (ii) the State or various county and city departments to make timely payments to the Series 2018 Participants of appropriated amounts caused by revenue short falls or other State or local fiscal considerations; (iii) the Series 2018 Participants to fulfill their obligations which entitle them to receive payments, including payments under their respective PPAs; (iv) the Series 2018 Participants to maintain the appropriate certifications from the required licensing or certifying entity(ies) to provide services as required; and (v) the Series 2018 Participants to obtain the renewal of their contracts to provide services.

In addition, a Series 2018 Participant's license and/or certification may be revoked for failure to comply with standards of operation applicable to such Series 2018 Participant, or a Series 2018 Participant may cease operations of its respective Series 2018 Facility due to insolvency. In such events, OPWDD and DASNY (with respect to Series 2018 Facilities supported by PPAs) may not be able to timely identify and install a replacement operator to assume the operation of the applicable Series 2018 Facility, and thus there may be insufficient revenues to pay principal and interest on the Series 2018 Bonds.

For the purposes of a Series 2018 Loan Agreement delivered by more than one entity, only certain of such entities comprising such Series 2018 Participant may receive revenues as described in this section. See Appendix A for further details.

Further, the enactment of additional legislation imposing new regulatory challenges, increasing costs of operation or reducing reimbursement rates could adversely affect the financial condition of Series 2018 Participants. Any one of such adverse events may result in insufficient revenues to pay the principal and interest on the Series 2018 Bonds.

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

Upon the issuance of any other Series of Bonds for the benefit of one or more of the Series 2018 Participants, the applicable Series 2018 Participant and DASNY shall enter into one or more separate loan agreements. The Series 2018 Bonds are separately secured from all other Series of Bonds and the Holders of any Series of Bonds other than the Series 2018 Bonds are not entitled to the rights, benefits and security conferred upon the Holders of the Series 2018 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 2018 Bonds, an event of default by a Series 2018 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 2018 Participant's Series 2018 Loan Agreement. See "PART 1 - INTRODUCTION - Authorization of Issuance" and "- Security for the Series 2018 Bonds" and "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2018 BONDS."

Enforceability of Remedies; Effect of Bankruptcy of a Series 2018 Participant

The Series 2018 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 2018 Bonds described herein upon any default will depend upon the exercise of various remedies specified by the Resolutions, the respective Series 2018 Loan Agreements, the respective Mortgages, if any, or other security agreements, if applicable, and the then-value of the collateral and other regulatory approvals. These and other remedies may, in many respects, require judicial actions which are often subject to discretion and delay.

Under existing law, the remedies specified by the Resolutions, the Series 2018 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 2018 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 2018 Bonds are subject to various provisions of Title 11 of the United States Code (the "Bankruptcy Code"). If a Series 2018 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 2018 Participant and its property, including the commencement of foreclosure proceedings under its Mortgage, if applicable. Such Series 2018 Participant would not be permitted or required to make payments of principal or interest under its Series 2018 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 2018 Participant's Intercept Funds pursuant to the applicable Intercept Agreement or the Trustee from applying amounts on deposit in the accounts established with respect to such Series 2018 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 2018 Participant's Allocable Portion of the Series 2018 Bonds. Moreover, any motion for an order terminating the automatic stay and permitting such intercept or accounts to be applied in accordance with the provisions of the Resolutions would be subject to the discretion of the United States Bankruptcy Court, and may be subject to objection and/or comment by other creditors of such Series 2018 Participant, which could affect the likelihood or timing of obtaining such relief. In addition, if the Mortgage of such defaulting Series 2018 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 2018 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 2018 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 2018 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 2018 Bonds

The Mortgages do not presently provide any security for the Series 2018 Bonds. However, under certain circumstances described herein, one or more of the Mortgages may be assigned to the Trustee. Prior to any assignment of a Mortgage to the Trustee, each applicable Series 2018 Loan Agreement provides that (a) DASNY, without the consent of the Trustee or the Holders of the Series 2018 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 2018 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 2018 BONDS - Security for the Series 2018 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 2018 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 2018 Loan Agreements or the applicable Mortgages and

(viii) claims by creditors that the mortgaged or secured 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 applicable Series 2018 Participant's Series 2018 Loan Agreement, and one of the options under the Resolution, is to institute foreclosure proceedings to enforce the lien on and sell such Series 2018 Participant's Mortgaged Property, if any, in the event of a default under its Series 2018 Loan Agreement, its Mortgage(s) or the Resolutions. However, due to the limited uses for which a Series 2018 Participant's Mortgaged Property may be utilized, none of DASNY, the Program Facilitator, the Trustee, the applicable Series 2018 Participant, or the Underwriter makes any assurance or representation that DASNY or the Trustee will be able to effect a sale of a Series 2018 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 2018 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 2018 Bonds attributable to such defaulting Series 2018 Participant.

In exercising the rights of foreclosure or other sale under a Mortgage, DASNY or the Trustee, as the case may be, in accordance with current commercial lending practices, may perform a Phase I Environmental Audit to determine the presence or likely presence of a release or a substantial threat of a release of any hazardous materials at, on, to, or from the Mortgaged Property. If the audit indicates the existence of hazardous materials with respect to the Mortgaged Property, the Trustee or DASNY, as applicable, may conclude that it is not in the best interests of the Bondholders to foreclose or otherwise exercise its security interest on such property due to liability for removal of hazardous materials. In such an event, the Trustee or DASNY may decline to exercise foreclosure or other 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 2018 Bonds that would otherwise have been available absent the existence of such hazardous materials.

Another option under a Series 2018 Participant's Series 2018 Loan Agreement is to institute proceedings to enforce the lien on and sell the Series 2018 Participant's Equipment (as defined in each Mortgage) in the event of a default under its Series 2018 Loan Agreement, its Mortgage(s) or the Resolutions. However, due to the limited uses for which a Series 2018 Participant's Equipment may be utilized, none of DASNY, the Program Facilitator, the Trustee, the applicable Series 2018 Participant, or the Underwriter makes any assurances or representations that DASNY or the Trustee will be able to sell a Series 2018 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 2018 Participant established under the Resolution, would be sufficient to pay in full the principal of, or interest on, the Series 2018 Bonds attributable to such defaulting Series 2018 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 2018 Participants. Such approval was not sought in connection with the execution, delivery and performance by the Series 2018 Participants of the

Mortgages or the pledges of assets and revenues that are contemplated by the Resolutions and the Series 2018 Loan Agreements. It is the opinion of counsel to the Series 2018 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 2018 Facilities from Lien of Mortgages

Each Series 2018 Loan Agreement, each Mortgage and the Resolutions provide a Series 2018 Participant the ability to prepay a portion of its loan attributable to a Series 2018 Facility and, upon the redemption or defeasance of the related Series 2018 Bonds to have such Series 2018 Facility released from the lien of the applicable Mortgage. There is no assurance that the security, if any, provided by the remaining Series 2018 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 2018 Participant's Allocable Portion of the Series 2018 Bonds. In the event of a default by one Participant, none of DASNY, the Trustee, the Program Facilitator or any Bondholder will have any recourse to, claim against or right of contribution from any other non-defaulting Series 2018 Participant.

In view of the foregoing, investors should rely on their own examination of the creditworthiness and financial condition of each of the Series 2018 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 2018 Participants are subject to Federal, State and local actions, including, among others, actions by the various State, county and city departments. The Series 2018 Bonds are payable from operating revenues of the Series 2018 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 2018 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 2018 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 2018 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 2018 Bonds, will materially adversely affect a Series 2018 Participant's ability to make its Loan Repayments and, consequently, the repayment of the Series 2018 Bonds attributable to such Series 2018 Participant.

Federal Medicaid Reform

A majority of the Public Funds (including the Intercept Funds) are received from Medicaid. Future Medicaid reform may materially adversely affect the Public Funds received by the Series 2018 Participants. Various federal legislative proposals have recently been made in connection with health care reform that could, among other things, reduce or unfavorably restructure Medicaid funding. Management of the Series 2018 Participants cannot predict whether any such proposals will become law. If enacted into law, such proposals could adversely affect the Public Funds received by, and the revenues available to, Series 2018 Participants and therefore, their ability to pay debt service on their Allocable Portion of the Series 2018 Bonds.

Completion of the Projects; Zoning; Certificate of Occupancy

The acquisition of all of the Series 2018 Facilities are complete. Each of the Series 2018 Facilities has received a certificate of occupancy from the applicable local jurisdiction, except for the Ability Beyond Disability Series 2018 Facility located at 250 Smith Ridge Road, South Salem (Town of Lewisboro), New York (pending) and the Sinergia, Inc. Series 2018 Facilities located at 3016 and 2018 Corlear Avenue, Bronx, New York (no certificates of occupancy required). Updated certificates of occupancy are required for the Young Adult Institute, Inc. Series 2018 Facilities located at 134-19 157th Street, Jamaica, New York and 186 Southaven Avenue, Medford, New York and the Lifespire, Inc. Series 2018 Facility located at 1315 Plimpton Avenue, Bronx, New York, and a certificate of completion is required for the Community Services Support Corporation Series 2018 Facility located at 227 North Cedar Street, Massapequa (Town of Oyster Bay), New York.

Each Series 2018 Facility may require special use permits or certificates of compliance or other zoning approval (each, a "Certificate") from the applicable municipality. Failure of a Series 2018 Participant to obtain an appropriate Certificate where the same is required could materially adversely affect the financial position of such Series 2018 Participant. Moreover, the failure of a Series 2018 Participant's Series 2018 Facilities to receive a Certificate when required could materially adversely impact either the Series 2018 Participant's, the Trustee's or another party's right to use or occupy the Series 2018 Facility, before or after the exercise of default remedies.

OPWDD operating certificates, which permit the Series 2018 Participants to operate their Series 2018 Facilities for their intended purposes, have been issued by OPWDD for each of the Series 2018 Facilities except for the Community Services Support Corporation Series 2018 Facility located at 227 North Cedar Street, Massapequa (Town of Oyster Bay), New York and the Lifespire, Inc. Series 2018 Facility located at 1315 Plimpton Avenue, Bronx, New York.

Additional Indebtedness

Under its Series 2018 Loan Agreement, each Series 2018 Participant has the ability to incur additional debt. An event of default by a Series 2018 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 2018 Participant's Series 2018 Loan Agreement. See "Appendix E - Summary of Certain Provisions of the Series 2018 Loan Agreements."

Prior Pledges of Pledged Revenues

The Series 2018 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 2018 Participants to DASNY pursuant to its Series 2018 Loan Agreement, subject to Prior Pledges. Certain of the Series 2018 Participants have previously pledged their Public Funds (a portion of which consists of the Pledged Revenues) to DASNY, an industrial development agency or to HUD to secure other obligations. Certain of the Series 2018 Participants have pledged their accounts receivable, including Public Funds, to banks or other financial institutions as security for their obligations in connection with lines of credit. Additionally, a Series 2018 Participant may, with the consent of DASNY, hereafter secure a line of credit with a Prior Pledge. The pledge of the Pledged Revenues securing such Series 2018 Participant's Allocable Portion of the Series 2018 Bonds is subject, and subordinate, to such Prior Pledges in all respects. See "Appendix A - Description of Series 2018 Participants" for a description of each of the Series 2018 Participants, including a description of outstanding indebtedness and credit facilities secured by security interests which include Prior Pledges of their respective Pledged Revenues. See also "PART 11—BONDHOLDERS' RISKS—Specific Risks Related to the Citizens HUD Facilities Participant."

Grant of Additional Security Interests

Subject to the limitations set forth in its Series 2018 Loan Agreement, a Series 2018 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 2018 Participant and its ability to satisfy its Loan Repayment obligations. See "Appendix E - Summary of Certain Provisions of the Series 2018 Loan Agreements."

A Series 2018 Participant may also grant a subordinate mortgage as security for bonds issued by DASNY after the date of issuance of the Series 2018 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 2018 Facility, and any loan agreement, or amendment to the applicable Series 2018 Loan Agreement, between DASNY and such Series 2018 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 2018 Participant is subject to various requirements affecting its operation. The failure of a Series 2018 Participant to maintain its tax-exempt status may affect the Series 2018 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 2018 Loan Agreement. Further, a loss of a Series 2018 Participant's status as a Section 501(c)(3) organization, failure of a Series 2018 Participant to comply with certain legal requirements of the Code, or adoption of amendments to the Code applicable to such Series 2018 Participant that restrict the use of tax-exempt bonds for facilities, such as one or more of its Series 2018 Facilities, could cause interest on the Subseries 2018A-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 2018A-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 2018A-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 2018A-1

Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Subseries 2018A-1 Bonds. See "PART 10 - TAX MATTERS." The Subseries 2018A-1 Bonds are not subject to redemption, nor will the interest rate on the Subseries 2018A-1 Bonds be changed, if interest on the Subseries 2018A-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 2018A-1 Bonds.

Risk of Review by State and Federal Agencies

Various State and federal agencies, including without limitation, OPWDD, the Office of Medicaid Inspector General, the Office of State Controller, the Department of Health, the State Attorney General, the United States Attorney's Office, the United States Office of Inspector General, and the State Commission on Quality of Care, have ongoing programs of reviewing the services provided by, and the claims for payment submitted by, service provider agencies, such as the Series 2018 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 2018 Participant and the effect of any such review on such Series 2018 Participant's ability to make its payments under its Series 2018 Loan Agreement.

Specific Risks Related to the Citizens HUD Facilities Participant

MRCS V, Inc. received capital advance financing from HUD for the Citizens HUD Facilities in 2015 in the amount of $1,396,400 (the "Capital Advance Financing") which Capital Advance Financing is secured by a mortgage on the Citizens HUD Facilities (the "HUD Mortgage"). The mortgage note bears no interest and is repayable only if the Citizens HUD Facilities do not remain available for disabled persons for no less than 40 years from the date of construction completion. The HUD Mortgage prohibits any other liens on the Citizens HUD Facilities; therefore MRCS V, Inc., as owner of the Citizens HUD Facilities, will not grant a mortgage to DASNY to secure the Citizens HUD Facilities Participant's Allocable Portion of the Series 2018 Bonds. The Citizens HUD Facilities are also subject to a Regulatory Agreement and a Use Agreement, which similarly restrict the use of the Citizens HUD Facilities to disabled persons and which contains a Prior Pledge by MRCS V, Inc. See "Appendix A— Description of Series 2018 Participants" for further details.

Cautionary Statements Regarding Forward-Looking Statements in this Official Statement

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "anticipate," "budget," "intend," "projection" or other similar words. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those presently anticipated or projected. Readers are cautioned not to place undue reliance on any such forward-looking statements. SUCH RISKS AND UNCERTAINTIES INCLUDE, AMONG OTHERS, GENERAL ECONOMIC AND BUSINESS CONDITIONS, CHANGES IN POLITICAL, SOCIAL AND ECONOMIC CONDITIONS, REGULATORY INITIATIVES AND COMPLIANCE

WITH GOVERNMENTAL REGULATIONS, LITIGATION AND VARIOUS OTHER EVENTS, CONDITIONS AND CIRCUMSTANCES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE SERIES 2018 PARTICIPANTS. PURCHASERS SHOULD NOT EXPECT TO RECEIVE ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENTS IF OR WHEN EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

PART 12 - STATE NOT LIABLE ON THE SERIES 2018 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 2018 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 2018 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 2018 Bonds; provided, however, that certain legal matters with respect to the tax status of interest on the Series 2018A-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 2018 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 2018 Bonds or questioning or affecting the validity of the Series 2018 Bonds or the proceedings and authority under which they are to be issued.

See "Appendix A - Description of Series 2018 Participants" for a description of any litigation which may have a material adverse effect on the Series 2018 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 2018 Participant will enter into a written agreement (collectively, the "Continuing Disclosure Agreements") for the benefit of the Holders of the Series 2018 Bonds with Digital Assurance Certification L.L.C. ("DAC"), as disclosure dissemination agent, and the Trustee. The proposed form of the Continuing Disclosure Agreement is attached as Appendix G hereto.

For information about the Series 2018 Participants' compliance with their continuing disclosure undertakings made pursuant to Rule 15c2-12, see "Appendix A - Description of Series 2018 Participants."

PART 16 - UNDERWRITING

The Series 2018 Bonds are being purchased by Municipal Capital Markets Group, Inc. (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Series 2018 Bonds from DASNY at a purchase price of $13,825,107.65 and to make a public offering of the Series 2018 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 2018 Bonds if any Series 2018 Bonds are purchased. The Series 2018 Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2018 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 2018 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 2018 Bonds have been rated "Aa2" by Moody's. The rating on the Series 2018 Bonds is based upon the obligation of the Series 2018 Participants under the Series 2018 Loan Agreements to make certain payments from the Revenues, and on the security interest in the Pledged Revenues granted by such Series 2018 Participants to DASNY under the Series 2018 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 2018 Bonds.

PART 18 - INDEPENDENT PUBLIC ACCOUNTANTS

Citizens Options Unlimited, Inc., Community Services Support Corporation and Nassau County AHRC Foundation, Inc. have provided their respective financial statements as of and for the years ended December 31, 2017, December 31, 2016 and December 31, 2015, MRCS V, Inc. has provided its financial statements as of and for the year ended December 31, 2017 and as and for the year beginning September 1, 2016 and ended December 31, 2016 (the first year of its existence), and the other Series 2018 Participants have provided their respective financial statements as of and for the years ended June 30, 2017, June 30, 2016 and June 30, 2015. 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 2018 Loan Agreements and the Mortgages do not purport to be complete. Refer to the Act, the Resolutions, the

Series 2018 Loan Agreements and the Mortgages for full and complete details of their provisions. Copies of the Resolutions, the Series 2018 Loan Agreements and the Mortgages are on file with DASNY and the Trustee.

The agreements of DASNY with Holders of the Series 2018 Bonds are fully set forth in the Resolutions. Neither any advertisement of the Series 2018 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2018 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 2018 Participants and their respective Series 2018 Facilities contained in this Official Statement has, in each case, been furnished by the Series 2018 Participants. DASNY believes that this information is reliable, but DASNY makes no representations or warranties as to the accuracy or completeness of such information.

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

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

"Appendix A - Description of Series 2018 Participants," "Appendix B - Audited Financial Statements of Series 2018 Participants" and "Appendix C - Unaudited Financial Information of Series 2018 Participants" were supplied by the Series 2018 Participants.

"Appendix D - Certain Definitions," "Appendix E - Summary of Certain Provisions of the Series 2018 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 McCarter & English, LLP, New York, New York and Newark, New Jersey, counsel to the Underwriter.

Each Series 2018 Participant has reviewed the parts of this Official Statement describing such Series 2018 Participant, its Series 2018 Facilities, its Mortgages, if any, including, without limitation, "PART 1 – INTRODUCTION" (but solely with respect to the headings "The Series 2018 Participants," "Additional Security – Pledged Revenues and Standby Intercepts," and "The Mortgages"), "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2018 BONDS – Security for the Series 2018 Bonds - Pledged Revenues – Intercept Funds," "– Security for the Series 2018 Bonds – Mortgages," "PART 3 – THE SERIES 2018 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2018 Bonds," "PART 4 - THE SERIES 2018 PARTICIPANTS," "PART 5 - SOURCES OF SERIES 2018 PARTICIPANT REVENUE," "PART 6 – ESTIMATED SOURCES AND USES OF FUNDS," "PART 11 - BONDHOLDERS' RISKS," "PART 15 – CONTINUING DISCLOSURE," and "PART 18 – INDEPENDENT PUBLIC ACCOUNTANTS," and the information relating to it contained in Appendices A, B, and C. It is a condition to the sale and delivery of the Series 2018 Bonds that each

Series 2018 Participant certify as of the dates of sale and delivery of the Series 2018 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 2018 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 2018 Participant.

The Program Facilitator has reviewed the parts of this Official Statement describing itself and the information contained in "PART 5 - SOURCES OF SERIES 2018 PARTICIPANT REVENUE," and "PART 11 - BONDHOLDERS' RISKS." It is a condition to the sale and delivery of the Series 2018 Bonds that the Program Facilitator certify as of the dates of sale and delivery of the Series 2018 Bonds that such parts and such information do not contain any untrue statement of a material fact and do not omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements were made, not misleading.

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 2018 PARTICIPANTS

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ABILITY BEYOND DISABILITY
AND
ABILITY BEYOND DISABILITY, INC.

General Operations. Ability Beyond Disability ("ABD"), originally incorporated under the name Datahr Rehabilitation Institute (New York), is an affiliate of Ability Beyond Disability, Inc. ("ABD Inc."), which is one of Connecticut's largest private providers of residential services for people with disabilities. ABD Inc. opened its first group home in 1968, and began its Traumatic Brain Injury ("TBI") program in 1983. In the mid-1990s, ABD began the first program providing direct services for people with TBI in New York. ABD Inc. and ABD's services include residential group homes, occupational, speech and physical therapy, on-site nursing, dietary and behavioral services and job placement services designed to enable disabled adults to find paid employment. ABD 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. ABD Inc. is a not-for-profit organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

ABD and ABD Inc. will both receive the loan from the proceeds of the Series 2018 Bonds. The financial statements of ABD Inc. are prepared on a consolidated basis among ABD Inc. and its affiliates, including ABD. However, the financial information in this Appendix is limited to the operations of ABD and ABD Inc., as the two other affiliates of ABD Inc. will not have any obligation to make payments under the Loan Agreement. The Series 2018 Participants are only ABD and ABD Inc.

ABD's funding sources for its 2017 Fiscal Year were: OPWDD (approximately 88%) and miscellaneous other sources (approximately 12%). ABD Inc.'s funding sources for its 2017 Fiscal Year were: miscellaneous sources (100%).

Description of Facilities and Financing Plan. DASNY will lend ABD and ABD Inc. $1,650,000 from the proceeds of the Series 2018 Bonds ("ABD and ABD Inc.'s Allocable Portion"). Such amount will be used to finance or refinance debt incurred in connection with the Facility and Project described below, as well as for related legal fees, capitalized interest, costs of issuance and debt service reserve requirements.

- The Facility is a 3,808 square-foot, one-story building located at 250 Smith Ridge Road, South Salem (Town of Lewisboro), New York. The Project consists of the construction of the Facility for use as a residence for eight adults with developmental disabilities.

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

The Facility is a New PPA Lien Project. See the information in this Official Statement entitled "PART 5 - SOURCES OF SERIES 2018 PARTICIPANT FUNDING - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process" for further information concerning New PPA Lien Projects.

ABD has not received a new Certificate of Occupancy from the Town of Lewisboro for the Facility but has received an Operating Certificate for the Facility from OPWDD. See the information in this Official Statement entitled "PART 11 - BONDHOLDERS' RISKS - Completion of the Projects; Zoning; Certificate of Occupancy."

ABD owns the Facility. ABD 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. ABD also owns 12 residences and leases 10 other residences and properties in New York. ABD Inc. and affiliates (other than ABD) own 55 residences and lease 15 other residences and properties in Connecticut.

Employees. ABD employs 179 full-time and 46 part-time employees in New York. The new residential Facility will not require it to employ additional new employees. ABD Inc. employs 735 full-time and 167 part-time employees in Connecticut.

Debt Service Coverage.

Calculated in accordance with the definition set forth in the Loan Agreement among DASNY, ABD and ABD Inc., the Actual Debt Service Coverage Ratio of ABD and ABD Inc. for Fiscal Year 2017 and the Pro Forma Debt Service Coverage Ratio (which includes ABD and ABD Inc.'s Allocable Portion of the Series 2018 Bonds) are as follows:

	2017	**2017**
	Actual	**Pro Forma**
Revenues	$66,552,603	$66,552,603
Expenses	67,172,371	67,172,371
Net Income (after adj.)	(619,768)	(619,768)
Less Extraordinary Revenue Items	0	0
Plus Extraordinary Expense Items	0	0
Plus Depreciation and Amortization	2,397,882	2,397,882
Plus Current Interest Expense	762,027	762,027
New PPA Revenues (unaudited)	0	102,812
Cash Flow for Debt Service	2,540,141	2,642,953
Maximum Annual Debt Service (unaudited)	2,300,711	2,403,523
Debt Service Coverage Ratio (DSCR)	1.104	1.100

Financials. Audited financial statements for ABD Inc. and its affiliates, including ABD, for the fiscal years ended June 30, 2015, June 30, 2016 and June 30, 2017 were prepared by PFK O'Connor Davies, LLP and are attached as Appendix B-I. Interim unaudited financial information for ABD Inc., ABD and affiliates prepared by ABD Inc. and ABD's Management covering the period from July 1, 2017 through March 31, 2018 is attached as Appendix C-I. Significant accounting policies are contained in the notes to the audited financial statements.

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

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

The following is a summary of financial information for ABD Inc. and ABD for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by ABD Inc. and ABD's Management and derived from ABD Inc. and ABD'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; audited financial statements for the fiscal years ended June 30, 2014 and June 30, 2013 are available upon request. Note that only the operations of ABD Inc. and ABD are presented below, which results may differ from the reported figures in the audited financial statements respecting ABD Inc. and all its affiliates.

Fiscal Year Ended June 30,

	2013	2014	2015	2016	2017
Current Assets	$16,410,724	$17,564,273	$14,725,297	$15,082,778	$10,911,237
Net Fixed Assets	26,213,119	28,157,868	28,309,725	26,925,829	27,383,561
Other	2,846,831	2,109,093	2,665,864	564,617	594,833
Total	45,470,674	47,831,234	45,700,886	42,573,224	38,889,631
Current Liabilities	12,460,310	11,938,379	11,224,766	9,277,158	6,119,678
Other Liabilities	15,514,844	17,840,903	16,610,256	15,331,818	15,425,483
Net Assets	17,495,520	18,051,952	17,865,864	17,964,248	17,344,470
Total	45,470,674	47,831,234	45,700,886	42,573,224	38,889,631
Operating Revenue:					
Program Revenue	64,381,197	66,034,289	70,512,619	67,357,003	63,912,470
Nonprogram Revenue	1,592,764	1,455,993	491,077	3,471,230	2,640,133
Total	65,973,961	67,490,282	71,003,696	70,828,233	66,552,603
Pension-Related Change	0	0	0	0	0
Operating Expenses	63,937,309	66,933,852	71,189,779	70,729,849	67,172,371
Change in Net Assets	2,035,652	556,430	(186,083)	98,384	(619,768)
Net Assets, Beginning of Year	15,459,868	17,495,520	18,051,949	17,865,864	17,964,248
Net Assets, End of Year	17,495,520	18,051,949	17,865,864	17,964,248	17,344,480
Cash & Equivalents	310,877	551,290	447,447	351,392	268,765

Management Discussion of Results of Operations.

(1) Known Trends or Uncertainties Likely to Have an Impact on Liquidity: ABD and ABD Inc. are not aware of any trends or uncertainties that have had or are reasonably likely to have a material impact on ABD or ABD Inc.'s short-term or long-term liquidity, other than OPWDD's recent delays in issuance of rates and implementation of rate rationalization.

(2) Sources of Liquidity: (a) Internal – ABD and ABD Inc. had current assets of $10,911,237 and $15,082,778 at the end of fiscal years 2017 and 2016, respectively. (b) External – ABD and ABD Inc. have available a $3 million revolving line of credit with a private foundation with net assets of $434 million as of July 31, 2017 as shown on its IRS Form 990 ("Foundation A") for purposes of operating expenses and short term funding. This line of credit refinanced two line of credit facilities from People's United Bank. Foundation A has also extended to ABD and ABD Inc. a $4.5 million line of credit to be used for operating expenses and short term funding. Additionally, ABD and ABD Inc. have available from a private foundation with net assets of $223 million as of July 31, 2017 as shown on its IRS Form 990 ("Foundation B") a $1.533 million line of credit to be used for expenses in anticipation of reimbursement from a grant from the State of Connecticut.

(3) Known Trends or Uncertainties Likely to have an Impact on Revenue or Income: ABD and ABD Inc. are not aware of any trends or uncertainties that have had or are reasonably likely to have a material impact on ABD or ABD Inc.'s revenue or income, other than OPWDD's recent delays in issuance of rates and implementation of rate rationalization

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund-raising, and interest for fiscal years 2017 and 2016 were $482,340 and $41,159, respectively. See Appendix C-I for interim unaudited financial information through March 31, 2018.

(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 ABD and ABD Inc.'s total operations have not materially increased or decreased in recent years.

Liquidity and Capital Resources. As of June 30, 2017 and June 30, 2016, ABD and ABD Inc. had $268,765 and $351,392 in unrestricted cash and cash equivalents and $5,952,992 and $5,628,626 in net accounts receivable, respectively.

As of June 29, 2018, ABD and ABD, Inc. had available a revolving line of credit of $3 million with Foundation A. The proceeds of the revolving line of credit are to be used for operating expenses and short term funding. The line of credit is secured by a lien on all of ABD and ABD, Inc.'s investment accounts held at Union Savings Bank, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. The balance as of June 29, 2018 was $1,000,000.

As of June 29, 2018, ABD and ABD, Inc. had available a revolving line of credit of $1.533 million with Foundation B. The proceeds of the revolving line of credit are to be used for expenses that will be reimbursed by a grant from the State of Connecticut. The line of credit is secured by the grant proceeds. The balance as of June 29, 2018 was $200,000.

As of July 9, 2018, ABD and ABD, Inc. had available a revolving line of credit of $4.5 million with Foundation A. The proceeds of the revolving line of credit are to be used for operating expenses and short term funding. The line of credit is secured by accounts receivable, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. The balance as of July 9, 2018 was $4,374,531.

On May 11, 2017, ABD Inc. borrowed $1.2 million from Foundation B, as interim lender for the Project, which borrowing will be paid off with proceeds of the Series 2018 Bonds. The loan is guaranteed by ABD.

Long-Term Debt. As of June 30, 2017 and June 30, 2016, ABD and ABD Inc. had $14,746,425 and $14,940,518, respectively, in outstanding long-term indebtedness including mortgages, bonds and capital leases payable, some of which debt is secured by a security interest in ABD and ABD Inc.'s Public Funds. See Note 11 of ABD Inc.'s Audited Financial Statement for fiscal year ending June 30, 2017 under the title of "Debt." On July 9, 2018, ABD and ABD Inc. refinanced with Foundation A two mortgage loans in the total amount of $3,486,076 secured by nine properties previously held by People's United Bank dating from July 6, 2017.

Prior Pledges. Of ABD and ABD Inc.'s total outstanding long-term debt as of June 30, 2017 and June 30, 2016, $10,709,255 and $11,847,338 is secured by a security interest in certain receivables of and real properties owned by ABD and/or ABD Inc., which may include ABD and ABD Inc.'s Public Funds, and thus constitutes a Prior Pledge as to such funds. ABD and ABD Inc.'s total Prior Pledges (including short term and long term debt) as of July 9, 2018 amount to $19,440,530.

Contingencies; Pending or Potential Litigation. According to ABD and ABD Inc.'s Management, except as disclosed in Note 3, under the title of "Contingencies, Claims and Assessments," of ABD Inc.'s Audited Financial Statement for fiscal year ending June 30, 2017 and attached hereto as Appendix B-I, 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 ABD or ABD Inc. to continue to operate its facilities or to challenge title to its properties or seeking damages in excess of applicable insurance coverage or wherein an adverse determination might, in the opinion of ABD and ABD Inc.'s Management, materially adversely affect the ability of ABD and ABD Inc. to carry out the transactions contemplated in the Loan Agreement, the Mortgage and the Intercept Agreement.

Management.

Directors and Officers: The affairs of ABD and ABD Inc. are each governed by a seventeen member Board of Directors. The officers of each Board of Directors are comprised of: Gregory Smith, Chairman, Jane Davis, President and Chief Executive Officer, Robert Bedoukian, Vice-Chairman, and Mary Borba, Vice-Chairman. The other members of each Board of Directors are: Joe Clouse, Gerald Garavel, Harvey Kramer, M.D., George Mulvaney, Sanford Proner, DPM, John Richards, Candy Shaughnessy, Carol Steiner, Stephen Tracy, Ed.D, L. Kevin Cox, Director Emeritus, Elliot Finkelstein, Director Emeritus, Horace McDonnell Jr., Director Emeritus and Roy Young, Director Emeritus. Fred L. Baker serves as Board Secretary and Lori I. Pasqualini serves as Board Treasurer for both Boards, but such individuals are not Board members. Each Board of Directors meets at least four times a year. A majority of the members of each Board constitute a quorum. The members of each Board of Directors serve without compensation.

Executive and Administrative Officers: Jane Davis is the President and Chief Executive Officer of ABD and ABD Inc. She holds a Bachelor's degree in Psychology and a Masters degree in Organization Leadership from Quinnipiac University. Ms. Davis has been with ABD for 30 years and is a member of a variety of public outreach committees and leadership teams. ABD and ABD Inc. have several other key employees including Lori I. Pasqualini, Chief Financial and Administrative Officer.

Continuing Disclosure.

ABD and ABD Inc. are in compliance with all of their continuing disclosure undertakings made pursuant to Rule 15c2-12.

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

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

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

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

Citizens, CSSC and the Foundation will together receive the loan proceeds as co-obligors of the Series 2018 Bonds. The financial statements of Citizens are prepared on a consolidating basis among Citizens and its affiliate, MRCS V, Inc. The financial statements of CSCC are prepared solely for that entity. The financial statements of the Foundation are prepared on a consolidating basis among the Foundation and its affiliates, including but not limited to Citizens and CSSC. Unless otherwise indicated, the financial information contained in this Appendix presents the combined, aggregate financial results for Citizens, CSSC and the Foundation, and not other related affiliates, as only those three entities comprise the Series 2018 Participant described herein. The affiliate of Citizens and the affiliates of the Foundation, other than Citizens and CSSC, will not have any obligation to make payments under the Loan Agreement.

See also the following section in this Appendix A with respect to a separate Loan Agreement to be entered into by Citizens, the Foundation and Citizens' affiliate MRCS V, Inc. with respect to additional Series 2018 Facilities.

Citizen's funding sources for the year ended December 31, 2017 ("Year 2017") were: OPWDD (approximately 89%) and miscellaneous other sources (approximately 11%). CSSC's funding sources for Year 2017 were: rental income from tenants (approximately 99%) and miscellaneous other sources (approximately 1%). The Foundation's funding sources for its Year 2017 were: revenues from special events (approximately 42%) and miscellaneous other sources (approximately 58%).

Description of Facilities and Financing Plan. DASNY will lend Citizens, CSSC and the Foundation $4,335,000 from the proceeds of the Series 2018 Bonds ("Citizens, CSSC and Foundation's Allocable Portion"). Such amount will be used to finance or refinance debt incurred in connection with the Facilities and Projects described below, as well as for related legal fees, capitalized interest, costs of issuance and debt service reserve requirements.

- The "Ivy Avenue Facility" is a 3,772 square-foot, 2 story building located at 346 Ivy Avenue, Westbury (Town of North Hempstead), New York. Approximately $985,000 will be used to finance the "Ivy Avenue Project," which consists of the acquisition and rehabilitation of the Ivy Avenue Facility for use as a residence for six adults with developmental disabilities.

- The "North Cedar Street Facility" is a 2,622 square-foot, 2 story building located at 227 North Cedar Street, Massapequa (Town of Oyster Bay), New York. Approximately $1,041,807 will be used to finance the "North Cedar Street Project," which consists of the acquisition and rehabilitation of the North Cedar Street Facility for use as a residence for six adults with developmental disabilities.

- The "Carol Street Facility" is a 1,883 square-foot, 1 and 1/2 story building located at 28 Carol Street, West Hempstead (Town of Hempstead), New York. Approximately $517,265 will be used to finance the "Carol Street Project," which consists of the acquisition of the Carol Street Facility for use as a residence for six adults with developmental disabilities.

- The "West Fort Salonga Road Facility" is a 2,129 square-foot, 2 story building located at 60 West Fort Salonga Road, Northport (Town of Huntington), New York. Approximately $365,750 will be used to finance the "West Fort Salonga Road Project," which consists of the acquisition of the West Fort Salonga Road Facility for use as a residence for six adults with developmental disabilities.

- The "Saddle Rock Road Facility" is a 1,545 square-foot, 1 story building located at 29 Saddle Rock Road, Valley Stream (Town of Hempstead), New York. Approximately $363,037 will be used to finance the "Saddle Rock Road Project," which consists of the acquisition of the Saddle Rock Road Facility for use as a residence for six adults with developmental disabilities.

- The "Pearl Street Facility" (together with the Ivy Avenue Facility, the North Cedar Street Facility, the Carol Street Facility, the West Fort Salonga Road Facility and the Saddle Rock Road Facility, the "Citizens Non-HUD Facilities") is a 2,942 square-foot, 2 story building located at 272 Pearl Street, Lawrence (Town of Hempstead), New York. Approximately $542,186 will be used to finance the "Pearl Street Project" (together with the Ivy Avenue Project, the North Cedar Street Project, the Carol Street Project, the West Fort Salonga Road Project and the Saddle Rock

Road Project, the “Projects”), which consists of the acquisition of the Pearl Street Facility for use as a residence for twelve adults with developmental disabilities.

The remainder of Citizens, CSSC and Foundation’s Allocable Portion in the amount of approximately $519,955 will be used for legal fees, costs of issuance and debt service reserve requirements.

The governmental funding source for the Citizens Non-HUD Facilities is OPWDD and the Citizens Non-HUD Facilities are supported by PPAs, which Citizens has received. This means that, except for certain renovation costs, the Citizens Non-HUD 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 Citizens Non-HUD Facilities and financing or refinancing costs incurred in connection therewith. Renovation costs in the approximate amounts of $78,266 for the Carol Street Facility, $133,272 for the West Fort Salonga Road Facility, $110,964 for the Saddle Rock Road Facility and $305,072 for the Pearl Street Facility will not be covered by PPAs.

The Citizens Non-HUD Facilities are all New PPA Lien Projects. See the information in this Official Statement entitled “PART 5 - SOURCES OF SERIES 2018 PARTICIPANT FUNDING - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process” for further information concerning New PPA Lien Projects.

CSSC has received Certificates of Occupancy or Certificates of Compliance from the Town of North Hempstead for the Ivy Avenue Facility, from the Town of Hempstead for the Carol Street Facility, Saddle Rock Road Facility and Pearl Street Facility and from the Town of Huntington for the West Fort Salonga Road Facility. Citizens has not received a new Certificate of Compliance for the North Cedar Street Facility from the Town of Oyster Bay. Citizens has received Operating Certificates from OPWDD for all the Citizens Non-HUD Facilities except the North Cedar Street Facility. See the information in this Official Statement entitled “PART 11 - BONDHOLDERS’ RISKS - Completion of the Projects; Zoning; Certificate of Occupancy.”

CSSC owns the Citizens Non-HUD Facilities and leases the Citizens Non-HUD Facilities to Citizens, which operates the Citizens Non-HUD Facilities. The terms of the leases from CSSC to Citizens exceed the term of Citizens, CSSC and the Foundation’s Allocable Portion of the Series 2018 Bonds. CSSC will grant DASNY a mortgage on the real property with respect to each of the Citizens Non-HUD Facilities, security interest in the furniture, fixtures and equipment financed with bond proceeds and constituting a portion of each of the Citizens Non-HUD Facilities. Citizens, CSSC and the Foundation will grant a lien on the Public Funds attributable to each of the Citizens Non-HUD Facilities.

Other Properties. Citizens leases 13 other residential, intermediate care and day habilitation programs facilities in Nassau and Suffolk Counties from CSSC and MRCS V, Inc. CSSC owns 131 other properties. The Foundation does not own or lease any properties.

Employees. Citizens, CSSC and the Foundation collectively employ approximately 414 full-time and 193 part-time employees in Nassau and Suffolk Counties.

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Debt Service Coverage.

Calculated in accordance with the definition set forth in the Loan Agreement among DASNY, Citizens, CSSC and the Foundation, the Actual Debt Service Coverage Ratio of Citizens, CSSC and the Foundation for Year 2017 and the Pro Forma Debt Service Coverage Ratio (which includes Citizens, CSSC and the Foundation's Allocable Portion of the Series 2018 Bonds) are as follows:

	2017	**2017**
	Actual	**Pro Forma**
Revenues	$48,321,544	$48,321,544
Expenses	44,691,351	44,691,351
Net Income (after adj.)	3,630,193	3,630,193
Less Extraordinary Revenue Items	(2,195,814)	(2,195,814)
Plus Extraordinary Expense Items	500,000	500,000
Plus Depreciation and Amortization	3,716,070	3,716,070
Plus Current Interest Expense	664,367	664,367
New PPA Revenues (unaudited)	0	400,490
Cash Flow for Debt Service	6,314,816	6,715,306
Maximum Annual Debt Service (unaudited)	4,818,839	5,219,329
Debt Service Coverage Ratio (DSCR)	1.310	1.287

Note: Estimated new PPA revenues and MADS include all 8 projects being financed by Citizens and affiliates. See also the following section in this Appendix A with respect to a separate Loan Agreement to be entered into by Citizens, the Foundation and Citizens' affiliate MRCS V, Inc. with respect to additional Series 2018 Facilities.

Financials. Audited financial statements for each of Citizens (and its affiliate MRCS V, Inc.), CSSC and the Foundation (and its affiliates), separately, for the years ended December 31, 2017 and December 31, 2016 were prepared by BDO USA, LLP and for year ended December 31, 2015 by Mazars USA LLP, formally known as WeiserMazars LLP, and are attached as Appendix B-IIA. Interim unaudited financial information for Citizens, CSSC and the Foundation prepared by their Management, respectively, covering the period from January 1, 2018 through March 31, 2018 is attached as Appendix C-IIA. Significant accounting policies are contained in the notes to the audited financial statements, as well as in Consolidating Statements for Citizens and its affiliate and for the Foundation and its affiliates.

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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 Citizens (excluding its affiliate MRCS V, Inc.), CSSC, and the Foundation (excluding its affiliates), for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by Citizen's, CSSC's and the Foundation's Management, respectively, and derived from each of Citizen's, CSSC's and the Foundation's respective audited financial statements. The data contained in the following table should be read in conjunction with the audited financial statements and related notes presented in Appendix B-IIA; audited financial statements for the fiscal years ended December 31, 2014 and December 31, 2013 are available upon request. Note that the operations of Citizens' affiliate and the Foundation's affiliates, other than Citizens and CSSC as aforementioned, have been excluded from the presentation below, which may present differences from the reported figures in the audited financial statements.

	Fiscal Year Ended December 31,				
	2013	**2014**	**2015**	**2016**	**2017**
Current Assets	$34,468,484	$44,564,190	$38,191,978	$40,904,141	$42,282,004
Net Fixed Assets	45,786,444	42,426,901	40,669,504	38,505,195	39,438,502
Other	11,542,873	11,103,390	11,953,772	6,790,694	6,122,800
Total	91,797,801	98,094,481	90,815,254	86,200,030	87,843,306
Current Liabilities	11,000,062	16,856,019	13,293,632	9,451,072	12,906,078
Other Liabilities	39,946,296	34,138,922	29,272,654	25,212,894	19,768,663
Net Assets	40,851,443	47,099,540	48,248,968	51,536,064	55,168,565
Total	91,797,801	98,094,481	90,815,254	86,200,030	87,843,306
Operating Revenue:					
Program Revenue	23,278,304	24,345,210	25,944,819	36,597,171	43,078,227
Nonprogram Revenue	11,310,689	13,227,532	8,261,643	2,906,066	4,898,855
Total	34,588,993	37,572,742	34,206,462	39,503,237	47,977,082
Operating Expenses	29,344,196	31,324,645	32,159,938	36,216,141	44,344,581
Change in Net Assets	5,244,797	6,248,097	2,046,524	3,287,096	3,632,501
Non-Operating Changes	0	0	(897,096)	0	0
Net Assets, Beginning of Year	35,606,646	40,851,443	47,099,540	48,248,968	51,536,064
Net Assets, End of Year	40,851,443	47,099,540	48,248,968	51,536,064	55,168,565
Cash & Equivalents	9,668,244	13,632,549	12,967,294	12,211,948	8,599,641

Management Discussion of Results of Operations.

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

(2) Sources of Liquidity: (a) Internal – Citizens, CSSC and the Foundation had current assets of $42,282,004 and $40,904,141 as of December 31, 2017 and December 31, 2016, respectively. (b) External – Citizens has available a $2 million line of credit with HSBC. CSSC has available a $5 million line of credit with HSBC for acquisition of property and/or renovation of residences.

(3) Known Trends or Uncertainties Likely to have an Impact on Revenue or Income: Citizens, CSSC and the Foundation are not aware of any trends or uncertainties that have had or are reasonably likely to have a material impact on their revenue or income.

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund-raising, and interest for fiscal years 2017 and 2016 were $2,367,020 and $2,456,323, respectively. See Appendix C-IIA for interim unaudited financial information through March 31, 2018.

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

Liquidity and Capital Resources. As of December 31, 2017 and December 31, 2016, Citizens, CSSC and the Foundation had $8,598,945 and $12,211,948 in combined unrestricted cash and cash equivalents and $4,460,597 and $3,887,337 in combined net accounts receivable, respectively. As of December 31, 2017 and December 31, 2016, Citizens had $2,645,491 and $4,636,427 in unrestricted cash and cash equivalents and $4,448,270 and $3,762,053 in net accounts receivable, respectively. As of December 31, 2017 and December 31, 2016, CSSC had $379,346 and $1,901,825 in unrestricted cash and cash equivalents and $12,327 and $125,284 in net accounts receivable, respectively. As of December 31, 2017 and December 31, 2016, the Foundation had $5,574,108 and $5,673,696 in unrestricted cash and cash equivalents and $0 and $0 in net accounts receivable, respectively.

As of March 31, 2018, Citizens had available a line of credit of $2 million with HSBC. The proceeds of the line of credit are to be used for working capital. The line of credit is secured by a lien on all of Citizens' assets, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. CSSC additionally guarantees the line of credit. There was no outstanding balance as of March 31, 2018.

As of March 31, 2018, CSSC had available a line of credit of $5 million with HSBC. The proceeds of the line of credit are to be used for acquisition of property and/or renovation of residences. The line of credit is secured by a lien on all of CSSC's assets, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. Citizens and the Foundation additionally guarantee the line of credit. The outstanding balance as of April 13, 2018 was $2,942,095 of which $1,861,926 will be repaid with proceeds of the Series 2018 Bonds.

Long-Term Debt. As of December 31, 2017 and December 31, 2016, Citizens, CSSC and the Foundation had $23,592,539 and $27,544,517, respectively, in outstanding long-term indebtedness including mortgages and bonds payable, some of which debt is secured by a security interest in Citizens', CSSC's and the Foundation's Public Funds. Citizens has not incurred any long-term debt subsequent to March 31, 2018. See Notes 8 and 9 of CSSC's Audited Financial Statement for fiscal year ending

December 31, 2017 under the titles of "Mortgages Payable" and "Bonds Payable." CSSC has not incurred any long-term debt subsequent to March 31, 2018. See Notes 14 and 15 of the Foundation's Audited Financial Statement for fiscal year ending December 31, 2017 under the titles of "Mortgages Payable" and "Bonds Payable." The Foundation has not incurred any long-term debt subsequent to March 31, 2018. But see the following section in this Appendix A with respect to a separate Loan Agreement to be entered into by Citizens, the Foundation and Citizens' affiliate MRCS V, Inc. with respect to additional Series 2018 Facilities.

Prior Pledges. Of Citizens', CSSC's and the Foundation's total, aggregate outstanding long-term debt as of December 31, 2017 and December 31, 2016, $23,592,539 and $27,544,417 is secured by a security interest in certain receivables of and real properties owned by Citizens, CSSC and the Foundation, which may include Citizens', CSSC's and the Foundation's Public Funds, and thus constitutes a Prior Pledge as to such funds. Citizen's, CSSC's and the Foundation's total Prior Pledges as of March 31, 2018 amount to $22,649,064.

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

Management.

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

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

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

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

Continuing Disclosure.

As described in this paragraph, during the past five years CSSC failed to provide certain secondary market disclosure pursuant to Rule 15c2-12 in connection with their previous continuing disclosure undertakings. Such failures consist of (i) CSSC's late filing of its audited financial statements with respect to its fiscal year ended December 31, 2012 and December 31, 2013; (ii) CSSC's not filing notices of its failure to timely file audited financial statements for year ended December 31, 2013; (iii) CSSC's failed filing of its Annual Information with respect to its fiscal years ended December 31, 2012 and December 31, 2013; (iv) CSSC's not filing notices of its failure to timely file its Annual Information for years ended December 31, 2012 and December 31, 2013; and (v) CSSC's not filing notices of its defeasance of the Nassau County IDA Series 2006 and 2007 bonds. CSSC has adopted procedures to ensure the timely filing of required information pursuant to its continuing disclosure undertakings in the future.

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CITIZENS OPTIONS UNLIMITED, INC.,
NASSAU COUNTY AHRC FOUNDATION, INC.,
AND MRCS V, INC.

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

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

MRCS V, Inc. ("MRCS") was formed for the purpose holding title to properties and maintaining and leasing those properties as residences for persons with developmental disabilities. MRCS's primary support is derived from rental fees paid by tenants and through federal housing programs. Citizens is the sole member of MRCS. MRCS is a not-for-profit organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and comparable New York State Law.

Citizens, Foundation and MRCS will together receive the loan proceeds as co-obligors of the Series 2018 Bonds. The financial statements of Citizens are prepared on a consolidating basis among Citizens and its affiliate, MRCS. The financial statements of the Foundation are prepared on a consolidating basis among the Foundation and its affiliates, including, but not limited to, Citizens. The financial statements of MRCS are prepared solely for that entity. Unless otherwise indicated, the financial information contained in this Appendix presents the combined, aggregate financial results for Citizens, the Foundation, and MRCS, and not other related affiliates, as only those three entities comprise the Series 2018 Participant described herein. The affiliates of the Foundation, other than Citizens and MRCS, will not have any obligation to make payments under the Loan Agreement.

See also the prior section in this Appendix A with respect to a separate Loan Agreement to be entered into by Citizens, the Foundation and the Foundation's affiliate Community Support Services Corporation with respect to additional Series 2018 Facilities.

Citizen's funding sources for the year ended December 31, 2017 ("Year 2017") were: OPWDD (approximately 89%) and miscellaneous other sources (approximately 11%). The Foundation's funding sources for its 2017 Fiscal Year were: revenues from special events (approximately 42%) and miscellaneous other sources (approximately 58%). MRCS' funding sources for its 2017 Fiscal Year were: rent revenue (approximately 57%) and miscellaneous other sources (approximately 43%).

Description of Facilities and Financing Plan. DASNY will lend Citizens, the Foundation and MRCS $1,930,000 from the proceeds of the Series 2018 Bonds ("Citizens, Foundation and MRCS' Allocable Portion"). Such amount will be used to finance or refinance debt incurred by MRCS in connection with the Facilities and Projects described below, as well as for related legal fees, capitalized interest, costs of issuance and debt service reserve requirements.

- The "Rondel Lane Facility" is a 3,130 square-foot, 2 story building located at 9 Rondel Lane, Commack (Town of Huntington), New York. Approximately $847,572.00 will be used to finance the "Rondel Lane Project," which consists of the acquisition and rehabilitation of the Rondel Lane Facility for use as a residence for six adults with developmental disabilities.

- The "Manor Road Facility" (together with the Rondel Lane Facility, the "Citizens HUD Facilities") is a 3,577 square-foot, 2 story building located at 12 Manor Road North, Greenlawn (Town of Huntington), New York. Approximately $824,428.00 will be used to finance the "Manor Road Project" (together with the Rondel Lane Project, the "Projects"), which consists of the acquisition and rehabilitation of the Manor Road Facility for use as a residence for 6 adults with developmental disabilities.

The remainder of Citizens, Foundations and MRCS' Allocable Portion in the amount of approximately $258,000 will be used for legal fees, costs of issuance and debt service reserve requirements.

The governmental funding source for the Citizens HUD Facilities is OPWDD, and the Citizens HUD Facilities are supported by PPAs, which Citizens has received. This means the Citizens HUD 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 Citizens HUD Facilities and financing or refinancing costs incurred in connection therewith.

The Citizens HUD Facilities are both New PPA Lien Projects. See the information in this Official Statement entitled "PART 5 - SOURCES OF SERIES 2018 PARTICIPANT FUNDING - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process" for further information concerning New PPA Lien Projects.

MRCS has received Certificates of Occupancy from the Town of Huntington for the Citizens HUD Facilities and Operating Certificates for the Citizens HUD Facilities from OPWDD. See the information in this Official Statement entitled "PART 11 - BONDHOLDERS' RISKS - Completion of the Projects; Zoning; Certificate of Occupancy."

MRCS owns the Citizens HUD Facilities and leases the Citizens HUD Facilities to Citizens, which operates the Citizens HUD Facilities. The terms of the leases from MRCS to Citizens exceed the term of Citizens, the Foundation and MRCS' Allocable Portion of the Series 2018 Bonds. MRCS will not grant DASNY a mortgage on the real property with respect to each of the Citizens HUD Facilities, nor a security interest in the furniture, fixtures and equipment financed with bond proceeds and constituting a portion of each of the Citizens HUD Facilities. Citizens, the Foundation and MRCS will grant a lien on the Public Funds attributable to each of the Citizens HUD Facilities.

Other Properties. Citizens leases 17 other residential, intermediate care and day habilitation program facilities in Nassau and Suffolk Counties from CSSC. The Foundation and MRCS do not own or lease any other properties.

Employees. Citizens, the Foundation and MRCS employ approximately 420 full-time and 190 part-time employees in Nassau and Suffolk Counties.

Debt Service Coverage.

Calculated in accordance with the definition set forth in the Loan Agreement among DASNY, Citizens, the Foundation and MRCS, the Actual Debt Service Coverage Ratio of Citizens, the Foundation and MRCS for Year 2017 and the Pro Forma Debt Service Coverage Ratio (which includes Citizens, the Foundation and MRCS' Allocable Portion of the Series 2018 Bonds) are as follows:

	2017 Actual	2017 Pro Forma
Revenues	$43,616,312	$43,616,312
Expenses	40,150,830	40,150,830
Net Income (after adj.)	3,465,482	3,465,482
Less Extraordinary Revenue Items	(2,195,814)	(2,195,814)
Plus Extraordinary Expense Items	500,000	500,000
Plus Depreciation and Amortization	395,466	395,466
Plus Current Interest Expense	0	0
New PPA Revenues (unaudited)	0	400,490
Cash Flow for Debt Service	2,165,134	2,565,624
Maximum Annual Debt Service (unaudited)*	0	400,490
Debt Service Coverage Ratio (DSCR)	Not applicable	6.406

* No current long term debt outstanding.

Note: Estimated new PPA revenues and MADS include all 8 projects being financed by Citizens and affiliates. See also the prior section in this Appendix A with respect to a separate Loan Agreement to be entered into by Citizens, the Foundation and the Foundation's affiliate Community Support Services Corporation with respect to additional Series 2018 Facilities.

Financials. Audited financial statements for each of Citizens (and its affiliate MRCS) and the Foundation (and its affiliates), separately, for the fiscal years ended December 31, 2017 and December 31, 2016 were prepared by BDO USA, LLP and for fiscal year ended December 31, 2015 by Mazars USA

LLP, formally known as WeiserMazars LLP, and are attached as Appendix B-IIA.† Audited financial statements for MRCS for fiscal years ended December 31, 2017 and December 31, 2016 (partial year) were prepared by BDO USA, LLP and are attached as Appendix B-IIB. Interim unaudited financial information for Citizens and the Foundation prepared by their Management, respectively, covering the period from January 1, 2018 through March 31, 2018 is attached as Appendix C-IIA.† Interim unaudited financial information for MRCS prepared by its Management covering the period from January 1, 2018 through March 31, 2018 is attached as Appendix C-IIB. Significant accounting policies are contained in the notes to the audited financial statements, as well as in Consolidating Statements for Citizens and its affiliate and for the Foundation and its affiliates.

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† Audited financial statements and interim unaudited financial information for Community Services Support Corporation ("CSSC") are also included in Appendix B-IIA and Appendix C-IIA, respectively, but CSSC is not an obligor on the Loan Agreement for the repayment of Citizens, Foundation and MRCS' Allocable Portion.

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

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

The following is a combined summary of financial information for Citizens (excluding its affiliate MRCS), the Foundation (excluding its affiliates), and MRCS for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by Citizen's, the Foundation's and MRCS' Management, respectively, and derived from each of Citizen's, the Foundation's and MRCS' respective audited financial statements. The data contained in the following table should be read in conjunction with the audited financial statements and related notes presented in Appendices B-IIA and B-IIB; audited financial statements for the fiscal years ended December 31, 2014 and December 31, 2013 are available upon request. Note that the operations of affiliates have been excluded from the presentation below, which may present differences from the reported figures in the audited financial statements.

	Fiscal Year Ended December 31,				
	2013	**2014**	**2015**	**2016**	**2017**
Current Assets	$18,144,491	$33,221,889	$34,010,709	$37,641,057	$40,686,959
Net Fixed Assets	1,527,498	1,857,068	2,046,685	5,349,982	6,781,901
Other	3,501,236	5,372,064	7,255,428	4,345,456	3,957,912
Total	23,173,225	40,451,021	43,312,822	47,336,495	51,426,772
Current Liabilities	3,402,115	5,679,815	7,592,880	4,086,601	6,407,787
Other Liabilities	3,110,314	115,576	197,236	3,287,034	1,588,335
Net Assets	16,660,796	34,655,630	35,522,706	39,962,860	43,430,650
Total	23,173,225	40,451,021	43,312,822	47,336,495	51,426,772
Operating Revenue:					
Program Revenue	23,278,304	24,345,210	25,944,819	31,218,859	38,338,071
Nonprogram Revenue	3,030,295	6,356,293	2,270,217	3,294,284	1,838,077
Total	26,308,599	30,701,503	28,215,036	34,513,143	40,176,148
Operating Expenses	23,437,392	25,539,199	26,450,864	31,058,896	39,804,060
Change in Net Assets	2,871,207	5,162,304	1,764,172	3,454,247	372,088
Non-Operating Changes	0	12,832,530	(897,096)	985,907	3,095,702
Net Assets, Beginning of Year	13,789,589	16,660,796	34,655,630	35,522,706	39,962,860
Net Assets, End of Year	16,660,796	34,655,630	35,522,706	39,962,860	43,430,650
Cash & Equivalents	5,386,611	6,910,864	10,608,081	10,418,931	8,376,978

Management Discussion of Results of Operations.

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

(2) Sources of Liquidity: (a) Internal – Citizens, the Foundation and MRCS had current assets of $40,689,959 and $37,641,057 at the end of fiscal years 2017 and 2016, respectively. (b) External – Citizens has available a $2 million line of credit with HSBC.

(3) Known Trends or Uncertainties Likely to have an Impact on Revenue or Income: Citizens, the Foundation and MRCS are not aware of any trends or uncertainties that have had or are reasonably likely to have a material impact on their revenue or income.

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund-raising, and interest for fiscal years 2017 and 2016 were $2,367,319 and $2,457,713, respectively. See Appendices C-IIA and C-IIB for interim unaudited financial information through March 31, 2018.

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

Liquidity and Capital Resources. As of December 31, 2017 and December 31, 2016, Citizens, the Foundation and MRCS had $8,376,282 and $10,418,931 in combined unrestricted cash and cash equivalents and $4,651,283 and $4,000,153 in combined net accounts receivable, respectively. As of December 31, 2017 and December 31, 2016, Citizens had $2,645,491 and $4,636,427 in unrestricted cash and cash equivalents and $4,448,270 and $3,762,053 in net accounts receivable, respectively. As of December 31, 2017 and December 31, 2016, the Foundation had $5,574,108 and $5,673,696 in unrestricted cash and cash equivalents and $0 and $0 in net accounts receivable, respectively. As of December 31, 2017 and December 31, 2016, MRCS had $156,683 and $108,808 in unrestricted cash and cash equivalents and $203,013 and $238,100 in net accounts receivable, respectively.

As of March 31, 2018, Citizens had available a line of credit of $2 million with HSBC. The proceeds of the line of credit are to be used for working capital. The line of credit is secured by a lien on all of Citizens' assets. A related entity additionally guarantees the line of credit. There was no outstanding balance as of March 31, 2018.

Long-Term Debt. As of December 31, 2017 and December 31, 2016, Citizens, the Foundation and MRCS had no outstanding long-term indebtedness such as mortgages, bonds or capital leases payable. Citizens, the Foundation and MRCS have not incurred any long-term debt subsequent to March 31, 2018, but see the prior section in this Appendix A with respect to a separate Loan Agreement to be entered into by Citizens, the Foundation and the Foundation's affiliate Community Support Services Corporation with respect to additional Series 2018 Facilities.

Prior Pledges. None.

Contingencies; Pending or Potential Litigation. According to Citizens', the Foundation's and MRCS' Management, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending or threatened to challenge the authority or ability of

Citizens, the Foundation or MRCS to continue to operate their facilities or to challenge title to their properties or seeking damages in excess of applicable insurance coverage or wherein an adverse determination might, in the opinion of Citizens', the Foundation's and MRCS' Management, materially adversely affect the ability of Citizens, the Foundation and MRCS to carry out the transactions contemplated in the Loan Agreement and the Intercept Agreement.

Management.

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

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

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

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

Continuing Disclosure.

Citizens, the Foundation and MRCS are in compliance with all of their continuing disclosure undertakings made pursuant to Rule 15c2-12.

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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 2018 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 2017 Fiscal Year were: OPWDD (approximately 98%) and miscellaneous other sources (approximately 2%).

Description of Facilities and Financing Plan. DASNY will lend Lifespire $1,850,000 from the proceeds of the Series 2018 Bonds ("Lifespire's Allocable Portion"). Such amount will be used to finance or refinance debt incurred in connection with the Facility and Project described below, as well as for related legal fees, capitalized interest, costs of issuance and debt service reserve requirements.

- The Facility is a 2,600 square-foot, two-story building located at 1315 Plimpton Avenue, Bronx, New York. The Project consists of the acquisition and rehabilitation of the Facility for use as a residence for ten adults with developmental disabilities.

The governmental funding source for the Facility is OPWDD and the Facility is supported by a PPA, which Lifespire 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.

The Facility is a New PPA Lien Project. See the information in this Official Statement entitled "PART 5 - SOURCES OF SERIES 2018 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 not received a new Certificate of Occupancy from the City of New York for the Facility nor an Operating Certificate for the Facility from OPWDD. See the information in this Official Statement entitled "PART 11 - BONDHOLDERS' RISKS - Completion of the Projects; Zoning; Certificate of Occupancy."

Lifespire owns the Facility. Lifespire 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. 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 1,061 full-time and 265 part-time employees in New York City and Westchester County. Lifespire 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 Lifespire, the Actual Debt Service Coverage Ratio of Lifespire for Fiscal Year 2017 and the Pro Forma Debt Service Coverage Ratio (which includes Lifespire's Allocable Portion of the Series 2018 Bonds) are as follows:

	2017 Actual	2017 Pro Forma
Revenues	$109,153,488	109,153,488
Expenses	98,162,974	98,162,974
Net Income (after adj.)	10,990,514	10,990,514
Less Extraordinary Revenue Items	(5,685,273)	(5,685,273)
Plus Extraordinary Expense Items	0	0
Plus Depreciation and Amortization	1,771,647	1,771,647
Plus Current Interest Expense	2,038,700	2,038,700
New PPA Revenues (unaudited)	0	113,850
Cash Flow for Debt Service	9,115,588	9,229,438
Maximum Annual Debt Service (unaudited)	3,396,700	3,510,550
Debt Service Coverage Ratio (DSCR)	2.684	2.629

Financials. Audited financial statements for Lifespire and its subsidiary for the fiscal years ended June 30, 2015, June 30, 2016 and June 30, 2017 were prepared by MBAF-CPAs, LLC and are attached as Appendix B-III. Interim unaudited financial information for Lifespire and its subsidiary prepared by Lifespire's Management covering the period from July 1, 2017 through March 31, 2018 is attached as Appendix C-III. Significant accounting policies are contained in the notes to 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 for 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; audited financial statements for the fiscal years ended June 30, 2014 and June 30, 2013 are available upon request.

Fiscal Year Ended June 30,

	2013	2014	2015	2016	2017
Current Assets	$68,429,807	$ 65,113,713	$54,050,661	$54,989,037	$59,107,022
Net Fixed Assets	17,868,535	17,526,446	17,553,855	17,356,657	17,219,476
Other	10,254,811	10,041,137	8,388,407	8,278,143	7,327,745
Total	96,553,153	92,681,296	79,992,923	80,623,837	83,654,243
Current Liabilities	34,643,396	32,337,437	26,110,179	21,893,541	21,097,603
Other Liabilities	36,729,192	35,711,916	27,155,243	32,846,093	25,679,700
Net Assets	25,180,565	24,631,943	26,727,501	25,884,203	36,876,940
Total	96,553,153	92,681,296	79,992,923	80,623,837	83,654,243
Operating Revenue:					
Program Revenue	102,886,815	101,641,989	99,505,922	101,260,405	100,175,589
Nonprogram Revenue	1,703,830	(866,565)	1,598,922	2,514,929	3,294,849
Total	104,590,645	100,775,424	101,104,844	103,775,334	103,470,438
Pension-Related Change	5,993,852	(1,900,973)	1,736,442	(7,734,237)	5,685,273
Operating Expenses	99,107,843	99,423,073	100,745,728	96,884,395	98,162,974
Change in Net Assets	11,476,654	(548,622)	2,095,558	(843,298)	10,992,737
Net Assets, Beginning of Year	11,067,531	25,180,565	24,631,943	26,727,501	25,884,203
Prior Period Adjstmt.	2,636,380	0	0	0	0
Net Assets, End of Year	25,180,565	24,631,943	26,727,501	25,884,203	36,876,940
Cash & Equivalents	19,880,055	18,179,568	18,339,606	22,225,608	31,510,085

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 $59,107,022 and $54,989,037 at the end of fiscal years 2017 and 2016, 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 2017 and 2016 were $50,226 and $62,363, respectively. See Appendix C-III for interim unaudited financial information through March 31, 2018.

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

Liquidity and Capital Resources. As of June 30, 2017 and June 30, 2016, Lifespire had $31,510,085 and $22,225,608 in unrestricted cash and cash equivalents and $233,471 and $289,571 in net accounts receivable, respectively.

As of March 31, 2018, 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 on such line of credit as of March 31, 2018.

As of March 31, 2018, 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 $1,282,759 as of March 31, 2018, which will be paid in full with proceeds of the Series 2018 Bonds.

Long-Term Debt. As of June 30, 2017 and June 30, 2016, Lifespire had $14,734,191 and $14,200,642, respectively, in outstanding long-term indebtedness including mortgages, bonds and capital leases payable, some of which debt is secured by a security interest in Lifespire's Public Funds. See Notes 10, 12, 13 and 14 of Lifespire's Audited Financial Statement for fiscal year ending June 30, 2017 under the titles of "Mortgages Payable - DASNY," "Bonds Payable – DASNY, Net," "Bonds Payable - IDA" and "Capital Lease Liability." Lifespire has not incurred any long-term debt subsequent to March 31, 2018.

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, 2017 and June 30, 2016, $14,1041,833 and $14,241,919 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 total Prior Pledges (including short term and long term debt) as of March 31, 2018 amount to $19,528,735.

Contingencies; Pending or Potential Litigation. According to Lifespire 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, in the opinion of Lifespire Management, 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 eleven. 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, Jeffrey Goodman, Jerome Greene, Ellen R. Kozlowski, Robert Krakow, Audrey Lieberman and Helen Sturm. The Board of Directors meets at least four times a year. A presence of at least five members of the Board constitutes a quorum. The members of the Board serve without compensation.

Executive and Administrative Officers: Thomas Lydon is the Chief Executive Officer of Lifespire and has been with the agency since 1984. Mr. Lydon most recently served as Chief Operating Officer from 2007 to 2017 before becoming Chief Executive Officer. He holds both a Master of Arts in Special Education from Columbia University and a Bachelor of Science in Elementary Education (N-6) and Special Education from St. John's University. Lifespire has several other key employees including Keith Lee, Chief Financial Officer and Bonita Hinson, Chief Operating Officer.

Continuing Disclosure.

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

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SCO FAMILY OF SERVICES

General Operations. SCO Family of Services ("SCO") was founded in 1948 although it traces its history back to 1895. As one of New York's largest social service agencies, SCO has played a vital role for the people of New York City and Long Island. SCO works with New York's most vulnerable who are striving to overcome the devastating impact of developmental and mental challenges, poverty, neglect or abuse. With a comprehensive array of services, SCO gives individuals and families the support and tools needed for a healthy, stable and successful future, building stronger communities throughout the area. SCO 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.

SCO's funding sources for its 2017 Fiscal Year were: the New York State Office of Children and Family Services ("OCFS") (approximately 10%), the New York City Administration for Children's Services ("ACS") (approximately 36%), New York State Office for People with Developmental Disabilities ("OPWDD") (approximately 13%), New York State Office of Mental Health ("OMH") (approximately 8%), New York State Department of Education ("SED") (approximately 7%) and miscellaneous other sources (approximately 26%).

Description of Facilities and Financing Plan. DASNY will lend SCO $500,000 from the proceeds of the Series 2018 Bonds ("SCO's Allocable Portion"). Such amount will be used to finance or refinance debt incurred in connection with the Facility and Project described below, as well as for related legal fees, capitalized interest, costs of issuance and debt service reserve requirements.

- The Facility is a 2,289 square-foot, two-story building located partially at 760 Conklin Street, Farmingdale (Town of Oyster Bay), New York and partially at 760 Conklin Street, East Farmingdale (Town of Babylon), New York. The Project consists of the rehabilitation of the Facility for use as a residence for six adults with developmental disabilities.

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

The Facility is a New PPA Lien Project. See the information in this Official Statement entitled "PART 5 - SOURCES OF SERIES 2018 PARTICIPANT FUNDING - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process" for further information concerning New PPA Lien Projects.

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

SCO owns the Facility. SCO 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. SCO also owns 66 other properties and leases another 94 properties in the five boroughs of New York City.

Employees. SCO employs 2,302 full-time and 1,430 part-time employees in New York City, Nassau County and Suffolk County. SCO 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 SCO, the Actual Debt Service Coverage Ratio of SCO for Fiscal Year 2017 and the Pro Forma Debt Service Coverage Ratio (which includes SCO's Allocable Portion of the Series 2018 Bonds) are as follows:

	2017	**2017**
	Actual	**Pro Forma**
Revenues	$262,490,131	$262,490,131
Expenses	247,657,358	247,657,358
Net Income (after adj.)	14,832,773	14,832,773
Less Extraordinary Revenue Items	(12,993,723)	(12,993,723)
Plus Extraordinary Expense Items	2,149,181	2,149,181
Plus Depreciation and Amortization	3,634,571	3,634,571
Plus Current Interest Expense	2,128,063	2,128,063
New PPA Revenues (unaudited)	0	36,640
Cash Flow for Debt Service	9,750,865	9,787,505
Maximum Annual Debt Service (unaudited)	4,821,529	4,808,169
Debt Service Coverage Ratio (DSCR)	2.022	2.036

Financials. Audited financial statements for SCO for the fiscal years ended June 30, 2015 and June 30, 2016 were prepared by BDO USA, LLP and for fiscal year ended June 30, 2017 by PKF O'Connor Davies, LLP and are attached as Appendix B-IV. Interim unaudited financial information for SCO prepared by SCO's Management covering the period from July 1, 2017 through March 31, 2018 is attached as Appendix C-IV. Significant accounting policies are contained in the notes to the audited financial statements.

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

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

The following is a summary of financial information for SCO for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by SCO's Management and derived from SCO's audited financial statements. The data contained in the following table should be read in conjunction with the audited financial statements and related notes presented in Appendix B-IV; audited financial statements for the fiscal years ended June 30, 2014 and June 30, 2013 are available upon request.

Fiscal Year Ended June 30,

	2013	**2014**	**2015**	**2016**	**2017**
Current Assets	$96,216,732	$97,194,059	$85,076,959	$105,839,204	$107,180,781
Net Fixed Assets	38,372,923	36,865,114	34,235,593	33,751,108	34,450,626
Other	6,580,846	5,997,537	6,117,601	5,097,510	3,574,375
Total	141,170,501	140,056,710	125,430,153	144,687,822	145,205,782
Current Liabilities	60,549,342	64,364,805	47,681,807	54,472,456	51,973,648
Other Liabilities	74,142,673	76,027,756	79,964,630	88,482,165	76,666,160
Net Assets	6,478,486	(335,851)	(2,216,284)	1,733,201	16,565,974
Total	141,170,501	140,056,710	125,430,153	144,687,822	145,205,782
Operating Revenue:					
Program Revenue	237,940,349	248,147,544	249,196,771	243,478,466	239,924,436
Nonprogram Revenue	3,933,421	3,215,249	5,503,317	2,754,583	3,995,017
Total	241,873,770	251,362,793	254,700,088	246,233,049	243,919,453
Operating Expenses	244,320,657	258,196,049	254,326,921	245,967,265	244,825,698
Change in Net Assets	(2,446,887)	(6,833,256)	373,167	265,784	(906,245)
Non-Operating Changes	9,082,708	18,919	(2,253,600)	3,683,701	15,739,018
Net Assets, Beginning of Year	(157,335)	6,478,486	(335,851)	(2,216,284)	1,733,201
Net Assets, End of Year	6,478,486	(335,851)	(2,216,284)	1,733,201	16,565,974
Cash & Equivalents	1,879,691	1,476,982	3,582,639	2,032,385	5,004,732

Management Discussion of Results of Operations.

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

(2) Sources of Liquidity: (a) Internal – SCO had current assets of $107,180,781 and $105,839,204 at the end of fiscal years 2017 and 2016, respectively. (b) External – SCO has available a $25 million line of credit with TD Bank and People's United Bank for operating expenses and a $10 million bridge loan line of credit with TD Bank and People's United Bank for certain capital projects.

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

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions and fund-raising for fiscal years 2017 and 2016 were $1,216,444 and $1,967,236, respectively. See Appendix C-IV for interim unaudited financial information through March 31, 2018.

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

Liquidity and Capital Resources. As of June 30, 2017 and June 30, 2016, SCO had $5,004,732 and $2,032,385 in unrestricted cash and cash equivalents and $40,914,169 and $44,805,919 in net accounts receivable, respectively.

As of March 31, 2018, SCO has available a $25 million line of credit with TD Bank and People's United Bank for operating expenses. The line of credit is secured by a lien on SCO's investment accounts and accounts receivable, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. There was an outstanding balance of $10,000,000 as of March 31, 2018.

As of March 31, 2018, SCO has available a $10 million bridge loan line of credit with TD Bank and People's United Bank for certain capital projects. The line of credit is secured by a lien on SCO's investment accounts and accounts receivable, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. There was an outstanding balance of $3,459,850 as of March 31, 2018.

Long-Term Debt. As of June 30, 2017 and June 30, 2016, SCO had $19,985,033 and $24,470,010, respectively, in outstanding long-term indebtedness including mortgages, bonds and capital leases payable, some of which debt is secured by a security interest in SCO's Public Funds. See Notes 8, 9 and 10 of SCO's Audited Financial Statement for fiscal year ending June 30, 2017 under the titles of "Mortgages Payable," "Bonds Payable" and "Capital Leases." SCO has not incurred any long-term debt subsequent to March 1, 2017.

Prior Pledges. SCO's line of credit for $25 million with TD Bank and People's United Bank and bridge loan line of credit for $10 million with TD Bank and People's United Bank are both secured by a lien on SCO's investment accounts and accounts receivable, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. Of SCO's total outstanding long-term debt as of June 30, 2017 and June 30, 2016, $18,940,235 and $23,846,502 is secured by a security interest in certain receivables of and real properties owned by SCO, which may include SCO's Public Funds, and thus constitutes a Prior Pledge as to such funds. SCO's total Prior Pledges (including short term and long term debt) as of March 31, 2018 amount to $33,105,870.

Contingencies; Pending or Potential Litigation. According to SCO 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 SCO to continue to operate its facilities or to challenge title to its properties or seeking damages in excess of applicable insurance coverage or wherein an adverse determination might, in the opinion of SCO Management, materially adversely affect the ability of SCO to carry out the transactions contemplated in the Loan Agreement, the Mortgage and the Intercept Agreement.

Management.

Directors and Officers: The affairs of SCO are governed by a Board of Directors of not more than thirty. The officers are comprised of: Lee Vance, Chairman, Brian Edwards, Vice Chairman, H. Craig Treiber, Vice Chairman, Stephen Tyree, Vice Chairman, Kelly Williams, Treasurer, Edward Stack, Assistant Treasurer, Mary Pat Thornton, Secretary and Timothy Fulton, Assistant Secretary. Other members of the Board are: Mirna Daouk, Sr. Paulette LoMonaco, David Marcus, Guy Moszkowski, Jessica Taylor O'Mary, Robair Reichenstein and Demetrios Yatrakis. The Board of Directors meets at least four times a year. One-third of the members of the Board, or not less than seven, constitutes a quorum. The members of the Board serve without compensation.

Executive and Administrative Officers: Keith Little is the Executive Director of SCO. With thirty years experience at state, city and nonprofit organizations, Mr. Little has considerable expertise in the administration of mental health, health care, child welfare and juvenile justice programs. During his career, Mr. Little held senior organizational and program leadership positions at the New York State Office of Mental Health for over two decades, having last served as Associate Commissioner and Deputy Director. He holds both an M.P.A. from Baruch College, City University of New York and a bachelor's degree from the University of Bridgeport. SCO has several other key employees including Stephen Mack, Chief Financial Officer and Rose Anello, Chief Strategy Officer.

Continuing Disclosure.

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

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SINERGIA, INC.

General Operations. Sinergia, Inc. ("Sinergia") was founded in 1977 to provide case management, service coordination and multiple direct services to individuals with developmental disabilities and families including individuals with disabilities. In addition, Sinergia provides or arranges housing for such individuals and families and maintains or arranges for the maintenance of such facilities. Sinergia has a longstanding reputation for working with underserved families, many with limited English proficiency, who may be homeless or impoverished, or who may be struggling with insecure housing and income, lack of services and discrimination based on ethnicity, language status, immigration status, gender or poverty. Since its founding, Sinergia has remained faithful to its twin goals of providing service coordination, information and support to families and individuals in need and providing families and individuals the means of self-empowerment, ultimately enabling them to become advocates for themselves and their families. Sinergia has created a number of innovative programs, including, transitional housing for homeless families who have children with disabilities, community residences for adults with developmental disabilities and parenting classes for adults with developmental disabilities. Sinergia 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.

Sinergia's funding sources for its 2017 Fiscal Year were: OPWDD (approximately 95%), the U.S. Department of Education (approximately 4%) and miscellaneous sources (approximately 1%).

Description of Facilities and Financing Plan. DASNY will lend Sinergia $1,735,000 from the proceeds of the Series 2018 Bonds ("Sinergia's Allocable Portion"). Such amount will be used to finance or refinance debt incurred in connection with the Facilities and Projects described below, as well as for related legal fees, capitalized interest, costs of issuance and debt service reserve requirements.

- The "3016 Corlear Avenue Facility" is a 1,105 square-foot, 2 story building located at 3016 Corlear Avenue, Bronx, New York. Approximately $763,659 will be used to finance the "3016 Corlear Avenue Project," which consists of the acquisition and rehabilitation of the 3016 Corlear Avenue Facility for use as a residence for three adults with developmental disabilities.

- The "3018 Corlear Avenue Facility" (together with the 3016 Corlear Avenue, the "Facilities") is a 1,102 square-foot, 2 story building located at 3018 Corlear Avenue, Bronx, New York. Approximately $762,762 will be used to finance the "3018 Corlear Avenue Project" (together with the 3016 Corlear Avenue, the "Projects"), which consists of the acquisition and rehabilitation of the 3018 Corlear Avenue Facility for use as a residence for three adults with developmental disabilities.

The remainder of Sinergia's Allocable Portion in the amount of approximately $208,579 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 Sinergia has received. This means that, except for certain renovation costs and costs of furniture, fixtures and equipment, 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. Renovation costs and costs of furniture, fixtures and equipment in the approximate amounts of $74,000 for the 3016 Corlear Avenue Facility and $74,000 for the 3018 Corlear Avenue Facility will not be covered by PPAs.

The Facilities are New PPA Lien Projects. See the information in this Official Statement entitled "PART 5 - SOURCES OF SERIES 2018 PARTICIPANT FUNDING - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process" for further information concerning New PPA Lien Projects.

Sinergia has not received Certificates of Occupancy from the City of New York for the Facilities as they are not required due their original construction in the 1880s predating said requirement. Sinergia has received Operating Certificates for the Facilities from OPWDD. See the information in this Official Statement entitled "PART 11 - BONDHOLDERS' RISKS - Completion of the Projects; Zoning; Certificate of Occupancy."

Sinergia owns the Facilities. Sinergia will grant DASNY a mortgage on the real property with respect to each of the Facilities, security interests 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. Sinergia also leases 30 other residential and day program properties in the Boroughs of New York City and Westchester County.

Employees. Sinergia employs 123 full-time and 186 part-time employees in New York City and New York, Bronx and Queen Counties. Sinergia 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 Sinergia, the Actual Debt Service Coverage Ratio of Sinergia for Fiscal Year 2017 and the Pro Forma Debt Service Coverage Ratio (which includes Sinergia's Allocable Portion of the Series 2018 Bonds) are as follows:

	2017 Actual	**2017 Pro Forma**
Revenues	$11,278,347	$11,278,347
Expenses	11,165,873	11,165,873
Net Income (after adj.)	112,474	112,474
Less Extraordinary Revenue Items	0	0
Plus Extraordinary Expense Items	0	0
Plus Depreciation and Amortization	40,382	40,382
Plus Current Interest Expense	293	293
New PPA Revenues (unaudited)	0	109,685
Cash Flow for Debt Service	153,149	262,834
Maximum Annual Debt Service (unaudited) *	0	109,685
Debt Service Coverage Ratio (DSCR)	N/A	2.396

* No current long term debt outstanding.

Financials. Audited financial statements for Sinergia for the fiscal years ended June 30, 2015, June 30, 2016 and June 30, 2017 were prepared by BDO USA, LLP and are attached as Appendix B-V. Interim unaudited financial information for Sinergia prepared by Sinergia's Management covering the period from July 1, 2017 through March 31, 2018 is attached as Appendix C-V. Significant accounting policies are contained in the notes to the audited financial statements.

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

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

The following is a summary of financial information for Sinergia for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by Sinergia's Management and derived from Sinergia's audited financial statements. The data contained in the following table should be read in conjunction with the audited financial statements and related notes presented in Appendix B-V; audited financial statements for the fiscal years ended June 30, 2014 and June 30, 2013 are available upon request.

	Fiscal Year Ended June 30,				
	2013	**2014**	**2015**	**2016**	**2017**
Current Assets	$2,944,221	$3,519,354	$3,525,876	$2,711,039	$2,735,710
Net Fixed Assets	309,197	298,281	235,835	229,286	241,297
Other	186,586	186,679	186,773	307,369	285,980
Total	3,440,004	4,004,314	3,948,484	3,247,694	3,262,987
Current Liabilities	584,677	670,702	755,989	701,192	863,055
Other Liabilities	590,298	766,675	808,179	793,699	798,792
Net Assets	2,265,029	2,566,937	2,384,316	1,752,803	1,601,140
Total	3,440,004	4,004,314	3,948,484	3,247,694	3,262,987
Operating Revenue:					
Program Revenue	8,176,527	8,931,122	9,134,316	9,785,742	11,230,646
Nonprogram Revenue	142,826	20,371	36,720	21,277	38,374
Total	8,319,353	8,951,493	9,171,036	9,807,019	11,269,020
Operating Expenses	8,267,214	8,649,585	9,353,657	10,438,532	11,420,683
Change in Net Assets	52,139	301,908	(182,621)	(631,513)	(151,663)
Net Assets, Beginning of Year	2,212,890	2,265,029	2,566,937	2,384,316	1,752,803
Net Assets, End of Year	2,265,029	2,566,937	2,384,316	1,752,803	1,601,140
Cash & Equivalents	1,714,138	2,047,793	1,990,205	1,363,292	1,153,233

Management Discussion of Results of Operations.

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

(2) Sources of Liquidity: (a) Internal – Sinergia had current assets of $2,735,710 and $2,711,039 at the end of fiscal years 2017 and 2016, respectively. (b) External – Sinergia has available a $400,000 line of credit with Capital One Bank for operating expenses.

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

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund-raising, and interest for fiscal years 2017 and 2016 were $5,886 and $2,485, respectively. See Appendix C-V for interim unaudited financial information through March 31, 2018.

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

Liquidity and Capital Resources. As of June 30, 2017 and June 30, 2016, Sinergia had $1,153,233 and $1,363,292 in unrestricted cash and cash equivalents and $1,455,549 and $1,248,083 in net accounts receivable, respectively.

Sinergia has available a $400,000 line of credit with Capital One Bank for operating expenses. The line of credit is secured by a lien on Sinergia's assets, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. There was an outstanding balance of $400,000 as of March 31, 2018.

On January 25, 2018, Sinergia borrowed $1.4 million from a private foundation with net assets of $223 million as of July 31, 2017 as shown on its IRS Form 990, as interim lender for the Project, which borrowing will be paid off with proceeds of the Series 2018 Bonds.

Long-Term Debt. As of June 30, 2017 and June 30, 2016, Sinergia had $0 and $0, respectively, in outstanding long-term indebtedness. Sinergia has not incurred any long-term debt subsequent to June 30, 2017.

Prior Pledges. Sinergia's line of credit for $400,000 with Capital One Bank is secured by a lien on Sinergia's assets, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. Sinergia's total Prior Pledges as of March 31, 2018 amount to $400,000.

Contingencies; Pending or Potential Litigation. According to Sinergia 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 Sinergia to continue to operate its facilities or to challenge title to its properties or seeking damages in excess of applicable insurance coverage or wherein an adverse determination might, in the opinion of Sinergia Management, materially adversely affect the ability of Sinergia to carry out the transactions contemplated in the Loan Agreement, the Mortgage and the Intercept Agreement.

Management.

Directors and Officers: The affairs of Sinergia are governed by a Board of Directors of not less than three. The officers are comprised of: Johnny C. Rivera, President, Josefina Rosario, 1st Vice President, Maria Figueroa, 2nd Vice President, Christine C. Lewis, Treasurer, and Veronica Black, Secretary. Other members of the Board are: Robin S. Brown, Wendell P. Brown, Nancy Martinez, Sharon Moore, Carmen Pagan, Yndhira Rodriguez, Vianney Vargas and Anem Volcy. The Board of Directors meets at least four times a year. A presence of at least fifty percent plus one member of the Board constitutes a quorum. The members of the Board serve without compensation.

Executive and Administrative Officers: Donald Lash, J.D. is the Executive Director and Chief Executive Officer of Sinergia. Mr. Lash previously worked at Sinergia from 1993 to 2005 where he served in various roles including Staff Attorney, Director of Housing Programs and Deputy Executive Director. From 2005 to 2014, Mr. Lash worked for the New York City Administration for Children's Services as Senior Counsel in the Office of Educational Services and Policy Planning. Sinergia has several other key employees including Any Nunez, Controller and Chief Financial Officer and Lorecilda Barcelona, Deputy Executive Director and Chief Operating Officer.

Continuing Disclosure.

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

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YOUNG ADULT INSTITUTE, INC.

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

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

YAI's funding sources for its 2017 Fiscal Year were: OPWDD (approximately 97.5%) and miscellaneous other sources (approximately 2.5%).

Description of Facilities and Financing Plan. DASNY will lend YAI $2,250,000 from the proceeds of the Series 2018 Bonds ("YAI's Allocable Portion"). Such amount will be used to finance or refinance debt incurred in connection with the Facilities and Projects described below, as well as for related legal fees, capitalized interest, costs of issuance and debt service reserve requirements.

- The "157th Street Facility" is a 1,590 square-foot, 1 story building located at 134-19 157th Street, Jamaica, New York. Approximately $808,535 will be used to finance the "157th Street Project," which consists of the acquisition and rehabilitation of the 157th Street Facility for use as a four-bed crisis respite center.

- The "Southaven Avenue Facility" (together with the 157th Street Facility, the "Facilities") is a 2,799 square-foot, 1 story building located at 186 Southaven Avenue, Medford, New York. Approximately $1,182,377 will be used to finance the "Southaven Avenue Project" (together with the 157th Street Project, the "Projects"), which consists of the acquisition and rehabilitation of the Southaven Avenue Facility for use as a residence for eight adults with developmental disabilities.

The remainder of YAI's Allocable Portion in the amount of approximately $259,088 will be used for legal fees, costs of issuance and debt service reserve requirements.

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

The Facilities are New PPA Lien Projects. See the information in this Official Statement entitled "PART 5 - SOURCES OF SERIES 2018 PARTICIPANT FUNDING - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process" for further information concerning New PPA Lien Projects.

YAI has not received new Certificates of Occupancy from the City of New York for the Facilities but has received Operating Certificates for the Facilities from OPWDD. See the information in this Official Statement entitled "PART 11 - BONDHOLDERS' RISKS - Completion of the Projects; Zoning; Certificate of Occupancy."

YAI owns the Facilities. YAI will grant DASNY a mortgage on the real property with respect to each of the Facilities, security interests 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. YAI also owns approximately 74 and leases approximately 95 other properties in the Boroughs of New York City and Nassau, Rockland, Suffolk and Westchester Counties.

Employees. YAI employs approximately 1,799 full-time and 1,117 part-time employees in the State of New York. YAI 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 YAI, the Actual Debt Service Coverage Ratio of YAI for Fiscal Year 2017 and the Pro Forma Debt Service Coverage Ratio (which includes YAI's Allocable Portion of the Series 2018 Bonds) are as follows:

	2017 Actual	2017 Pro Forma
Revenues	$174,161,221	$174,161,221
Expenses	172,405,855	172,405,855
Net Income (after adj.)	1,755,366	1,755,366
Less Extraordinary Revenue Items	0	0
Plus Extraordinary Expense Items	0	0
Plus Depreciation and Amortization	3,573,960	3,573,960
Plus Current Interest Expense	1,543,278	1,543,278
New PPA Revenues (unaudited)	0	108,475
Cash Flow for Debt Service	6,872,604	6,981,079
Maximum Annual Debt Service (unaudited)	3,560,000	3,668,475
Debt Service Coverage Ratio (DSCR)	1.9305	1.9030

Financials. Audited financial statements for YAI and its affiliates for the fiscal years ended June 30, 2015, June 30, 2016 and June 30, 2017 were prepared by Marks Paneth, LLP and are attached as Appendix B-VI. Interim unaudited financial information for YAI only prepared by YAI's Management covering the period from July 1, 2017 through March 31, 2018 is attached as Appendix C-VI. Significant accounting policies are contained in the notes to the audited financial statements, as well as Consolidating Statements for YAI and its affiliates.

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

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

The following is a summary of financial information for YAI, excluding affiliates, for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by YAI's Management and derived from YAI's audited financial statements. The data contained in the following table should be read in conjunction with the audited financial statements and related notes presented in Appendix B-VI; audited financial statements for the fiscal years ended June 30, 2014 and June 30, 2013 are available upon request. Note that only the operations of YAI are presented below, which results may differ from the reported figures in the audited financial statements respecting YAI and all its affiliates.

Fiscal Year Ended June 30,

	2013	2014	2015	2016	2017
Current Assets	$56,313,212	$54,311,494	$64,475,266	$62,999,968	$65,618,161
Net Fixed Assets	37,618,851	34,839,214	32,833,234	34,535,025	34,881,726
Other	12,220,017	14,996,595	8,694,842	4,624,395	2,352,081
Total	106,152,080	104,147,303	106,003,342	102,159,388	102,851,968
Current Liabilities	55,981,566	40,947,295	54,232,523	31,268,800	47,814,841
Other Liabilities	31,212,658	41,464,918	26,773,320	38,213,119	20,604,292
Net Assets	18,957,856	21,735,090	24,997,499	32,677,469	34,432,835
Total	106,152,080	104,147,303	106,003,342	102,159,388	102,851,968
Operating Revenue:					
Program Revenue	163,614,563	176,672,348	183,832,082	176,976,779	172,888,534
Nonprogram Revenue	14,989,443	0	0	2,112,526	1,272,687
Total	178,604,006	176,672,348	183,823,593	179,089,305	174,161,221
Operating Expenses	174,426,960	174,211,464	180,928,721	171,409,335	172,405,855
Change in Net Assets	4,177,046	2,460,884	2,903,361	7,679,970	1,755,366
Non-Operating Changes	997,527	316,350	359,048	0	0
Net Assets, Beginning of Year	13,783,283	18,957,856	21,735,090	24,997,499	32,677,469
Net Assets, End of Year	18,957,856	21,735,090	24,997,499	32,677,469	34,432,835
Cash & Equivalents	23,554,784	25,088,088	17,109,932	13,100,241	18,585,550

Management Discussion of Results of Operations.

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

(2) Sources of Liquidity: (a) Internal – YAI had current assets of $65,618,161 and $62,999,968 at the end of fiscal years 2017 and 2016, respectively. (b) External – YAI has available an $18 million working capital line of credit with Bank of America, N.A. and Israel Discount Bank of New York for operating expenses and an $8 million line of credit with Bank of America, N.A. and Israel Discount Bank of New York for acquisition and renovation of program sites.

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

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund-raising, and interest for fiscal years 2017 and 2016 were $1,272,687 and $2,112,526, respectively. See Appendix C-VIII for interim unaudited financial information through March 31, 2018.

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

Liquidity and Capital Resources. As of June 30, 2017 and June 30, 2016, YAI had $18,585,550 and $13,100,241 in unrestricted cash and cash equivalents and $23,686,406 and $26,622,555 in net accounts receivable, respectively.

As of June 12, 2018, YAI has available an $18 million working capital line of credit with Bank of America, N.A. and Israel Discount Bank of New York for operating expenses. The line of credit is secured by a lien on YAI's accounts receivable and all of its assets, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. There was an outstanding balance of $7,842,911 as of June 12, 2018.

As of June 12, 2018, YAI has available an $8 million line of credit with Bank of America, N.A. and Israel Discount Bank of New York for the acquisition and renovation of program sites. Upon receipt of PPAs from New York State, the funds drawn down on this line are converted into notes secured by related real property and accounts, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. There was a collective balance of $4,757,685 on 15 outstanding notes as of June 12, 2018.

Long-Term Debt. As of June 30, 2017 and June 30, 2016, YAI had $31,217,703 and $38,605,423, respectively, in outstanding long-term indebtedness including mortgages, bonds and capital leases payable, some of which debt is secured by a security interest in YAI's Public Funds. See Notes 6 and 7 of YAI's Audited Financial Statement for fiscal year ending June 30, 2017 under the titles of "Capital Lease Obligations" and "Notes and Mortgages Payable." YAI has not incurred any long-term debt subsequent to March 10, 2016.

Prior Pledges. YAI's working capital line of credit for $18 million with Bank of America, N.A. and Israel Discount Bank of New York and line of credit for $8 million with Bank of America, N.A. and Israel Discount Bank of New York are secured by a lien on YAI's investment accounts, accounts receivable and real property, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. Of YAI's total outstanding long-term debt as of June 30, 2017 and June 30, 2016, $31,217,703 and $38,605,423 is secured by a security interest in certain receivables of and real properties owned by YAI, which may include YAI's Public Funds, and thus constitutes a Prior Pledge as to such funds. YAI's total Prior Pledges (including short term and long term debt) as of March 31, 2018 amount to $30,785,698.

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

Management.

Directors and Officers: The affairs of YAI are governed by a Board of Directors of not less than five nor more than fifty members. The officers are comprised of: Jeffery Mordos, Chairman, David Stafford, Vice Chairman, and Kevin Hogan, Treasurer. Other members of the Board are Jeffrey Lieberman, Esq., Lee Alexander, Elliot Green, Esq., Jane Levine, Richard Rosenbaum, John Rufer and Lewis Lindenberg, Esq. A presence of at least seven members of the Board constitutes a quorum. The members of the Board serve without compensation.

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

Continuing Disclosure.

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

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF SERIES 2018 PARTICIPANTS

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APPENDIX B-I

ABILITY BEYOND DISABILITY

AND

ABILITY BEYOND DISABILITY, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED JUNE 30, 2017, JUNE 30, 2016 AND JUNE 30, 2015)

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Ability Beyond Disability, Inc.
and Affiliates

Consolidated Financial Statements

June 30, 2017
(With summarized comparative information for June 30, 2016)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ability Beyond Disability, Inc. and Affiliates

We have audited the accompanying consolidated financial statements of Ability Beyond Disability, Inc. and Affiliates (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2017, 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Ability Beyond Disability, Inc. and Affiliates as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

PKF O'CONNOR DAVIES, LLP
3001 Summer Street, 5th Floor East, Stamford, CT 06905 I Tel: 203.323.2400 I Fax: 203.967.8733 I www.pkfod.com

Report on Summarized Comparative Information

We have previously audited Ability Beyond Disability, Inc. and Affiliates' June 30, 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 27, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

PKF O'Connor Davies, LLP

October 27, 2017

B-I-2

Ability Beyond Disability, Inc.
and Affiliates

Consolidated Statement of Financial Position
June 30, 2017
(With comparative totals for June 30, 2016)

	2017	2016
ASSETS		
Cash and cash equivalents	$ 294,253	$ 378,483
Accounts receivable, net	6,019,877	5,721,806
Pledges and grants receivable, net	2,280,349	3,822,862
Prepaid expenses	577,962	1,165,640
Other assets, net	571,606	601,370
Investments	4,348,870	2,734,820
Interests in trusts	761,095	761,095
Property and equipment, net	23,699,159	23,886,328
	$ 38,553,171	$ 39,072,404
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 4,067,450	$ 3,053,853
Accrued expenses	2,954,890	3,989,591
Revolving promissory note	5,101,874	3,988,281
Long term debt, net	10,709,255	11,847,338
Deferred income	1,050,327	756,161
Total Liabilities	23,883,796	23,635,224
Net Assets		
Unrestricted		
Undesignated	3,892,733	4,013,699
Endowment fund - Board designated	5,970,062	5,548,600
Total Unrestricted	9,862,795	9,562,299
Temporarily Restricted	3,962,376	5,030,677
Permanently Restricted	844,204	844,204
Total Net Assets	14,669,375	15,437,180
	$ 38,553,171	$ 39,072,404

See notes to consolidated financial statements

Ability Beyond Disability, Inc.
and Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2017
(With summarized totals for Year Ended June 30, 2016)

	2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2016 Total
REVENUES					
Contracts and fees for services	$ 62,509,943	$ -	$ -	$ 62,509,943	$ 62,162,152
Sales revenue from client based programs	1,012,051	-	-	1,012,051	1,435,464
Fundraising revenue	1,390,528	312,380	-	1,702,908	4,968,476
Other income	97,108	-	-	97,108	93,839
Net assets released from restrictions	1,445,886	(1,445,886)	-	-	-
Revenues	66,455,516	(1,133,506)	-	65,322,010	68,659,931
EXPENSES					
Program Services					
Residential Continuum of Care	42,043,809	-	-	42,043,809	42,538,397
Independent Living Support Network	17,306,315	-	-	17,306,315	17,797,721
Total Program Services	59,350,124	-	-	59,350,124	60,336,118
Supporting Services					
Management and General	6,358,693	-	-	6,358,693	7,471,238
Fundraising	1,162,640	-	-	1,162,640	1,297,413
Total Supporting Services	7,521,333	-	-	7,521,333	8,768,651
Total Expenses	66,871,457	-	-	66,871,457	69,104,769
Excess (Deficit) of Revenue over Expenses from Operations	(415,941)	(1,133,506)	-	(1,549,447)	(444,838)
OTHER ACTIVITIES					
Change in beneficial interests in trusts	-	-	-	-	22,531
Gain on cancellation of capital lease	-	-	-	-	145,150
Gain on insurance reimbursement	296,416	-	-	296,416	-
Investment income	420,021	65,205	-	485,226	43,435
Change in Net Assets	300,496	(1,068,301)	-	(767,805)	(233,722)
NET ASSETS					
Beginning of year	9,562,299	5,030,677	844,204	15,437,180	15,670,902
End of year	$ 9,862,795	$ 3,962,376	$ 844,204	$ 14,669,375	$ 15,437,180

See notes to consolidated financial statements

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Ability Beyond Disability, Inc.
and Affiliates

Consolidated Statement of Functional Expenses
Year Ended June 30, 2017
(With summarized totals for Year Ended June 30, 2016)

	2017						
	Program Services						
	Residential Continuum of Care	Independent Living Support	Total Program Services	Management and General	Fundraising	Total Expenses	2016 Total Expenses
PERSONNEL COSTS							
Salaries	$ 26,435,549	$ 10,955,886	$ 37,391,435	$ 2,999,903	$ 533,366	$ 40,924,704	$ 40,657,177
Taxes and benefits	6,645,821	2,652,324	9,298,145	776,146	138,411	10,212,702	11,164,448
Total Personnel Costs	33,081,370	13,608,210	46,689,580	3,776,049	671,777	51,137,406	51,821,625
OTHER EXPENSES							
Facilities and equipment	2,532,000	1,657,316	4,189,316	672,195	16,479	4,877,990	4,905,199
Program supplies and related	3,137,865	1,280,214	4,418,079	303,922	3,878	4,725,879	4,842,482
Intermediate Care Facility (ICF) user fee	1,185,491	-	1,185,491	-	-	1,185,491	1,185,497
Other	331,743	219,274	551,017	653,030	196,747	1,400,794	3,029,680
Special events	-	-	-	-	240,703	240,703	164,680
Interest	418,294	45,150	463,444	296,144	2,439	762,027	816,704
Total Other Expenses	7,605,393	3,201,954	10,807,347	1,925,291	460,246	13,192,884	14,944,242
Total Expenses before Depreciation and Amortization	40,686,763	16,810,164	57,496,927	5,701,340	1,132,023	64,330,290	66,765,867
Depreciation and Amortization	1,357,046	496,151	1,853,197	657,353	30,617	2,541,167	2,338,902
Total Functional Expenses	$ 42,043,809	$ 17,306,315	$ 59,350,124	$ 6,358,693	$ 1,162,640	$ 66,871,457	$ 69,104,769

See notes to consolidated financial statements

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Ability Beyond Disability, Inc.
and Affiliates

Consolidated Statements of Cash Flows
Year Ended June 30, 2017
(With comparative totals for June 30, 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (767,805)	$ (233,722)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	2,541,167	2,338,902
Gain on cancellation of capital lease	-	(145,150)
Unrealized and realized (gains) losses, net	(359,703)	69,789
Change in value of interests in trusts	-	(22,531)
Change in discount on pledges receivable	(36,339)	(23,688)
In-kind donation of software and licenses	-	(217,596)
Contributions for capital and endowment	-	(1,161,878)
Provision for uncollectible accounts	520,510	1,841,428
Change in operating assets and liabilities		
Accounts receivable	(818,581)	(492,204)
Pledges and grants receivables	1,229,026	(712,851)
Prepaid expenses	587,678	(360,244)
Other assets	11,531	(104,976)
Accounts payable and accrued expenses	(21,104)	27,745
Deferred income	294,166	211,446
Net Cash from Operating Activities	3,180,546	1,014,470
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(2,400,572)	(1,004,633)
Sales of investments	1,146,225	2,359,121
Purchases of property and equipment	(2,264,700)	(2,272,077)
Net Cash from Investing Activities	(3,519,047)	(917,589)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions and pledge collections for capital and endowment	349,826	861,784
Proceeds from borrowings on long-term debt	393,074	-
Payments on long term debt	(1,602,222)	(1,415,746)
Net borrowings on revolving promissory note	1,113,593	366,219
Net Cash from Financing Activities	254,271	(187,743)
Net Change in Cash and Cash Equivalents	(84,230)	(90,862)
CASH AND CASH EQUIVALENTS		
Beginning of year	378,483	469,345
End of year	$ 294,253	$ 378,483
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 762,031	$ 816,701
Noncash financing and investing transactions:		
Equipment financed with capital leases	75,787	430,392
Retirement of capital lease asset	-	641,987
Disposal of property and equipment, cost basis	425,000	160,556

See notes to consolidated financial statements

Ability Beyond Disability, Inc.
and Affiliates

Notes to Consolidated Financial Statements
June 30, 2017
(With comparative or summarized totals for 2016)

1. Organization

Ability Beyond Disability, Inc. (d/b/a as "Ability Beyond") is a not-for-profit organization that provides comprehensive rehabilitation services to individuals whose independent living skills are impaired by disability, illness or injury. Ability Beyond Disability, Inc.'s mission calls for the delivery of such services so that individuals may achieve and maintain self-reliance, fulfillment and comfort at home, at work and in the community.

Ability Beyond Disability, Inc. is related through common control to three other not-for-profit organizations, Ability Beyond Disability – a New York Corporation, Datahr Home Health Care, Inc., and Growing Possibilities, Inc., together referred to as Ability Beyond Disability, Inc. and Affiliates. Ability Beyond Disability, Inc. and Affiliates (the "Agency") are exempt from income taxes as defined in Internal Revenue Code Section 501(c)(3) and, accordingly, the consolidated financial statements do not reflect a provision for income taxes.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Net assets are classified as unrestricted, temporarily restricted or permanently restricted based upon the existence or absence of donor-imposed restrictions limiting the use of the contributed assets as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that either expire by the passage of time or can be fulfilled or otherwise removed by actions of the Agency.

Permanently Restricted Net Assets - Net assets subject to donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Agency.

Principles of Consolidation

Accounting principles require consolidation for a fair presentation when one entity in a group has a controlling financial interest in the other entities. Accordingly, the accompanying consolidated financial statements include Ability Beyond Disability, Inc. and its Affiliates. All material inter-organizational balances and transactions have been eliminated in consolidation.

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

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and the 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. Significant estimates required to be made by management include the allowance for doubtful receivables, depreciation expense and the allocation of functional expenses.

Cash and Cash Equivalents

The Agency considers all highly liquid debt instruments with a maturity of three months or less at the time of purchase that are utilized for operations to be cash equivalents.

Contributions

Contributions are recognized when the donor makes an unconditional promise to give to the Agency. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Agency uses the allowance method to determine uncollectible promises to give which is based on prior years' experience and management's analysis of specific receivables.

In determining the amount of revenue to be recognized for promises to give, the portion expected to be received within one year is recorded at realizable value while the balance is recorded at its net present value using a risk-adjusted interest rate. The discount is amortized to contribution revenue over the collection period.

Contributed Meals, Goods, Property and Services

For the years ended June 30, 2017 and 2016, donated meals, goods and property were valued at $51,175 and $239,544 in the accompanying financial statements. In addition, a substantial number of volunteers have contributed their time to the Agency's programs and supporting services; however, none of these services meet the requirements for financial statement recognition.

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition for the years ended June 30, 2017 and 2016.

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

Grants

Grants received by the Agency are generally based on cost-reimbursement and are recognized as revenue as the related costs are incurred.

Fair Value of Financial Instruments

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

Investments Valuation

Investments are stated at fair value in the statement of financial position. Unrealized gains or losses are included within investment income in the statement of activities.

Property and Equipment

Property and equipment are recorded at cost, or in the case of donated assets at estimated fair value at date of gift, less accumulated depreciation. Buildings, improvements, furniture, fixtures, equipment and vehicles are being depreciated using the straight-line method over the estimated useful lives of the assets which range from 3 to 30 years. The title to certain equipment purchased with government grant funds is held by the grantor. Pursuant to prevailing accounting principles, the Agency has capitalized and depreciated such equipment in its financial statements over their estimated useful life or the program period.

Impairment or Disposal of Long-lived Assets

GAAP requires long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Recoverability of the long-lived assets is measured by a comparison of their carrying amount to market value or future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, their carrying amounts are reduced. There were no assets written down for impairment losses recognized in 2017 and 2016.

Deferred Income

Deferred income consists primarily of government grants for specified program purposes which the Agency has received but not expended, as well as income received from others in advance of being earned. Included in deferred income is State of Connecticut Department of Developmental Services cash advances ("DDS Cash Advances") of $160,807 related to the Community Living Arrangement program.

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

Interests in Trusts

The Agency is the beneficiary of two deferred gifts which are reflected in the consolidated financial statements as interests in trusts in the consolidated statement of financial position. One of these trusts is a remainder interest in a trust classified within temporarily restricted net assets until distributed to the Agency, at which time the current value will be available for use in the Agency's general operations. The other trust is a beneficial interest in a trust classified within permanently restricted net assets as the value of the gift at the time of disbursement to the Agency is to remain invested in perpetuity.

Revenue Recognition and Related Accounts Receivable

Contracts and fees for service are reported at the estimated net realizable amounts to be collected from consumers, third-party payors and others for services rendered. Revenue under third-party payor agreements is subject to governmental review and may require retroactive settlements based on the reporting of actual annual costs and other regulatory processes. Estimates of these adjustments are recorded on a current basis. To the extent that the subsequent actual adjustment is more or less than the estimate, such amounts are reflected in the operating results for the period in which the final adjustment becomes known.

Specific accounts determined to be uncollectible are written off in the period that such a determination is made. An allowance for doubtful accounts is determined based on management's review of all remaining accounts receivable.

Deferred Financing Costs

Deferred financing costs incurred from the issuance of debt are reported on the statement of financial position as a direct deduction from the face amount of the debt. The deferred financing costs are being amortized over the term of the debt on a method that approximates the effective interest method.

Functional Expenses

The Agency allocates its expenses on a functional basis among its program and support services. Expenses that can be specifically identified with a program or support service are allocated directly. Other expenses that are common to several functions are allocated based on estimates made by management.

Accounting for Uncertainty in Income Taxes

Management recognizes the effects of income tax positions only if those positions are more likely than not to be sustained. Accordingly, management believes the Agency's income tax positions are consistent with its tax exempt status and has determined that the Agency had no uncertain tax positions that would require financial statement recognition. The Agency is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2014.

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

Reclassifications

For purposes of comparison, certain reclassifications have been made to the accompanying June 30, 2016 comparative and summarized financial information to conform to the June 30, 2017 presentation, with no effect on the Agency's total net assets.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/ or recognition in the financial statements through the date that the financial statements were available to be issued, which is October 27, 2017.

3. Contingencies, Claims and Assessments

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Recently, government activity has increased with respect to investigations concerning possible violations by health care providers of fraud and abuse statutes and regulations. Compliance with such laws and regulations are subject to future government review and interpretations as well as potential regulatory actions.

In 2011, the Connecticut Department of Social Services ("DSS") commenced an audit of the Agency's 20 ICF Medicaid cost reports for the years ended June 30, 2007 and 2008. On June 3, 2015, DSS issued a final rate decision resulting in an assessment of approximately $1,850,000 for the period through June 30, 2012, and in December 2015, Ability Beyond Disability, Inc. entered into a settlement agreement with DSS. The settlement agreement calls for a $773,000 pay back for the period from October 1, 2006 through June 30, 2015. Reimbursement rates from that point forward were reduced consistently. As of June 30, 2016, $335,000 of the settlement has been paid, the remainder of $438,000, which is included in accrued expenses at June 30, 2016, and was paid 2017 in accordance with the settlement agreement.

In 2009 the New York State Office of the Medicaid Inspector General ("OMIG") commenced an audit of claims paid for services provided through the Acquired Brain Injury HCBS Medicaid Waiver for the period April 1, 2004 through December 31, 2007. On August 18, 2016, the Agency received a draft audit report from OMIG summarizing the audit findings indicating an assessment in the range of $1.8 million to $2.5 million. On March 6, 2017, Ability Beyond received a final audit report from OMIG which indicated a liability range of $1.3 to $2.0 million. Since receiving the final audit report Agency management has been working with legal counsel to defend against OMIG's findings based on OMIG's application of rules and methodologies in performing the audit. OMIG has failed to provide management with records requested and has delayed the hearing on two occasions. The Agency's legal counsel's evaluation of a possible outcome is that it is unknown at the present time, but estimated a possible liability between $0 and $800,000.

4. Concentration of Credit Risk

Financial instruments that potentially subject the Agency to significant concentrations of credit risk consist principally of cash and investments. At times, cash balances may be in excess of balances insured by the Federal Deposit Insurance Corporation. The Agency has not experienced any losses in such accounts and management believes the Agency is not exposed to any significant credit risk.

A significant portion of the Agency's support and revenue is from government fees, contracts and grants in fiscal 2017. As with all government funding, grants and fees may be subject to reduction or termination in future years. Any significant reduction in these grants and fees could have a negative impact on the Agency's program services. Based upon the nature of these grants, management believes the Agency is not exposed to any significant credit risk.

Revenues earned from various departments of the States of Connecticut and New York were approximately 94% and 95% of total contracts and fees for services in 2017 and 2016.

5. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2017:

	2017			2016
	Accounts Receivable	Allowance for Doubtful Accounts	Accounts Receivable Net	Accounts Receivable Net
Ability Beyond Disability, Inc.	$ 4,561,225	$ (223,508)	$ 4,337,717	$ 3,822,390
Ability Beyond Disability - a New York Corp.	1,803,963	(188,686)	1,615,277	1,806,236
Growing Possibilities, Inc.	40,397	(3,664)	36,733	63,030
Datahr Home Health Care, Inc.	30,150	-	30,150	30,150
Total accounts receivable, net	$ 6,435,735	$ (415,858)	$ 6,019,877	$ 5,721,806

Accounts receivable consist of amounts due from various third-party payers including Medicare, Medicaid, certain state agencies, insurance companies, and from individuals and corporations.

As of June 30, 2017, accounts receivable of Ability Beyond Disability, Inc. and Ability Beyond Disability – A New York Corporation were used as collateral to secure the revolving promissory note with a bank.

6. Pledges and Grants Receivable

Donors to the Agency have made written unconditional promises to give. The pledges are collectible over a period of time and donors may make payments at any time during such periods. Grants are generally earned based on actual costs incurred and are collectible within a year of being earned.

Pledges and grants receivable are summarized as follows at June 30:

	2017	2016
Pledges receivable due in less than one year	$ 1,040,376	$ 1,714,094
Pledges receivable due in one to five years	1,331,913	1,386,613
Less unamortized discount on pledges receivables	(112,118)	(154,879)
Pledges Receivable, Net of Discount	2,260,171	2,945,828
Allowance for uncollectible pledges receivable	(47,516)	(69,522)
Pledges Receivable, Net	2,212,655	2,876,306
Grants receivable due in less than one year	67,694	946,556
Pledges and Grants Receivable, Net of Discount	$ 2,280,349	$ 3,822,862

Pledges receivable that are expected to be received in more than one year are discounted at rates approximating 3.5%, based on the date the donor commitment was made.

Approximately $1,340,000, or 57%, of gross outstanding pledges receivable are due from members of either the Agency's Board of Directors or the Board of Trustees (together the "Boards") at June 30, 2017. Pledges from one such member of the Board represents approximately $991,000 or 42%, of gross pledges receivable due at June 30, 2017.

7. Other Assets

Other assets consist of the following at June 30:

	2017	2016
Security deposits	$ 131,488	$ 129,889
Cash Surrender value of life insurance policies	90,434	86,108
Other assets	349,684	385,373
Total Other Assets, Net	$ 571,606	$ 601,370

8. Fair Value Measurements

Investments and interests in trusts, categorized by the fair value hierarchy, consist of the following at June 30:

	2017	2016
Level 1 Inputs		
Cash equivalents	$ 87,106	$ 398,705
Equity securities	2,846,288	1,863,495
Fixed income exchange traded funds	879,155	102,303
United States Government obligations	60,835	-
Total Level 1 Inputs	3,873,384	2,364,503
Level 2 Inputs		
Corporate bonds and notes	475,486	370,317
Total Investments	4,348,870	2,734,820
Level 3 Inputs		
Interests in trusts	761,095	761,095
Total fair value measurements	$ 5,109,965	$ 3,495,915

Level 1 and Level 2 investments summarized above are part of a highly diversified portfolio covering various market sectors including consumer, energy, financials, health care, industrials, information technology, commodities, emerging market and international, among others.

Changes in the fair value of Level 3 interests in trusts is as follows:

Balance July 1, 2015	$ 738,564
Change in fair value of interests in trusts	22,531
Balance June 30, 2016	761,095
Change in fair value of interests in trusts	-
Balance June 30, 2017	$ 761,095

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8. Fair Value Measurements *(continued)*

The following is a description of valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

Cash equivalents, equity securities, exchange traded funds and government securities are valued at the quoted net asset value of shares reported in the active markets in which they are traded.

Corporate bonds and notes are valued by reference to other bonds with similar maturities and risks.

The interests in trusts are valued based on the values of the underlying investments, and, in the case of the remainder trust, a discount is applied to reflect the expected remaining term of the trust.

9. Investment Income

Investment income for the years ended June 30 consisted of the following:

	2017	2016
Interest and dividend income	$ 157,349	$ 141,614
Realized gains	69,317	62,081
Unrealized gains (losses)	290,386	(131,870)
Less: investment fees	(31,826)	(28,390)
Investment income, net of fees	$ 485,226	$ 43,435

10. Property and Equipment

Property and equipment consists of the following at June 30:

	2017	2016
Land, buildings and improvements	$ 34,628,919	$ 33,054,058
Furniture, fixtures and other	10,149,352	8,650,124
Leasehold improvements	2,752,241	2,741,097
Transportation vehicles	4,751,114	4,090,228
Assets held under capital leases	1,003,170	1,253,625
	53,284,796	49,789,132
Less accumulated depreciation (including $381,634 and $564,010 for assets held under capital leases)	(31,026,573)	(28,567,392)
	22,258,223	21,221,740
Construction in progress	1,440,936	2,664,588
Property and Equipment, Net	$ 23,699,159	$ 23,886,328

During the year ended June 30, 2016, the Agency disposed of $1,025,134 original cost assets with $359,003 of accumulated depreciation. One of the assets disposed of was an asset held under capital lease, with an original cost of $864,578. The gain on cancellation of the capital lease of $145,150 is recorded in other activities in the statement of activities.

11. Debt

On September 27, 2016, the Agency amended the terms of various debt held with People's United Bank. The existing revolving line of credit described below was renewed and extended through December 31, 2017. The existing mortgage loan (the "mortgage loan") in the amount of $1,321,786 described below was renewed and extended through October 1, 2026.

The Agency also obtained a new $750,000 revolving line of credit (the "back-up revolver") from People's United Bank on September 27, 2016. The back-up revolver is intended to be used only for short-term funding in the event that payments are delayed from governmental agencies. The back-up revolver carries an interest rate of the Prime Rate plus 1%, with a minimum floor rate of 3.5% and matures on December 31, 2017.

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11. Debt *(continued)*

Revolving Promissory Notes

Details of the revolving promissory notes are as follows at June 30:

	2017	2016
People's United Bank revolving line of credit note - maximum of $4,500,000 with interest rate at prime plus .25% but no less than 3.5%, secured by all assets of the Agency, maturing on December 31, 2017. The rate of interest at June 30, 2017 is 4.5%.	$ 4,351,874	$ 3,988,281
People's United Bank revolving line of credit note - maximum of $750,000 with interest rate at prime plus 1%, but no less than 3.5%, secured by all assets of the Agency, maturing on December 31, 2017. The rate of interest at June 30, 2017 is 5.25%	750,000	-
	$ 5,101,874	$ 3,988,281

The Agency is currently in discussions with People's United Bank ("People's") to renew or refinance the above revolving promissory notes. The Agency expects to renew or refinance these notes with People's before the December 31, 2017 maturity date.

Capital Leases

The Agency is the lessee of residential properties under capital leases expiring in various years through 2039. These properties are expected to be donated to the Agency by the lessor at the end of their respective lease terms or earlier. Assets and liabilities under capital leases are recorded at the fair value of the asset at lease inception. The buildings are depreciated over 30-year lives and any improvements are depreciated over their respective lives ranging from 5 to 25 years.

The Agency is also the lessee of motor vehicles under capital leases expiring in fiscal year 2018. The assets and liabilities under the capital leases are recorded at the fair value of the respective assets at lease inception. The vehicles are depreciated over the lower of their related lease terms or their estimated useful lives.

Depreciation of assets under the capital leases described above is included in depreciation expense for 2017 and 2016.

Interest rates on capitalized leases vary from 3.99% to 9.60% and are imputed based on the lessor's implicit rate of return.

11. Debt *(continued)*

Capital Leases (continued)

The following is a summary of all amounts due under capital leases at June 30, 2017:

	Residential Properties	Vehicles	Equipment	Total
2018	$ 39,331	$ 16,134	$ 71,551	$ 127,016
2019	39,331	-	54,202	93,533
2020	39,331	-	37,716	77,047
2021	39,331	-	3,232	42,563
2022	39,331	-	-	39,331
Subsequent to 2022	1,092,275	-	-	1,092,275
Total Minimum Future Lease Payments	1,288,930	16,134	166,701	1,471,765
Less amount representing interest	(622,187)	(2,680)	(9,773)	(634,640)
Total capital leases	$ 666,743	$ 13,454	$ 156,928	$ 837,125

Notes Payable

Notes payable consist of the following at June 30:

	2017	2016
FJC note with max borrowings up to $1,200,000, interest payable quarterly at the prime rate plus 3%, all principal due upon maturity at June 30, 2019. The rate of interest at June 30, 2017 was 7.25%.	$ 133,900	$ -
People's United Bank term loan note, payable in level principal payments of $29,483 per month with interest accruing on the unpaid balance variable based on the prime rate but no less than 3.5%, secured by all assets of the Agency, maturing January 1, 2019. The rate of interest at June 30, 2017 was 4.19%.	530,700	884,500
Notes payable to various lending agencies for purchases of vehicles, secured by these notes include interest and principal ranging from $383 to $1,418 and mature through July 2021.	617,721	595,406
Total notes payable	$ 1,282,321	$ 1,479,906

**Ability Beyond Disability, Inc.
and Affiliates**

Notes to Consolidated Financial Statements
June 30, 2017
(With comparative or summarized totals for 2016)

11. Debt *(continued)*

Mortgages Payable

Mortgages payable consist of the following at June 30:

Lender/Collateral/ Interest Rate/Maturity	2017	2016
U.S. Dept. of Housing and Urban Development		
Dodgintown, Maple & Farview		
Fixed - 9.25%, Due 6/20/22	$ 224,215	$ 265,433
Bank of America Mortgage Center		
Pleasant Rise Circle		
Variable - 3.375% @6/30/17, Due 2/1/18	5,926	14,462
Peoples Bank		
Secured by various properties.		
Variable - 4.5% @ 6/30/17, Due 10/1/26	1,272,014	1,321,786
Secured by various properties.		
Variable - 4.25%, Due 2/26/2023	2,387,022	2,497,172
Union Savings Bank		
Grand Street		
Fixed - 5.38%, Due 9/30/22	242,975	282,413
Starr Ave		
Fixed - 4.07%, Due 04/02/2034	283,939	295,643
Community Preservation Corp Mortgage		
Lewisboro, Carpenter Ave. Millington		
Variable - 7.29% @ 06/30/17, Due 9/01/17	142,030	266,016
Buchannan		
Fixed - 7.22%, Due 3/01/21	294,902	360,998
Yonkers		
Fixed - 4.86%, Due 3/01/26	704,053	767,105
Hudson Valley Bank, N.A. Mortgages		
Brookside Ave. Yorktown Heights		
Fixed - 8.61%, Due 3/01/20	224,361	274,518
NYS Dormitory Authority Bonds		
Howland Ave., Beacon NY		
Variable - 3% @ 6/30/17, Due 6/30/2039	3,095,000	3,185,000
Total mortgages payable	$ 8,876,437	$ 9,530,546

11. Debt *(continued)*

The Agency is subject to certain covenants related to the long term debt as specified in the loan agreements, including a requirement that certain financial ratios be maintained. Management believes the Agency is in compliance with such covenants.

A summary of long term debt is as follows at June 30:

	2017	2016
Capital leases	$ 837,125	$ 1,117,673
Notes payable	1,282,321	1,479,906
Mortgages payable	8,876,437	9,530,546
	10,995,883	12,128,125
Less unamortized deferred financing costs	(286,628)	(280,787)
Long term debt, net	$ 10,709,255	$ 11,847,338

Following are maturities of long-term debt for the next five years and beyond for the years ending June 30:

	Capital Leases Payable	Notes Payable	Mortgages Payable	Total
2018	$ 87,424	$ 735,947	$ 715,313	$ 1,538,684
2019	60,051	368,753	594,591	1,023,395
2020	46,212	104,621	631,409	782,242
2021	12,930	55,395	547,025	615,350
2022	10,177	17,605	454,470	482,252
Subsequent to 2022	620,331	-	5,933,629	6,553,960
Total	$ 837,125	$ 1,282,321	$ 8,876,437	$ 10,995,883

12. Endowment Funds

The Agency maintains various donor-restricted and board-designated funds whose purpose is to provide long-term support for its charitable programs (the “Endowment Funds”). Net assets associated with the Endowment Funds, including funds designated by the Board of Directors are classified and reported based upon the existence or absence of donor-imposed restrictions. In classifying such funds, the Board looked to the explicit directions of the donor, where applicable, and the laws and regulations of the State of Connecticut.

The Boards have interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (“CUPMIFA”) as requiring the preservation of the fair value of the original gifts as of the gift date of the 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. In accordance with CUPMIFA, the Agency considers the specified factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

Activity of funds held for endowment is as follows for the years ended June 30:

	Endowment Funds			
	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Beginning balance July 1, 2015	$ 5,508,990	$ 84,806	$ 508,005	$ 6,101,801
Investment income, net	39,610	4,744	-	44,354
Ending balance June 30, 2016	5,548,600	89,550	508,005	6,146,155
Contributions	4,326	-	-	4,326
Investment income, net	417,136	65,205	-	482,341
Ending balance June 30, 2017	$ 5,970,062	$ 154,755	$ 508,005	$ 6,632,822

During fiscal years 2012 through 2017, the Agency borrowed an aggregate of approximately $3,350,000 from the unrestricted Board designated portion of the Endowment Fund to fund current operations. As excess cash becomes available, the Agency is required to pay back the Endowment Fund in full plus interest, which accrues at an annual rate of 3.5%. On June 30, 2013, the Board of Directors established a repayment date of no later than June 30, 2018. The Endowment Funds have been pledged as collateral to secure certain debt (see Note 11).

12. Endowment Funds *(continued)*

The Endowment Funds consist of the following at June 30:

	2017	2016
Investments	$ 4,348,870	$ 2,734,820
Interfund loan	2,133,964	3,243,122
Cash	149,988	168,213
Ending balance	$ 6,632,822	$ 6,146,155

The Endowment Fund loan activity during the year ended June 30, 2017 is as follows:

Balance at July 1, 2016	$ 3,243,122
Repayments	(1,200,000)
Interest added	90,842
Balance at June 30, 2017	$ 2,133,964

Investment Return Objectives, Risk Parameters and Strategies: The Agency has adopted investment and spending policies, approved by the Board for endowment assets that attempt to provide a predictable stream of funding to programs supported by its Endowment Funds while also maintaining the purchasing power of those endowment assets. The Agency's investment goals are to meet payout requirements calculated in accordance with the established spending rule, to provide sufficient liquidity to meet distribution requirements and to achieve successful investment performance using "total return" as the accepted measurement. The Agency's investment strategy is to highly diversify its portfolio in order to minimize volatility and increase returns over time. The asset allocation seeks to balance the relative percentage invested in equity securities (25% to 65%), fixed income (35% to 75%), and money market instruments (0% to 25%).

Spending Policy: The Agency has a policy of approving for distribution each year 5% of its Endowment Fund's fair value using a 16 quarter trailing average for the period ending the prior December 31. The Agency expects the current spending policy to allow its Endowment Funds to grow at a nominal average rate approximately equal to inflation. This is consistent with the Agency's objective of maintaining the purchasing power of the endowment assets as well as providing additional real growth through new gifts and investment return. The spending rule as established by the Board states that in no instance shall a distribution to the Agency for current operations cause an invasion of the Fund's original gift(s) value, adjusted for inflation. There were no distributions of Endowment Fund income during the years ended June 30, 2017 and 2016.

B-I-13

13. Temporarily and Permanently Restricted Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets, including unconditional promises to give, were available for the following purposes at June 30:

	2017	2016
Consumers needs	$ 35,040	$ 18,572
Transportation vehicles	4,215	124,763
Endowment income not yet appropriated for operations	154,755	89,550
Remainder interest in a trust	424,896	424,896
Transition programs	75,000	150,000
Software and licenses for future use	440,915	646,295
Comprehensive Campaign	2,827,555	3,576,601
Total Temporarily Restricted Net Assets	$ 3,962,376	$ 5,030,677

Temporarily restricted net assets released from restrictions were as follows for the year ended June 30:

	2017	2016
Consumers needs	$ 22,281	$ 5,952
Transportation	120,548	48,000
Transition programs	75,000	-
Software and licenses for future use	205,380	102,690
Comprehensive Campaign	1,022,677	2,309,518
	$ 1,445,886	$ 2,466,160

Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following at June 30:

	2017	2016
Permanently restricted Endowment Funds	$ 508,005	$ 508,005
Beneficial interest in a trust	336,199	336,199
Total Permanently Restricted Net Assets	$ 844,204	$ 844,204

14. Lease Expense

The Agency and Affiliates lease commercial space, vehicles and office equipment under operating leases expiring in various years through fiscal year 2030. Rent expense for June 30, 2017 and 2016 was $1,150,371 and $1,157,083.

Approximate minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2017 are payable as follows:

	2018	$ 740,462
	2019	540,003
	2020	535,674
	2021	523,990
	2022	497,254
Total		$ 2,837,383

15. Sale of Datahr Home Health Care, Inc.

On October 1, 2002, Datahr Home Health Care, Inc. ("DHH") entered into an Asset Purchase Agreement, a Consulting Services Agreement and a Management Contract with Family Aides Certified Services of Nassau/Suffolk, Inc. ("Family Care"). The agreements provide for Family Care to start up the operations of DHH, and for the sale of the assets of DHH to Family Care upon approval by New York State, for a purchase price of $350,000. All obligations of the seller will be transferred to the buyer with the sale of the corporation. On March 5, 2003, the New York Department of Health approved the Management Agreement between the two parties. On January 2, 2008, a second amendment to the purchase agreement was executed. The Public Health Council issued a letter dated August 16, 2011 approving the transfer of ownership. On August 25, 2016, the Attorney General's Office signed off in support of the sale. There is an additional approval required and, as a result, the final closer of the sale has been delayed. Payment of the full sale price is recorded as deferred income as of June 30, 2017 and 2016.

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Ability Beyond Disability, Inc.
and Affiliates

Consolidated Financial Statements

June 30, 2016
(With summarized comparative information for June 30, 2015)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ability Beyond Disability, Inc. and Affiliates

We have audited the accompanying consolidated financial statements of Ability Beyond Disability, Inc. and Affiliates (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2016, 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Ability Beyond Disability, Inc. and Affiliates as of June 30, 2016, 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.

PKF O'CONNOR DAVIES, LLP
3001 Summer Street, 5th Floor East, Stamford, CT 06905 I Tel: 203.323.2400 I Fax: 203.967.8733 I www.pkfod.com

Report on Summarized Comparative Information

We have previously audited Ability Beyond Disability, Inc. and Affiliates' June 30, 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 16, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

PKF O'Connor Davies, LLP

September 27, 2016

Ability Beyond Disability, Inc.
and Affiliates

Consolidated Statement of Financial Position
June 30, 2016
(With comparative totals for June 30, 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	$ 378,483	$ 469,345
Accounts receivable, net	5,721,806	6,596,030
Pledges and grants receivable, net	3,822,862	3,261,229
Prepaid expenses	1,165,640	805,396
Other assets, net	601,370	496,394
Investments	2,734,820	4,159,097
Interests in trusts	761,095	738,564
Property and equipment, net	23,886,328	23,914,721
	$ 39,072,404	$ 40,440,776
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 3,053,853	$ 2,810,460
Accrued expenses	3,989,591	4,205,239
Revolving promissory note	3,988,281	3,622,062
Long term debt, net	11,847,338	13,587,398
Deferred income	756,161	544,715
Total Liabilities	23,635,224	24,769,874
Net Assets		
Unrestricted		
Undesignated	4,013,699	4,717,728
Endowment fund - Board designated	5,548,600	5,508,990
Total Unrestricted	9,562,299	10,226,718
Temporarily Restricted	5,030,677	4,622,511
Permanently Restricted	844,204	821,673
Total Net Assets	15,437,180	15,670,902
	$ 39,072,404	$ 40,440,776

See notes to consolidated financial statements

Ability Beyond Disability, Inc.
and Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2016
(With summarized totals for Year Ended June 30, 2015)

	2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2015 Total
REVENUES					
Contracts and fees for services	$ 62,162,152	$ -	$ -	$ 62,162,152	$ 64,511,852
Sales revenue from client based programs	1,435,464	-	-	1,435,464	1,151,506
Fundraising revenue	2,098,894	2,869,582	-	4,968,476	3,726,773
Other income	93,839	-	-	93,839	15,885
Endowment income appropriated for operations	-	-	-	-	200,000
Net assets released from restrictions	2,466,160	(2,466,160)	-	-	-
Revenues	68,256,509	403,422	-	68,659,931	69,606,016
EXPENSES					
Program Services					
Residential Continuum of Care	42,538,397	-	-	42,538,397	43,643,970
Independent Living Support Network	17,797,721	-	-	17,797,721	17,838,561
Total Program Services	60,336,118	-	-	60,336,118	61,482,531
Supporting Services					
Management and General	7,471,238	-	-	7,471,238	7,416,143
Fundraising	1,297,413	-	-	1,297,413	1,489,602
Total Supporting Services	8,768,651	-	-	8,768,651	8,905,745
Total Expenses	69,104,769	-	-	69,104,769	70,388,276
Excess (Deficit) of Revenue over Expenses from Operations	(848,260)	403,422	-	(444,838)	(782,260)
OTHER ACTIVITIES					
Change in beneficial interests in trusts	-	-	22,531	22,531	101,500
Gain on cancellation of capital lease	145,150	-	-	145,150	-
Investment income (loss), excluding endowment income appropriated for operations	38,691	4,744	-	43,435	(44,936)
Change in Net Assets	(664,419)	408,166	22,531	(233,722)	(725,696)
NET ASSETS					
Beginning of year	10,226,718	4,622,511	821,673	15,670,902	16,396,598
End of year	$ 9,562,299	$ 5,030,677	$ 844,204	$ 15,437,180	$ 15,670,902

See notes to consolidated financial statements

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Ability Beyond Disability, Inc.
and Affiliates

Consolidated Statement of Functional Expenses
Year Ended June 30, 2016
(With summarized totals for Year Ended June 30, 2015)

	2016						
	Program Services						
	Residential Continuum of Care	Independent Living Support	Total Program Services	Management and General	Fundraising	Total Expenses	2015 Total Expenses
PERSONNEL COSTS							
Salaries	$ 25,875,812	$ 10,798,156	$ 36,673,968	$ 3,577,775	$ 405,434	$ 40,657,177	$ 40,186,822
Taxes and benefits	7,170,800	2,872,809	10,043,609	1,006,526	114,313	11,164,448	11,612,856
Total Personnel Costs	33,046,612	13,670,965	46,717,577	4,584,301	519,747	51,821,625	51,799,678
OTHER EXPENSES							
Facilities and equipment	2,481,681	1,705,057	4,186,738	701,465	16,996	4,905,199	5,622,780
Program supplies and related	3,058,539	1,451,520	4,510,059	329,551	2,872	4,842,482	5,319,191
Intermediate Care Facility (ICF) user fee	1,185,497	-	1,185,497	-	-	1,185,497	1,191,515
Other	1,065,864	514,962	1,580,826	894,876	553,978	3,029,680	2,810,427
Special events	-	-	-	-	164,680	164,680	210,648
Interest	468,307	49,512	517,819	296,563	2,322	816,704	941,249
Total Other Expenses	8,259,888	3,721,051	11,980,939	2,222,455	740,848	14,944,242	16,095,810
Total Expenses before Depreciation and Amortization	41,306,500	17,392,016	58,698,516	6,806,756	1,260,595	66,765,867	67,895,488
Depreciation and Amortization	1,231,897	405,705	1,637,602	664,482	36,818	2,338,902	2,492,788
Total Functional Expenses	$ 42,538,397	$ 17,797,721	$ 60,336,118	$ 7,471,238	$ 1,297,413	$ 69,104,769	$ 70,388,276

See notes to consolidated financial statements

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Ability Beyond Disability, Inc.
and Affiliates

Consolidated Statements of Cash Flows
Year Ended June 30, 2016
(With comparative totals for June 30, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (233,722)	$ (725,696)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	2,338,902	2,492,788
Gain on cancellation of capital lease	(145,150)	-
Unrealized and realized (gains) losses, net	69,789	(36,219)
Change in value of interests in trusts	(22,531)	(101,500)
Change in discount on pledges receivable	(23,688)	(121,349)
In-kind donation of software and licenses	(217,596)	-
Contributions for capital and endowment	(1,161,878)	(1,023,670)
Provision for uncollectible accounts	1,841,428	1,335,461
Change in operating assets and liabilities		
Accounts receivable	(492,204)	(270)
Pledges and grants receivables	(712,851)	(249,489)
Prepaid expenses	(360,244)	(88,920)
Other assets	(104,976)	45,259
Accounts payable and accrued expenses	27,745	412,696
Other liabilities	-	(20,678)
Deferred income	211,446	6,290
Net Cash from Operating Activities	1,014,470	1,924,703
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,004,633)	(2,006,213)
Sales of investments	2,359,121	1,782,380
Purchases of property and equipment	(2,272,077)	(1,095,487)
Net Cash from Investing Activities	(917,589)	(1,319,320)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions and pledge collections for capital and endowment	861,784	880,515
Payments on long term debt	(1,415,746)	(1,490,732)
Net borrowings (payments) on revolving promissory note	366,219	(95,402)
Net Cash from Financing Activities	(187,743)	(705,619)
Net Change in Cash and Cash Equivalents	(90,862)	(100,236)
CASH AND CASH EQUIVALENTS		
Beginning of year	469,345	569,581
End of year	$ 378,483	$ 469,345
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 816,701	$ 941,250
Noncash financing and investing transactions:		
Equipment financed with capital leases	430,392	414,531
Retirement of capital lease asset	641,987	-
Disposal of fully depreciated vehicles and equipment	160,556	172,805
Pledge for donated software and licenses collected in-kind	-	664,236

See notes to consolidated financial statements

Ability Beyond Disability, Inc.
and Affiliates

Notes to Consolidated Financial Statements
June 30, 2016
(With comparative or summarized totals for 2015)

1. Organization

Ability Beyond Disability, Inc. (d/b/a as “Ability Beyond”) is a not-for-profit organization that provides comprehensive rehabilitation services to individuals whose independent living skills are impaired by disability, illness or injury. Ability Beyond Disability, Inc.’s mission calls for the delivery of such services so that individuals may achieve and maintain self-reliance, fulfillment and comfort at home, at work and in the community.

Ability Beyond Disability, Inc. is related through common control to three other not-for-profit organizations, Ability Beyond Disability – a New York Corporation, Datahr Home Health Care, Inc., and Growing Possibilities, Inc., together referred to as Ability Beyond Disability, Inc. and Affiliates. Ability Beyond Disability, Inc. and Affiliates (the “Agency”) are exempt from income taxes as defined in Internal Revenue Code Section 501(c)(3) and, accordingly, the consolidated financial statements do not reflect a provision for income taxes.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Net assets are classified as unrestricted, temporarily restricted or permanently restricted based upon the existence or absence of donor-imposed restrictions limiting the use of the contributed assets as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that either expire by the passage of time or can be fulfilled or otherwise removed by actions of the Agency.

Permanently Restricted Net Assets - Net assets subject to donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Agency.

Principles of Consolidation

Accounting principles require consolidation for a fair presentation when one entity in a group has a controlling financial interest in the other entities. Accordingly, the accompanying consolidated financial statements include Ability Beyond Disability, Inc. and its Affiliates. All material inter-organizational balances and transactions have been eliminated in consolidation.

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

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and the 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. Significant estimates required to be made by management include the allowance for doubtful receivables, depreciation expense and the allocation of functional expenses.

Cash and Cash Equivalents

The Agency considers all highly liquid debt instruments with a maturity of three months or less at the time of purchase that are utilized for operations to be cash equivalents.

Contributions

Contributions are recognized when the donor makes an unconditional promise to give to the Agency. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Agency uses the allowance method to determine uncollectible promises to give which is based on prior years' experience and management's analysis of specific receivables.

In determining the amount of revenue to be recognized for promises to give, the portion expected to be received within one year is recorded at realizable value while the balance is recorded at its net present value using a risk-adjusted interest rate. The discount is amortized to contribution revenue over the collection period.

Contributed Meals, Goods, Property and Services

For the years ended June 30, 2016 and 2015, donated meals, goods and property were valued at $239,544 and $123,835 in the accompanying financial statements. In addition, a substantial number of volunteers have contributed their time to the Agency's programs and supporting services; however, none of these services meet the requirements for financial statement recognition.

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition for the years ended June 30, 2016 and 2015.

Ability Beyond Disability, Inc.
and Affiliates

Notes to Consolidated Financial Statements
June 30, 2016
(With comparative or summarized totals for 2015)

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

Grants

Grants received by the Agency are generally based on cost-reimbursement and are recognized as revenue as the related costs are incurred.

Fair Value of Financial Instruments

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

Investments Valuation

Investments are stated at fair value in the statement of financial position. Unrealized gains or losses are included within investment income in the statement of activities.

Property and Equipment

Property and equipment are recorded at cost, or in the case of donated assets at estimated fair value at date of gift, less accumulated depreciation. Buildings, improvements, furniture, fixtures, equipment and vehicles are being depreciated using the straight-line method over the estimated useful lives of the assets which range from 3 to 30 years. The title to certain equipment purchased with government grant funds is held by the grantor. Pursuant to prevailing accounting principles, the Agency has capitalized and depreciated such equipment in its financial statements over their estimated useful life or the program period.

Impairment or Disposal of Long-lived Assets

GAAP requires long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Recoverability of the long-lived assets is measured by a comparison of their carrying amount to market value or future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, their carrying amounts are reduced. There were no assets written down for impairment.

Deferred Income

Deferred income consists primarily of government grants for specified program purposes which the Agency has received but not expended, as well as income received from others in advance of being earned. Included in deferred income is State of Connecticut Department of Developmental Services cash advances ("DDS Cash Advances") of $160,807 related to the Community Living Arrangement program.

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

Interests in Trusts

The Agency is the beneficiary of two deferred gifts which are reflected in the consolidated financial statements as interests in trusts in the consolidated statement of financial position. One of these trusts is a remainder interest in a trust classified within temporarily restricted net assets until distributed to the Agency, at which time the current value will be available for use in the Agency's general operations. The other trust is a beneficial interest in a trust classified within permanently restricted net assets as the value of the gift at the time of disbursement to the Agency is to remain invested in perpetuity.

Revenue Recognition and Related Accounts Receivable

Contracts and fees for service are reported at the estimated net realizable amounts to be collected from consumers, third-party payors and others for services rendered. Revenue under third-party payor agreements is subject to governmental review and may require retroactive settlements based on the reporting of actual annual costs and other regulatory processes. Estimates of these adjustments are recorded on a current basis. To the extent that the subsequent actual adjustment is more or less than the estimate, such amounts are reflected in the operating results for the period in which the final adjustment becomes known.

Specific accounts determined to be uncollectible are written off in the period that such a determination is made. An allowance for doubtful accounts is determined based on management's review of all remaining accounts receivable.

Deferred Financing Costs

Costs incurred in connection with debt financings are recorded as a discount to the related debt and are amortized over the life of the related debt.

Functional Expenses

The Agency allocates its expenses on a functional basis among its program and support services. Expenses that can be specifically identified with a program or support service are allocated directly. Other expenses that are common to several functions are allocated based on estimates made by management.

Accounting for Uncertainty in Income Taxes

Management recognizes the effects of income tax positions only if those positions are more likely than not to be sustained. Accordingly, management believes the Agency's income tax positions are consistent with its tax exempt status and has determined that the Agency had no uncertain tax positions that would require financial statement recognition. The Agency is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2013.

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

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/ or recognition in the financial statements through the date that the financial statements were available to be issued, which is September 27, 2016.

3. Reclassifications

For purposes of comparison, certain reclassifications have been made to the accompanying June 30, 2015 comparative and summarized financial information to conform to the June 30, 2016 presentation, with no effect on the Agency's total net assets.

4. Contingencies, Claims and Assessments

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Recently, government activity has increased with respect to investigations concerning possible violations by health care providers of fraud and abuse statutes and regulations. Compliance with such laws and regulations are subject to future government review and interpretations as well as potential regulatory actions.

In 2011 the Connecticut Department of Social Services ("DSS") commenced an audit of the Agency's 20 ICF Medicaid cost reports for the years ended June 30, 2007 and 2008. On June 3, 2015, DSS issued a final rate decision resulting in an assessment of approximately $1,850,000 for the period through June 30, 2012, and in December 2015 Ability Beyond Disability, Inc. entered into a settlement agreement with DSS. The settlement agreement calls for a $773,000 pay back for the period from October 1, 2006 through June 30, 2015. Reimbursement rates from that point forward were reduced consistently. As of June 30, 2016 $335,000 of the settlement has been paid, the remainder of $438,000, which is included in accrued expenses at June 30, 2016, will be paid by June 2017 in accordance with the settlement agreement.

In 2009 the New York Department of Health ("DOH") commenced an audit of claims paid for services provided through the Acquired Brain Injury HCBS Medicaid Waiver for the period April 1, 2004 through December 31, 2007. On August 18, 2016 the Agency received a draft audit report summarizing the audit findings indicating an assessment in a range of $1.8 million to $2.5 million. The organization believes that the DOH has misapplied the rules in place for the period audited and DOH did not utilize appropriate methodologies in performing the audit and will continue to rigorously defend itself. Management does not believe that a loss is both probable and reasonably estimable and, accordingly, no amounts have been accrued in connection with this contingency.

5. Concentration of Credit Risk

Financial instruments that potentially subject the Agency to significant concentrations of credit risk consist principally of cash and investments. At times, cash balances may be in excess of balances insured by the Federal Deposit Insurance Corporation. The Agency has not experienced any losses in such accounts and management believes the Agency is not exposed to any significant credit risk.

A significant portion of the Agency's support and revenue is from government fees, contracts and grants in fiscal 2016. As with all government funding, grants and fees may be subject to reduction or termination in future years. Any significant reduction in these grants and fees could have a negative impact on the Agency's program services. Based upon the nature of these grants, management believes the Agency is not exposed to any significant credit risk.

Revenues earned from various departments of the States of Connecticut and New York were approximately 95% of total contracts and fees for services in 2016 and 2015.

6. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2016:

	2016			2015
	Accounts Receivable	Allowance for Doubtful Accounts	Accounts Receivable Net	Accounts Receivable Net
Ability Beyond Disability, Inc.	4,073,727	(251,337)	$ 3,822,390	$3,201,019
Ability Beyond Disability - a New York Corp.	2,062,013	(255,777)	1,806,236	3,166,968
Growing Possibilities, Inc.	82,964	(19,934)	63,030	197,893
Datahr Home Health Care, Inc.	30,150	-	30,150	30,150
Total accounts receivable, net	$ 6,248,854	$ (527,048)	$ 5,721,806	$ 6,596,030

Accounts receivable consist of amounts due from various third-party payers including Medicare, Medicaid, certain state agencies, insurance companies, and from individuals and corporations.

As of June 30, 2016, accounts receivable of Ability Beyond Disability, Inc. and Ability Beyond Disability – A New York Corporation were used as collateral to secure the revolving promissory note with a bank.

7. Pledges and Grants Receivable

Donors to the Agency have made written unconditional promises to give. The pledges are collectible over a period of time and donors may make payments at any time during such periods. Grants are generally earned based on actual costs incurred and are collectible within a year of being earned.

Pledges and grants receivable are summarized as follows at June 30:

	2016	2015
Pledges receivable due in less than one year	$ 1,714,094	$ 979,711
Pledges receivable due in one to five years	1,386,613	2,459,494
Less unamortized discount on pledges receivables	(154,879)	(175,700)
Pledges Receivable, Net of Discount	2,945,828	3,263,505
Allowance for uncollectible pledges receivable	(69,522)	(500,000)
Pledges Receivable, Net	2,876,306	2,763,505
Grants receivable due in less than one year	946,556	497,724
Pledges and Grants Receivable, Net of Discount	$ 3,822,862	$ 3,261,229

Pledges receivable that are expected to be received in more than one year are discounted at rates approximating 3.5%, based on the date the donor commitment was made.

Approximately $1,788,504, or 45%, of gross outstanding pledges receivable are due from members of either the Agency's Board of Directors or the Board of Trustees (together the "Boards") at June 30, 2016. One such member of the Boards represents approximately $1,323,000, or 33%, of gross pledges receivable due at June 30, 2016.

8. Other Assets

Other assets consist of the following at June 30:

	2016	2015
Security deposits	$ 129,889	134,979
Cash Surrender value of life insurance policies	86,108	77,551
Other assets	385,373	283,864
Total Other Assets, Net	$ 601,370	$ 496,394

9. Fair Value Measurements

Investments and interests in trusts, categorized by the fair value hierarchy, consist of the following at June 30:

	2016	2015
Level 1 Inputs		
Cash equivalents	$ 398,705	$ 334,149
Equity securities	1,863,495	2,487,481
Fixed income exchange traded funds	102,303	625,270
United States Government obligations	-	94,514
Total Level 1 Inputs	2,364,503	3,541,414
Level 2 Inputs		
Corporate bonds and notes	370,317	617,683
Total Investments	2,734,820	4,159,097
Level 3 Inputs		
Interests in trusts	761,095	738,564
Total fair value measurements	$ 3,495,915	$ 4,897,661

Level 1 and Level 2 investments summarized above are part of a highly diversified portfolio covering various market sectors including consumer, energy, financials, health care, industrials, information technology, commodities, emerging market and international, among others.

Changes in the fair value of Level 3 interests in trusts is as follows:

Balance July 1, 2014	$ 637,064
Change in fair value of interests in trusts	101,500
Balance June 30, 2015	738,564
Change in fair value of interests in trusts	22,531
Balance June 30, 2016	$ 761,095

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9. Fair Value Measurements *(continued)*

The following is a description of valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

Cash equivalents, equity securities, exchange traded funds and government securities are valued at the quoted net asset value of shares reported in the active markets in which they are traded.

Corporate bonds and notes are valued by reference to other bonds with similar maturities and risks.

The interests in trusts are valued based on the values of the underlying investments, and, in the case of the remainder trust, a discount is applied to reflect the expected remaining term of the trust.

10. Investment Income

Investment income for the years ended June 30 consisted of the following:

	2016	2015
Interest and dividend income	$ 141,614	$ 147,659
Realized gains on investments	62,081	352,286
Unrealized gains losses on investments	(131,870)	(316,067)
Less: investment fees	(28,390)	(28,814)
Investment income, net of fees	$ 43,435	$ 155,064

11. Property and Equipment

Property and equipment consists of the following at June 30:

	2016	2015
Land, buildings and improvements	$ 33,047,110	$ 32,932,977
Furniture, fixtures and other	8,263,958	7,767,781
Leasehold improvements	2,741,097	2,065,576
Transportation vehicles	2,866,955	2,777,167
Assets held under capital leases	2,870,012	3,723,561
	49,789,132	49,267,062
Less accumulated depreciation (including $2,089,148 and $2,049,174 for assets held under capital leases)	(28,567,392)	(26,592,568)
	21,221,740	22,674,494
Construction in progress	2,664,588	1,240,227
Property and Equipment, Net	$ 23,886,328	$ 23,914,721

During the year ended June 30, 2016, the Agency disposed of $1,025,134 original cost assets with $359,003 of accumulated depreciation. One of the assets disposed of was an asset held under capital lease, with an original cost of $864,578. The gain on cancellation of the capital lease of $145,150 is recorded in other activities in the statement of activities. During the year ended June 30, 2015, the Agency disposed of $174,876 original cost assets with $172,805 of accumulated depreciation.

12. Revolving Promissory Note

Details of the revolving promissory note are as follows at June 30:

	2016	2015
People's United Bank revolving line of credit note - maximum of $4,500,000 with interest rate at prime but no less than 3.5%, secured by all assets of the Agency, maturing on December 31, 2017. The rate of interest at June 30, 2016 is 3.5%.	$ 3,988,281	$ 3,622,062

Various covenants exist related to the above note as specified in the note agreements, including a requirement that certain financial ratios be maintained. At June 30, 2016 management believes the Agency is in compliance with such covenants.

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Ability Beyond Disability, Inc.
and Affiliates

Notes to Consolidated Financial Statements
June 30, 2016
(With comparative or summarized totals for 2015)

13. Long Term Debt

Capital Leases

The Agency is the lessee of residential properties under capital leases expiring in various years through 2039. These properties are expected to be donated to the Agency by the lessor at the end of their respective lease terms or earlier. Assets and liabilities under capital leases are recorded at the fair value of the asset at lease inception. The buildings are depreciated over 30-year lives and any improvements are depreciated over their respective lives ranging from 5 to 25 years.

The Agency is also the lessee of motor vehicles under capital leases expiring in fiscal year 2018. The assets and liabilities under the capital leases are recorded at the fair value of the respective assets at lease inception. The vehicles are depreciated over the lower of their related lease terms or their estimated useful lives.

Depreciation of assets under the capital leases described above is included in depreciation expense for 2016 and 2015.

Interest rates on capitalized leases vary from 3.99% to 9.60% and are imputed based on the lessor's implicit rate of return.

The following is a summary all amounts due under capital leases at June 30, 2016:

	Residential Properties	Vehicles	Equipment	Total
2017	$ 58,997	$ 35,483	$ 181,675	$ 276,155
2018	58,997	16,567	42,041	117,605
2019	58,997	-	25,940	84,937
2020	58,997	-	25,940	84,937
2021	58,997	-	3,208	62,205
Subsequent to 2021	1,040,582	-	141,132	1,181,714
Total Minimum Future Lease Payments	1,335,567	52,050	419,936	1,807,553
Less amount representing interest	(668,834)	(7,876)	(13,170)	(689,880)
Total capital leases	$ 666,733	$ 44,174	$ 406,766	$ 1,117,673

13. Long Term Debt *(continued)*

Mortgages Payable

Mortgages payable consist of the following at June 30:

Lender/Collateral/ Interest Rate/Maturity	2016	2015
U.S. Dept. of Housing and Urban Development		
Dodgintown, Maple & Farview		
Fixed - 9.25%, Due 6/20/22	$ 265,433	$ 303,039
Bank of America Mortgage Center		
Pleasant Rise Circle		
Variable - 4.0% @6/30/16, Due 2/1/18	14,462	22,700
Peoples Bank		
Secured by various properties.		
Variable - 3.98% @ 6/30/16, Due 10/1/26	1,321,786	1,362,755
Secured by various properties.		
Fixed - 3.5%, Due 2/26/2023	2,497,172	2,604,991
Union Savings Bank		
Grand Street		
Fixed - 5.38%, Due 9/30/22	282,413	319,819
Starr Ave		
Fixed - 4.07%, Due 04/02/2034	295,643	306,696
Webster Bank		
West Street		
Fixed - 6.75%, Due 9/01/16	-	26,922
Community Preservation Corp Mortgage		
Lewisboro, Carpenter Ave. Millington		
Variable - 5.37% @ 06/30/16, Due 9/01/17	266,016	383,533
Buchannan		
Fixed - 7.22%, Due 3/01/21	360,998	422,503
Yonkers		
Fixed - 4.86%, Due 3/01/26	767,105	827,172
Hudson Valley Bank, N.A. Mortgages		
Brookside Ave. Yorktown Heights		
Fixed - 8.61%, Due 3/01/20	274,518	323,824
NYS Dormitory Authority Bonds		
Howland Ave., Beacon NY		
Variable - 3% at 6/30/16, Due 6/30/2039	3,185,000	3,275,000
Total mortgages payable	$ 9,530,546	$ 10,178,954

13. Long Term Debt *(continued)*

Notes Payable

Notes payable consist of the following at June 30:

	2016	2015
People's United Bank term loan note, payable in level principal payments of $29,483 per month with interest accruing on the unpaid balance at the prime rate but no less than 3.5%, secured by all assets of the Agency, maturing January 1, 2019. The rate of interest at June 30, 2016 was 3.5%.	$ 884,500	$ 1,238,301
Notes payable to various lending agencies for purchases of vehicles, secured by these notes include interest and principal ranging from $383 to $1,418 and matures in May 2017.	595,406	632,664
Total notes payable	$ 1,479,906	$ 1,870,965

The Agency is subject to certain covenants related to the long term debt as specified in the loan agreements, including a requirement that certain financial ratios be maintained. Management believes the Agency is in compliance with such covenants.

A summary of long term debt is as follows at June 30:

	2016	2015
Capital leases	$ 1,117,673	$ 1,851,817
Notes payable	1,479,906	1,870,965
Mortgages payable	9,530,546	10,178,954
	12,128,125	13,901,736
Less unamortized deferred financing costs	(280,787)	(314,338)
Long term debt, net	$ 11,847,338	$ 13,587,398

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13. Long Term Debt *(continued)*

Following are maturities of long-term debt for the next five years and beyond for the years ending June 30:

	Capital Leases Payable	Notes Payable	Mortgages Payable	Total
2017	$ 235,240	$ 545,070	$ 663,388	$ 1,443,698
2018	106,828	563,136	692,224	1,362,188
2019	83,105	317,078	592,217	992,400
2020	64,337	45,701	606,005	716,043
2021	19,584	-	534,571	554,155
Subsequent to 2021	608,579	8,921	6,442,141	7,059,641
Total	$ 1,117,673	$ 1,479,906	$ 9,530,546	12,128,125
Less unamortized deferred financing costs				(280,787)
Long term debt, net				$ 11,847,338

14. Endowment Funds

The Agency maintains various donor-restricted and board-designated funds whose purpose is to provide long-term support for its charitable programs (the "Endowment Funds"). Net assets associated with the Endowment Funds, including funds designated by the Board of Directors are classified and reported based upon the existence or absence of donor-imposed restrictions. In classifying such funds, the Board looked to the explicit directions of the donor, where applicable, and the laws and regulations of the State of Connecticut.

The Boards have interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act ("CUPMIFA") as requiring the preservation of the fair value of the original gifts as of the gift date of the 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. In accordance with CUPMIFA, the Agency considers the specified factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

14. Endowment Funds *(continued)*

Activity of funds held for endowment is as follows for the years ended June 30:

	Endowment Funds			
	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Beginning balance July 1, 2014	$ 5,576,339	$ 64,586	$ 508,005	6,148,930
Investment income, net	132,651	20,220	-	152,871
Appropriated for operations	(200,000)	-	-	(200,000)
Ending balance June 30, 2015	5,508,990	84,806	508,005	6,101,801
Investment income, net	39,610	4,744	-	44,354
Ending balance June 30, 2016	$ 5,548,600	$ 89,550	$ 508,005	$ 6,146,155

During fiscal years 2012 through 2016, the Agency borrowed an aggregate of approximately $3,350,000 from the unrestricted Board designated portion of the Endowment Fund to fund current operations. As excess cash becomes available, the Agency is required to pay back the Endowment Fund in full plus interest, which accrues at an annual rate of 3.5%. On June 30, 2013 the Board of Directions established a repayment date of no later than June 30, 2018. The Endowment Funds have been pledged as collateral to secure the term loan payable to the bank (see Note 13).

The Endowment Funds consist of the following at June 30:

	2016	2015
Investments	$ 2,734,820	$ 4,159,097
Interfund loan	3,243,122	1,805,596
Cash	168,213	137,108
Ending balance	$ 6,146,155	$ 6,101,801

14. Endowment Funds *(continued)*

The Endowment Fund loan activity during the year ended June 30, 2016 is as follows:

Balance at July 1, 2015	$ 1,805,596
Amount borrowed for operations	1,400,000
Interest added	37,526
Balance at June 30, 2016	$ 3,243,122

The Agency repaid $1,200,000 of the endowment fund loan in July 2016.

Investment Return Objectives, Risk Parameters and Strategies: The Agency has adopted investment and spending policies, approved by the Board for endowment assets that attempt to provide a predictable stream of funding to programs supported by its Endowment Funds while also maintaining the purchasing power of those endowment assets. The Agency's investment goals are to meet payout requirements calculated in accordance with the established spending rule, to provide sufficient liquidity to meet distribution requirements and to achieve successful investment performance using "total return" as the accepted measurement. The Agency's investment strategy is to highly diversify its portfolio in order to minimize volatility and increase returns over time. The asset allocation seeks to balance the relative percentage invested in equity securities (25% to 65%), fixed income (35% to 75%), and money market instruments (0% to 25%).

Spending Policy: The Agency has a policy of approving for distribution each year 5% of its Endowment Fund's fair value using a 16 quarter trailing average for the period ending the prior December 31. The Agency expects the current spending policy to allow its Endowment Funds to grow at a nominal average rate approximately equal to inflation. This is consistent with the Agency's objective of maintaining the purchasing power of the endowment assets as well as providing additional real growth through new gifts and investment return. The spending rule as established by the Board states that in no instance shall a distribution to the Agency for current operations cause an invasion of the Fund's original gift(s) value, adjusted for inflation. Distributions of Endowment Fund income were $0 and $200,000 during the years ended June 30, 2016 and 2015.

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15. Temporarily and Permanently Restricted Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets, including unconditional promises to give, were available for the following purposes at June 30:

	2016	2015
Consumers needs	$ 18,572	$ 5,952
Transportation vehicles	124,763	122,208
Endowment income not yet appropriated for operations	89,550	84,806
Remainder interest in a trust	424,896	424,896
Transition programs	150,000	-
Software and licenses for future use	646,295	531,389
Comprehensive Campaign (pledges due in future periods)	3,576,601	3,453,260
Total Temporarily Restricted Net Assets	$ 5,030,677	$ 4,622,511

Temporarily restricted net assets released from restrictions was as follows for the year ended June 30:

	2016	2015
Consumers needs	$ 5,952	$ 38,825
Transportation	48,000	-
Software and licenses for future use	102,690	132,847
Comprehensive Campaign (pledges due in future periods)	2,309,518	1,058,499
	$ 2,466,160	$ 1,230,171

Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following at June 30:

	2016	2015
Permanently restricted Endowment Funds	$ 508,005	$ 508,005
Beneficial interest in a trust	336,199	313,668
Total Permanently Restricted Net Assets	$ 844,204	$ 821,673

Ability Beyond Disability, Inc.
and Affiliates

Notes to Consolidated Financial Statements
June 30, 2016
(With comparative or summarized totals for 2015)

16. Lease Expense

The Agency and Affiliates lease commercial space, vehicles and office equipment under operating leases expiring in various years through fiscal year 2030. Rent expense for June 30, 2016 and 2015 was $1,186,219 and $1,335,747.

Approximate minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2016 are payable as follows:

2017	$ 549,192
2018	411,815
2019	430,332
2020	435,903
2021	445,714
Total	$ 2,272,956

17. Sale of Datahr Home Health Care, Inc.

On October 1, 2002, Datahr Home Health Care, Inc. (“DHH”) entered into an Asset Purchase Agreement, a Consulting Services Agreement and a Management Contract with Family Aides Certified Services of Nassau/Suffolk, Inc. (“Family Care”). The agreements provide for Family Care to start up the operations of DHH, and for the sale of the assets of DHH to Family Care upon approval by New York State, for a purchase price of $350,000. All obligations of the seller will be transferred to the buyer with the sale of the corporation. On March 5, 2003, the New York Department of Health approved the Management Agreement between the two parties. On January 2, 2008, a second amendment to the purchase agreement was executed. The Public Health Council issued a letter dated August 16, 2011 approving the transfer of ownership. On August 25, 2016 the Attorney General’s Office has signed off in support of the sale. Payment of the full sale price is recorded as deferred income as of June 30, 2016 and 2015.

18. Subsequent Event

On September 27, 2016, the Agency amended the terms of various debt held with People’s United Bank. The existing revolving line of credit descried in Note 12 was renewed and extended through December 31, 2017. The existing mortgage loan (the “mortgage loan”) in the amount of $1,321,786 described in Note 13 was renewed and extended through October 1, 2026. Accordingly, the debt payments associated with the mortgage loan have been reflected as amended in Note 13.

The Agency also obtained a new $750,000 revolving line of credit (the “back-up revolver”) from People’s United Bank on September 27, 2016. The back-up revolver is intended to be used only for short-term funding in the event that payments are delayed from governmental agencies. The back-up revolver carries an interest rate of the Prime Rate plus 1%, with a minimum floor rate of 3.5% and matures on December 31, 2017.

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Ability Beyond Disability, Inc. and Affiliates

Consolidated Financial Statements

June 30, 2015
(With summarized comparative information for June 30, 2014)

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Ability Beyond Disability, Inc. and Affiliates

We have audited the accompanying consolidated financial statements of Ability Beyond Disability, Inc. and Affiliates (a nonprofit organization), 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 Ability Beyond Disability, Inc. and Affiliates 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.

O'CONNOR DAVIES, LLP
3001 Summer Street – 5th Floor, East, Stamford, CT 06905 I Tel: 203.323.2400 I Fax: 203.967.8733 I www.odpkf.com

Report on Summarized Comparative Information

We have previously audited Ability Beyond Disability, Inc. and Affiliates' June 30, 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 29, 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 consolidated financial statements from which it has been derived.

O'Connor Davies, LLP

November 16, 2015

Ability Beyond Disability, Inc.
and Affiliates

Consolidated Statement of Financial Position
June 30, 2015
(With comparative totals for 2014)

	June 30, 2015	June 30, 2014
ASSETS		
Cash and cash equivalents	$ 469,345	$ 569,581
Accounts receivable, net	6,610,596	7,695,787
Pledges receivable, net	3,290,047	3,690,290
Prepaid expenses	805,396	716,476
Other assets, net	767,348	830,841
Investments	4,159,097	3,899,045
Interests in trusts	738,564	637,064
Property and equipment, net	23,914,721	24,215,021
	$ 40,755,114	$ 42,254,105
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 2,810,460	$2,521,112
Accrued expenses	4,205,239	4,081,891
Other liabilities	96,158	116,836
Revolving promissory note	3,622,062	3,717,464
Long term debt	13,805,578	14,881,779
Deferred income	544,715	538,425
Total Liabilities	25,084,212	25,857,507
Net Assets		
Unrestricted		
Undesignated	4,717,728	5,760,583
Endowment fund - Board designated	5,508,990	5,576,339
Total Unrestricted	10,226,718	11,336,922
Temporarily Restricted	4,622,511	4,264,085
Permanently Restricted	821,673	795,591
Total Net Assets	15,670,902	16,396,598
	$ 40,755,114	$ 42,254,105

See notes to consolidated financial statements

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Ability Beyond Disability, Inc. and Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2015
(With summarized totals for 2014)

	For the Year Ended June 30, 2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2014 Total
REVENUES					
Contracts and fees for services	$ 64,511,852	$ -	$ -	$ 64,511,852	$ 60,219,027
Sales revenue from client based programs	1,151,506	-	-	1,151,506	1,214,020
Fundraising revenue	2,233,814	1,492,959	-	3,726,773	3,054,428
Other income	15,885	-	-	15,885	312,429
Endowment income appropriated for operations	200,000	-	-	200,000	200,000
Net assets released from restrictions	1,230,171	(1,230,171)	-	-	-
Revenues	69,343,228	262,788	-	69,606,016	64,999,904
EXPENSES					
Program Services					
Residential Continuum of Care	43,643,970	-	-	43,643,970	42,160,096
Independent Living Support Network	17,838,561	-	-	17,838,561	15,094,981
Total Program Services	61,482,531	-	-	61,482,531	57,255,077
Supporting Services					
Management and General	7,416,143	-	-	7,416,143	7,369,761
Fundraising	1,489,602	-	-	1,489,602	1,506,122
Total Supporting Services	8,905,745	-	-	8,905,745	8,875,883
Total Expenses	70,388,276	-	-	70,388,276	66,130,960
Excess (Deficit) of Revenue over Expenses from Operations	(1,045,048)	262,788	-	(782,260)	(1,131,056)
OTHER ACTIVITIES					
Change in beneficial interests in trusts	-	75,418	26,082	101,500	324,579
Investment income, excluding endowment income appropriated for operations	(65,156)	20,220	-	(44,936)	363,881
Change in Net Assets	(1,110,204)	358,426	26,082	(725,696)	(442,596)
NET ASSETS					
Beginning of year	11,336,922	4,264,085	795,591	16,396,598	16,839,194
End of year	$ 10,226,718	$ 4,622,511	$ 821,673	$ 15,670,902	$ 16,396,598

See notes to consolidated financial statements

Ability Beyond Disability, Inc. and Affiliates

Consolidated Statement of Functional Expenses
Year Ended June 30, 2015
(With summarized totals for 2014)

	Year Ended June 30, 2015						
	Program Services						
	Residential Continuum of Care	Independent Living Support	Total Program Services	Management and General	Fundraising	Total Expenses	2014 Total Expenses
PERSONNEL COSTS							
Salaries	$ 25,884,237	$ 10,392,073	$ 36,276,310	$ 3,421,171	$ 489,341	$ 40,186,822	$ 37,464,123
Taxes and benefits	7,553,992	2,909,383	10,463,375	1,005,185	144,296	11,612,856	10,782,256
Total Personnel Costs	33,438,229	13,301,456	46,739,685	4,426,356	633,637	51,799,678	48,246,379
OTHER EXPENSES							
Facilities and equipment	2,838,273	1,882,689	4,720,962	884,866	16,952	5,622,780	5,719,746
Program supplies and related	3,381,519	1,599,874	4,981,393	332,905	4,893	5,319,191	4,607,951
Intermediate Care Facility (ICF) user fee	1,191,515	-	1,191,515	-	-	1,191,515	1,185,491
Other	891,842	530,358	1,422,200	804,855	583,372	2,810,427	2,823,058
Special events	-	-	-	-	210,648	210,648	171,489
Interest	560,693	51,301	611,994	326,729	2,526	941,249	849,775
Total Other Expenses	8,863,842	4,064,222	12,928,064	2,349,355	818,391	16,095,810	15,357,510
Total Expenses before Depreciation and Amortization	42,302,071	17,365,678	59,667,749	6,775,711	1,452,028	67,895,488	63,603,889
Depreciation and Amortization	1,341,899	472,883	1,814,782	640,432	37,574	2,492,788	2,527,071
Total Functional Expenses	$ 43,643,970	$ 17,838,561	$ 61,482,531	$ 7,416,143	$ 1,489,602	$ 70,388,276	$ 66,130,960

See notes to consolidated financial statements

Ability Beyond Disability, Inc.
and Affiliates

Consolidated Statements of Cash Flows
Year Ended June 30, 2015
(With comparative totals for 2014)

	Year Ended June 30, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (725,696)	$ (442,596)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	2,492,788	2,527,071
Unrealized and realized gains, net	(36,219)	(451,755)
Change in value of interests in trusts	(101,500)	(324,579)
Change in discount on pledges receivable	(121,349)	26,961
In-kind donation of software and licenses	-	(664,236)
Contributions for capital and endowment	(1,023,670)	(543,655)
Provision for uncollectible accounts	1,335,461	1,289,131
Change in operating assets and liabilities		
Accounts receivable	(270)	(772,849)
Pledges and other receivables	(249,489)	(124,854)
Prepaid expenses	(88,920)	(194,071)
Other assets	45,259	(109,162)
Accounts payable and accrued expenses	412,696	200,301
Other liabilities	(20,678)	(7,499)
Deferred income	6,290	4,995
Net Cash from Operating Activities	1,924,703	413,203
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(2,006,213)	(969,696)
Sales of investments	1,782,380	1,571,824
Purchases of property and equipment	(1,095,487)	(3,104,544)
Net Cash from Investing Activities	(1,319,320)	(2,502,416)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions and pledge collections for capital and endowment	880,515	982,715
Proceeds from long term debt	-	3,684,200
Payments on long term debt	(1,490,732)	(1,795,173)
Net payments on revolving promissory note	(95,402)	(535,959)
Net Cash from Financing Activities	(705,619)	2,335,783
Net Change in Cash and Cash Equivalents	(100,236)	246,570
CASH AND CASH EQUIVALENTS		
Beginning of year	569,581	323,011
End of year	$ 469,345	$ 569,581
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 941,250	$ 849,776
Equipment financed with capital leases	414,531	1,028,883
Disposal of fully depreciated equipment	172,805	718,825
Pledge for donated software and licenses collected in-kind	664,236	-

See notes to consolidated financial statements

Ability Beyond Disability, Inc.
and Affiliates

Notes to Consolidated Financial Statements
June 30, 2015
(With comparative or summarized totals for 2014)

1. Organization

Ability Beyond Disability, Inc. (d/b/a as "Ability Beyond") is a not-for-profit organization that provides comprehensive rehabilitation services to individuals whose independent living skills are impaired by disability, illness or injury. Ability Beyond Disability, Inc.'s mission calls for the delivery of such services so that individuals may achieve and maintain self-reliance, fulfillment and comfort at home, at work and in the community.

Ability Beyond Disability, Inc. is related through common control to three other not-for-profit organizations, Ability Beyond Disability – a New York Corporation, Datahr Home Health Care, Inc., and Growing Possibilities, Inc., together referred to as Ability Beyond Disability, Inc. and Affiliates. Ability Beyond Disability, Inc. and Affiliates (the "Agency") are exempt from income taxes as defined in Internal Revenue Code Section 501(c)(3) and, accordingly, the consolidated financial statements do not reflect a provision for income taxes.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Net assets are classified as unrestricted, temporarily restricted or permanently restricted based upon the existence or absence of donor-imposed restrictions limiting the use of the contributed assets as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that either expire by the passage of time or can be fulfilled or otherwise removed by actions of the Agency.

Permanently Restricted Net Assets - Net assets subject to donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Agency.

Principles of Consolidation

Accounting principles require consolidation for a fair presentation when one entity in a group has a controlling financial interest in the other entities. Accordingly, the accompanying consolidated financial statements include Ability Beyond Disability, Inc. and its Affiliates. All material inter-organizational balances and transactions have been eliminated in consolidation.

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

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and the 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. Significant estimates required to be made by management include the allowance for doubtful receivables, depreciation expense and the allocation of functional expenses.

Cash and Cash Equivalents

The Agency considers all highly liquid debt instruments with a maturity of three months or less at the time of purchase that are utilized for operations to be cash equivalents.

Contributions

Contributions are recognized when the donor makes an unconditional promise to give to the Agency. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Agency uses the allowance method to determine uncollectible promises to give which is based on prior years' experience and management's analysis of specific receivables.

In determining the amount of revenue to be recognized for promises to give, the portion expected to be received within one year is recorded at realizable value while the balance is recorded at its net present value using a risk-adjusted interest rate. The discount is amortized to contribution revenue over the collection period.

Contributed Meals, Goods, Property and Services

For the years ended June 30, 2015 and 2014, donated meals, goods and property were valued at $123,835 and $698,556 ($664,236 of which was for software and licenses) in the accompanying financial statements. In addition, a substantial number of volunteers have contributed their time to the Agency's programs and supporting services; however, none of these services meet the requirements for financial statement recognition.

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition for the years ended June 30, 2015 and 2014.

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

Fair Value of Financial Instruments

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

Investments Valuation

Investments are stated at fair value in the statement of financial position. Unrealized gains or losses are included within investment income in the statement of activities.

Property and Equipment

Property and equipment are recorded at cost, or in the case of donated assets at estimated fair value at date of gift, less accumulated depreciation. Buildings, improvements, furniture, fixtures, equipment and vehicles are being depreciated using the straight-line method over the estimated useful lives of the assets which range from 3 to 30 years. The title to certain equipment purchased with government grant funds is held by the grantor. Pursuant to prevailing accounting principles, the Agency has capitalized and depreciated such equipment in its financial statements over their estimated useful life or the program period.

Impairment or Disposal of Long-lived Assets

GAAP requires long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Recoverability of the long-lived assets is measured by a comparison of their carrying amount to market value or future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, their carrying amounts are reduced. There were no assets written down for impairment.

Interests in Trusts

The Agency is the beneficiary of two deferred gifts which are reflected in the consolidated financial statements as interests in trusts in the consolidated statement of financial position. One of these trusts is a remainder interest in a trust classified within temporarily restricted net assets until distributed to the Agency, at which time the current value will be available for use in the Agency's general operations. The other trust is a beneficial interest in a trust classified within permanently restricted net assets as the value of the gift at the time of disbursement to the Agency is to remain invested in perpetuity.

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

Deferred Income

Deferred income consists of government grants for specified program purposes which the Agency has received but not expended, as well as income received from others in advance of being earned.

Revenue Recognition and Related Accounts Receivable

Contracts and fees for service are reported at the estimated net realizable amounts to be collected from consumers, third-party payors and others for services rendered. Revenue under third-party payor agreements is subject to governmental review and may require retroactive settlements based on the reporting of actual annual costs and other regulatory processes. Estimates of these adjustments are recorded on a current basis. To the extent that the subsequent actual adjustment is more or less than the estimate, such amounts are reflected in the operating results for the period in which the final adjustment becomes known.

Specific accounts determined to be uncollectible are written off in the period that such a determination is made. An allowance for doubtful accounts is determined based on management's review of all remaining accounts receivable.

Functional Expenses

The Agency allocates its expenses on a functional basis among its program and support services. Expenses that can be specifically identified with a program or support service are allocated directly. Other expenses that are common to several functions are allocated based on estimates made by management.

Accounting for Uncertainty in Income Taxes

Management recognizes the effects of income tax positions only if those positions are more likely than not to be sustained. Accordingly, management believes the Agency's income tax positions are consistent with its tax exempt status and has determined that the Agency had no uncertain tax positions that would require financial statement recognition. The Agency is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2012.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/ or recognition in the financial statements through the date that the financial statements were available to be issued, which is November 16, 2015.

3. Reclassifications

For purposes of comparison, certain reclassifications have been made to the accompanying June 30, 2014 comparative and summarized financial information to conform to the June 30, 2015 presentation, with no effect on the Agency's total net assets.

4. Contingencies, Claims and Assessments

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Recently, government activity has increased with respect to investigations concerning possible violations by health care providers of fraud and abuse statutes and regulations. Compliance with such laws and regulations are subject to future government review and interpretations as well as potential regulatory actions.

In 2011 the Connecticut Department of Social Services ("DSS") commenced an audit of the Organization's 20 ICF Medicaid cost reports for the years ended June 30, 2007 and 2008. In 2013, DSS issued letters summarizing the audit findings indicating an assessment of approximately $3,000,000 in disallowed costs covering the period through June 30, 2012. The Organization strongly disagreed with DSS's initial findings, and, on June 3, 2015, DSS issued a final rate decision resulting in an assessment of approximately $1,850,000 for the period through June 30, 2012. Ability Beyond continues to disagree with DSS's findings and has appealed the rate decision and requested a stay of recoupment based on the following assertions, among others:

- DSS failed to issue the audit report on a timely basis as required by Connecticut General Statute Sec. 17b-99a(H);
- The audit report fails to provide sufficient detail as required by Connecticut General Statute Sec. 17B-99a(h); and
- DSS inappropriately disallowed certain costs and adjusted rates.

The Organization has accrued $100,000 in connection with the DSS audits, representing the amount it believes it owes for the period through June 30, 2012, including estimated legal fees required to finalize an agreement. The actual costs associated with any settlement the Organization may reach with DSS may be more or less than the amount accrued.

5. Concentration of Credit Risk

Financial instruments that potentially subject the Agency to significant concentrations of credit risk consist principally of cash and investments. At times, cash balances may be in excess of balances insured by the Federal Deposit Insurance Corporation. The Agency has not experienced any losses in such accounts and management believes the Agency is not exposed to any significant credit risk.

A significant portion of the Agency's support and revenue is from government fees, contracts and grants in fiscal 2015. As with all government funding, grants and fees may be subject to reduction or termination in future years. Any significant reduction in these grants and fees could have a negative impact on the Agency's program services. Based upon the nature of these grants, management believes the Agency is not exposed to any significant credit risk.

Revenues earned from various departments of the States of Connecticut and New York were approximately 95% and 94% of total contracts and fees for services in 2015 and 2014.

6. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2015:

	2015			2014
	Accounts Receivable	Allowance for Doubtful Accounts	Accounts Receivable Net	Accounts Receivable Net
Ability Beyond Disability, Inc.	4,303,309	(1,083,371)	$ 3,219,938	$4,499,844
Ability Beyond Disability - a New York Corp.	3,694,943	(527,975)	3,166,968	3,165,793
Growing Possibilities, Inc.	198,374	(4,834)	193,540	-
Datahr Home Health Care, Inc.	30,150	-	30,150	30,150
Total accounts receivable, net	$ 8,226,776	$ (1,616,180)	$ 6,610,596	$ 7,695,787

Accounts receivable consist of amounts due from various third-party payers including Medicare, Medicaid, certain state agencies, insurance companies, and from individuals and corporations.

As of June 30, 2015, accounts receivable of Ability Beyond Disability, Inc. and Ability Beyond Disability – A New York Corporation were used as collateral to secure the revolving promissory note with a bank.

7. Pledges Receivable

Donors to the Agency have made written unconditional promises to give. The pledges are collectible over a period of time and donors may make payments at any time during such periods. Pledges receivable are summarized as follows at June 30:

	2015	2014
Pledges receivable due in less than one year	$ 1,506,253	$ 1,839,487
Pledges receivable due in one to five years	2,459,494	2,397,852
Less unamortized discount on pledges receivables	(175,700)	(297,049)
Pledges Receivable, Net of Discount	3,790,047	3,940,290
Allowance for uncollectible pledges receivable	(500,000)	(250,000)
Pledges Receivable, Net	$ 3,290,047	$ 3,690,290

7. Pledges Receivable *(continued)*

Pledges receivable that are expected to be received in more than one year are discounted at rates approximating 3.5%, based on the date the donor commitment was made.

Approximately $2,016,300, or 53%, of gross outstanding pledges receivable are due from members of either the Agency's Board of Directors or the Board of Trustees (together the "Boards") at June 30, 2015. One such member of the Boards represents approximately $1,195,000, or 32%, of gross pledges receivable due at June 30, 2015. A third-party donor represents approximately $975,000, or 25%, of gross pledges receivable due at June 30, 2015.

8. Other Assets

Other assets consist of the following at June 30:

	2015	2014
Security deposits	$ 134,979	$ 138,283
Deferred financing cost	314,338	354,486
Cash Surrender value of life insurance policies	77,551	77,551
Other assets	240,480	260,521
Total Other Assets, Net	$ 767,348	$ 830,841

9. Fair Value Measurements

Investments and interests in trusts, categorized by the fair value hierarchy, consist of the following at June 30:

	2015	2014
Level 1 Inputs		
Cash equivalents	$ 334,149	$ 108,943
Equity securities	2,487,481	2,554,489
Fixed income exchange traded funds	625,270	418,077
United States Government obligations	94,514	142,803
Total Level 1 Inputs	3,541,414	3,224,312
Level 2 Inputs		
Corporate bonds and notes	617,683	674,733
Total Investments	4,159,097	3,899,045
Level 3 Inputs		
Interests in trusts	738,564	637,064
Total fair value measurements	$ 4,897,661	$ 4,536,109

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9. Fair Value Measurements *(continued)*

Level 1 and Level 2 investments summarized above are part of a highly diversified portfolio covering various market sectors including consumer, energy, financials, health care, industrials, information technology, commodities, emerging market and international, among others.

Changes in the fair value of Level 3 interests in trusts is as follows:

Balance July 1, 2013	$ 312,485
Change in fair value of interests in trusts	324,579
Balance June 30, 2014	637,064
Change in fair value of interests in trusts	101,500
Balance June 30, 2015	$ 738,564

The following is a description of valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014.

Cash equivalents, equity securities, exchange traded funds and government securities are valued at the quoted net asset value of shares reported in the active markets in which they are traded.

Corporate bonds and notes are valued by reference to other bonds with similar maturities and risks.

The interests in trusts are valued based on the values of the underlying investments, and, in the case of the remainder trust, a discount is applied to reflect the expected remaining term of the trust.

10. Investment Income

Investment income for the years ended June 30 consisted of the following:

	2015	2014
Interest and dividend income	$ 147,659	$ 140,277
Realized gains on investments	352,286	45,992
Unrealized gains (losses) on investments	(316,067)	405,763
Less: investment fees	(28,814)	(28,151)
Investment income, net of fees	$ 155,064	$ 563,881

Ability Beyond Disability, Inc.
and Affiliates

Notes to Consolidated Financial Statements
June 30, 2015
(With comparative or summarized totals for 2014)

11. Property and Equipment

Property and equipment consists of the following at June 30:

	2015	2014
Land, buildings and improvements	$ 32,932,977	$ 32,663,001
Furniture, fixtures and other	7,767,781	6,925,806
Leasehold improvements	2,065,576	2,055,619
Transportation vehicles	2,777,167	2,575,668
Assets held under capital leases	3,723,561	3,723,561
	49,267,062	47,943,655
Less accumulated depreciation (including $2,049,174 and $1,660,752 for assets held under capital leases)	(26,592,568)	(24,259,507)
	22,674,494	23,684,148
Construction in progress	1,240,227	530,873
Property and Equipment, Net	$ 23,914,721	$ 24,215,021

During the year ended June 30, 2015, the Agency disposed of $174,876 original cost assets with $172,805 of accumulated depreciation. During the year ended June 30, 2014, the Agency disposed of fully depreciated assets with an original cost of approximately $720,000.

12. Revolving Promissory Note

Details of the revolving promissory note are as follows at June 30:

	2015	2014
People's United Bank revolving line of credit note - maximum of $4,500,000 with interest rate at prime but no less than 3.5%, secured by all assets of the Agency, orginally maturing on November 30, 2014 but can be renewed indefinitely until terminated by one party. The rate of interest at June 30, 2015 is 3.5%.	$ 3,622,062	$ 3,717,464

Various covenants exist related to the above note as specified in the note agreements, including a requirement that certain financial ratios be maintained. At June 30, 2015 certain of these financial covenants have not been met, and the lender waived such noncompliance.

13. Long Term Debt

Capital Leases

The Agency is the lessee of residential properties under capital leases expiring in various years through 2039. These properties are expected to be donated to the Agency by the lessor at the end of their respective lease terms or earlier. Assets and liabilities under capital leases are recorded at the fair value of the asset at lease inception. The buildings are depreciated over 30-year lives and any improvements are depreciated over their respective lives ranging from 5 to 25 years.

The Agency is also the lessee of motor vehicles under capital leases expiring in fiscal year 2018. The assets and liabilities under the capital leases are recorded at the fair value of the respective assets at lease inception. The vehicles are depreciated over the lower of their related lease terms or their estimated useful lives.

Depreciation of assets under the capital leases described above is included in depreciation expense for 2015 and 2014.

Interest rates on capitalized leases vary from 3.99% to 9.60% and are imputed based on the lessor's implicit rate of return.

The following is a summary all amounts due under capital leases at June 30, 2015:

	Residential Properties	Vehicles	Equipment	Total
2016	$ 127,230	$ 98,603	$ 72,045	$ 297,878
2017	127,230	35,483	77,424	240,137
2018	127,230	16,567	22,711	166,508
2019	127,336	-	5,678	133,014
2020	127,336	-	-	127,336
Subsequent to 2020	2,345,087	-	-	2,345,087
Total Minimum Future Lease Payments	2,981,449	150,653	177,858	3,309,960
Less amount representing interest	(1,517,078)	(19,388)	(17,835)	(1,554,301)
Net capital leases	$ 1,464,371	$ 131,265	$ 160,023	$ 1,755,659

13. Long Term Debt *(continued)*

Mortgages Payable

Mortgages payable consist of the following at June 30:

Lender/Collateral/ Interest Rate/Maturity	2015	2014
U.S. Dept. of Housing and Urban Development		
Dodgintown, Maple & Farview		
Fixed - 9.25%, Due 6/20/22	$ 303,039	$ 337,349
Bank of America Mortgage Center		
Pleasant Rise Circle		
Variable - 3.375% @ 6/30/15, Due 2/1/18	22,700	30,682
Peoples Bank		
Secured by various properties.		
Variable - 3.98% @ 6/30/15, Due 9/26/16	1,362,755	1,402,247
Secured by various properties.		
Fixed - 3.5%, Due 2/26/2023	2,604,991	2,709,244
Union Savings Bank		
Grand Street		
Fixed - 5.38%, Due 9/30/22	319,819	355,298
Starr Ave		
Fixed - 4.07%, Due 04/02/2034	306,696	317,450
Webster Bank		
West Street		
Fixed - 6.75%, Due 9/01/16	26,922	53,396
Community Preservation Corp Mortgage		
Lewisboro, Carpenter Ave. Millington		
Fixed - 7.29%, Due 9/01/17	383,533	494,920
Buchannan		
Fixed - 7.22%, Due 3/1/21	422,503	479,737
Yonkers		
Fixed - 4.86%, Due 3/1/26	827,172	884,395
Hudson Valley Bank, N.A. Mortgages		
Brookside Ave. Yorktown Heights		
Fixed - 8.61%, Due 3/1/20	323,824	377,632
NYS Dormitory Authority Bonds		
Howland Ave., Beacon NY		
Variable - 3% at 6/30/15, Due 6/30/2039	3,275,000	3,365,000
Total mortgages payable	$ 10,178,954	$ 10,807,350

13. Long Term Debt *(continued)*

Notes Payable

Notes payable consist of the following at June 30:

	2015	2014
People's United Bank term loan note, payable in level principal payments of $29,483 per month with interest accruing on the unpaid balance at the prime rate but no less than 3.5%, secured by all assets of the Agency, maturing January 1, 2019. The rate of interest at June 30, 2015 was 3.5%.	$ 1,238,301	$ 1,592,101
Notes payable to various lending agencies for purchase of vehicles - monthly payments on these notes including interest and principal from $418 to $1,292 and mature through March 2017.	632,664	417,937
Total notes payable	$ 1,870,965	$ 2,010,038

The Agency is subject to certain covenants related to the long term debt as specified in the loan agreements, including a requirement that certain financial ratios be maintained. Management believes the Agency is in compliance with such covenants.

A summary of long term debt is as follows at June 30:

	2015	2014
Capital leases	$ 1,755,659	$ 2,064,391
Notes payable	1,870,965	2,010,038
Mortgages payable	10,178,954	10,807,350
Total long term debt	$ 13,805,578	$ 14,881,779

13. Long Term Debt *(continued)*

Following are maturities of long-term debt for the next five years and beyond for the years ending June 30:

	Capital Leases Payable	Notes Payable	Mortgages Payable	Total
2016	$ 170,354	$ 551,088	$ 630,555	$ 1,351,997
2017	128,629	529,513	633,311	1,291,453
2018	63,750	504,305	1,899,119	2,467,174
2019	36,351	264,182	540,834	841,367
2020	32,858	17,414	548,719	598,991
Subsequent to 2020	1,323,717	4,463	5,926,416	7,254,596
Total	$ 1,755,659	$ 1,870,965	$ 10,178,954	$ 13,805,578

14. Endowment Funds

The Agency maintains various donor-restricted and board-designated funds whose purpose is to provide long-term support for its charitable programs (the "Endowment Funds"). Net assets associated with the Endowment Funds, including funds designated by the Board of Trustees are classified and reported based upon the existence or absence of donor-imposed restrictions. In classifying such funds, the Board looked to the explicit directions of the donor, where applicable, and the laws and regulations of the State of Connecticut.

The Board of Directors and Trustees of the Agency has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act ("CUPMIFA") as requiring the preservation of the fair value of the original gifts as of the gift date of the 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. In accordance with CUPMIFA, the Agency considers the specified factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

14. Endowment Funds *(continued)*

Activity of funds held for endowment is as follows for the years ended June 30:

	Endowment Funds			
	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Beginning balance July 1, 2013	$ 5,582,469	$ -	$ 508,005	6,090,474
Designations	7,060	-	-	7,060
Investment income, net	499,295	64,586	-	563,881
Redesignations	(312,485)	-	-	(312,485)
Appropriated for operations	(200,000)	-	-	(200,000)
Ending balance June 30, 2014	5,576,339	64,586	508,005	6,148,930
Distributions		-	-	-
Investment income, net	132,651	20,220	-	152,871
Appropriated for operations	(200,000)	-	-	(200,000)
Ending balance June 30, 2015	$ 5,508,990	$ 84,806	$ 508,005	$ 6,101,801

During fiscal years 2012 through 2014, the Agency borrowed an aggregate of approximately $1,950,000 from the unrestricted Board designated portion of the Endowment Fund to fund current operations. As excess cash becomes available, the Agency is required to pay back the Endowment Fund in full plus interest, which accrues at an annual rate of 3.5%. On June 30, 2013 the Board of Directions established a repayment date of no later than June 30, 2018. The Endowment Funds have been pledged as collateral to secure the term loan payable to the bank (see Note 13).

The Endowment Funds consist of the following at June 30:

	2015	2014
Investments	$ 4,159,097	$ 3,899,045
Interfund loan	1,805,596	2,169,465
Cash	137,108	80,420
Ending balance June 30, 2015	$ 6,101,801	$ 6,148,930

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14. Endowment Funds *(continued)*

The Endowment Fund loan activity during the year ended June 30, 2015 is as follows:

Balance at July 1, 2014	$ 2,169,465
Repayments	(228,196)
Amount appropriated for operations	(200,000)
Interest added	64,327
Balance at June 30, 2015	$ 1,805,596

Investment Return Objectives, Risk Parameters and Strategies: The Agency has adopted investment and spending policies, approved by the Board for endowment assets that attempt to provide a predictable stream of funding to programs supported by its Endowment Funds while also maintaining the purchasing power of those endowment assets. The Agency's investment goals are to meet payout requirements calculated in accordance with the established spending rule, to provide sufficient liquidity to meet distribution requirements and to achieve successful investment performance using "total return" as the accepted measurement. The Agency's investment strategy is to highly diversify its portfolio in order to minimize volatility and increase returns over time. The asset allocation seeks to balance the relative percentage invested in equity securities (25% to 65%), fixed income (35% to 75%), and money market instruments (0% to 25%).

Spending Policy: The Agency has a policy of approving for distribution each year 5% of its Endowment Fund's fair value using a 16 quarter trailing average for the period ending the prior December 31. The Agency expects the current spending policy to allow its Endowment Funds to grow at a nominal average rate approximately equal to inflation. This is consistent with the Agency's objective of maintaining the purchasing power of the endowment assets as well as providing additional real growth through new gifts and investment return. The spending rule as established by the Board states that in no instance shall a distribution to the Agency for current operations cause an invasion of the Fund's original gift(s) value, adjusted for inflation. Distributions of Endowment Fund income were $200,000 and $200,000 during the years ended June 30, 2015 and 2014.

15. Temporarily and Permanently Restricted Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets, including unconditional promises to give, were available for the following purposes at June 30:

	2015	2014
Consumers needs	$ 5,952	$ 4,556
Transportation vehicles	122,208	122,208
Endowment income not yet appropriated for operations	84,806	64,586
Remainder interest in a trust	424,896	349,478
Software and licenses for future use	531,389	664,236
Comprehensive Campaign (pledges due in future periods)	3,453,260	3,059,021
Total Temporarily Restricted Net Assets	$ 4,622,511	$ 4,264,085

Temporarily restricted net assets released from restrictions was as follows for the year ended June 30:

	2015	2014
Consumers needs	$ 38,825	$ 56,799
Roses for Autism Project	-	150,000
Transportation vehicles	-	76,792
Software and licenses for future use	132,847	-
Comprehensive Campaign (pledges due in future periods)	1,058,499	765,241
	$ 1,230,171	$ 1,048,832

Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following at June 30:

	2015	2014
Permanently restricted Endowment Funds	$ 508,005	$ 508,005
Beneficial interest in a trust	313,668	287,586
Total Permanently Restricted Net Assets	$ 821,673	$ 795,591

Ability Beyond Disability, Inc.
and Affiliates

Notes to Consolidated Financial Statements
June 30, 2015
(With comparative or summarized totals for 2014)

16. Lease Expense

The Agency and Affiliates lease commercial space, vehicles and office equipment under operating leases expiring in various years through fiscal year 2030. Rent expense for June 30, 2015 and 2014 was $1,335,747 and $1,306,045.

Approximate minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2015 are payable as follows:

2016	$ 1,052,000
2017	694,000
2018	552,000
2019	554,000
2020	554,000
Total	$ 3,406,000

17. Sale of Datahr Home Health Care, Inc.

On October 1, 2002, Datahr Home Health Care, Inc. ("DHH") entered into an Asset Purchase Agreement, a Consulting Services Agreement and a Management Contract with Family Aides Certified Services of Nassau/Suffolk, Inc. ("Family Care"). The agreements provide for Family Care to start up the operations of DHH, and for the sale of the assets of DHH to Family Care upon approval by New York State, for a purchase price of $350,000. All obligations of the seller will be transferred to the buyer with the sale of the corporation. On March 5, 2003, the New York Department of Health approved the Management Agreement between the two parties. On January 2, 2008, a second amendment to the purchase agreement was executed. The Public Health Council issued a letter dated August 16, 2011 approving the transfer of ownership. Payment of the full sale price is recorded as deferred income as of June 30, 2015 and 2014.

*****

APPENDIX B-IIA

CITIZENS OPTIONS UNLIMITED, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED DECEMBER 31, 2017, DECEMBER 31, 2016 AND DECEMBER 31, 2015)

AND

COMMUNITY SERVICES SUPPORT CORPORATION

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED DECEMBER 31, 2017, DECEMBER 31, 2016 AND DECEMBER 31, 2015)

AND

NASSAU COUNTY AHRC FOUNDATION, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED DECEMBER 31, 2017, DECEMBER 31, 2016 AND DECEMBER 31, 2015)

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Citizens Options Unlimited, Inc. and Affiliate

Consolidating Financial Statements
Year Ended December 31, 2017

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Citizens Options Unlimited, Inc. and Affiliate

Consolidating Financial Statements
Year Ended December 31, 2017

Citizens Options Unlimited, Inc. and Affiliate

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Statement of Functional Expenses for the Year Ended December 31, 2017	7
Statement of Cash Flows for the Year Ended December 31, 2017	8
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BDO

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

100 Park Avenue
New York, NY 10017

Independent Auditor's Report

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

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

Management's Responsibility for the Consolidating Financial Statements

Management is responsible for the preparation and fair presentation of these consolidating financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of these consolidating financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidating financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating financial statements are free from material misstatement.

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

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

BDO

Opinion

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the financial position of Citizens Options Unlimited, Inc. and Affiliate as of December 31, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the consolidating financial statements of Citizens Options Unlimited, Inc. and Affiliate and our report, dated May 31, 2017, expressed an unmodified opinion on those audited consolidating financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited consolidating financial statements from which it has been derived.

BDO USA, LLP

May 31, 2018

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Citizens Options Unlimited, Inc. and Affiliate

Consolidating Statement of Financial Position (with comparative totals for 2016)

December 31,	Citizens Options Unlimited, Inc.	Affiliate	Eliminations	Total 2017	Total 2016
Assets					
Current:					
Cash and cash equivalents	$ 2,645,491	$ 164,543	$ -	**$ 2,810,034**	$ 4,745,235
Investments, at fair value	480,971	-	-	**480,971**	-
Accounts receivable, net	4,448,270	203,013	-	**4,651,283**	4,000,153
Due from controlled affiliate	1,756,966	-	(1,756,966)	**-**	-
Prepaid expenses and other assets	165,201	270	-	**165,471**	207,970
Total Current Assets	9,496,899	367,826	(1,756,966)	**8,107,759**	8,953,358
Deferred Charges	112,981	-	-	**112,981**	129,928
Fixed Assets, Net	3,919,859	2,859,992	-	**6,779,851**	5,343,832
Total Assets	**$13,529,739**	**$3,227,818**	**$(1,756,966)**	**$15,000,591**	$14,427,118
Liabilities and Net Assets					
Current Liabilities:					
Accounts payable and accrued expenses	$ 1,693,768	$ 71,028	$ -	**$1,764,796**	$ 1,969,248
Salaries payable	797,049	-	-	**797,049**	624,589
Accrued payroll taxes and benefits	1,300,972	-	-	**1,300,972**	1,027,983
Reserve for potential liabilities	971,188	-	-	**971,188**	471,119
Due to Citizens Options Unlimited, Inc.	-	1,756,966	(1,756,966)	**-**	-
Due to non-controlled affiliated organizations	1,246,063	-	-	**1,246,063**	1,285,702
Total Current Liabilities	6,009,040	1,827,994	(1,756,966)	**6,080,068**	5,378,641
Commitments and Contingencies					
Net Assets:					
Unrestricted	5,734,656	3,424	-	**5,738,080**	6,034,079
Temporarily restricted	1,786,043	1,396,400	-	**3,182,443**	3,014,398
Total Net Assets	7,520,699	1,399,824	-	**8,920,523**	9,048,477
Total Liabilities and Net Assets	**$13,529,739**	**$3,227,818**	**$(1,756,966)**	**$15,000,591**	$14,427,118

See accompanying notes to consolidating financial statements.

Citizens Options Unlimited, Inc. and Affiliate

Consolidating Statement of Activities
(with comparative totals for 2016)

Year ended December 31,

	Citizens Options Unlimited, Inc.	Affiliate	Eliminations	Total 2017	Total 2016
Revenue:					
Program service revenue:					
Intermediate care facility	$16,825,450	$ -	$ -	**$16,825,450**	$13,597,357
Residential	13,080,953	-	-	**13,080,953**	10,520,590
Camp Loyaltown	4,725,547	-	-	**4,725,547**	3,404,586
Medicaid service coordination	2,367,598	-	-	**2,367,598**	2,557,486
Crisis respite	704,174	-	-	**704,174**	785,457
Family support	318,719	-	-	**318,719**	323,419
Self direction	226,494	-	-	**226,494**	13,910
Total Program Service Revenue	38,248,935	-	-	**38,248,935**	31,202,805
Contributions	227,278	-	-	**227,278**	578,858
Rental income	-	89,136	(33,600)	**55,536**	9,762
Other revenue	-	67,175	(66,877)	**298**	1,397,790
Total Revenue	38,476,213	156,311	(100,477)	**38,532,047**	33,189,215
Expenses:					
Program services:					
Intermediate care facility	16,767,965	-	-	**16,767,965**	12,115,867
Residential	11,959,834	112,265	(100,477)	**11,971,622**	9,478,168
Camp Loyaltown	3,872,213	-	-	**3,872,213**	3,016,000
Medicaid service coordination	2,118,582	-	-	**2,118,582**	2,330,729
Crisis respite	964,571	-	-	**964,571**	901,125
Family support	350,234	-	-	**350,234**	330,745
Self direction	306,603	-	-	**306,603**	19,831
Total Program Services Expenses	36,340,002	112,265	(100,477)	**36,351,790**	28,192,465
Supporting services:					
Management and general	2,299,259	20,463	-	**2,319,722**	1,828,418
Total Expenses	38,639,261	132,728	(100,477)	**38,671,512**	30,020,883
Change in Net Assets Before Investment Income, Net	(163,048)	23,583	-	**(139,465)**	3,168,332
Investment Income, Net	11,511	-	-	**11,511**	-
Change in Net Assets	(151,537)	23,583	-	**(127,954)**	3,168,332
Net Assets, Beginning of Year	7,672,236	1,376,241	-	**9,048,477**	5,880,145
Net Assets, End of Year	**$ 7,520,699**	**$1,399,824**	**$ -**	**$ 8,920,523**	$ 9,048,477

See accompanying notes to consolidating financial statements.

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Citizens Options Unlimited, Inc. and Affiliate

Consolidating Statement of Functional Expenses
(with comparative totals for 2016)

Year ended December 31,

	Program Services									Supporting Services				Total	
	Intermediate Care Facility	Residential	Camp Loyaltown	Medicaid Service Coordination	Crisis Respite	Family Support	Self Direction	Affiliate	Total Program Services	Management and General	Affiliate	Total Supporting Services	Eliminations	**2017**	2016
Salaries	$ 9,805,178	$ 7,406,114	$1,495,553	$1,439,341	$572,447	$145,743	$ 95,174	$ 5,000	$20,964,550	$ -	$ -	$ -	$ -	**$20,964,550**	$15,428,899
Payroll taxes	1,063,372	804,724	162,129	156,984	62,227	15,715	9,882	383	2,275,416	-	-	-	-	**2,275,416**	1,796,493
Employee health and retirement benefits	1,761,470	1,330,689	267,615	259,251	102,961	25,946	16,396	-	3,764,328	-	-	-	-	**3,764,328**	3,034,528
Total Personnel Services	12,630,020	9,541,527	1,925,297	1,855,576	737,635	187,404	121,452	5,383	27,004,294	-	-	-	-	**27,004,294**	20,259,920
Other Expenses:															
Professional fees and contracted services	403,237	120,649	320,239	-	-	-	470	-	844,595	105,425	11,679	117,104	-	**961,699**	756,222
Utilities	128,143	148,729	125,322	30,256	20,444	451	958	16,475	470,778	-	-	-	-	**470,778**	440,579
Transportation	71,126	84,153	115,474	6,597	5,207	5,118	1,279	-	288,954	-	-	-	-	**288,954**	173,489
Staff travel	18,692	10,873	23,405	39,539	497	259	11	-	93,276	-	-	-	-	**93,276**	79,040
Repairs and maintenance	266,294	168,550	167,789	44,182	39,813	120	12,166	22,759	721,673	-	-	-	-	**721,673**	636,655
Equipment purchases	199,409	96,228	71,018	4,077	7,201	158	-	-	378,091	-	-	-	-	**378,091**	50,405
Supplies	442,513	210,662	125,420	16,420	14,061	7,387	6,728	-	823,191	-	-	-	-	**823,191**	618,951
Participant incidentals	187,394	62,699	123,201	687	3,301	43,419	-	-	420,701	-	-	-	-	**420,701**	351,731
Food	214,465	308,078	297,262	1,130	14,192	3,546	-	-	838,673	-	-	-	-	**838,673**	718,486
Rent and lease expense	929,445	923,571	385,830	61,950	91,494	1,616	163,229	-	2,557,135	-	-	-	(100,477)	**2,456,658**	2,419,615
Recruiting and staff development	39,896	31,267	67,558	10,050	2,185	745		-	151,701	-	-	-	-	**151,701**	90,448
Fees, licenses and permits	10,560	12,493	6,754	2,732	303	95,867	-	330	129,039	78,834	-	78,834	-	**207,873**	262,932
NYS health facility assessment	860,867	-	-	-	-	-	-	-	860,867	-	-	-	-	**860,867**	702,000
Insurance	189,029	151,180	44,818	38,516	9,914	4,024	-	3,871	441,352	-	-	-	-	**441,352**	340,009
Management fee	-	-	-	-	-	-	-	-	-	2,115,000	8,784	2,123,784	-	**2,123,784**	1,706,196
Depreciation and amortization	173,916	84,407	44,274	6,870	18,078	96	-	63,447	391,088	-	-	-	-	**391,088**	334,777
Miscellaneous	2,959	4,768	28,552	-	246	24	310	-	36,859	-	-	-	-	**36,859**	79,428
Total Expenses	**$16,767,965**	**$11,959,834**	**$3,872,213**	**$2,118,582**	**$964,571**	**$350,234**	**$306,603**	**$112,265**	**$36,452,267**	**$2,299,259**	**$20,463**	**$2,319,722**	**$(100,477)**	**$38,671,512**	$30,020,883

See accompanying notes to consolidating financial statements.

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Citizens Options Unlimited, Inc. and Affiliate

Consolidating Statement of Cash Flows
(with comparative totals for 2016)

Year ended December 31,

	Citizens Options Unlimited, Inc.	Affiliate	Eliminations	Total 2017	Total 2016
Cash Flows from Operating Activities:					
Change in net assets	$ (151,537)	$ 23,583	$ -	**$ (127,954)**	$ 3,168,332
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation and amortization	327,641	63,447	-	**391,088**	334,777
Realized loss on investments	899	-	-	**899**	-
Unrealized gains on investments	(5,376)	-	-	**(5,376)**	-
Forgiveness of debt	-	(66,877)	66,877	**-**	-
(Increase) decrease in assets:					
Accounts receivable	(686,217)	35,087	-	**(651,130)**	(868,161)
Prepaid expenses and other assets	42,499	-	-	**42,499**	(3,738)
Due from controlled affiliated organizations	43,108	-	(43,108)	**-**	-
Deferred charges	16,947	-	-	**16,947**	16,947
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses	(181,178)	(23,274)	-	**(204,452)**	876,775
Salaries payable	172,460	-	-	**172,460**	167,981
Accrued payroll taxes and benefits	272,989	-	-	**272,989**	(37,924)
Due to non-controlled affiliated organizations	(39,639)	-	-	**(39,639)**	2,384,681
Due to Citizens Options Unlimited, Inc.	-	23,769	(23,769)	**-**	-
Reserve for potential liabilities	500,069	-	-	**500,069**	(3,724,049)
Net Cash Provided By Operating Activities	312,665	55,735	-	**368,400**	2,315,621
Cash Flows From Investing Activities:					
Purchases of fixed assets	(1,827,107)	-	-	**(1,827,107)**	(3,642,174)
Purchases of investments	(650,813)	-	-	**(650,813)**	-
Proceeds from sale of investments	174,319	-	-	**174,319**	-
Net Cash Used In Investing Activities	(2,303,601)	-	-	**(2,303,601)**	(3,642,174)
(Decrease) Increase in Cash and Cash Equivalents	(1,990,936)	55,735	-	**(1,935,201)**	(1,326,553)
Cash and Cash Equivalents, Beginning of Year	4,636,427	108,808	-	**4,745,235**	6,071,788
Cash and Cash Equivalents, End of Year	$ 2,645,491	$164,543	$ -	**$ 2,810,034**	$ 4,745,235

See accompanying notes to consolidating financial statements.

1. Description of Organization

Citizens Options Unlimited, Inc. ("Citizens Options") provides individualized residential alternative services ("IRA"), residential respite services, intermediate care facility services ("ICF") and Medicaid service coordination ("MSC") for individuals with intellectual and other developmental disabilities. Additionally, Citizens Options operates Camp Loyaltown in Hunter, New York, a respite program providing services to developmentally disabled children and adults. Citizens Options is governed by its own Board of Directors, which is responsible for its operations. Citizens Options is supported primarily by service fees paid by various New York State and local government agencies. During the quarter ended March 31, 2017, Citizens Options assumed program operations with annual revenue of approximately $2.8 million from another agency, consisting of two ICFs in Melville, NY serving nineteen persons, one of which opened on February 16, 2017 and the other which opened on March 16, 2017. Citizens Options continually pursues growth opportunities to expand its program services.

The Nassau County AHRC Foundation, Inc. (the "Foundation") is the sole member of Citizens Options. Accordingly, members of the Foundation's Board of Directors have authority to approve changes to Citizens Options by-laws and may elect members of its Board of Directors. Citizens Options is affiliated with Community Services Support Corporation ("CSSC"), Brookville Center for Children's Services, Inc. ("BCCS"), and Life Care Data Exchange, LLC ("LCDX"). The Foundation is also the sole member of CSSC, BCCS and LCDX.

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

2. Principles of Consolidation

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

3. Summary of Significant Accounting Policies

(a) Basis of Presentation

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

(b) Financial Statement Presentation

The classification of Citizens' net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

(i) **Permanently restricted** – Net assets resulting from contributions and other inflows of assets whose use by Citizens is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of AHRC Nassau.

(ii) **Temporarily restricted** – Net assets resulting from contributions and other inflows of assets whose use by Citizens is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Citizens pursuant to the stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidating statement of activities.

(iii) **Unrestricted -** The part of net assets that is neither permanently nor temporarily restricted by donor imposed stipulations.

(c) Cash and Cash Equivalents

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

(d) Fair Value Measurement

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

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

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

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

(e) Investments

Investments are recorded at their fair values. Realized and unrealized gains or losses on investments are reported in the consolidating statement of activities as increases or decreases in unrestricted net assets.

Citizens Options Unlimited, Inc. and Affiliate

Notes to Consolidating Financial Statements

(f) Accounts Receivable, Net

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

(g) Fixed Assets, Net

Fixed assets, net are recorded at cost. Depreciation and amortization is computed over the estimated useful lives of the assets by the straight-line method for financial reporting as follows:

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

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

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

(h) Impairment of Long-Lived Assets

Citizens reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2017, there has been no such losses.

(i) Revenue Recognition

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

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

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

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

(j) Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the consolidating statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(k) Concentration of Credit Risk

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

For the year ended December 31, 2017, approximately 89% of revenues was comprised of Medicaid reimbursement.

(l) Use of Estimates

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

(m) Income Taxes

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

Citizens adopted the provisions of ASC 740, "Accounting for Uncertainty in Income Taxes." Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained. The implementation of ASC 740 had no impact on consolidating Citizens' financial statements. Citizens does not believe there are any material uncertain tax positions and, accordingly, it will recognize any liability for unrecognized tax benefits. Citizens has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, Citizens has filed Internal Revenue Service Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended December 31, 2017, there was no interest or penalties recorded or included in the consolidating statement of activities and changes in net assets. Citizens is subject to routine audits by taxing authorities.

(n) Comparative Financial Information

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

financial statements for the year ended December 31, 2016, from which the summarized information was derived.

(o) Risks and Uncertainties

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

(p) Recently Adopted Authoritative Guidance

In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-15, "Presentation of Financial Statements – Going Concern: Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern." This ASU provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, this ASU provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The standard was adopted by Citizens in the year ended December 31, 2017.

(q) Accounting Pronouncements Issued But Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB also issued ASU 2015-14 which deferred the effective date for Citizens until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its consolidating financial statements.

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

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

(r) Reclassifications

Certain reclassifications have been made to the 2016 consolidating financial statements in order to conform to the 2017 presentation.

4. Investments, at Fair Value

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

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

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

Investments, at fair value as of December 31, 2017 are as follows:

	Fair Value Measurement at Reporting Date Using			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance as of December 31, 2017
Government securities	$-	$480,971	$-	$480,971
	$-	$480,971	$-	$480,971

There have been no changes in the methodologies used at December 31, 2017. There were no transfers between levels during the year ended December 31, 2017

Citizens Options Unlimited, Inc. and Affiliate

Notes to Consolidating Financial Statements

Investment income, net is as follows for the year ended December 31, 2017:

Year ended December 31, 2017	
Interest and dividends	$ 7,558
Unrealized gain	5,376
Realized loss	(899)
Investment fees	(524)
	$11,511

5. Accounts Receivable, Net

Accounts receivable, net consists of the following:

December 31, 2017	Citizens Options Unlimited, Inc.	Affiliate	Total
Intermediate care facility	$1,290,908	$ -	$1,290,908
Residential	1,485,694	-	1,485,694
Medicaid service coordination	384,672	-	384,672
Camp Loyaltown	910,308	-	910,308
Crisis respite	158,878	-	158,878
Family support	212,464	-	212,464
Self direction	25,254	-	25,254
HUD	-	203,013	203,013
	4,468,178	203,013	4,671,191
Less: Allowance for doubtful accounts	(19,908)	-	(19,908)
	$4,448,270	$203,013	$4,651,283

6. Fixed Assets, Net

Fixed assets, net, consist of the following:

December 31, 2017

	Citizens Options Unlimited, Inc.	Affiliate	Total
Land	$ -	$ 600,000	$ 600,000
Buildings and leasehold improvements	3,405,455	2,329,026	5,734,481
Equipment	2,008,544	26,106	2,034,650
	5,413,999	2,955,132	8,369,131
Less: Accumulated depreciation and amortization	(1,494,140)	(95,140)	(1,589,280)
	$ 3,919,859	$2,859,992	$ 6,779,851

Depreciation and amortization expense for the year ended December 31, 2017 was approximately $391,000.

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7. Due To Non-Controlled Affiliated Organizations

Certain administrative services are provided by NYSARC, Inc. – Nassau County Chapter ("AHRC Nassau"), a non-controlled affiliated organization, pursuant to terms of an administrative services agreement for which Citizens incurred management fees of approximately $2,124,000 for the year ended December 31, 2017. As of December 31, 2017, Citizens had amounts payable to AHRC Nassau of approximately $1,200,000. The amounts payable to AHRC Nassau are included in due to non-controlled affiliated organizations in the consolidating statement of financial position.

8. Capital Advance From HUD

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

The Capital Advance/Building Loan bears no interest and is not required to be repaid, so long as the housing remains available to eligible, very low income households for a period of forty years. This advance is reported as capital grant revenue and is recorded as temporarily restricted net assets (Note 12).

As of December 31, 2017, there was a related accounts receivable due from this advance in the amount of $203,013.

9. Line of Credit

As of December 31, 2017, Citizens has an unsecured revolving bank line of credit under which a maximum amount of $2.0 million can be borrowed. The line of credit agreement requires that Citizens comply with certain financial covenants. Citizens was in compliance with its financial covenants as of December 31, 2017. The line of credit bears interest at the prevailing prime rate (such rate being 4.50% at December 31, 2017). There were no amounts borrowed under the line of

credit and no interest expense incurred for the year ended December 31, 2017. The agreement expires on December 8, 2018 and may be renewed with the bank's approval.

10. Retirement Expense

A defined contribution plan, as defined by IRC Section 403(b), is offered to all employees who have attained the age of 20-1/2 years, completed six months of service at the beginning of the contribution period, and have 1,000 hours of credited service. Annual employer contributions to the plan represented 4% of total eligible salaries for all employees covered. Retirement expense for the year ended December 31, 2017 was approximately $568,000.

11. Reserve for Potential Liabilities

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

Revenues and receivables from government funded programs are subject to review and final determination of realizable rates by various regulatory agencies. Management has estimated a reserve for potential liabilities of approximately $971,000 as of December 31, 2017.

12. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2017:

December 31, 2017

	Citizens Options Unlimited, Inc.	Affiliate	Total
HUD time restrictions	$ -	$1,396,400	$1,396,400
Camp Loyaltown general purposes	1,453,303	-	1,453,303
Camp Loyaltown capital projects	249,703	-	249,703
ICF services	17,160	-	17,160
Other	65,877	-	65,877
	$1,786,043	$1,396,400	$3,182,443

Income earned on temporarily restricted net assets is expendable to support operations unless otherwise specified by the donor.

Net assets were released for the following purposes:

December 31, 2017

	Citizens Options Unlimited, Inc.	Affiliate	Total
Camp Loyaltown general purposes	$32,262	$-	$32,262
Other	1,043	-	1,043
	$33,305	$-	$33,305

The following table represents the reconciliation of changes in temporarily restricted net assets for the year ended December 31, 2017:

Year ended December 31, 2017

	Citizens Options Unlimited, Inc.	Affiliate	Total
Temporarily restricted net assets, beginning of year	$1,617,998	$1,396,400	$3,014,398
Temporarily restricted contributions	201,350	-	201,350
Temporarily restricted net assets released from restriction	(33,305)	-	(33,305)
Temporarily restricted net assets, end of year	$1,786,043	$1,396,400	$3,182,443

13. Commitments and Contingencies

Leases

Citizens leases various buildings and vehicles under operating leases. The leases are for various durations through December 31, 2017.

Future minimum lease payments at December 31, 2017 for the next five years and in the aggregate are as follows:

Year ending December 31,

	Buildings	Vehicles	Total
2018	$1,229,891	$ 418,970	$1,648,861
2019	1,118,817	331,159	1,449,976
2020	1,024,176	188,459	1,212,635
2021	895,860	65,787	961,647
2022	725,831	5,398	731,229
Thereafter	2,049,087	-	2,049,087
Total	$7,043,662	$1,009,773	$8,053,435

Citizens Options Unlimited, Inc. and Affiliate

Notes to Consolidating Financial Statements

Rent expense for the year ended December 31, 2017 approximated $2,457,000.

Legal Matters

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

HUD Contingencies

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

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

Guarantees of Non-Affiliated Organizations' Obligations

Citizens Options unconditionally guarantees separate line of credit agreements for CSSC and BCCS in the amounts of $5 million and $1 million, respectively. At December 31, 2017 there were no amounts outstanding under the BCCS line of credit and there was approximately $2,623,000 outstanding under the CSSC line of credit. At December 31, 2017, there was no default of the terms of these agreements.

14. Subsequent Events

Citizens has evaluated subsequent events through May 31, 2018, the date the consolidating financial statements were available for issuance. There were no subsequent events requiring adjustments to the consolidating financial statements or disclosures as stated herein.

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Citizens Options Unlimited, Inc. and Affiliate

Consolidating Financial Statements
Year Ended December 31, 2016

Citizens Options Unlimited, Inc. and Affiliate

Consolidating Financial Statements
Year Ended December 31, 2016

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.

Citizens Options Unlimited, Inc. and Affiliate

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BDO

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

100 Park Avenue
9th Floor
New York, NY 10017

Independent Auditor's Report

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

We have audited the accompanying consolidating financial statements of Citizens Options Unlimited, Inc. and Affiliate, which comprise the consolidating statement of financial position as of December 31, 2016, and the related consolidating statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidating financial statements.

Management's Responsibility for the Consolidating Financial Statements

Management is responsible for the preparation and fair presentation of these consolidating financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of these consolidating financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidating financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating financial statements are free from material misstatement.

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

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

BDO

Opinion

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the financial position of Citizens Options Unlimited, Inc. and Affiliate as of December 31, 2016, 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.

BDO USA, LLP

May 31, 2017

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Consolidating Statement of Financial Position

December 31, 2016

	Citizens Options Unlimited, Inc.	Affiliate	Eliminations	Total
Assets				
Current:				
Cash and cash equivalents	$ 4,636,427	$ 108,808	$ -	$ 4,745,235
Accounts receivable, net	3,762,053	238,100	-	4,000,153
Due from controlled affiliate	1,800,074	-	(1,800,074)	-
Prepaid expenses and other assets	207,700	270	-	207,970
Total Current Assets	10,406,254	347,178	(1,800,074)	8,953,358
Deferred Charges	129,928	-	-	129,928
Fixed Assets, Net	2,420,393	2,923,439	-	5,343,832
Total Assets	$12,956,575	$3,270,617	$(1,800,074)	$14,427,118
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	$ 1,874,946	$ 94,302	$ -	$ 1,969,248
Salaries payable	624,589	-	-	624,589
Accrued payroll taxes and benefits	1,027,983	-	-	1,027,983
Due to New York State OPWDD	471,119	-	-	471,119
Due to Citizens Options Unlimited, Inc.	-	1,800,074	(1,800,074)	-
Due to non-controlled affiliated organizations	1,285,702	-	-	1,285,702
Total Liabilities	5,284,339	1,894,376	(1,800,074)	5,378,641
Commitments and Contingencies				
Net Assets (Deficit):				
Unrestricted	6,054,238	(20,159)	-	6,034,079
Temporarily restricted	1,617,998	1,396,400	-	3,014,398
Total Net Assets	7,672,236	1,376,241	-	9,048,477
Total Liabilities and Net Assets	$12,956,575	$3,270,617	$(1,800,074)	$14,427,118

See accompanying notes to consolidating financial statements.

Citizens Options Unlimited, Inc. and Affiliate

Consolidating Statement of Activities

Year ended December 31, 2016

	Citizens Options Unlimited, Inc.	Affiliate	Eliminations	Total
Revenue:				
Program service revenue:				
Intermediate care facility	$13,597,357	$ -	$ -	$13,597,357
Residential	10,534,500	-	-	10,534,500
Camp Loyaltown	3,404,586	-	-	3,404,586
Medicaid service coordination	2,557,486	-	-	2,557,486
Crisis respite	785,457	-	-	785,457
Family support	323,419	-	-	323,419
Total Program Service Revenue	31,202,805	-	-	31,202,805
Contributions	578,858	-	-	578,858
Rental income	-	16,054	(6,292)	9,762
Capital grant and other revenue	-	1,414,511	(16,721)	1,397,790
Total Revenue	31,781,663	1,430,565	(23,013)	33,189,215
Expenses:				
Program services:				
Intermediate care facility	12,115,867	-	-	12,115,867
Residential	9,474,404	46,608	(23,013)	9,497,999
Camp Loyaltown	3,016,000	-	-	3,016,000
Medicaid service coordination	2,330,729	-	-	2,330,729
Crisis respite	901,125	-	-	901,125
Family support	330,745	-	-	330,745
Total Program Services Expenses	28,168,870	46,608	(23,013)	28,192,465
Supporting services:				
Management and general	1,820,702	7,716	-	1,828,418
Total Supporting Services Expenses	1,820,702	7,716	-	1,828,418
Total Expenses	29,989,572	54,324	(23,013)	30,020,883
Change in Net Assets	1,792,091	1,376,241	-	3,168,332
Net Assets, Beginning of Year	5,880,145	-	-	5,880,145
Net Assets, End of Year	$ 7,672,236	$1,376,241	$ -	$ 9,048,477

See accompanying notes to consolidating financial statements.

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Citizens Options Unlimited, Inc. and Affiliate

Consolidating Statement of Functional Expenses

Year ended December 31, 2016

	Program Services								Supporting Services				
	Intermediate Care Facility	Residential	Camp Loyaltown	Medicaid Service Coordination	Crisis Respite	Family Support	Affiliate	Total Program Services	Management and General	Affiliate	Total Supporting Services	Eliminations	Total
Salaries	$ 6,915,033	$5,498,820	$ 806,589	$1,583,676	$493,515	$130,016	$ 1,250	$15,428,899	$ -	$ -	$ -	$ -	$15,428,899
Payroll taxes	807,770	636,942	92,776	185,980	57,782	15,147	96	1,796,493	-	-	-	-	1,796,493
Employee health and retirement benefits	1,364,944	1,076,067	155,897	314,372	97,713	25,535	-	3,034,528	-	-	-	-	3,034,528
Total Personnel Services	9,087,747	7,211,829	1,055,262	2,084,028	649,010	170,698	1,346	20,259,920	-	-	-	-	20,259,920
Other Expenses:													
Professional fees and contracted services	64,991	5,621	624,151	-	-	-	-	694,763	55,939	5,520	61,459	-	756,222
Utilities	123,941	150,693	111,790	30,756	20,910	246	2,243	440,579	-	-	-	-	440,579
Transportation	39,202	27,526	98,234	1,750	1,766	5,011	-	173,489	-	-	-	-	173,489
Staff travel	10,095	9,824	15,727	42,744	340	310	-	79,040	-	-	-	-	79,040
Repairs and maintenance	194,371	265,707	88,809	43,985	36,631	162	6,990	636,655	-	-	-	-	636,655
Equipment purchases	19,945	10,543	17,617	978	1,308	14	-	50,405	-	-	-	-	50,405
Supplies	262,473	211,343	106,593	13,911	22,120	2,511	-	618,951	-	-	-	-	618,951
Participant incidentals	133,806	83,495	85,991	155	2,479	45,805	-	351,731	-	-	-	-	351,731
Food	174,544	261,928	263,062	813	13,708	4,431	-	718,486	-	-	-	-	718,486
Rent and lease expense	964,505	925,809	360,283	69,962	99,552	5,796	-	2,425,907	-	-	-	(6,292)	2,419,615
Recruiting and staff development	22,782	28,452	34,012	2,696	1,466	1,040	-	90,448	-	-	-	-	90,448
Fees, licenses and permits	5,018	4,198	73,021	1,317	28,853	89,762	-	202,169	60,763	-	60,763	-	262,932
NYS health facility assessment	702,000	-	-	-	-	-	-	702,000	-	-	-	-	702,000
Insurance	137,823	118,776	37,196	29,083	8,102	4,693	4,336	340,009	-	-	-	-	340,009
Management fee	-	-	-	-	-	-	-	-	1,704,000	2,196	1,706,196	-	1,706,196
Depreciation and amortization	167,267	72,209	41,465	7,450	14,573	120	31,693	334,777	-	-	-	-	334,777
Miscellaneous	5,357	86,451	2,787	1,101	307	146	-	96,149	-	-	-	(16,721)	79,428
Total Expenses	$12,115,867	$9,474,404	$3,016,000	$2,330,729	$901,125	$330,745	$46,608	$28,215,478	$1,820,702	$7,716	$1,828,418	$(23,013)	$30,020,883

See accompanying notes to consolidating financial statements.

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Year ended December 31, 2016

	Citizens Options Unlimited, Inc.	Affiliate	Eliminations	Total
Cash Flows from Operating Activities:				
Change in net assets	$ 1,792,091	$ 1,376,241	$ -	$ 3,168,332
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:				
Depreciation and amortization	303,084	31,693	-	334,777
Forgiveness of debt	-	(16,721)	16,721	-
(Increase) decrease in assets:				
Accounts receivable	(630,061)	(238,100)	-	(868,161)
Prepaid expenses and other assets	(3,468)	(270)	-	(3,738)
Due from controlled affiliated organizations	(1,800,074)	-	1,800,074	-
Deferred charges	16,947	-	-	16,947
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	782,473	94,302	-	876,775
Salaries payable	167,981	-	-	167,981
Accrued payroll taxes and benefits	(37,924)	-	-	(37,924)
Due to non-controlled affiliated organizations	2,384,681	-	-	2,384,681
Due to Citizens Options Unlimited, Inc.	-	1,816,795	(1,816,795)	-
Due to New York State OPWDD	(3,724,049)	-	-	(3,724,049)
Net Cash (Used In) Provided By Operating Activities	(748,319)	3,063,940	-	2,315,621
Cash Flows From Investing Activities:				
Purchases of fixed assets	(687,042)	(2,955,132)	-	(3,642,174)
(Decrease) Increase in Cash and Cash Equivalents	(1,435,361)	108,808	-	(1,326,553)
Cash, Beginning of Year	6,071,788	-	-	6,071,788
Cash, End of Year	$ 4,636,427	$ 108,808	$ -	$ 4,745,235

See accompanying notes to consolidating financial statements.

1. Description of Organization

Citizens Options Unlimited, Inc. (“Citizens Options”) provides individualized residential alternative services (“IRA”), residential respite services, intermediate care facility services (“ICF”) and Medicaid service coordination (“MSC”) for individuals with intellectual and other developmental disabilities. Additionally, Citizens Options operates Camp Loyaltown in Hunter, New York, a respite program providing services to developmentally disabled children and adults. Citizens Options is governed by its own Board of Directors, which is responsible for its operations. Citizens Options is supported primarily by service fees paid by various New York State and local government agencies. Effective February 1, 2016, Citizens Options assumed program operations with annual revenue of approximately $900,000 from another agency, consisting of one residential property in Hempstead, New York, serving eight persons. Effective March 31, 2016, Citizens Options assumed program operations with annual revenue of approximately $1.4 million from another agency, consisting of an ICF in Melville, New York, serving seven persons. Citizens Options continually pursues growth opportunities to expand its program services.

The Nassau County AHRC Foundation, Inc. (the “Foundation”) is the sole member of Citizens Options. Accordingly, members of the Foundation’s Board of Directors have authority to approve changes to Citizens Options by-laws and may elect members of its Board of Directors. Citizens Options is affiliated with Community Services Support Corporation (“CSSC”), Brookville Center for Children’s Services, Inc. (“BCCS”), and Life Care Data Exchange, LLC (“LCDX”). The Foundation is also the sole member of CSSC, BCCS and LCDX.

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

2. Principles of Consolidation

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

3. Summary of Significant Accounting Policies

(a) Basis of Presentation

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

(b) Financial Statement Presentation

The classification of Citizens’ net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

(i) Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by Citizens is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of AHRC Nassau.

(ii) Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by Citizens is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Citizens pursuant to the stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidating statement of activities.

(iii) Unrestricted – The part of net assets that is neither permanently nor temporarily restricted by donor imposed stipulations.

(c) Cash and Cash Equivalents

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

(d) Accounts Receivable, Net

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

(e) Fixed Assets, Net

Fixed assets, net are recorded at cost. Depreciation and amortization is computed over the estimated useful lives of the assets by the straight-line method for financial reporting as follows:

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

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

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

(f) Impairment of Long-Lived Assets

Citizens reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2016, there has been no such losses.

(g) Revenue Recognition

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

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

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

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

(h) Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the consolidating statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(i) Concentration of Credit Risk

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

For the year ended December 31, 2016, approximately 87% of revenues was comprised of Medicaid reimbursement.

(j) Use of Estimates

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

(k) Income Taxes

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

Citizens adopted the provisions of Accounting Standards Codification ("ASC") 740, "Accounting for Uncertainty in Income Taxes." Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained. The implementation of ASC 740 had no impact on consolidating Citizens' financial statements. Citizens does not believe there are any material uncertain tax positions and, accordingly, it will recognize any liability for unrecognized tax benefits. Citizens has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, Citizens has filed Internal Revenue Service Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended December 31, 2016, there was no interest or penalties recorded or included in the consolidating statement of activities and changes in net assets. Citizens is subject to routine audits by taxing authorities.

(l) Accounting Pronouncements Issued But Not Yet Adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB also issued ASU 2015-14 which deferred the effective date for Citizens until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its consolidating financial statements.

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements – Going Concern: Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern." This ASU provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, this ASU provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The new standard will be effective for reporting periods beginning after December 15, 2016, with early adoption permitted. Management will apply the provisions of this standard upon adoption.

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

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

4. Accounts Receivable, Net

Accounts receivable, net consists of the following:

December 31, 2016	
Intermediate care facility	$ 778,376
Residential	1,543,806
Medicaid service coordination	423,563
Camp Loyaltown	708,892
Crisis respite	219,600
Family support	137,816
HUD	238,100
	4,050,153
Less: Allowance for doubtful accounts	(50,000)
	$4,000,153

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5. Fixed Assets, Net

Fixed assets, net, consist of the following:

December 31, 2016	
Land	$ 600,000
Buildings and leasehold improvements	4,093,949
Equipment	1,848,075
	6,542,024
Less: Accumulated depreciation and amortization	(1,198,192)
	$ 5,343,832

Depreciation and amortization expense for the year ended December 31, 2016 totaled $334,777.

6. Due To Non-Controlled Affiliated Organizations

Certain administrative services are provided by NYSARC, Inc. – Nassau County Chapter ("AHRC Nassau"), a non-controlled affiliated organization, pursuant to terms of an administrative services agreement for which Citizens incurred management fees of approximately $1,706,000 for the year ended December 31, 2016. As of December 31, 2016, Citizens had amounts payable to AHRC Nassau of approximately $1,093,000. The amounts payable to AHRC Nassau are included in due to non-controlled affiliated organizations in the consolidating statement of financial position.

7. Capital Advance From HUD

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

The Capital Advance/Building Loan bears no interest and is not required to be repaid, so long as the housing remains available to eligible, very low income households for a period of forty years. This advance is reported as capital grant revenue and is recorded as temporarily restricted net assets (Note 11).

As of December 31, 2016, there was a related accounts receivable due from this advance in the amount of $228,338.

8. Line of Credit

As of December 31, 2016, Citizens has an unsecured revolving bank line of credit under which a maximum amount of $2.0 million can be borrowed. The line of credit agreement requires that Citizens comply with certain financial covenants. Citizens was in compliance with its financial covenants as of December 31, 2016. The line of credit bears interest at the prevailing prime rate (such rate being 3.75% at December 31, 2016). There were no amounts borrowed under the line of credit and no interest expense incurred for the year ended December 31, 2016. The agreement expires on December 8, 2017 and may be renewed with the bank's approval.

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

9. Retirement Expense

A defined contribution plan, as defined by IRC Section 403(b), is offered to all employees who have attained the age of 20-1/2 years, completed six months of service at the beginning of the contribution period, and have 1,000 hours of credited service. Annual employer contributions to the plan represented 4% of total eligible salaries for all employees covered. Retirement expense for the year ended December 31, 2016 was approximately $466,000.

10. Due to New York State OPWDD

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

Revenues and receivables from government funded programs are subject to review and final determination of realizable rates by various regulatory agencies. Management has estimated a reserve for potential rate adjustments of approximately $471,000 as of December 31, 2016.

11. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2016:

December 31, 2016	
Camp Loyaltown general purposes	$1,363,937
Camp Loyaltown capital projects	209,853
ICF services	16,635
Other	27,573
HUD time restriction	1,396,400
	$3,014,398

Income earned on temporarily restricted net assets is expendable to support operations unless otherwise specified by the donor.

Net assets totaling $19,030 were released for Camp Loyaltown general purposes for the year ended December 31, 2016.

The following table represents the reconciliation of changes in temporarily restricted net assets for the year ended December 31, 2016:

Year ended December 31, 2016

	Citizens Options Unlimited, Inc.	Affiliate	Total
Temporarily restricted net assets, beginning of year	$1,081,229	$ -	$1,081,229
Temporarily restricted contributions	555,799	1,396,400	1,952,199
Temporarily restricted net assets released from restriction	(19,030)	-	(19,030)
Temporarily restricted net assets, end of year	$1,617,998	$1,396,400	$3,014,398

12. Commitments and Contingencies

Leases

Citizens leases various buildings and vehicles under operating leases. The leases are for various durations through December 31, 2066.

Future minimum lease payments at December 31, 2016 for the next five years and in the aggregate are as follows:

Year ending December 31,

	Buildings	Vehicles	Total
2017	$1,405,041	$394,335	$1,799,376
2018	1,218,583	311,158	1,529,741
2019	1,118,737	214,579	1,333,316
2020	1,018,313	59,187	1,077,500
2021	880,366	6,046	886,412
Thereafter	2,575,390	-	2,575,390
Total	$8,216,430	$985,305	$9,201,735

Rent expense for the year ended December 31, 2016 approximated $2,420,000.

Legal Matters

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

HUD Contingencies

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

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

Guarantees of Non-Affiliated Organizations' Obligations

Citizens Options unconditionally guarantees separate line of credit agreements for CSSC and BCCS in the amounts of $5 million and $1 million, respectively. At December 31, 2016 there were no amounts outstanding under the BCCS line of credit and there was approximately $1,288,000 outstanding under the CSSC line of credit. At December 31, 2016, there was no default of the terms of these agreements.

13. Subsequent Events

Citizens has evaluated subsequent events through May 31, 2017, the date the consolidating financial statements were available for issuance. During the quarter ended March 31, 2017, Citizens Options assumed program operations with annual revenue of approximately $2.8 million from another agency, consisting of two ICFs in Melville, NY serving nineteen persons, one of which opened on February 16, 2017 and the other which opened on March 16, 2017. Other than the aforementioned, there were no subsequent events requiring adjustments to the consolidating financial statements or disclosures as stated herein.

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WeiserMazars LLP

CITIZENS OPTIONS UNLIMITED, INC.

REPORT ON AUDITS OF FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Years ended December 31, 2015 and 2014

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Independent Auditors' Report

Board of Directors
Citizens Options Unlimited, Inc.
Brookville, New York 11545

We have audited the accompanying financial statements of Citizens Options Unlimited, Inc., which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Citizens Options Unlimited, Inc., as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

WeiserMazars LLP

May 20, 2016

WeiserMazars LLP
135 West 50th Street New York, New York 10020
Tel: 212.812.7000 – Fax: 212.375.6888 – www.weisermazars.com

Statements of Financial Position

December 31,	2015	2014
Assets		
Cash and cash equivalents	**$ 6,071,788**	$ 4,537,126
Accounts receivable, net	**3,131,992**	3,724,784
Prepaid expenses and other current assets	**204,232**	159,815
Equipment and leasehold improvements, net	**2,036,435**	1,857,068
Due from affiliated organizations	**1,915,827**	75,783
Deferred charges	**146,875**	169,744
Total Assets	**$ 13,507,149**	$ 10,524,320
Liabilities and Net Assets		
Accounts payable and accrued expenses	**$ 1,092,473**	$ 945,970
Accrued salaries payable	**456,608**	333,310
Accrued payroll taxes and benefits	**1,065,907**	908,220
Due to other organizations	**816,848**	629,943
Due to New York State OPWDD	**4,195,168**	2,864,132
Total Liabilities	**7,627,004**	5,681,575
Net Assets		
Unrestricted	**4,798,916**	3,913,849
Temporarily restricted	**1,081,229**	928,896
Total Net Assets	**5,880,145**	4,842,745
Total Liabilities and Net Assets	**$ 13,507,149**	$ 10,524,320

See notes to financial statements.

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CITIZENS OPTIONS UNLIMITED, INC.

Statements of Activities and Changes in Net Assets

Year Ended December 31, 2015 (with summarized comparative totals for 2014)

	Unrestricted	Temporarily Restricted	2015 Total	2014
Revenues:				
Contributions	**$ 28,435**	**$ 178,683**	**$ 207,118**	$ 230,990
Service Fees:				
Residential services	**7,354,153**	**-**	**7,354,153**	4,223,785
Crisis respite services	**769,961**	**-**	**769,961**	557,817
Medicaid service coordination	**2,620,958**	**-**	**2,620,958**	2,870,440
Family support services	**263,096**	**-**	**263,096**	275,686
Camp Loyaltown	**3,097,291**	**-**	**3,097,291**	2,772,736
Intermediate care facility services	**11,839,360**	**-**	**11,839,360**	13,644,746
Net assets released from restrictions	**26,350**	**(26,350)**	**-**	-
Total Revenues	**25,999,604**	**152,333**	**26,151,937**	24,576,200
Expenses:				
Program Services:				
Residential services	**6,197,610**	**-**	**6,197,610**	3,798,515
Crisis respite services	**782,199**	**-**	**782,199**	632,941
Medicaid service coordination	**2,395,141**	**-**	**2,395,141**	2,346,534
Family support services	**312,009**	**-**	**312,009**	313,510
Camp Loyaltown	**2,861,472**	**-**	**2,861,472**	2,842,826
Intermediate care facility services	**11,025,808**	**-**	**11,025,808**	13,065,638
Total Program Services Expenses	**23,574,239**	**-**	**23,574,239**	22,999,964
Supporting Services:				
Management and general	**1,540,298**	**-**	**1,540,298**	1,364,017
Total Supporting Services Expenses	**1,540,298**	**-**	**1,540,298**	1,364,017
Total Expenses	**25,114,537**	**-**	**25,114,537**	24,363,981
Increase in Net Assets	**885,067**	**152,333**	**1,037,400**	212,219
Net Assets, beginning of year	**3,913,849**	**928,896**	**4,842,745**	4,630,526
Net Assets, end of year	**$ 4,798,916**	**$ 1,081,229**	**$ 5,880,145**	$ 4,842,745

See notes to financial statements.

CITIZENS OPTIONS UNLIMITED, INC.

Statements of Activities and Changes in Net Assets

Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	2014 Total
Revenues:			
Contributions	$ 25,625	$ 205,365	$ 230,990
Service Fees:			
Residential services	4,223,785	-	4,223,785
Crisis respite services	557,817	-	557,817
Medicaid service coordination	2,870,440	-	2,870,440
Family support services	275,686	-	275,686
Camp Loyaltown	2,772,736	-	2,772,736
Intermediate care facility services	13,644,746	-	13,644,746
Net assets released from restrictions	26,188	(26,188)	-
Total Revenues	24,397,023	179,177	24,576,200
Expenses:			
Program Services:			
Residential services	3,798,515	-	3,798,515
Crisis respite services	632,941	-	632,941
Medicaid service coordination	2,346,534	-	2,346,534
Family support services	313,510	-	313,510
Camp Loyaltown	2,842,826	-	2,842,826
Intermediate care facility services	13,065,638	-	13,065,638
Total Program Services Expenses	22,999,964	-	22,999,964
Supporting Services:			
Management and general	1,364,017	-	1,364,017
Total Supporting Services Expenses	1,364,017	-	1,364,017
Total Expenses	24,363,981	-	24,363,981
Increase in Net Assets	33,042	179,177	212,219
Net Assets, beginning of year	3,880,807	749,719	4,630,526
Net Assets, end of year	$ 3,913,849	$ 928,896	$ 4,842,745

See notes to financial statements.

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CITIZENS OPTIONS UNLIMITED, INC.

Statements of Cash Flows

Years Ended December 31,	**2015**	2014
Cash flows from operating activities:		
Increase in net assets	**$ 1,037,400**	$ 212,219
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	**261,008**	244,471
Provision for doubtful accounts	**-**	50,000
Decrease (increase) in operating assets:		
Accounts receivable	**592,792**	(231,312)
Prepaid expenses and other current assets	**(44,417)**	(43,575)
Increase in operating liabilities:		
Accounts payable and accrued expenses	**146,503**	23,782
Accrued salaries payable	**123,298**	51,938
Accrued payroll taxes and benefits	**157,687**	6,590
Due to New York State OPWDD	**1,331,036**	1,702,073
Net cash provided by operating activities	**3,605,307**	2,016,186
Cash flows from investing activities:		
Purchase of equipment and leasehold improvements	**(417,506)**	(528,200)
Increase in amounts due from affilated organizations	**(1,840,044)**	(26,565)
Net cash used in investing activities	**(2,257,550)**	(554,765)
Cash flows from financing activities:		
Increase in amounts due to other organizations	**186,905**	335,246
Net cash provided by financing activities	**186,905**	335,246
Increase in cash and cash equivalents	**1,534,662**	1,796,667
Cash and cash equivalents, beginning of year	**4,537,126**	2,740,459
Cash and cash equivalents, end of year	**$ 6,071,788**	$ 4,537,126

See notes to financial statements.

CITIZENS OPTIONS UNLIMITED, INC.

Notes to Financial Statements

Years ended December 31, 2015 and 2014

1. Description of Organization and Summary of Significant Accounting Policies

Organization and nature of operations – Citizens Options Unlimited, Inc. ("Citizens, Inc.") provides individualized residential alternative services ("IRA"), residential respite services, intermediate care facility services ("ICF") and Medicaid service coordination ("MSC") for individuals with intellectual and other developmental disabilities. Additionally, Citizens, Inc. operates Camp Loyaltown in Hunter, NY, a respite program providing services to developmentally disabled children and adults. Citizens, Inc. is governed by its own Board of Directors, which is responsible for its operations. Citizens, Inc. is supported primarily by service fees paid by various New York State and local government agencies. Citizens, Inc. continually pursues growth opportunities to expand its program services. In May 2015, Citizens, Inc. assumed program operations from another agency, consisting of five residential properties in Nassau and Suffolk counties servicing 33 persons with annual revenues of approximately $4.0 million ("new operations").

Corporate name change – In November 2014, Citizens, Inc. changed its corporate name from Nassau County Association for the Help of Retarded Citizens, Inc. to Citizens Options Unlimited, Inc. to more appropriately reflect the organization's mission and scope of services beyond Nassau County, New York.

Basis of presentation – The financial statements have been prepared on the accrual basis of accounting. Citizens, Inc. reports information regarding its financial position and activities according to three classes of assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Cash and cash equivalents – Citizens, Inc. considers all highly liquid debt instruments with an original maturity of three months or less at the date of purchase to be cash equivalents. As of December 31, 2015, cash and cash equivalents with two financial institutions exceeded Federal Deposit Insurance Corporation limits of $250,000 per institution. As of December 31, 2015 the total uninsured cash balance was approximately $5,400,000. Management believes that credit risk related to the accounts is minimal based on the historical credit worthiness of these financial institutions.

Allowance for doubtful accounts – Accounts receivable balances are continually reviewed and evaluated as to collectability. The allowance for doubtful accounts is adjusted according to the results of these evaluations.

Equipment, leasehold improvements, deferred charges, depreciation and amortization – Equipment and leasehold improvements are recorded at cost. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets ranging from five to fifteen years. Amortization of leasehold improvements is recorded over the shorter of their useful lives or the remainder of the lease period using the straight-line method.

Fixed assets purchased in starting up certain Medicaid funded programs are funded through loans from the New York State Office of People with Developmental Disabilities ("OPWDD") and are required to be repaid over a 60-month period. The amortization of these costs is consistent with the payback period of the loan, in accordance with the rate notice issued by OPWDD. Citizens, Inc. expenses all non-reimbursable start-up costs. In addition, to account for the future reimbursement of these costs, Citizens, Inc. records a deferred charge equal to the net future reimbursement it expects to realize in the operation of its programs. The deferred charge is amortized over the period of reimbursement. Amortization expense for the years ended December 31, 2015 and 2014 was $23,518 and $47,164, respectively.

Donor-imposed restrictions – Citizens, Inc. reports gifts of cash and other assets as restricted assets if they are received with donor stipulations that limit the use of the donated assets. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Citizens, Inc. reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Citizens, Inc. reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Affiliated organizations **–** The Nassau County AHRC Foundation, Inc. (the "Foundation") is the sole member of Citizens, Inc. Accordingly, members of the Foundation's Board of Directors have authority to approve changes to Citizens, Inc. by-laws and may elect members of its Board of Directors. Citizens, Inc. is affiliated with Community Services for Mentally Retarded, Inc. ("CSMR"), Brookville Center for Children's Services, Inc. ("BCCS"), and Life Care Data Exchange, Inc. ("LCDX"). The Foundation is also the sole member of CSMR, BCCS, and LCDX.

Citizens Inc. is the sole member of Mental Retardation Community Services of Nassau County, Inc. – Project V ("MRCS V"). This affiliate is a real estate development company and is a tax-exempt organization under 501(c)(3) of the Internal Revenue Code. The activities of MRCS V are excluded from Citizens, Inc. financial statements since neither revenues and expenses nor assets and liabilities are material in relation to Citizens, Inc. taken as a whole.

Administrative services agreement **–** Certain administrative services are provided by NYSARC Inc.-Nassau County Chapter ("AHRC Nassau"), a non-controlled organization, pursuant to an administrative services agreement for which Citizens, Inc. incurred management fees of approximately $1,340,000 and $1,300,000 for the years ended December 31, 2015 and 2014, respectively. As of December 31, 2015 and 2014, Citizens, Inc. had amounts payable to AHRC Nassau of approximately $778,000 and $627,000, respectively. The amounts payable to AHRC Nassau are included in due to other organizations in the statements of financial position.

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

Revenue **–** Revenue is earned as services are performed. Funding is provided to Citizens, Inc. by state and local government agencies. Funding levels are dependent on future allocations from such agencies. Certain funding streams are based on rates that are subject to audit by these agencies and approval of rate appeals made by Citizens, Inc. to these agencies. Any changes in rates resulting from audit adjustments or rate appeals are reflected in Citizens, Inc.'s financial statements when such rates are determined or can be reasonably estimated in the year the related services are rendered. Such amounts are adjusted in future periods as final rates are determined.

CITIZENS OPTIONS
UNLIMITED, INC.

Notes to Financial Statements
Years ended December 31, 2015 and 2014

Income taxes **–** Citizens, Inc. qualifies as a tax exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code, and as a not-for-profit organization under the laws of New York State. Accordingly, no provision for federal or state income taxes is required.

Management has determined that Citizens, Inc. has no uncertain tax positions that would require financial statement recognition. Citizens, Inc. is not subject to audits by the applicable taxing jurisdictions for periods prior to the year ended December 31, 2012.

Reclassifications – Certain reclassifications were made to the prior year financial statements to conform to the current year presentation.

2. Accounts Receivable, Net

Accounts receivable, net consists of the following as of December 31, 2015 and 2014:

	2015	2014
Intermediate care facility services	**$ 826,209**	$ 1,825,703
Residential services	**1,185,735**	631,277
Medicaid service coordination	**446,009**	499,881
Camp Loyaltown	**435,447**	449,124
Crisis respite services	**122,755**	173,383
Family support services	**55,756**	92,384
Other	**110,081**	103,032
	3,181,992	3,774,784
Less: allowance for doubtful accounts	**50,000**	50,000
	$ 3,131,992	$ 3,724,784

3. Equipment and Leasehold Improvements

Equipment and leasehold improvements, net, consist of the following as of December 31, 2015 and 2014:

	2015	2014
Equipment	**$ 1,349,193**	$ 1,139,301
Leasehold improvements	**1,551,329**	1,344,364
Total cost	**2,900,522**	2,483,665
Less: accumulated depreciation	**864,087**	626,597
	$ 2,036,435	$ 1,857,068

Depreciation expense for the years ended December 31, 2015 and 2014 was $237,490 and $197,307, respectively.

4. Due from Affiliated Organizations

As of December 31, 2015 and 2014, amounts due from MRCS V were approximately $1,916,000 and $76,000. These amounts relate to MRCS V construction and development of two residential sites in which IRA services will be provided by Citizens, Inc.

5. Due to Other Organizations

As of December 31, 2015 and 2014, amounts due to other organizations of approximately $817,000 and $630,000 include management fees payable to AHRC Nassau of $778,000 and $627,000, respectively.

6. Due to New York State OPWDD

As of December 31, 2015 and 2014, the balances due to OPWDD of approximately $4,195,000 and $2,864,000, respectively, reflect amounts received in excess of amounts earned for services provided. The balances at December 31, 2015 and 2014 consist of approximately $3,728,000 and $2,857,000 for ICF services, respectively, and $7,000 at each date for IRA services. Additionally, as of December 31, 2015, the balance due to OPWDD includes an operating cash advance of $460,000 received in connection with new operations. In the quarter ended March 31, 2016, approximately $3,952,000 of these amounts has been paid and the remaining balances are being paid to OPWDD through recoupment from current remittances for services.

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7. Line of Credit

Citizens, Inc. has a secured revolving line of credit under which a maximum amount of $2.0 million can be borrowed, with interest payable monthly at the prevailing prime interest rate (such rate being 3.50% and 3.25%, as of December 31, 2015 and 2014, respectively). The loan is secured by the assets of Citizens, Inc. and guaranteed by each of Foundation, BCCS, and CSMR. As of December 31, 2015 and 2014, there were no amounts outstanding under this line of credit. Citizens, Inc. is required to maintain unrestricted net assets of at least $2.0 million, measured annually as of each December 31. The line of credit matures on December 8, 2016 and may be renewed with the bank's approval.

8. Net Assets

Temporarily restricted net assets are available for the following purposes as of December 31, 2015 and 2014:

	2015	2014
Camp Loyaltown general purposes	**$ 896,569**	$ 822,083
Camp Loyaltown capital projects	**158,283**	86,846
ICF services	**16,635**	15,425
Other services	**9,742**	4,542
	$ 1,081,229	$ 928,896

The increase in temporarily restricted net assets of $152,333 in the year ended December 31, 2015 consists of contributions received of $178,683 less $26,350 released for Camp Loyaltown general purposes.

9. Retirement Expense

Citizens, Inc. maintains a defined contribution plan, as defined by Internal Revenue Code Section 403(b) (the "Plan"). All employees of Citizens, Inc. are, immediately upon employment, eligible to participate in the Plan. Employer contributions are made to the Plan for all employees who have attained the age of 20-1/2 years, completed six months of service at the beginning of the contribution period and have 1,000 hours of credited service. Annual employer contributions to the Plan represented 4.0% of total eligible salaries for all employees covered in the years ended December 31, 2015 and 2014. Employees may also contribute to the Plan up to 100% of pretax annual compensation, limited to Internal Revenue Service regulations (maximum amount of $18,000 in calendar year 2015), by completing a salary deferral agreement. Retirement expense for the years ended December 31, 2015 and 2014 was approximately $394,000 and $342,000, respectively.

10. Commitments and Contingencies

Citizens, Inc. leases buildings and vehicles under operating leases. The leases are for various durations through December 31, 2064.

Future minimum lease payments are as follows:

Year Ending December 31,	Buildings	Vehicles	Total
2016	$ 1,407,054	$ 352,933	$ 1,759,987
2017	1,325,740	289,688	1,615,428
2018	1,159,662	202,373	1,362,035
2019	1,059,816	99,662	1,159,478
2020	959,392	18,137	977,529
Thereafter	2,837,087	-	2,837,087
Total	$ 8,748,751	$ 962,793	$ 9,711,544

Rent and lease expense for the years ended December 31, 2015 and 2014 was approximately $2,201,000 and $1,976,000, including rent expense charged by CSMR of approximately $1,483,000 and $1,387,000, respectively. Rent was charged by AHRC Nassau for the years ended December 31, 2015 and 2014 of approximately $337,000 and $340,000, respectively, for the Camp Loyaltown property in Hunter, NY. Other rent and lease expense totaling approximately $381,000 and $249,000 was charged by various vendors for the years ended December 31, 2015 and 2014, respectively.

Guarantees of affiliated organizations' obligations – Citizens, Inc. unconditionally guarantees separate line of credit agreements for each of CSMR and BCCS in the amounts of $5.0 million and $1.0 million, respectively. At December 31, 2015 and 2014, there were no amounts outstanding under the BCCS line of credit and there was approximately $609,000 and $1,118,000, outstanding under the CSMR line of credit, respectively. At December 31, 2015, there was no default of the terms of these agreements.

Notes to Financial Statements

Years ended December 31, 2015 and 2014

11. Concentrations of Credit Risk

Citizens, Inc. generates accounts receivable from state and local government agencies. The financial condition and status of state and local government operating budgets could have a material adverse impact on the ability to collect accounts receivable on a timely basis.

12. Subsequent Events

Citizens, Inc. has evaluated subsequent events through May 20, 2016, the date the financial statements were available to be issued.

Effective February 1, 2016, Citizens, Inc. assumed program operations with annual revenue of approximately $900,000 from another agency, consisting of one residential property in Hempstead, NY. serving eight persons.

Effective March 31, 2016, Citizens, Inc. assumed program operations with annual revenue of approximately $1.4 million from another agency, consisting of an ICF in Melville, NY serving seven persons.

MAZARS

WeiserMazars

Independent Auditors' Report on Supplementary Information

Board of Directors
Citizens Options Unlimited, Inc.
Brookville, New York 11545

We have audited the financial statements of Citizens Options Unlimited, Inc. as of and for the years ended December 31, 2015 and 2014, and have issued our report thereon dated May 20, 2016, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses for 2015 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The 2014 summarized comparative information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Citizens Options Unlimited, Inc.'s financial statements for the year ended December 31, 2014 from which the summarized information was derived.

WeiserMazars LLP

May 20, 2016

WeiserMazars LLP
135 West 50th Street New York, New York 10020
Tel: 212.812.7000 – Fax: 212.375.6888 – www.weisermazars.com

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Praxity

Statements of Functional Expenses

Year Ended December 31, 2015 (with summarized comparative totals for 2014)

	Program Services							Supporting Services		
	Residential Services	Crisis Respite	Medicaid Service Coordination	Family Support Services	Camp Loyaltown	ICF	Total Program Services	Management and General	**2015 Total**	2014 Total
Salaries	$ 3,601,930	$ 451,295	$ 1,594,231	$ 118,989	$ 710,469	$ 6,175,966	$ 12,652,880	$ -	**$ 12,652,880**	$ 11,299,135
Payroll Taxes	388,107	49,013	174,709	13,131	77,963	673,772	1,376,695	**-**	**1,376,695**	1,303,565
Employee Health and Retirement Benefits	800,567	101,179	360,824	26,959	158,965	1,388,298	2,836,792	**-**	**2,836,792**	2,646,722
Total Personal Services	4,790,604	601,487	2,129,764	159,079	947,397	8,238,036	16,866,367	-	**16,866,367**	15,249,422
Professional Fees and Contracted Services	2,856	-	-	-	644,530	56,494	703,880	150,376	**854,256**	2,193,609
Utilities	96,626	12,838	32,993	232	124,301	121,427	388,417	-	**388,417**	394,459
Transportation Related	28,963	144	3,543	4,897	92,120	39,761	169,428	-	**169,428**	173,233
Staff Travel	5,837	307	45,823	237	24,795	4,062	81,061	-	**81,061**	72,580
Repairs and Maintenance	129,934	16,408	46,761	239	114,224	183,590	491,156	-	**491,156**	473,458
Equipment Purchases	5,496	1,233	336	29	3,628	9,292	20,014	-	**20,014**	17,098
Supplies	117,781	11,071	17,101	1,867	101,118	221,008	469,946	-	**469,946**	357,362
Participant Incidentals	29,597	1,614	18	35,950	69,731	122,372	259,282	-	**259,282**	264,006
Food	148,564	16,085	693	3,932	222,234	152,702	544,210	-	**544,210**	443,902
Rent and Lease Expense	699,903	102,536	70,309	4,020	399,213	924,701	2,200,682	-	**2,200,682**	1,976,073
Recruiting and Staff Development	12,360	643	3,122	262	35,908	10,818	63,113	-	**63,113**	58,884
Fees, Licenses and Permits	1,696	160	1,204	97,775	6,188	3,110	110,133	49,922	**160,055**	184,915
NYS Health Facility Assessment	-	-	-	-	-	591,595	591,595	-	**591,595**	712,409
Insurance	65,448	6,978	23,157	3,179	30,853	123,460	253,075	-	**253,075**	198,014
Management Fee	-	-	-	-	-	-	-	1,340,000	**1,340,000**	1,300,000
Provision for Doubtful Accounts	1,640	771	11,498	-	590	77,434	91,933	-	**91,933**	50,000
Depreciation and Amortization	59,304	9,817	8,533	80	39,073	144,201	261,008	-	**261,008**	244,471
Miscellaneous	1,001	107	286	231	5,569	1,745	8,939	**-**	**8,939**	86
Total Expenses	$ 6,197,610	$ 782,199	$ 2,395,141	$ 312,009	$ 2,861,472	$ 11,025,808	$ 23,574,239	$ 1,540,298	**$ 25,114,537**	$ 24,363,981

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Community Services Support Corporation

Financial Statements
Year Ended December 31, 2017

Community Services Support Corporation

Financial Statements
Year Ended December 31, 2017

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.

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Community Services Support Corporation

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BDO

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

100 Park Avenue
New York, NY 10017

Independent Auditor's Report

The Board of Directors
Community Services Support Corporation
Brookville, New York 11545

We have audited the accompanying financial statements of Community Services Support Corporation, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

BDO

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Services Support Corporation as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the financial statements of Community Services Support Corporation and our report, dated May 31, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

May 25, 2018

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Community Services Support Corporation

Statement of Financial Position
(with comparative totals for 2016)

December 31,	**2017**	2016
Assets		
Current:		
Cash and cash equivalents	**$ 379,346**	$ 1,901,825
Investments, at fair value	**1,291,326**	1,296,067
Accounts receivable	**12,327**	125,284
Prepaid expenses and other assets	**8,591**	8,591
Receivable from other organizations, current portion	**263,421**	278,495
Total Current Assets	**1,955,011**	3,610,262
Receivable From Other Organizations, Net of Current Portion	**2,054,992**	2,327,504
Assets Held for Specific Purpose	**117,756**	117,734
Fixed Assets, Net	**35,516,593**	36,078,652
Total Assets	**$39,644,352**	$42,134,152
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 55,873**	$ 100,143
Line of credit	**2,623,439**	1,287,646
Mortgages payable, current portion	**314,638**	399,845
Bonds payable, current portion	**3,744,000**	3,941,000
Total Current Liabilities	**6,737,950**	5,728,634
Mortgages Payable, Net of Current Portion	**905,510**	1,219,875
Bonds Payable, Net of Current Portion and Deferred Financing Costs	**18,628,391**	21,983,697
Deferred Revenue	**234,762**	252,501
Total Liabilities	**26,506,613**	29,184,707
Commitments and Contingencies		
Net Assets:		
Unrestricted	**13,137,739**	12,949,445
Total Liabilities and Net Assets	**$39,644,352**	$42,134,152

See accompanying notes to financial statements.

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Community Services Support Corporation

Statement of Activities
(with comparative totals for 2016)

Year ended December 31,	2017	2016
Revenue:		
Rental income	$ 4,829,292	$ 5,394,366
Investment income	32,251	40,386
Total Revenue	4,861,543	5,434,752
Expenses:		
Program services:		
Interest	1,111,942	1,398,703
OPWDD administrative fees - bonds	2,786	3,320
Depreciation and amortization	3,384,051	3,617,934
Total Program Services	4,498,779	5,019,957
Supporting services:		
Management fees	150,000	150,000
Professional services	24,470	41,612
Total Supporting Services	174,470	191,612
Total Expenses	4,673,249	5,211,569
Change in Net Assets	188,294	223,183
Net Assets, Beginning of Year	12,949,445	12,726,262
Net Assets, End of Year	$13,137,739	$12,949,445

See accompanying notes to financial statements.

Community Services Support Corporation

Statement of Cash Flows
(with comparative totals for 2016)

Year ended December 31,	2017	2016
Cash Flows From Operating Activities:		
Change in net assets	$ 188,294	$ 223,183
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,384,051	3,617,934
Interest expense related to deferred financing costs	388,694	580,308
Unrealized (loss) gain on investments	4,741	(6,255)
Decrease (increase) in assets:		
Accounts receivable, net	112,957	83,464
Prepaid expenses and other assets	-	37,573
Receivable from other organizations	287,586	377,332
Assets held for specific purpose	(22)	-
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(44,270)	47,665
Deferred revenue	(17,739)	15,539
Net Cash Provided By Operating Activities	4,304,292	4,976,743
Cash Flows From Investing Activities:		
Purchases of fixed assets	(2,821,992)	(1,073,767)
Cash Flows From Financing Activities:		
Proceeds from line of credit	1,335,793	705,354
Principal payments on line of credit	-	(26,905)
Principal payments on mortgages payable	(399,572)	(398,813)
Principal payments on bonds payable	(3,941,000)	(4,640,000)
Net Cash Used in Financing Activities	(3,004,779)	(4,360,364)
Decrease in Cash and Cash Equivalents	(1,522,479)	(457,388)
Cash and Cash Equivalents, Beginning of Year	1,901,825	2,359,213
Cash and Cash Equivalents, End of Year	$ 379,346	$ 1,901,825
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 743,248	$ 818,395

See accompanying notes to financial statements.

1. Description of Organization

Community Services Support Corporation ("CSSC") holds title to and maintains properties for various programs, such as residential facilities for the developmentally disabled, operated by NYSARC, Inc. Nassau County Chapter ("AHRC Nassau"), Citizens Options Unlimited, Inc. ("Citizens"), Brookville Center for Children's Services ("BCCS") and Advantage Care Diagnostic and Treatment Center, Inc. ("Advantage Care"). Revenues are derived mainly from the rental of these facilities.

In March 2016, CSSC changed its name from Community Services for the Mentally Retarded, Inc. to more appropriately reflect the organization's mission and nature of services provided.

The Nassau County AHRC Foundation, Inc. (the "Foundation") is the sole member of CSSC. Accordingly, members of the Foundation's Board of Directors have authority to approve changes to CSSC's by-laws and may elect members of its Board of Directors. CSSC is affiliated with Citizens, BCCS, and Life Care Data Exchange, LLC ("LCDX"). The Foundation is also the sole member of Citizens, BCCS and LCDX.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

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

(b) Financial Statement Presentation

The classification of CSSC's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

(i) **Permanently restricted** – Net assets resulting from contributions and other inflows of assets whose use by CSSC is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of CSSC.

(ii) **Temporarily restricted** – Net assets resulting from contributions and other inflows of assets whose use by CSSC is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of CSSC pursuant to the stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

(iii) **Unrestricted** – The part of net assets that is neither permanently nor temporarily restricted by donor imposed stipulations.

(c) Cash and Cash Equivalents

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

Community Services Support Corporation

Notes to Financial Statements

(d) Fair Value Measurement

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

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

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

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

(e) Investments

Investments are recorded at their fair values. Realized and unrealized gains or losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets.

(f) Accounts Receivable

Accounts receivable are stated as unpaid balances, less an allowance for doubtful accounts. CSSC provides for losses on amounts due using the allowance method. The allowance method is based on experience and other circumstances, which may affect the ability of the agencies to meet their obligations. CSSC's policy is to charge off uncollectible amounts when management determines they will not be collected. As of December 31, 2017, there is no allowance for doubtful accounts recorded. Accounts receivable consists of rent receivable from tenants.

(g) Fixed Assets

Fixed assets, net are recorded at cost. Depreciation is computed over the estimated useful lives of the assets by the straight-line method for financial reporting as follows:

Building	15-50 years
Building improvements	15-50 years
Cooperative apartments	15-50 years

(h) Impairment of Long-Lived Assets

CSSC reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2017, there have been no such losses.

(i) Deferred Revenue

The New York State Office for People with Developmental Disabilities ("OPWDD") reimbursements include interest and principal amortization on loans from the Facilities Development Corporation ("FDC"), a public benefit corporation in the reimbursement rate paid to service providers. However, CSSC recognizes revenue based upon interest and depreciation of the facility. The difference between revenue recognized and the reimbursement from OPWDD is reflected as deferred revenue on the statement of financial position. The deferred revenue represents timing differences, which will accumulate over the early periods of the loan repayments and will reverse during the latter periods of the loan repayments.

(j) Revenue Recognition

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

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

(k) Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(l) Concentration of Credit Risk

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

(m) Use of Estimates

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

(n) Income Taxes

CSSC is incorporated in the State of New York and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is required.

CSSC adopted the provisions of ASC 740, "Accounting for Uncertainty in Income Taxes." Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained. The implementation of ASC 740 had no impact on CSSC's financial statements. CSSC does not believe there are any material uncertain tax positions and, accordingly, it will recognize any liability for unrecognized tax benefits. CSSC has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, CSSC has filed Internal Revenue Service Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended December 31, 2017, there was no interest or penalties recorded or included in the statement of activities. CSSC is subject to routine audits by taxing authorities.

(o) Risks and Uncertainties

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

(p) Recently Adopted Authoritative Guidance

In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Updated ("ASU") 2014-15, "Presentation of Financial Statements – Going Concern: Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern." This ASU provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, this ASU provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The standard was adopted by CSSC in the year ended December 31, 2017.

(q) Accounting Pronouncements Issued But Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB also issued ASU 2015-14 which deferred the effective date for CSSC until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

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

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

3. Investments, at Fair Value

CSSC’s investments recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2 for a discussion of CSSC’s policies regarding this hierarchy.

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

Community Services Support Corporation

Notes to Financial Statements

Investments, at fair value as of December 31, 2017 are as follows:

	Fair Value Measurement at Reporting Date Using			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance as of December 31, 2017
Government securities	$-	$1,291,326	$-	$1,291,326
	$-	$1,291,326	$-	$1,291,326

There have been no changes in the methodologies used at December 31, 2017. There were no transfers between levels during the year ended December 31, 2017.

Investment income, net is as follows for the year ended December 31, 2017:

Year ended December 31, 2017	
Interest and dividends	$36,992
Unrealized loss	(4,741)
	$32,251

4. Assets Held for Specific Purpose

Under the terms of the Nassau County Industrial Development Agency (“IDA”) bonds and the 2014 and 2012 Nassau County Local Economic Assistance Corporation (“LEAC”) bonds, assets held for specific purpose consist of cash and cash equivalents. As of December 31, 2017, the assets held for specific purpose amounted to $117,756.

5. Fixed Assets, Net

Fixed assets, net, consist of the following:

Land	$ 11,568,955
Buildings	58,661,197
Building improvements	26,279,521
Cooperative apartments	3,080,762
	99,590,435
Less: Accumulated depreciation and amortization	(64,073,842)
	$ 35,516,593

Depreciation and amortization expense for the year ended December 31, 2017 totaled $3,384,051.

6. Due (To)/From Non-Controlled Affiliated Organizations

(a) Management Fee

Certain administrative services are provided by AHRC Nassau, a non-controlled affiliated organization, pursuant to terms of an administrative services agreement for which CSSC incurred management fees of $150,000 for the year ended December 31, 2017.

(b) Rental Income

For the year ended December 31, 2017, rental income earned from various organizations was as follows:

Year ended December 31, 2017	
AHRC Nassau	$1,985,404
BCCS	1,362,995
Citizens	1,454,058
Advantage Care	26,835
	$4,829,292

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(c) Tri-Party Agreement

On December 28, 2012, AHRC Nassau and Nassau Community Mental Retardation Services Company, Inc. ("NCMRS") entered into a tri-party agreement ("Tri-Party Lease") with CSSC. The Tri-Party Lease provided for CSSC's purchase of the corresponding receivable held by AHRC Nassau from NCMRS. NCMRS has a payable to CSSC in connection with the Tri-Party Lease for the December 28, 2012 LEAC Bonds Series G and K. The 2012 LEAC Bonds were established to refinance the outstanding debt of each of the Nassau County IDA Civic Facility Revenue Bond and the AHRC Nassau HSBC Line of Credit, of which the proceeds were used for improvements to the NCMRS property. As of December 31, 2017, the balance due to CSSC from NCMRS was approximately $893,000.

(d) Debt Forgiveness - Acquisition of Property

(i) AHRC Nassau paid for a portion of property acquisitions on behalf of Mental Retardation Community Services of Nassau County – Project III, Inc. ("MRCS III") in a prior year. AHRC Nassau is being reimbursed for its funding of the property acquisitions by OPWDD over a number of years. MRCS III realizes debt forgiveness commensurate with reimbursement amounts received by AHRC Nassau from OPWDD. The debt forgiveness amounted to $78,782 for the year ended December 31, 2017.

In accordance with a January 2012 agreement between AHRC Nassau, MRCS III and CSSC, the debt owed by MRCS III to AHRC Nassau was purchased by CSSC. Effective with this transaction, and with substantially the same terms as the original agreement with AHRC Nassau as mentioned above, the debt owed by MRCS III will be forgiven by CSSC. The remaining balance due to CSSC relating to this acquisition is $676,944.

(ii) AHRC Nassau paid for a portion of property acquisitions on behalf of Mental Retardation Community Services of Nassau County – Project IV, Inc. ("MRCS IV") in a prior year. AHRC Nassau is being reimbursed for its funding of the property acquisitions by OPWDD over a number of years. AHRC Nassau forgives a portion of the debt due from MRCS IV as it receives reimbursement from

OPWDD and MRCS IV records a forgiveness of debt accordingly. The debt forgiveness amounted to $64,757 for the year ended December 31, 2017.

In accordance with a December 2014 agreement between AHRC Nassau, MRCS IV and CSSC, the debt owed by MRCS IV to AHRC Nassau was purchased by CSSC. Effective with this transaction, and with substantially the same terms as the original agreement with AHRC Nassau as mentioned above, the debt owed by MRCS IV will be forgiven by CSSC. The remaining balance due to CSSC relating to this acquisition is $552,965. For the year ended December 31, 2017, MRCS IV paid a portion of this debt in the amount of $100,000, in addition to the debt forgiveness.

(e) Guarantees of Obligations

(i) CSSC unconditionally guarantees a Nassau County IDA bond financing agreement entered into by Advantage Care. At December 31, 2017, the outstanding balance carried by Advantage Care was $1,395,000. At December 31, 2017, Advantage Care was not in default of the scheduled bond payments.

(ii) CSSC unconditionally guarantees a lease agreement entered into by BCCS over the next ten years with minimum aggregate payments due of approximately $12,600,000. As of December 31, 2017, BCCS was not in default of the terms of the lease agreement.

(iii) CSSC unconditionally guarantees separate revolving lines of credit agreements for each of Citizens and BCCS, each in the amount of $2.0 million. As of December 31, 2017, there were no amounts outstanding under these agreements and there were no defaults under the terms of these agreements.

7. Line of Credit

As of December 31, 2017, CSSC has a secured revolving bank line of credit with HSBC Bank, under which a maximum amount of $5.0 million can be borrowed. The line of credit agreement requires that CSSC comply with certain financial covenants. CSSC was in compliance with its financial covenants as of December 31, 2017. The line of credit bears interest at the prevailing prime rate (such rate being 4.50% at December 31, 2017). The line of credit is to be used to fund the acquisition of property and/or renovation of residences approved by OPWDD and the New York State Education Department, as applicable. The line of credit is secured by the assets of CSSC and guaranteed by each of BCCS, Citizens and the Foundation (collectively, the "Guarantors"). As of December 31, 2017, there was $2,623,439 outstanding under this line of credit. The agreement expires on December 8, 2018 and may be renewed with the bank's approval.

8. Mortgages Payable

On February 23, 2012, CSSC entered into mortgage loans with HSBC Bank for two residential properties. The loans are payable in monthly installments of $9,073 at interest rates of 4.17% and 4.19% per annum for each of these properties which mature in February 2025 and May 2025, respectively.

CSSC has entered into loan agreements with FDC, acting by and through its agent, the Commissioner of OPWDD and its successors. The loans are secured by four residential properties. The loans bear interest at rates ranging from 3.33% to 7.82% and are payable in semi-annual installments through varying dates from February 2016 to February 2021.

Future minimum annual principal payments for the year ended December 31, 2017 are as follows:

Year ending December 31,	
2018	$ 314,638
2019	247,477
2020	204,364
2021	118,977
2022	96,723
Thereafter	237,969
	$1,220,148

9. Bonds Payable

On December 30, 2014, CSSC entered into a loan agreement with Israel Discount Bank ("IDB"), in the aggregate amount of $12,763,000. IDB purchased and holds bonds pursuant to a bond purchase agreement by and between IDB and Bank of New York Mellon as trustee. CSSC remits monthly payments of principal and interest to the trustee.

The bond purchase agreement consists of a series of four bonds, referred to as 2014 LEAC Bonds Series A through D. Proceeds from the bond purchase agreement were used by CSSC to refinance years 2007 and 2006 IDA bonds of $10.2 million, to purchase and/or renovate four new projects of $2.1 million and $500,000 to pay loan closing costs. The 2014 LEAC Bonds mature at varying dates from December 1, 2021 through January 1, 2030 with interest rates ranging from 2.35% to 4.50%. Series A through C bonds are tax-exempt bonds and Series D is a taxable bond.

Future minimum annual principal payments for the year ended December 31, 2017 are as follows:

Year ending December 31,	
2018	$1,560,000
2019	1,585,000
2020	1,625,000
2021	1,485,000
2022	805,000
Thereafter	1,185,000
	8,245,000
Less: Unamortized balance of deferred financing costs	(243,468)
	$8,001,532

On December 28, 2012, CSSC entered into loan agreements aggregating $31,299,000. These agreements consist of a separate agreement with each of two banks, TD Bank and IDB, with substantially identical terms in the amounts of $19,559,000 and $11,740,000, respectively. Each bank purchased and holds bonds pursuant to separate bond purchase agreements by and between each bank and U.S. Bank, NA, as trustee. CSSC remits monthly payments of principal and interest to the trustee.

The bond purchase agreements consist of a series of thirteen bonds, referred to as 2012 LEAC Bonds Series A through M. Proceeds from the bond purchase agreement were used by CSSC to refinance then existing long-term debt of $22.6 million, to purchase and/or renovate three new projects for $6.5 million, and $2.2 million to pay loan closing costs. The 2012 LEAC Bonds mature at varying dates from April 1, 2015 through June 1, 2027 with interest rates ranging from 1.81% to 4.25%. Series A through L bonds are tax-exempt bonds and Series M is a taxable bond. The bond proceeds were deposited into bond funds held by U.S. Bank, which were used for purchase and renovations of the respective facilities and debt service repayments. U.S. Bank has a lien on, and security interest in, the facilities, property, equipment and furnishings in addition to the rents, issues and profits generated by the facilities.

Future minimum annual principal payments for the year ended December 31, 2017 are as follows:

Year ending December 31,	
2018	$ 2,184,000
2019	2,151,000
2020	2,212,000
2021	2,284,000
2022	2,354,000
Thereafter	3,848,000
	15,033,000
Less: Unamortized balance of deferred financing costs	(662,141)
	$14,370,859

The 2014 LEAC Bonds and the 2012 LEAC Bonds are subject to certain covenants. CSSC, along with the Foundation, Advantage Care, AHRC Nassau, BCCS and Citizens (collectively, the "Institution") must maintain a specified debt service coverage ratio, a specified amount of unrestricted liquid net assets, and CSSC, together with the Foundation, BCCS, Citizens, and LCDX, must deposit and maintain a specified average balance with each lender measured semi-annually on the last day of the second fiscal quarter and on the last day of each fiscal year. The Institution is in compliance with these covenants as of December 31, 2017.

10. Commitments and Contingencies

Legal Matters

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

11. Subsequent Events

CSSC has evaluated subsequent events through May 25, 2018, the date the financial statements were available for issuance. There were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

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Community Services Support Corporation (formerly known as Community Services for the Mentally Retarded, Inc.)

Financial Statements
Year Ended December 31, 2016

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

Community Services Support Corporation (formerly known as Community Services for the Mentally Retarded, Inc.)

Financial Statements
Year Ended December 31, 2016

Community Services Support Corporation (formerly known as Community Services for the Mentally Retarded, Inc.)

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BDO

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

100 Park Avenue
9th Floor
New York, NY 10017

Independent Auditor's Report

The Board of Directors
Community Services Support Corporation (formerly known as
Community Services for the Mentally Retarded, Inc.)
Brookville, New York 11545

We have audited the accompanying financial statements of Community Services Support Corporation (formerly known as Community Services for the Mentally Retarded, Inc.), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Services Support Corporation (formerly known as Community Services for the Mentally Retarded, Inc.) as of December 31, 2016, 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.

BDO USA, LLP

May 31, 2017

Community Services Support Corporation (formerly known as Community Services for the Mentally Retarded, Inc.)

Statement of Financial Position

December 31, 2016	
Assets	
Current:	
Cash and cash equivalents	$ 1,901,825
Investments, at fair value	1,296,067
Accounts receivable	125,284
Prepaid expenses and other assets	8,591
Receivable from other organizations, current portion	278,495
Total Current Assets	3,610,262
Receivable From Other Organizations, Net of Current Portion	2,327,504
Assets Held for Specific Purposes	117,734
Fixed Assets, Net	36,078,652
Total Assets	$42,134,152
Liabilities and Net Assets	
Current Liabilities:	
Accounts payable and accrued expenses	$ 100,143
Line of credit	1,287,646
Mortgages payable, current portion	399,845
Bonds payable, current portion	3,941,000
Total Current Liabilities	5,728,634
Mortgages Payable, Net of Current Portion	1,219,875
Bonds Payable, Net of Current Portion and Deferred Financing Costs	21,983,697
Deferred Revenue	252,501
Total Liabilities	29,184,707
Commitments and Contingencies	
Net Assets:	
Unrestricted	12,949,445
Total Liabilities and Net Assets	$42,134,152

See accompanying notes to financial statements.

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Community Services Support Corporation (formerly known as Community Services for the Mentally Retarded, Inc.)

Statement of Activities

Year ended December 31, 2016	
Revenue:	
Rental income	$ 5,394,366
Investment income	40,386
Total Revenue	5,434,752
Expenses:	
Program services:	
Interest	1,398,703
OPWDD administrative fees - bonds	3,320
Depreciation and amortization	3,617,934
Total Program Services	5,019,957
Supporting services:	
Management fees	150,000
Professional services	41,612
Total Supporting Services	191,612
Total Expenses	5,211,569
Change in Net Assets	223,183
Net Assets, Beginning of Year	12,726,262
Net Assets, End of Year	$12,949,445

See accompanying notes to financial statements.

Year ended December 31, 2016	
Cash Flows From Operating Activities:	
Change in net assets	$ 223,183
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	3,617,934
Interest expense related to deferred financing costs	580,308
Unrealized gains on investments	(6,255)
Decrease in assets:	
Accounts receivable, net	83,464
Prepaid expenses and other assets	37,573
Receivable from other organizations	377,332
Increase in liabilities:	
Accounts payable and accrued expenses	47,665
Deferred revenue	15,539
Net Cash Provided By Operating Activities	4,976,743
Cash Flows From Investing Activities:	
Purchases of fixed assets	(1,073,767)
Cash Flows From Financing Activities:	
Proceeds from line of credit	705,354
Principal payments on line of credit	(26,905)
Principal payments on mortgages payable	(398,813)
Principal payments on bonds payable	(4,640,000)
Net Cash Used in Financing Activities	(4,360,364)
Decrease in Cash and Cash Equivalents	(457,388)
Cash and Cash Equivalents, Beginning of Year	2,359,213
Cash and Cash Equivalents, End of Year	$ 1,901,825
Supplemental Disclosure of Cash Flow Information:	
Cash paid for interest	$ 818,395

See accompanying notes to financial statements.

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1. Description of Organization

Community Services Support Corporation ("CSSC") holds title to and maintains properties for various programs, such as residential facilities for the developmentally disabled, operated by NYSARC, Inc. Nassau County Chapter ("AHRC Nassau"), Citizens Options Unlimited, Inc. ("Citizens"), Brookville Center for Children's Services ("BCCS") and Advantage Care Diagnostic and Treatment Center, Inc. ("Advantage Care"). Revenues are derived mainly from the rental of these facilities.

In March 2016, CSSC changed its name from Community Services for the Mentally Retarded, Inc. to more appropriately reflect the organization's mission and nature of services provided.

The Nassau County AHRC Foundation, Inc. (the "Foundation") is the sole member of CSSC. Accordingly, members of the Foundation's Board of Directors have authority to approve changes to CSSC's by-laws and may elect members of its Board of Directors. CSSC is affiliated with Citizens, BCCS, and Life Care Data Exchange, LLC ("LCDX"). The Foundation is also the sole member of Citizens, BCCS and LCDX.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

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

(b) Financial Statement Presentation

The classification of CSSC's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

(i) Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by CSSC is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of CSSC.

(ii) Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by CSSC is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of CSSC pursuant to the stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

(iii) Unrestricted – The part of net assets that is neither permanently nor temporarily restricted by donor imposed stipulations.

(c) Cash and Cash Equivalents

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

(d) Fair Value Measurement

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

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

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

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

(e) Investments

Investments are recorded at their fair values. Realized and unrealized gains or losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets.

(f) Accounts Receivable

Accounts receivable are stated as unpaid balances, less an allowance for doubtful accounts. CSSC provides for losses on amounts due using the allowance method. The allowance method is based on experience and other circumstances, which may affect the ability of the agencies to meet their obligations. CSSC's policy is to charge off uncollectible amounts when management determines they will not be collected. As of December 31, 2016, there is no allowance for doubtful accounts recorded. Accounts receivable consists of rent receivable from tenants.

(g) Fixed Assets

Fixed assets, net are recorded at cost. Depreciation is computed over the estimated useful lives of the assets by the straight-line method for financial reporting as follows:

Building	15-50 years
Building improvements	15-50 years
Cooperative apartments	15-50 years

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(h) Impairment of Long-Lived Assets

CSSC reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2016, there have been no such losses.

(i) Deferred Revenue

The New York State Office for People with Developmental Disabilities ("OPWDD") reimbursements include interest and principal amortization on loans from the Facilities Development Corporation ("FDC"), a public benefit corporation in the reimbursement rate paid to service providers. However, CSSC recognizes revenue based upon interest and depreciation of the facility. The difference between revenue recognized and the reimbursement from OPWDD is reflected as deferred revenue on the statement of financial position. The deferred revenue represents timing differences, which will accumulate over the early periods of the loan repayments and will reverse during the latter periods of the loan repayments.

(j) Revenue Recognition

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

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

(k) Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(l) Concentration of Credit Risk

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

(m) Use of Estimates

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

(n) Income Taxes

CSSC is incorporated in the State of New York and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is required.

CSSC adopted the provisions of ASC 740, "Accounting for Uncertainty in Income Taxes." Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained. The implementation of ASC 740 had no impact on CSSC's financial statements. CSSC does not believe there are any material uncertain tax positions and, accordingly, it will recognize any liability for unrecognized tax benefits. CSSC has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, CSSC has filed Internal Revenue Service Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended December 31, 2016, there was no interest or penalties recorded or included in the statement of activities. CSSC is subject to routine audits by taxing authorities.

(o) Risks and Uncertainties

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

(p) Recently Adopted Authoritative Guidance

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-03, "Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs," which resulted in the reclassification of debt issuance costs from other assets to inclusion as a reportable long-term debt balance on the balance sheet. The standard also calls for the amortization of debt issuance costs to now be reported as interest expense in the financial statements. The standard is effective for all non-public business entities for fiscal years beginning after December 15, 2015 and must be applied retrospectively. CSSC has adopted and applied the standard for the year ended December 31, 2016. The standard did not have a material impact on the statement of financial position or cash flows provided by operations.

(q) Accounting Pronouncements Issued But Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB also issued ASU 2015-14 which deferred the effective date for CSSC until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements – Going Concern: Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern." This ASU provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, this ASU provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is

alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The new standard will be effective for reporting periods beginning after December 15, 2016, with early adoption permitted. CSSC will apply the provisions of this standard upon adoption.

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

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

3. Investments, at Fair Value

CSSC's investments recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2 for a discussion of CSSC's policies regarding this hierarchy.

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

Investments, at fair value as of December 31, 2016 are as follows:

Description	Fair Value Measurement at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance as of December 31, 2016
Government securities	$-	$1,296,067	$-	$1,296,067
	$-	$1,296,067	$-	$1,296,067

There have been no changes in the methodologies used at December 31, 2016.

The cost and fair value of investments at December 31, 2016 are as follows:

December 31, 2016	Cost	Fair Value
Government securities	$1,304,964	$1,296,067

Investment income, net is as follows for the year ended December 31, 2016:

Year ended December 31, 2016	
Interest and dividends	$34,131
Unrealized gains	6,255
	$40,386

4. Assets Held for Specific Purpose

Under the terms of the Nassau County Industrial Development Agency ("IDA") bonds and the 2014 and 2012 Nassau County Local Economic Assistance Corporation ("LEAC") bonds, assets held for specific purpose consist of cash and cash equivalents. As of December 31, 2016, the assets held for specific purpose amounted to $117,734.

Community Services Support Corporation (formerly known as Community Services for the Mentally Retarded, Inc.)

Notes to Financial Statements

5. Fixed Assets, Net

Fixed assets, net, consist of the following:

Land	$ 11,568,955
Buildings	55,839,205
Building improvements	26,279,521
Cooperative apartments	3,080,762
	96,768,443
Less: Accumulated depreciation and amortization	(60,689,791)
	$ 36,078,652

Depreciation and amortization expense for the year ended December 31, 2016 totaled $3,617,934.

6. Due (To)/From Non-Controlled Affiliated Organizations

(a) Management Fee

Certain administrative services are provided by AHRC Nassau, a non-controlled affiliated organization, pursuant to terms of an administrative services agreement for which CSSC incurred management fees of $150,000 for the year ended December 31, 2016.

(b) Rental Income

For the year ended December 31, 2016, rental income earned from various organizations was as follows:

Year ended December 31, 2016	
AHRC Nassau	$2,459,180
BCCS	1,424,143
Citizens	1,482,782
Advantage Care	28,261
	$5,394,366

(c) Tri-Party Agreement

On December 28, 2012, AHRC Nassau and Nassau Community Mental Retardation Services Company, Inc. ("NCMRS") entered into a tri-party agreement ("Tri-Party Lease") with CSSC. The Tri-Party Lease provided for CSSC's purchase of the corresponding receivable held by AHRC Nassau from NCMRS. NCMRS has a payable to CSSC in connection with the Tri-Party Lease for the December 28, 2012 LEAC Bonds Series G and K. The 2012 LEAC Bonds were established to refinance the outstanding debt of each of the Nassau County IDA Civic Facility Revenue Bond and the AHRC Nassau HSBC Line of Credit, of which the proceeds were used for improvements to the NCMRS property. As of December 31, 2016, the balance due to CSSC from NCMRS was approximately $1,026,000.

(d) Debt Forgiveness - Acquisition of Property

(i) AHRC Nassau paid for a portion of property acquisitions on behalf of Mental Retardation Community Services of Nassau County – Project III, Inc. ("MRCS III") in a prior year. AHRC Nassau is being reimbursed for its funding of the property acquisitions by OPWDD over a number of years. MRCS III realizes debt forgiveness commensurate with reimbursement amounts received by AHRC Nassau from OPWDD. The debt forgiveness amounted to $75,563 for the year ended December 31, 2016.

In accordance with a January 2012 agreement between AHRC Nassau, MRCS III and CSSC, the debt owed by MRCS III to AHRC Nassau was purchased by CSSC. Effective with this transaction, and with substantially the same terms as the original agreement with AHRC Nassau as mentioned above, the debt owed by MRCS III will be forgiven by CSSC. The remaining balance due to CSSC relating to this acquisition is $755,726.

(ii) AHRC Nassau paid for a portion of property acquisitions on behalf of Mental Retardation Community Services of Nassau County – Project IV, Inc. ("MRCS IV") in a prior year. AHRC Nassau is being reimbursed for its funding of the property acquisitions by OPWDD over a number of years. AHRC Nassau forgives a portion of the debt due from MRCS IV as it receives reimbursement from OPWDD and MRCS IV records a forgiveness of debt accordingly. The debt forgiveness amounted to $64,757 for the year ended December 31, 2016.

In accordance with a December 2014 agreement between AHRC Nassau, MRCS IV and CSSC, the debt owed by MRCS IV to AHRC Nassau was purchased by CSSC. Effective with this transaction, and with substantially the same terms as the original agreement with AHRC Nassau as mentioned above, the debt owed by MRCS IV will be forgiven by CSSC. The remaining balance due to CSSC relating to this acquisition is $617,723. For the year ended December 31, 2016, MRCS IV paid a portion of this debt in the amount of $100,000, in addition to the debt forgiveness.

(e) Guarantees of Obligations

(i) CSSC unconditionally guarantees a Nassau County IDA bond financing agreement entered into by Advantage Care. At December 31, 2016, the outstanding balance carried by Advantage Care was $1,480,000. At December 31, 2016, Advantage Care was not in default of the scheduled bond payments.

(ii) CSSC unconditionally guarantees a lease agreement entered into by BCCS over the next ten years with minimum aggregate payments due of approximately $12,600,000. As of December 31, 2016, BCCS was not in default of the terms of the lease agreement.

(iii) CSSC unconditionally guarantees separate revolving lines of credit agreements for each of Citizens and BCCS, each in the amount of $2.0 million. As of December 31, 2016, there were no amounts outstanding under these agreements and there were no defaults under the terms of these agreements.

7. Line of Credit

As of December 31, 2016, CSSC has a secured revolving bank line of credit with HSBC Bank, under which a maximum amount of $5.0 million can be borrowed. The line of credit agreement requires that CSSC comply with certain financial covenants. CSSC was in compliance with its financial covenants as of December 31, 2016. The line of credit bears interest at the prevailing prime rate (such rate being 3.75% at December 31, 2016). The line of credit is to be used to fund the acquisition of property and/or renovation of residents approved by OPWDD and the New York State Education

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Community Services Support Corporation (formerly known as Community Services for the Mentally Retarded, Inc.)

Notes to Financial Statements

Department, as applicable. The line of credit is secured by the assets of CSSC and guaranteed by each of BCCS, Citizens and the Foundation (collectively, the "Guarantors"). As of December 31, 2016, there was $1,287,646 outstanding under this line of credit. The agreement expires on December 8, 2017 and may be renewed with the bank's approval.

8. Mortgages Payable

On February 23, 2012, CSSC entered into mortgage loans with HSBC Bank for two residential properties. The loans are payable in monthly installments of $9,073 at interest rates of 4.17% and 4.19% per annum for each of these properties which mature in February 2025 and May 2025, respectively.

CSSC has entered into loan agreements with FDC, acting by and through its agent, the Commissioner of OPWDD and its successors. The loans are secured by four residential properties. The loans bear interest at rates ranging from 3.33% to 7.82% and are payable in semi-annual installments through varying dates from February 2016 to February 2021.

Future minimum annual principal payments for the year ended December 31, 2016 are as follows:

Year ending December 31,	
2017	$ 399,845
2018	314,638
2019	247,477
2020	204,364
2021	118,977
Thereafter	334,419
	$1,619,720

9. Bonds Payable

On December 30, 2014, CSSC entered into a loan agreement with Israel Discount Bank ("IDB"), in the aggregate amount of $12,763,000. IDB purchased and holds bonds pursuant to a bond purchase agreement by and between IDB and Bank of New York Mellon as trustee. CSSC remits monthly payments of principal and interest to the trustee.

The bond purchase agreement consists of a series of four bonds, referred to as 2014 LEAC Bonds Series A through D. Proceeds from the bond purchase agreement were used by CSSC to refinance years 2007 and 2006 IDA bonds of $10.2 million, to purchase and/or renovate four new projects of $2.1 million and $500,000 to pay loan closing costs. The 2014 LEAC Bonds mature at varying dates from December 1, 2021 through January 1, 2030 with interest rates ranging from 2.35% to 4.50%. Series A through C bonds are tax-exempt bonds and Series D is a taxable bond.

Future minimum annual principal payments for the year ended December 31, 2016 are as follows:

Year ending December 31,	
2017	$1,502,000
2018	1,560,000
2019	1,585,000
2020	1,625,000
2021	1,485,000
Thereafter	1,990,000
	9,747,000
Less: Unamortized balance of deferred financing costs	(521,523)
	$9,225,477

On December 28, 2012, CSSC entered into loan agreements aggregating $31,299,000. These agreements consist of a separate agreement with each of two banks, TD Bank and IDB, with substantially identical terms in the amounts of $19,559,000 and $11,740,000, respectively. Each bank purchased and holds bonds pursuant to separate bond purchase agreements by and between each bank and U.S. Bank, NA, as trustee. CSSC remits monthly payments of principal and interest to the trustee.

The bond purchase agreements consist of a series of thirteen bonds, referred to as 2012 LEAC Bonds Series A through M. Proceeds from the bond purchase agreement were used by CSSC to refinance then existing long-term debt of $22.6 million, to purchase and/or renovate three new projects for $6.5 million, and $2.2 million to pay loan closing costs. The 2012 LEAC Bonds mature at varying dates from April 1, 2015 through June 1, 2027 with interest rates ranging from 1.81% to 4.25%. Series A through L bonds are tax-exempt bonds and Series M is a taxable bond. The bond proceeds were deposited into bond funds held by U.S. Bank, which were used for purchase and renovations of the respective facilities and debt service repayments. U.S. Bank has a lien on, and security interest in, the facilities, property, equipment and furnishings in addition to the rents, issues and profits generated by the facilities.

Future minimum annual principal payments for the year ended December 31, 2016 are as follows:

Year ending December 31,	
2017	$ 2,439,000
2018	2,184,000
2019	2,151,000
2020	2,212,000
2021	2,284,000
Thereafter	6,202,000
	17,472,000
Less: Unamortized balance of deferred financing costs	(772,780)
	$16,699,220

Community Services Support Corporation (formerly known as
Community Services for the Mentally Retarded, Inc.)

Notes to Financial Statements

The 2014 LEAC Bonds and the 2012 LEAC Bonds are subject to certain covenants. CSSC, along with the Foundation, Advantage Care, AHRC Nassau, BCCS and Citizens (collectively, the "Institution") must maintain a specified debt service coverage ratio, a specified amount of unrestricted liquid net assets, and CSSC, together with the Foundation, BCCS, Citizens, and LCDX, must deposit and maintain a specified average balance with each lender measured semi-annually on the last day of the second fiscal quarter and on the last day of each fiscal year. The Institution is in compliance with these covenants as of December 31, 2016.

10. Commitments and Contingencies

Legal Matters

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

11. Subsequent Events

CSSC has evaluated subsequent events through May 31, 2017, the date the financial statements were available for issuance. There were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

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WeiserMazars LLP

COMMUNITY SERVICES FOR THE MENTALLY RETARDED, INC.

REPORT ON AUDITS OF FINANCIAL STATEMENTS

Years Ended December 31, 2015 and 2014

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COMMUNITY SERVICES FOR THE MENTALLY RETARDED, INC.

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Independent Auditors' Report

Board of Directors
Community Services for the
Mentally Retarded, Inc.
Brookville, New York 11545

We have audited the accompanying financial statements of Community Services for the Mentally Retarded, Inc., which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Services for the Mentally Retarded, Inc., as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

WeiserMazars LLP

May 31, 2016

WeiserMazars LLP
135 West 50th Street New York, New York 10020
Tel: 212.812.7000 – Fax: 212.375.6888 – www.weisermazars.com
WeiserMazars LLP is an independent member firm of Mazars Group

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Statements of Financial Position

December 31,		2015		2014
Assets				
Current Assets:				
Cash and cash equivalents	**$**	**2,359,213**	$	6,721,685
Investments		**1,289,812**		4,224,791
Accounts receivable		**208,748**		92,287
Prepaid expenses and other current assets		**46,164**		29,620
Receivable from other organizations		**277,332**		273,918
Total Current Assets		**4,181,269**		11,342,301
Receivable from other organizations		**2,705,999**		2,983,331
Assets held for specific purpose		**117,734**		119,567
Deferred financing charges, net		**1,874,611**		2,628,428
Land, buildings and improvements, net		**38,622,819**		40,569,833
Total Assets	**$**	**47,502,432**	$	57,643,460
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable and accrued expenses	**$**	**52,478**	$	88,146
Due to Nassau County AHRC Foundation		**-**		4,526,919
Bank lines of credit		**609,197**		1,117,526
Current portion of long-term debt		**5,039,077**		5,443,613
Total Current Liabilities		**5,700,752**		11,176,204
Deferred revenue		**236,962**		145,812
Long-term debt, net of current portion		**28,838,456**		33,877,534
Total Liabilities		**34,776,170**		45,199,550
Net Assets:				
Unrestricted		**12,726,262**		12,443,910
Total Liabilities and Net Assets	**$**	**47,502,432**	$	57,643,460

See notes to financial statements.

COMMUNITY SERVICES FOR THE MENTALLY RETARDED, INC.

Statements of Activities and Changes in Net Assets

Years Ended December 31,	2015	2014
Revenues		
Rental income	**$ 5,965,706**	$ 5,894,119
Interest income	**-**	49,729
Investment income	**19,268**	887,391
Other income	**6,452**	40,000
Total Revenue	**5,991,426**	6,871,239
Expenses		
Program services - rental activities:		
Interest	**952,283**	1,352,888
Bond redemption fees	**-**	73,200
OPWDD administrative fees - bonds	**6,793**	6,951
Depreciation and amortization	**4,556,829**	4,136,205
Total Program Services	**5,515,905**	5,569,244
Supporting services:		
Management fee	**150,000**	150,000
Professional services	**43,169**	66,202
Total Supporting Services	**193,169**	216,202
Total Expenses	**5,709,074**	5,785,446
Changes in Net Assets	**282,352**	1,085,793
Net Assets, beginning of year	**12,443,910**	24,190,647
Transfer of Assets	**-**	(12,832,530)
Net Assets, end of year	**$ 12,726,262**	$ 12,443,910

See notes to financial statements.

COMMUNITY SERVICES FOR THE MENTALLY RETARDED, INC.

Statements of Cash Flows

Years Ended December 31,	2015	2014
Cash Flows from Operating Activities:		
Changes in net assets	**$ 282,352**	$ 1,085,793
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	**4,556,829**	4,136,205
Realized and unrealized losses (gains) on investments	**1,511**	(636,945)
Deferred revenue	**91,150**	(1,470,834)
Decrease (increase) in operating assets:		
Accounts receivable	**(116,461)**	1,999
Prepaid expenses and other current assets	**(16,544)**	(72,238)
Receivable from other organizations	**273,918**	(884,032)
Decrease in operating liabilities:		
Accounts payable and accrued expenses	**(35,668)**	(582,036)
Net Cash Provided by Operating Activities	**5,037,087**	1,577,912
Cash Flows from Investing Activities:		
Land, buildings and improvements	**(1,855,637)**	(262,416)
Purchase of investments	**(1,313,915)**	(705,797)
Proceeds from sale of investments	**1,745,464**	3,388,948
Net Cash (Used in) Provided by Investing Activities	**(1,424,088)**	2,420,735
Cash Flows from Financing Activities:		
Proceeds from long-term debt	**-**	12,763,000
Proceeds from line of credit	**582,291**	293,353
Principal payments on line of credit	**(1,090,620)**	(896,775)
Principal payments on long-term debt	**(5,443,614)**	(15,421,816)
Payment to Nassau County AHRC Foundation	**(2,025,000)**	-
Payments from assets held for specific purpose	**1,833**	1,703,643
Increase in deferred financing charges	**(361)**	-
Net Cash Used in Financing Activities	**(7,975,471)**	(1,558,595)
Net (Decrease) Increase in Cash and Cash Equivalents	**(4,362,472)**	2,440,052
Cash and Cash Equivalents, beginning of year	**6,721,685**	4,281,633
Cash and Cash Equivalents, end of year	**$ 2,359,213**	$ 6,721,685
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	**$ 955,972**	$ 1,437,351
Supplemental Disclosure of Non-cash Activities:		
Transfer of assets to Nassau County AHRC Foundation:		
Investments	**$ 2,501,919**	$ 5,464,611
Forgiveness of note receivable and accrued interest	**-**	2,841,000
Due to Nassau County AHRC Foundation	**-**	4,526,919
Total Transfer of Assets	**$ 2,501,919**	$ 12,832,530

See notes to financial statements.

1. Description of Organization and Summary of Significant Accounting Policies

Nature of operations - Community Services for the Mentally Retarded, Inc. ("CSMR") holds title to and maintains properties for various programs, such as residential facilities for the developmentally disabled, operated by the organizations noted below. Revenues are derived mainly from rental of its properties.

Basis of presentation - The financial statements have been prepared on the accrual basis of accounting. CSMR reports information regarding its financial position and activities according to three classes of assets: unrestricted, temporarily restricted and permanently restricted net assets.

Cash and cash equivalents - CSMR considers all highly liquid debt instruments with an original maturity of three months or less at the date of purchase to be cash equivalents.

Investments - Investments are recorded at their fair values. Realized and unrealized gains or losses on investments are reported in the statements of activities and changes in net assets as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulation or by law.

Allowance for doubtful accounts - Accounts receivable balances are continually reviewed and evaluated as to collectability. The allowance for doubtful accounts is adjusted according to the results of these evaluations.

Land, buildings, improvements and depreciation – Land, buildings and improvements are recorded at cost, except for donated assets, which are recorded at fair market value at the time of donation. CSMR capitalizes fixed asset acquisitions in excess of $1,000. Depreciation of fixed assets is provided on the straight-line method over the estimated useful lives of the assets ranging from 15 to 50 years.

Donor-imposed restrictions - CSMR reports gifts of cash and other assets as restricted assets if they are received with donor stipulations that limit the use of the donated assets. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

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

Affiliated organizations - Nassau County AHRC Foundation, Inc. (the "Foundation") is the sole member of CSMR. Accordingly, members of the Foundation's Board of Directors have authority to approve changes to CSMR's by-laws and may elect members of its Board of Directors.

CSMR is affiliated with Brookville Center for Children's Services, Inc. ("BCCS"), Citizens Options Unlimited, Inc. ("Citizens, Inc.") and Life Care Data Exchange, LLC ("LCDX"). The Foundation is the sole member of BCCS, Citizens, Inc. and LCDX. Certain administrative services are provided by NYSARC, Inc., Nassau County Chapter ("AHRC Nassau") for which CSMR paid management fees of $150,000 in each of the years ended December 31, 2015 and 2014.

CSMR financed property acquisitions and renovations for three organizations, Mental Retardation Community Services of Nassau County - Project III, Inc. ("MRCS III"), Mental Retardation Community Services of Nassau County - Project IV, Inc. ("MRCS IV") and Nassau Community Mental Retardation Services Company, Inc. ("NCMRS"), each of which has AHRC Nassau as its sole member. As of December 31, 2015 and 2014, the aggregate amounts due from MRCS III, MRCS IV and NCMRS were $2,983,331 and $3,257,249, respectively, and are reflected in the statements of financial position as receivable from other organizations.

For the years ended December 31, 2015 and 2014, rental income earned from various organizations was $5,965,706 and $5,894,119, respectively, as follows: AHRC Nassau - $2,959,557 (2015) and $3,055,971 (2014); BCCS - $1,463,440 (2015) and $1,418,018 (2014); Citizens, Inc. - $1,512,590 (2015) and $1,393,038 (2014) and Advantage Care Diagnostic and Treatment Center, Inc. ("Advantage Care") - $30,119 (2015) and $27,092 (2014), a previously affiliated organization.

Transfer of assets – In November 2014, the CSMR Board of Directors approved a non-refundable capital contribution to the Foundation including the transfer of investments up to $10.0 million and the forgiveness of a promissory note in the amount of $2,776,513 plus accrued interest. The total amount of the capital contribution was $12,832,530 consisting of the transfer of investments of $9,991,530, write-off of note receivable of $2,776,513 and write-off of interest receivable of $64,487. As of December 31, 2014, the entire capital contribution was recorded of which approximately $4.5 million was recorded as a liability and transferred to the Foundation in the quarter ended March 31, 2015.

Deferred revenue - The New York State Office for People with Developmental Disabilities ("OPWDD") reimbursement includes interest and principal amortization on loans from the Facilities Development Corporation ("FDC"), a public benefit corporation in the reimbursement rate paid to service providers. However, CSMR recognizes revenue based upon interest and depreciation of the facility. The difference between the revenue recognized and the reimbursement from OPWDD is reflected as deferred revenue on the statements of financial position. The deferred revenue represents timing differences, which will accumulate over the early periods of the loan repayments and will reverse during the latter periods of the loan repayments.

Functional allocation of expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("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.

Income taxes - CSMR qualifies as a tax exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code, and as a not-for-profit organization under the laws of New York State. Accordingly, no provision for federal or state income taxes is required. Management has determined that CSMR has no uncertain tax positions that would require financial statement recognition. CSMR is no longer subject to audits by the applicable taxing jurisdictions for the periods prior to 2012.

Reclassifications – Certain reclassifications were made to the prior year financial statements to conform to the current year presentation.

2. Investments

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 following table presents the financial assets measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value 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 at fair value as of December 31, 2015 and 2014 are as follows:

December 31,		**2015**		2014
Description:				
(Level I):				
Stock index funds*	**$**	**-**	$	4,224,791
(Level II):				
Fixed income – government securities**		**1,289,812**		-
	$	**1,289,812**	$	4,224,791

* Stock index funds at December 31, 2014 consisted of Vanguard's International Stock Index, Small-Cap Index, and 500 Index, each representing approximately 20%, 35% and 45% at December 31, 2014.

** As of December 31, 2015, fixed income – government securities consist of bonds of Federal National Mortgage Association and Federal Home Loan Mortgage Corporation, maturing at various dates between May 14, 2021 and September 8, 2023.

There have been no changes in the methodologies used at December 31, 2015 and 2014.

Investment income (loss) includes the following:

Years Ended December 31,		**2015**		2014
Interest and dividends	**$**	**23,875**	$	295,278
Investment fees		**(3,096)**		(44,832)
Unrealized losses		**(17,746)**		(688,689)
Realized gains		**16,235**		1,325,634
Total Investment Income	**$**	**19,268**	$	887,391

In connection with its capital contribution to the Foundation in 2014, CSMR transferred ownership of shares of stock and mutual funds. Additionally, as part of the capital contribution, CSMR sold a portion of its stock index funds to enable the transfer of cash totaling $2,025,000 and to maintain an appropriate balance of cash in the funds remaining in CSMR, in accordance with CSMR's investment policy. Realized gains of $1,325,634 in 2014 included $1,157,797 from the sale of shares effecting part of the capital contribution.

3. Assets Held for Specific Purpose

Under the terms of the Nassau County Industrial Development Agency ("IDA") bonds and the 2014 and 2012 Nassau County Local Economic Assistance Corporation ("LEAC") bonds, assets held for specific purpose consisting of cash and cash equivalents, as well as government securities, at December 31, 2015 and 2014, are maintained in the following restricted funds:

December 31,		**2015**		2014
Project Funds – LEAC and IDA Bonds (a)	**$**	**5,110**	$	5,110
Debt Service Reserve Funds – FDC Mortgages (b)		**112,624**		112,624
Debt Service Reserve Funds – LEAC Bonds (b)		**-**		1,833
	$	**117,734**	$	119,567

(a) *Project Funds* - The Project Funds are restricted for payments of the bond issuance costs and construction and acquisition costs of the respective facilities.

(b) *Debt Service Reserve Funds* - The debt service reserve funds were established for the purpose of assuring that CSMR will have sufficient funds available for payments of the debt service on the bonds/mortgages in each year that the bonds/mortgages are outstanding. Under the terms of the FDC mortgages, CSMR is required to deposit with the bond trustee amounts to be held in reserve, which will be withdrawn to satisfy the last installments on the FDC mortgages. Interest earned on these reserve funds will be used to reduce CSMR's debt payment obligations.

There were no gains or losses recognized in the year ended December 31, 2015 and 2014.

4. Deferred Financing Charges, Net

CSMR entered into a financing facility on December 30, 2014 in the amount of $12,763,000 (see Note 7 – Long-Term Debt – Year 2014 Financing Facility). In connection with this transaction, CSMR incurred total financing costs of $1,553,810, consisting of $494,317 of closing costs and $1,059,493 of unamortized debt service reserves. As of December 31, 2015 and 2014, there was a net balance of $956,117 and $1,552,176, respectively.

CSMR entered into a financing facility on December 28, 2012 aggregating $31,299,000 (see Note 7 – Long-Term Debt – Year 2012 Financing Facility). In connection with this transaction, CSMR incurred total financing costs of $1,451,839, which included a net rebate of $35,209 received in 2013. As of December 31, 2015 and 2014, there was a net balance of $918,494 and $1,076,252, respectively.

Total financing costs are amortized over the terms of the related loan agreements.

5. Land, Buildings and Improvements, Net

Land, buildings and improvements, net, consist of the following:

December 31, 2015	Cost	Accumulated Depreciation	Net
Land	**$ 11,568,955**	**$ -**	**$ 11,568,955**
Building	**54,765,438**	**38,156,653**	**16,608,785**
Building improvements	**26,279,521**	**15,906,765**	**10,372,756**
Cooperative apartments	**3,080,762**	**3,008,439**	**72,323**
	$ 95,694,676	**$ 57,071,857**	**$ 38,622,819**

December 31, 2014	Cost	Accumulated Depreciation	Net
Land	$ 11,368,955	$ -	$ 11,368,955
Building	53,109,800	36,125,892	16,983,908
Building improvements	26,279,521	14,412,270	11,867,251
Cooperative apartments	3,080,762	2,731,043	349,719
	$ 93,839,038	$ 53,269,205	$ 40,569,833

Depreciation and amortization expense for the years ended December 31, 2015 and 2014 were $3,802,652 and $3,951,529, respectively.

6. Line of Credit

CSMR has a secured revolving loan with HSBC Bank, for a maximum amount of $5,000,000. Interest is payable monthly at the prevailing prime interest rate (such rate being 3.50% and 3.25%, as of December 31, 2015 and 2014, respectively). The line of credit is to fund the acquisition of property and/or renovation of residences approved by OPWDD and the New York State Education Department, as applicable. The line of credit is collateralized by the assets of CSMR, guaranteed by each of BCCS, Citizens Inc. and the Foundation (collectively, the "Guarantors") and matures on December 8, 2016. As of December 31, 2015 and 2014, there was $609,197 and $1,117,526, respectively, outstanding under this line of credit.

During the term of the revolving line of credit, CSMR together with its Guarantors must: (a) maintain a Debt Service Coverage Ratio of not less than 1.25 to 1.00, the ratio of (i) earnings before interest expense, tax expense, depreciation, amortization and unrealized gain (loss) on investments to (ii) the current portion of long-term debt plus interest expense, all calculated in accordance with GAAP; and (b) maintain unrestricted net assets of not less than $18,000,000 measured annually on the last day of each fiscal year; and CSMR on its own must maintain cash and investments of not less than $10,000,000 measured annually on the last day of each fiscal year. As of December 31, 2015, CSMR was in compliance with these covenants.

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The line of credit consists of the following loans for acquisition and/or renovation of property:

December 31,	**2015**	2014
The property encumbered is the land and building located at 346 Ivy Avenue, Westbury, New York.	**$ 582,292**	$ -
The property encumbered is the land and building located at 9 Rondel Lane, Commack, New York.	**13,056**	560,857
The property encumbered is the land and building located at 12 North Manor Road, Greenlawn, New York.	**13,849**	556,669
Total Line of Credit	**$ 609,197**	$ 1,117,526

Capitalized interest was approximately $48,000 and $40,000 for the years ended December 31, 2015 and 2014, respectively.

7. Long-Term Debt

Long-term debt consists of the following:

December 31,	**2015**	2014
2014 LEAC Bond Series A through D (Year 2014 Financing Facility)	**$ 11,200,000**	$ 12,763,000
2012 LEAC Bond Series A through M (Year 2012 Financing Facility)	**20,659,000**	24,054,000
Mortgages payable - HSBC Bank	**837,444**	909,667
Mortgages payable - FDC and its successors	**1,181,089**	1,594,480
Total	**33,877,533**	39,321,147
Less current portion	**5,039,077**	5,443,613
Long-term debt, net of current portion	**$ 28,838,456**	$ 33,877,534

Year 2014 Financing Facility

On December 30, 2014, CSMR entered into a loan agreement with Israel Discount Bank ("IDB"), in the aggregate amount of $12,763,000. IDB purchased and holds bonds pursuant to a bond purchase agreement by and between IDB and Bank of New York Mellon as trustee. CSMR remits monthly payments of principal and interest to the trustee.

The Year 2014 financing facility consists of a series of four bonds, referred to as 2014 LEAC Bonds Series A through D. Proceeds from the loan facility were used by CSMR to refinance Years 2007 and 2006 IDA bonds of $10.2 million (new Series A and B), to purchase and/or renovate four new projects of $2.1 million (new Series C) and $500,000 to pay loan closing costs (new Series D). Closing costs include $73,200 for redemption premiums paid on two refinanced bonds. The 2014 LEAC Bonds mature at varying dates from December 1, 2021 through January 1, 2030 with interest rates ranging from 2.35% to 4.50%, a weighted average annual interest rate of 3.07%. Series A through C bonds are tax-exempt bonds and Series D is a taxable bond.

Year 2012 Financing Facility

On December 28, 2012, CSMR entered into loan agreements aggregating $31,299,000. These agreements consist of a separate agreement with each of two banks (TD Bank, NA and IDB), with substantially identical terms, in the aggregate amounts of $19,559,000 and $11,740,000, respectively. Each bank purchased and holds bonds pursuant to separate bond purchase agreements by and between each bank and U.S. Bank, NA, as trustee. CSMR remits monthly payments of principal and interest to the trustee.

The Year 2012 financing facility consists of a series of 13 bonds, referred to as 2012 LEAC Bonds Series A through M. Proceeds from the loan facility were used by CSMR to refinance then existing long-term debt of $22.6 million (new Series A through I), to purchase and/or renovate three new projects of $6.5 million (new Series J, K and L), and to pay $2.2 million of loan closing costs (new Series M). The 2012 LEAC Bonds mature at varying dates from April 1, 2015 through June 1, 2027 with interest rates ranging from 1.81% to 4.25%, a weighted average annual interest rate of 2.72%. Series A through L bonds are tax-exempt bonds and Series M is a taxable bond.

The bond proceeds were deposited into bond funds held by U.S. Bank, which were used for purchase and renovations of the respective facilities and debt service repayments.

U.S. Bank has a lien on, and security interest in, the facilities, property, equipment and furnishings in addition to the rents, issues and profits generated by the facilities.

Financial Covenants – TD Bank, NA & Israel Discount Bank

CSMR, together with the Foundation, Advantage Care, AHRC Nassau, BCCS and Citizens, Inc. (collectively, the "Institution") shall maintain in aggregate amounts, measured annually as of the last day of each fiscal year of the Institution, (a) a Debt Service Coverage Ratio of not less than 1.25 to 1.00, the ratio of the Institution's (i) earnings before interest expense and depreciation to (ii) the current portion of long-term debt plus interest expense, all calculated in accordance with GAAP; (b) the Institution shall maintain unrestricted liquid assets of not less than $18,000,000 measured semi-annually on the last day of the second fiscal quarter, and on the last day of, each fiscal year; and (c) CSMR shall deposit and maintain, or cause CSMR together with its affiliated organizations (see Note 1) to deposit and maintain, with each lender an average balance of not less than $2,000,000 measured semi-annually on the last day of the second fiscal quarter, and on the last day of each fiscal year.

Mortgages Payable

CSMR entered into mortgage loans with HSBC Bank on February 23, 2012 for two residential properties. The loans are payable in monthly installments of $9,073 at interest rates of 4.17% and 4.19% per annum for each of these properties which mature in February 2025 and May 2025, respectively.

CSMR entered into loan agreements with FDC, acting by and through its agent, the Commissioner of OPWDD and its successors. The loans are secured by four residential properties. The loans bear interest at rates ranging from 3.33% to 7.82% and are payable in semi-annual installments through varying dates from February 2016 to February 2021.

COMMUNITY SERVICES FOR THE
MENTALLY RETARDED, INC.

Notes to Financial Statements
Years Ended December 31, 2015 and 2014

Future minimum annual principal payments at December 31, 2015 are as follows:

Years Ending December 31,	Year 2014 and 2012 Financing Facilities	Mortgages Payable	Total
2016	$ 4,640,000	$ 399,077	$ 5,039,077
2017	3,941,000	399,570	4,340,570
2018	3,744,000	314,638	4,058,638
2019	3,736,000	247,477	3,983,477
2020	3,837,000	204,364	4,041,364
Thereafter	11,961,000	453,407	12,414,407
Total	$ 31,859,000	$ 2,018,533	$ 33,877,533

The interest expense for long-term debt for the years ended December 31, 2015 and 2014 was approximately $952,000 and $1,330,000, respectively.

8. Commitments and Contingencies

Guarantees of other organizations' obligations

a. CSMR unconditionally guarantees a Nassau County IDA bond financing agreement entered into by Advantage Care. At December 31, 2015 and 2014, the outstanding balances carried by Advantage Care were $1,555,000 and $1,625,000, respectively. As of December 31, 2015, Advantage Care was not in default of the scheduled bond payments.

b. CSMR unconditionally guarantees a lease agreement entered into by BCCS over the next ten years with minimum aggregate payments due of approximately $13,800,000. As of December 31, 2015, BCCS was not in default of the terms of the lease agreement.

c. CSMR unconditionally guarantees separate revolving lines of credit agreements for each of Citizens Inc., and BCCS in the amounts of $2.0 million and $2.0 million, respectively. As of December 31, 2015, there were no amounts outstanding under these agreements and there was no default under the terms of these agreements.

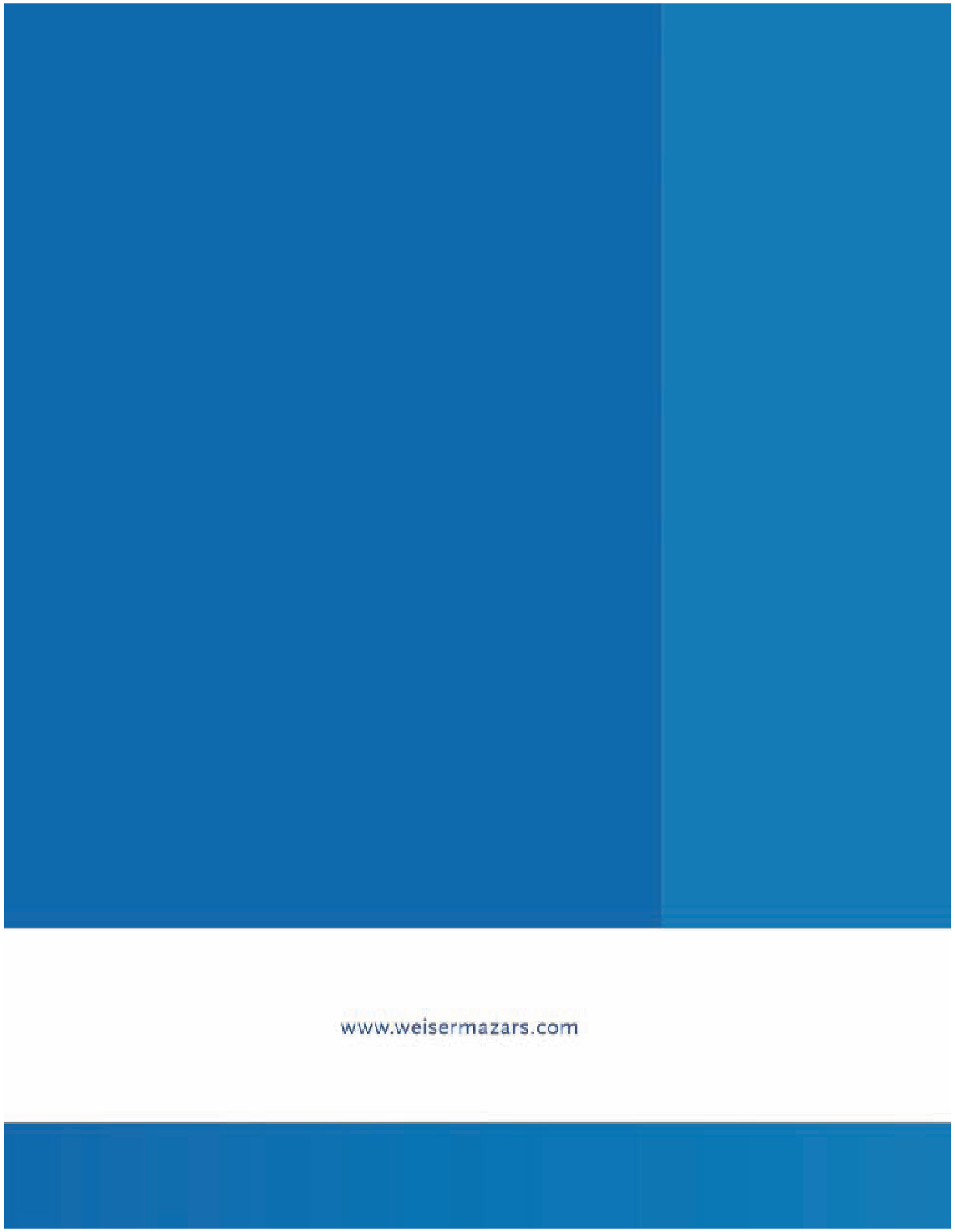
9. Concentrations

Financial instruments which potentially subject CSMR to concentrations of credit risk consist principally of temporary cash investments and investments in marketable securities and bonds. CSMR maintains its operating cash accounts in one bank. The accounts are insured by the Federal Deposit Insurance Corporation up to $250,000. The total uninsured cash balance as of December 31, 2015 was approximately $561,000. CSMR places its temporary cash investments with a high credit quality financial institution. Management believes that credit risk related to these accounts is minimal.

10. Subsequent Events

CSMR has evaluated subsequent events through May 31, 2016, the date the financial statements were available for issuance.

In March 2016, CSMR changed its corporate name from Community Services for the Mentally Retarded, Inc. to Community Support Services Corporation to more appropriately reflect the organization's mission and nature of services provided.



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Nassau County AHRC Foundation, Inc. and Affiliates

Consolidated Financial Statements and Supplementary Information
Year Ended December 31, 2017

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidated Financial Statements and Supplementary Information
Year Ended December 31, 2017

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Nassau County AHRC Foundation, Inc. and Affiliates

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BDO

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

100 Park Avenue
New York, NY 10017

Independent Auditor's Report

The Board of Directors
Nassau County AHRC Foundation, Inc. and Affiliates
Brookville, New York

We have audited the accompanying consolidated financial statements of Nassau County AHRC Foundation, Inc. and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of these consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

BDO

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nassau County AHRC Foundation, Inc. and Affiliates as of December 31, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the financial statements of Nassau County AHRC Foundation, Inc. and Affiliates, and our report dated August 25, 2017 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter

The consolidating information is presented for purposes of additional analysis for the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BDO USA, LLP

June 29, 2018

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidated Statements of Financial Position
(with comparative totals for 2016)

December 31,	2017	2016
Assets		
Current		
Cash and cash equivalents	$ 11,229,754	$ 14,957,683
Investments, at fair value	26,598,177	22,223,222
Accounts receivable, net	10,777,982	10,829,436
Contributions receivable, net	31,825	18,410
Accrued interest receivable	2,833	13,658
Prepaid expenses and other assets	1,032,475	814,923
Due from non-controlled affiliated organizations, current portion	275,827	278,495
Total Current Assets	49,948,873	49,135,827
Due from Non-Controlled Affiliated Organizations, Net of Current Portion	2,054,992	2,327,504
Assets Held for Specific Purpose	117,756	117,734
Loan Receivable from E-Works Electronics Services, Inc.	-	250,000
Subvention Loan Receivable from Advantage Care Diagnostic and Treatment Center, Inc.	862,689	917,364
Deferred Charges	112,981	129,928
Computer Software, Net	912,046	978,494
Investment in Computer Software - Managed Care Organization	746,480	746,480
Investment in E-Works Electronics Services, Inc.	-	250,000
Investment in Managed Care Organization	2,051,684	2,051,684
Fixed Assets, Net	46,428,396	45,468,750
Total Assets	$ 103,235,897	$ 102,373,765
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 2,951,031	$ 2,924,977
Accrued payroll and payroll related costs	5,789,976	5,364,396
Reserve for potential liabilities	1,340,965	832,511
Due to non-controlled affiliated organizations, current	2,141,660	2,169,113
Line of credit	2,623,439	1,287,646
Mortgages payable, current portion	314,638	399,845
Bonds payable, current portion	3,744,000	3,941,000
Total Current Liabilities	18,905,709	16,919,488
Deferred Revenue	234,762	252,501
Mortgages Payable, Net of Current Portion	905,510	1,219,875
Bonds Payable, Net of Current Portion and Deferred Financing Costs	18,628,391	21,983,697
Total Liabilities	38,674,372	40,375,561
Commitments and Contingencies		
Net Assets		
Unrestricted	58,985,195	56,689,897
Temporarily restricted	5,576,330	5,308,307
Total Net Assets	64,561,525	61,998,204
Total Liabilities and Net Assets	$ 103,235,897	$ 102,373,765

See accompanying notes to consolidated financial statements.

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidated Statements of Activities
(with comparative totals for 2016)

Year ended December 31,

	Unrestricted	Temporarily Restricted	Total 2017	Total 2016
Revenue				
Program Service Fees				
Education services	$ 42,322,633	$ -	$ 42,322,633	$ 41,505,402
Residential services	18,664,422	-	18,664,422	16,605,668
Intermediate care facility services	16,825,450	-	16,825,450	13,597,357
Camp Loyaltown	4,725,547	-	4,725,547	3,404,586
Medicaid Service Coordination	2,367,598	-	2,367,598	2,557,486
Crisis respite services	704,174	-	704,174	785,457
Family support services	318,719	-	318,719	323,419
Self-direction	226,494	-	226,494	13,910
Total Program Service Fees	86,155,037	-	86,155,037	78,793,285
Rental income	2,067,775	-	2,067,775	2,497,204
Contributions	804,838	442,932	1,247,770	1,244,769
Service fees	70,744	-	70,744	76,138
Government grants	1,061,373	-	1,061,373	1,671,558
Special events, net of direct expense of $97,108	517,030	-	517,030	566,475
Other revenue	298	-	298	1,397,790
Net assets released from restrictions	174,909	(174,909)	-	
Total Revenue	90,852,004	268,023	91,120,027	86,247,219
Expenses				
Program expenses:				
Education services	39,909,753	-	39,909,753	39,408,282
Residential services	16,436,061	-	16,436,061	13,833,899
Intermediate care facility services	16,270,334	-	16,270,334	11,245,566
Camp Loyaltown	3,863,632	-	3,863,632	3,006,523
Medicaid Service Coordination	2,090,849	-	2,090,849	2,300,046
Crisis respite services	881,739	-	881,739	809,612
Family support services	350,234	-	350,234	330,745
Self-direction	306,603	-	306,603	19,831
Grants	289,000	-	289,000	565,000
Other	4,684,805		4,684,805	5,192,037
Total Program and Other Operating Expenses	85,083,010	-	85,083,010	76,711,541
Supporting services:				
Management fee	4,271,984	-	4,271,984	3,585,196
Management and general	2,515,327	-	2,515,327	2,641,226
Fundraising - contracted services	110,620	-	110,620	127,220
Professional services	325,352	-	325,352	65,171
Total Supporting Services Expenses	7,223,283	-	7,223,283	6,418,813
Total Expenses	92,306,293	-	92,306,293	83,130,354
Operating Income (Loss)	(1,454,289)	268,023	(1,186,266)	3,116,865
Non-Operating Income				
Investment Income	3,532,269	-	3,532,269	2,169,803
Interest and other income	217,318	-	217,318	226,789
Total Non-Operating Income	3,749,587	-	3,749,587	2,396,592
Change in Net Assets	2,295,298	268,023	2,563,321	5,513,457
Net Assets, Beginning of Year	56,689,897	5,308,307	61,998,204	56,484,747
Net Assets, End of Year	$ 58,985,195	$ 5,576,330	$ 64,561,525	$ 61,998,204

See accompanying notes to consolidated financial statements.

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidated Statements of Cash Flows
(with comparative totals for 2016)

December 31,	2017	2016
Cash Flows from Operating Activities		
Change in Net Assets	$ 2,563,321	$ 5,513,457
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,554,907	4,692,011
Interest expense related to deferred financing costs	388,694	580,308
Realized gains on investments	(811,350)	(223,988)
Unrealized gains on investments	(2,195,888)	(1,487,132)
Provision for bad debt	500,000	579,025
Donated fixed assets	(153,363)	-
Decrease (Increase) In Assets		
Accounts receivable	51,454	(765,184)
Contributions receivable	(13,415)	461,538
Accrued interest receivable	10,825	2,045
Prepaid expenses and other assets	(217,552)	(185,169)
Due from non-controlled affiliated organizations	275,180	377,332
Assets held for specific purpose	(22)	347,306
Deferred charges	16,947	16,947
Increase (Decrease) in Liabilities		
Accounts payable & accrued expenses	26,054	490,945
Accrued payroll and payroll related costs	425,580	245,185
Reserve for potential liabilities	508,454	(3,649,511)
Due to non-controlled affiliated organizations	(27,453)	2,917,403
Deferred revenue	(17,739)	15,539
Net Cash Provided by Operating Activities	5,884,634	9,928,057
Cash Flows from Investing Activities		
Purchases of fixed assets	(5,176,382)	(5,343,669)
Additional loan provided to E-Works Electronics Services, Inc.	-	(262,500)
Proceeds received from subvention loan receivable	54,675	57,406
Purchases of computer software	(118,360)	(59,833)
Proceeds received from investment in computer software	-	46,306
Purchases of investments	(3,576,803)	(955,617)
Proceeds from sale of investments	2,209,086	1,177,080
Net Cash Used in Investing Activities	(6,607,784)	(5,340,827)
Cash Flows from Financing Activities		
Proceeds from line of credit	1,335,793	705,354
Repayments on line of credit	-	(26,905)
Principal payment made on mortgages payable	(399,572)	(398,813)
Principal payment made on bonds payable	(3,941,000)	(4,640,000)
Net Cash Used in Financing Activities	(3,004,779)	(4,360,364)
Change in Cash and Cash Equivalents	(3,727,929)	226,866
Cash, Beginning of Year	14,957,683	14,730,817
Cash, End of Year	$ 11,229,754	$ 14,957,683
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 743,248	$ 818,395

See accompanying notes to consolidated financial statements.

1. Description of Organization and Principles of Consolidation

Nature of Operations

Nassau County AHRC Foundation, Inc. (AHRC Foundation) is a fundraising and grant-making not-for-profit corporation which supports programs to benefit children and adults who have an intellectual and/or developmental disability. AHRC Foundation is a primary source of philanthropic support for its related entities, Brookville Children for Children's Services, Inc. (BCCS) and Citizens Options Unlimited, Inc. (Citizens Unlimited), in addition to providing grant awards to non-controlled entities such as NYSARC, Inc. Nassau County Chapter (AHRC Nassau), Advantage Care Diagnostic & Treatment Center, Inc. (Advantage Care) and community-based not-for profit organizations. AHRC Foundation's primary support is derived from contributions and special events.

Controlled Entities

AHRC Foundation is the sole member of Community Services Support Corporation (CSSC), Citizens Options, BCCS, Life Care Data Exchange (LCDX) and Metropolitan Community Partners, Inc. (MCP). Accordingly, members of AHRC Foundation's Board of Directors have authority to approve changes to CSSC, Citizens Options, BCCS, LCDX and MCP by-laws and may appoint members of their Board of Directors.

BCCS is a not-for-profit organization that provides educational services to children with intellectual and other developmental disabilities and day care services for children in five locations in Nassau County, New York. BCCS serves over 1,000 children from the ages of birth through twenty- one years of age in classroom and home-based environments by offering developmentally appropriate, child-centered activities and providing opportunities for hands-on integrated learning through real-life experiences. BCCS also provides child care services in its day care programs. BCCS is licensed by the New York State Education Department (SED), as well as the New York State Office for People with Developmental Disabilities (OPWDD). BCCS is supported primarily by tuition fees paid by Nassau County, New York City Board of Education (NYCBOE) and local school districts. In addition, BCCS obtains grant funding through the Individuals with Disabilities in Education Act (IDEA). BCCS also operates a Children's Residential Program (CRP) which is funded by OPWDD. The program provides residential services in four locations to twenty-five children diagnosed with autism who attend BCCS' school-age programs.

Citizens Options is a not-for profit organization that provides individualized residential alternative services (IRA), residential respite services, intermediate care facility services (ICF) and Medicaid service coordination (MSC) for individuals with intellectual and other developmental disabilities. Additionally, Citizens Options operates Camp Loyaltown in Hunter, New York, a respite program providing services to developmentally disabled children and adults. Citizens Options is governed by its own Board of Directors, which is responsible for its operations. Citizens Options is supported primarily by service fees paid by various New York State and local government agencies. During the quarter ended March 31, 2017, Citizens Options assumed program operations with annual revenue of approximately $2.8 million from another agency, consisting of two ICFs in Melville, NY serving nineteen persons, one of which opened on February 16, 2017 and the other which opened on March 16, 2017. Citizens Options continually pursues growth opportunities to expand its program services.

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

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

CSSC is a not-for-profit organization that holds title to and maintains buildings and properties for various programs operated by NYSARC, Inc. Nassau County Chapter (AHRC Nassau), Citizens Options, BCCS and Advantage Care Diagnostic and Treatment Center, Inc. (Advantage Care). Revenues are derived mainly from the rental of these facilities. In March 2016, CSSC changed its name from Community Services for the Mentally Retarded, Inc. to more appropriately reflect the organization's mission and nature of services provided.

LCDX became operational in January 2015 for the purpose of investing in development of care coordination software for licensing to third-party service providers to developmentally disabled persons. LCDX is a single-member LLC.

MCP was legally formed in October 2017 to help facilitate the provision of services to persons with intellectual and developmental disabilities through the combination of services with other not-for-profit entities throughout the metropolitan New York City area and New York State. MCP is not yet active. As such, there is no activity to report as of and for the year ended December 31, 2017.

The accompanying consolidated financial statements include the accounts of AHRC Foundation, BCCS, Citizens, CSSC and LCDX (collectively, the Foundation). All intercompany transactions and balances have been eliminated in the consolidated financial statements.

Non-Controlled Affiliated Organizations

AHRC Nassau

AHRC Nassau is one of forty-eight New York State county chapters of NYSARC, Inc. NYSARC, Inc. is a membership corporation formed in 1949 for all county chapters. AHRC Nassau is governed by its own Board of Directors and is operated under guidelines promulgated by NYSARC, Inc. AHRC Nassau provides residential, day habilitation, vocational and other services to individuals with developmental disabilities in Nassau County, New York. AHRC Nassau is supported primarily by service fees paid by various New York State agencies and government grants.

Certain administrative services are provided to the Foundation by AHRC Nassau, a non-controlled affiliated organization. These services are provided pursuant to the terms of an administrative services agreement and include, but are not limited to, leadership consulting, purchasing, accounts payable, payroll, human resources, accounting, budgeting and financial reporting.

Advantage Care

Advantage Care specializes in the treatment of health care challenges faced by persons with developmental disabilities. Advantage Care is supported primarily by service fees paid by the New York State Department of Health (NYSDOH), Medicare and Medicaid. Advantage Care is a health care facility that operates a medical services clinic and autism services clinic. Medical services are provided by clinic staff trained in clinical specialties such as primary medical care, psychiatric, gynecology, dental care, podiatry and neurology services. Prior to June 8, 2015, the Foundation was the sole member of Advantage Care. Effective June 8, 2015, Advantage Care became a Federally Qualified Health Center (FQHC) and entered into a sub-recipient agreement with Hudson River Health Care, LLC (HRH).

Certain fundraising activities and related support are provided to Advantage Care by the Foundation. Advantage Care also leases approximately 10,300 square feet in its Brookville, NY location from CSSC.

The accounts of AHRC Nassau and Advantage Care are not included in the accompanying consolidated financial statements.

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Financial Statement Presentation

The classification of the Foundation's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be presented in consolidated statements of financial position and that the amounts of change in each of those classes of net assets be presented in a consolidated statement of activities.

These classes are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to the stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities.

Unrestricted – The part of net assets that is neither permanently nor temporarily restricted by donor imposed stipulations.

Cash and Cash Equivalents

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

Fair Value Measurement

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

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

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

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

Investments, at Fair Value

Investments are recorded at their fair values. Realized and unrealized gains or losses on investments are reported in the consolidated statements of activities as increases or decreases in unrestricted net assets.

Accounts Receivable, Net

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

Fixed Assets, Net

Fixed assets, net are recorded at cost. Depreciation and amortization is computed over the estimated useful lives of the assets by the straight-line method for financial reporting as follows:

Building and leasehold improvements	5-25 years
Cooperative apartments	15-50 years
Equipment	3-25 years

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

The Foundation follows the policy of capitalizing all fixed asset acquisitions in excess of $5,000. Maintenance and repairs are charged to operations when incurred. When fixed assets are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

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

Impairment of Long-Lived Assets

The Foundation reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2017, there have been no such losses.

Revenue Recognition

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

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

CSSC's revenue is derived principally from the renting of various properties to AHRC Nassau, Citizens, BCCS and Advantage Care.

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

Rental income for CSSC and MRCS V is recognized as earned pursuant to the terms of long-term rental agreements.

Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentration of Credit Risk

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

Use of Estimates

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

Income Taxes

The Foundation is incorporated in the State of New York and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is required. There was no unrelated business income for the year ended December 31, 2017.

The Foundation adopted the provisions of ASC 740, "Accounting for Uncertainty in Income Taxes." Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained. The implementation of ASC 740 had no impact on the Foundation's consolidated financial statements. The Foundation does not believe there are any material uncertain tax positions and, accordingly, it will recognize any liability for unrecognized tax benefits. The Foundation has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Foundation has filed Internal Revenue Service Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. The Foundation is subject to routine audits by taxing authorities.

Comparative Information

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

Recently Adopted Authoritative Guidance

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements – Going Concern: Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern." This ASU provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, this ASU provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The new standard will be effective for reporting periods beginning after December 15, 2016, with early adoption permitted. The standard was adopted by the Foundation in the year ended December 31, 2017.

Accounting Pronouncements Issued but Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB also issued ASU 2015-14, which deferred the effective date for the Foundation until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Accounting for Leases," which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria.

Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statements, as well as the effect on the statements of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments are effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of the pending adoption of ASU 2016-02.

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

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Reclassifications

Certain reclassifications have been made to the 2016 consolidated financial statements in order to conform to the 2017 presentation.

3. Investments, at Fair Value

Investments recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2 for a discussion of the Foundation’s policies regarding this hierarchy.

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

Common Stocks, Stock Index Mutual Funds, and International Stocks – These investments are carried at their aggregate market value as determined by quoted market prices. These investments are classified as Level 1.

Mutual Funds – The Foundation has investments in publicly traded mutual funds which are carried at their aggregate market value as determined by quoted market prices. These investments are classified as Level 1. Additionally, the Foundation has investments in non-publicly traded mutual funds which are carried at the aggregate market value as determined by the fund manager. These investments are classified as Level 2.

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

Limited Partnership – Given the absence of market quotations, their fair value is estimated using information provided to the Foundation by the fund manager. The values are based on estimates that require varying degrees of judgment and are primarily based on financial data supplied by the fund manager. The financial statements of the fund are audited annually by nationally recognized firms of independent auditors. The Foundation does not directly invest in the underlying securities of the fund. These investments are classified as Level 3.

Investments at fair value as of December 31, 2017 are as follows:

	Fair Value Measurement at Reporting Date Using			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance as of December 31, 2017
Common Stocks	$ 6,571,358	$ -	$ -	$ 6,571,358
Stock Index Mutual Funds	6,872,771	-	-	6,872,771
Mutual Funds	2,114,052	4,000,595	-	6,114,647
International Stocks	3,376,201	-	-	3,376,201
Government Securities	-	3,135,555	-	3,135,555
Limited Partnership	-	-	527,645	527,645
	$ 18,934,382	$ 7,136,150	$ 527,645	$ 26,598,177

There have been no changes in the methodologies used at December 31, 2017. There were no changes between levels during the year ended December 31, 2017.

The table below sets forth a summary of changes in fair value of the Level 3 assets for the year ended December 31, 2017:

Year ended December 31, 2017

	Limited Partnership
Balance, beginning of year	$ -
Contributions	516,314
Investment income, net	11,331
Balance, end of year	$ 527,645

Investment income, net consists of the following for the year ended December 31, 2017:

Year ended December 31, 2017

Interest and dividends	$ 603,662
Unrealized gains	2,195,888
Realized gains	811,350
Investment fees	(78,631)
	$ 3,532,269

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4. Accounts Receivable, Net

Accounts receivable, net consist of the following:

December 31, 2017		
Education services	$	5,827,907
Residential		1,813,727
Intermediate care facility		1,290,908
Camp Loyaltown		910,308
Medicaid service coordination		384,672
Crisis respite		177,652
Family support		212,464
Self-direction		25,254
HUD		203,013
Other		17,270
		10,863,175
Less: Allowance for doubtful accounts		(85,193)
	$	10,777,982

5. Assets Held for Specific Purpose

Under the terms of the Nassau County Industrial Development Agency (IDA) bonds and the 2014 and 2012 Nassau County Local Economic Assistance Corporation (LEAC) bonds, assets held for specific purpose consist of cash and cash equivalents. As of December 31, 2017, the assets held for specific purpose amounted to $117,756.

6. Investment in and Loan Receivable from E-Works Electronics Services, Inc.

AHRC Foundation has an investment of $500,000 in E-Works Electronic Services, Inc. (EES), constituting a 50% interest in EES. EES operates an electronics recycling vocational program which provides educational, training and employment opportunities for persons with developmental disabilities. AHRC Foundation recorded a valuation allowance of $500,000 in the year ended December 31, 2017. The remaining value of the investment at December 31, 2017 is $-0-.

Additionally, in November 2015, AHRC Foundation's Board of Directors authorized a working capital loan to EES not to exceed $500,000, subject to further negotiation of interest rate and other repayment terms. AHRC Foundation recorded an allowance of $500,000 in the year ended December 31, 2017. The remaining net loan receivable as of December 31, 2017 is $-0-.

7. Subvention Loan Receivable

In February 2014, the Foundation entered into a subvention loan agreement with Advantage Care. Under the terms of the subvention loan agreement, Advantage Care may borrow up to $1.1 million pursuant to a promissory note payable for a period of fifteen years. Interest is payable monthly at the rate of two-thirds of the maximum interest rate authorized from time to time pursuant to Section 5-501 of the New York General Obligations Law or 5.0% per annum, whichever is lower (such rate being 4.0% per annum for the year ended December 31, 2017). Proceeds from this loan were used for the new Freeport clinic construction, equipment, furniture and fixtures, in connection with development of Advantage Care to a full service, managed care supporting organization. Interest income for the year ended December 31, 2017 was $32,731.

8. Investment in Computer Software

The Foundation has an investment in proprietary software that is used for billing, operating systems and documentation standards in accordance with regulatory requirements, for support to third-party providers of services to developmentally disabled persons. As of December 31, 2017, there was $746,780 invested.

9. Programmatic Investment

Programmatic investment by its nature meets two distinct criteria: (i) its primary purpose is to further the tax-exempt objectives of the organization, and (ii) the production of income or appreciation of the investment is not a significant purpose for making this investment.

As of December 31, 2017, the Foundation has an investment of $2,051,684 in a managed care organization (the MCO). The MCO was developed, by AHRC Nassau, together with four other chapters of NYSARC, Inc. in the New York City metropolitan area, to provide a broad range of support and services for people with developmental disabilities, in transition from a fee for service program model to a capitated, comprehensive care management model. The MCO operations commenced on April 1, 2016. The MCO consists of Partners Health Plan, Inc. (PHP), a New York not-for-profit corporation, the operating entity which will serve as a health management organization (HMO) for payment of claims for the support and services delivered to developmentally disabled populations in the geographic regions of each chapter. PHP is a licensed HMO under Article 44 of the New York State Public Health Law and is approved by Centers for Medicare and Medicaid Services (CMS) as a Fully Integrated Duals Advantage (FIDA) provider. PHP is the obligor for repayment of the investment pursuant to a subordinated note payable to each of the chapters. The carrying value and recoverability of the investment in the MCO will be periodically evaluated over the course of its operations. Since operations of the MCO have only recently commenced, no impairment has been identified and recorded as of December 31, 2017.

10. Fixed Assets, Net

Fixed assets, net, consist of the following:

December 31, 2017		
Land	$	12,322,318
Buildings and leasehold improvements		95,135,220
Cooperative apartments		3,080,762
Equipment		6,069,027
		116,607,327
Less: Accumulated depreciation and amortization		(70,178,931)
	$	46,428,396

Depreciation and amortization expense for the year ended December 31, 2017 totaled $4,554,907.

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11. Due from (to) Non-Controlled Affiliated Organizations

Management Fee

Certain administrative services are provided by AHRC Nassau, a non-controlled affiliated organization, pursuant to terms of an administrative services agreement for which the Foundation incurred management fees of approximately $4,272,000 for the year ended December 31, 2017.

Rental Income

For the year ended December 31, 2017, included in rental income, are amounts earned from various non-controlled affiliated organizations. These amounts were as follows:

Year ended December 31, 2017		
AHRC Nassau	$	1,985,404
Advantage Care		26,835
	$	2,012,239

Tri-Party Agreement

On December 28, 2012, AHRC Nassau and Nassau Community Mental Retardation Services Company, Inc. (NCMRS) entered into a tri-party agreement (Tri-Party Lease) with CSSC. The Tri-Party Lease provided for CSSC's purchase of the corresponding receivable held by AHRC Nassau from NCMRS. NCMRS has a payable to CSSC in connection with the Tri-Party Lease for the December 28, 2012 LEAC Bonds Series G and K. The 2012 LEAC Bonds were established to refinance the outstanding debt of each of the Nassau County IDA Civic Facility Revenue Bond and the AHRC Nassau HSBC Line of Credit, of which the proceeds were used for improvements to the NCMRS property. As of December 31, 2017, the balance due to CSSC from NCMRS was approximately $893,000.

Debt Forgiveness - Acquisition of Property

CSSC entered into an agreement in January 2012 with AHRC Nassau and Mental Retardation Community Services of Nassau County - Project III, Inc. (MRCS III) for properties purchased by MRCS III and financed by CSSC. AHRC Nassau paid for a portion of property acquisitions on behalf of MRCS III in a prior year. AHRC Nassau is being reimbursed for its funding of the property acquisitions by OPWDD over a number of years. MRCS III realizes debt forgiveness commensurate with reimbursement amounts received by AHRC Nassau from OPWDD. The debt forgiveness amounted to $78,782 for the year ended December 31, 2017.

In accordance with a January 2012 agreement between AHRC Nassau, MRCS III and CSSC, the debt owed by MRCS III to AHRC Nassau was purchased by CSSC. Effective with this transaction, and with substantially the same terms as the original agreement with AHRC Nassau as mentioned above, the debt owed by MRCS III will be forgiven by CSSC. The remaining balance due to CSSC relating to this acquisition is $676,944.

CSSC entered into an agreement in December 2014 with AHRC Nassau and Mental Retardation Community Services of Nassau County - Project IV, Inc. (MRCS IV) for properties purchased by MRCS IV and financed by CSSC. AHRC Nassau paid for a portion of property acquisitions on behalf of MRCS IV in a prior year. AHRC Nassau is being reimbursed for its funding of the property acquisitions by OPWDD over a number of years. AHRC Nassau forgives a portion of the debt due from MRCS IV as it receives reimbursement from OPWDD, and MRCS IV records a forgiveness of debt accordingly. The debt forgiveness amounted to $64,757 for the year ended December 31, 2017.

In accordance with a December 2014 agreement between AHRC Nassau, MRCS IV and CSSC, the debt owed by MRCS IV to AHRC Nassau was purchased by CSSC. Effective with this transaction, and with

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Notes to Consolidated Financial Statements

substantially the same terms as the original agreement with AHRC Nassau as mentioned above, the debt owed by MRCS IV will be forgiven by CSSC. The remaining balance due to CSSC relating to this acquisition is $552,965. For the year ended December 31, 2017, MRCS IV paid a portion of this debt in the amount of $100,000, in addition to the debt forgiveness.

Guarantees of Obligations

CSSC unconditionally guarantees a Nassau County IDA bond financing agreement entered into by Advantage Care. At December 31, 2017, the outstanding balance carried by Advantage Care was $1,395,000. At December 31, 2017, Advantage Care was not in default of the scheduled bond payments.

CSSC unconditionally guarantees a lease agreement entered into by BCCS over the next eight years with minimum aggregate payments due of approximately $11,200,000. As of December 31, 2017, BCCS was not in default of the terms of the lease agreement.

CSSC unconditionally guarantees separate revolving lines of credit agreements for each of Citizens Options and BCCS, each in the amount of $2.0 million. As of December 31, 2017, there were no amounts outstanding under these agreements and there were no defaults under the terms of these agreements.

AHRC Foundation unconditionally guarantees a line of credit agreement entered into by EES up to $500,000.

AHRC Foundation unconditionally guarantees a lease agreement entered into by PHP over the period January 1, 2016 to May 30, 2022, with minimum aggregate payments due of approximately $1,625,000, or $25,000 per month. The Foundation may be released as guarantor on or after December 31, 2017, when PHP meets certain financial requirements.

Citizens Options unconditionally guarantees separate line of credit agreements for CSSC and BCCS in the amounts of $5 million and $2 million, respectively. At December 31, 2017, there were no amounts outstanding under the BCCS line of credit and there was approximately $2,623,000 outstanding under the CSSC line of credit. At December 31, 2017, there was no default of the terms of these agreements.

12. Capital Advance From HUD

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

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

As of December 31, 2017, there were related accounts receivable due from this advance in the amount of $203,013.

13. Lines of Credit

As of December 31, 2017, Citizens has an unsecured revolving bank line of credit under which a maximum amount of $2.0 million can be borrowed. The line of credit agreement requires that Citizens comply with certain financial covenants. Citizens was in compliance with its financial covenants as of December 31, 2017. The line of credit bears interest at the prevailing prime rate (such rate being 4.50% at December 31, 2017). There were no amounts borrowed under the line of credit and no interest expense incurred for the year ended December 31, 2017. The agreement expires on December 8, 2018 and may be renewed with the bank's approval.

As of December 31, 2017, BCCS has an unsecured revolving bank line of credit under which a maximum amount of $2.0 million can be borrowed. The line of credit agreement requires that BCCS comply with certain financial covenants. BCCS was in compliance with its financial covenants as of December 31, 2017. The line of credit bears interest at the prevailing prime rate (such rate being 4.50% at December 31, 2017). There were no amounts borrowed under the line of credit and no interest expense incurred for the year ended December 31, 2017. The agreement expires on December 8, 2018 and may be renewed with the bank's approval.

As of December 31, 2017, CSSC has a secured revolving bank line of credit with HSBC Bank, under which a maximum amount of $5.0 million can be borrowed. The line of credit agreement requires that CSSC comply with certain financial covenants. CSSC was in compliance with its financial covenants as of December 31, 2017. The line of credit bears interest at the prevailing prime rate (such rate being 4.50% at December 31, 2017). The line of credit is to be used to fund the acquisition of property and/or renovation of residents approved by OPWDD and the New York State Education Department, as applicable. The line of credit is secured by the assets of CSSC and guaranteed by each of BCCS, Citizens and the Foundation (collectively, the Guarantors). As of December 31, 2017, there was $2,623,439 outstanding under this line of credit. The agreement expires on December 8, 2018 and may be renewed with the bank's approval.

14. Mortgages Payable

On February 23, 2012, CSSC entered into mortgage loans with HSBC Bank for two residential properties. The loans are payable in monthly installments of $9,073 at interest rates of 4.17% and 4.19% per annum for each of these properties, which mature in February 2025 and May 2025, respectively.

CSSC has entered into loan agreements with FDC, acting by and through its agent, the Commissioner of OPWDD and its successors. The loans are secured by four residential properties. The loans bear interest at rates ranging from 3.33% to 7.82% and are payable in semi-annual installments through varying dates from February 2016 to February 2021.

Future minimum principal payments at December 31, 2017 for the next five years and in the aggregate are as follows:

Year ending December 31,		
2018	$	314,638
2019		247,477
2020		204,364
2021		118,977
2022		96,723
Thereafter		237,969
	$	1,220,148

15. Bonds Payable

On December 30, 2014, CSSC entered into a loan agreement with Israel Discount Bank (IDB), in the aggregate amount of $12,763,000. IDB purchased and holds bonds pursuant to a bond purchase agreement by and between IDB and Bank of New York Mellon as trustee. CSSC remits monthly payments of principal and interest to the trustee.

The bond purchase agreement consists of a series of four bonds, referred to as 2014 LEAC Bonds Series A through D. Proceeds from the bond purchase agreement were used by CSSC to refinance years 2007 and 2006 IDA bonds of $10.2 million, to purchase and/or renovate four new projects of $2.1 million and $500,000 to pay loan closing costs. The 2014 LEAC Bonds mature at varying dates from December 1, 2021 through January 1, 2030 with interest rates ranging from 2.35% to 4.50%. Series A through C bonds are tax-exempt bonds and Series D is a taxable bond.

Future minimum principal payments at the year ended December 31, 2017 for the next five years and in the aggregate are as follows:

Year ending December 31,		
2018	$	1,560,000
2019		1,585,000
2020		1,625,000
2021		1,485,000
2022		805,000
Thereafter		1,185,000
		8,245,000
Less: Unamortized balance of deferred financing costs		(243,468)
	$	8,001,532

On December 28, 2012, CSSC entered into loan agreements aggregating $31,299,000. These agreements consist of a separate agreement with each of two banks, TD Bank and IDB, with substantially identical terms in the amounts of $19,559,000 and $11,740,000, respectively. Each bank purchased and holds bonds pursuant to separate bond purchase agreements by and between each bank and U.S. Bank, NA, as trustee. CSSC remits monthly payments of principal and interest to the trustee.

The bond purchase agreements consist of a series of thirteen bonds, referred to as 2012 LEAC Bonds Series A through M. Proceeds from the bond purchase agreement were used by CSSC to refinance the then existing long-term debt of $22.6 million, to purchase and/or renovate three new projects for $6.5 million, and $2.2 million to pay loan closing costs. The 2012 LEAC Bonds mature at varying dates from April 1, 2015 through June 1, 2027 with interest rates ranging from 1.81% to 4.25%. Series A through L bonds are tax-exempt bonds and Series M is a taxable bond. The bond proceeds were deposited into bond funds held by U.S. Bank, NA which were used for purchase and renovations of the respective facilities and debt service repayments. U.S. Bank, NA has a lien on, and security interest in, the facilities, property, equipment and furnishings in addition to the rents, issues and profits generated by the facilities.

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Future minimum principal payments at December 31, 2017 for the next five years and in the aggregate are as follows:

Year ending December 31,		
2018	$	2,184,000
2019		2,151,000
2020		2,212,000
2021		2,284,000
2022		2,354,000
Thereafter		3,848,000
		15,033,000
Less: Unamortized balance of deferred financing costs		(662,141)
	$	14,370,859

The 2014 LEAC Bonds and the 2012 LEAC Bonds are subject to certain covenants. CSSC, along with the Foundation, Advantage Care, AHRC Nassau, BCCS and Citizens Options (collectively, the Institution) must maintain a specified debt service coverage ratio, a specified amount of unrestricted liquid net assets, and must deposit and maintain a specified average balance with each lender measured semi-annually on the last day of the second fiscal quarter and on the last day of each fiscal year. The Institution is in compliance with these covenants as of December 31, 2017.

16. Retirement Expense

Each of AHRC Foundation, BCCS and Citizens Options maintains a defined contribution plan, as defined by IRC Section 403(b), and is offered to all employees who have attained the age of 20-1/2 years, completed six months of service at the beginning of the contribution period, and have 1,000 hours of credited service. The annual employer contributions to the plans for AHRC Foundation and Citizens Options were 4% of total eligible salaries for all employees covered. The annual employer contributions to the BCCS plan were 6.5% of total eligible salaries for all employees covered. Total retirement expense for AHRC Foundation, BCCS and Citizens Options for the year ended December 31, 2017 was approximately $1,950,000.

17. Reserve for Potential Liabilities

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

Revenues and receivables from government funded programs are subject to review and final determination of realizable rates by various regulatory agencies. Management has estimated a reserve for potential liabilities of approximately $1,341,000 as of December 31, 2017.

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18. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

December 31, 2017		
Camp Loyaltown general purposes	$	1,453,303
Autism programs		1,278,183
Special needs children		628,499
Camp Loyaltown capital projects		249,703
Parent associations		38,731
ICF services		17,160
Other		65,877
HUD time restriction		1,396,400
	$	5,576,330

Income earned on temporarily restricted net assets is expendable to support operations unless otherwise specified by the donor.

Net assets were released for the following purposes:

Year ending December 31, 2017		
Autism programs	$	65,268
Special needs children		32,641
Parent associations		39,890
CRP		3,805
Camp Loyaltown capital projects		32,262
Other		1,043
	$	174,909

19. Commitments and Contingencies

Leases

Citizens and BCCS lease various buildings, vehicles and equipment under operating leases. The leases are for various durations through December 31, 2066.

Future minimum lease payments at December 31, 2017 for the next five years and in the aggregate, are as follows:

Year ending December 31,		Buildings		Vehicles		Total
2018	$	1,217,025	$	538,402	$	1,755,427
2019		1,256,497		424,952		1,681,449
2020		1,297,153		273,081		1,570,234
2021		1,339,030		95,734		1,434,764
2022		1,382,162		9,839		1,392,001
Thereafter		4,703,986		-		4,703,986
Total	$	11,195,853	$	1,342,008	$	12,537,861

Rent expense for the year ended December 31, 2017 approximated $2,078,000.

Legal Matters

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

HUD Contingencies

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

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

New York State Office of the State Comptroller Audit

BCCS has been subject to an audit of its preschool programs by the New York State Office of the State Comptroller (NYSOSC). The preschool programs consist of the preschool segregated (SED Code 9100), preschool integrated (SED Code 9160) and the Special Education Itinerant Teacher (SED Code 9135) programs. The periods covered under audit are the fiscal years ended June 30, 2012 through June 30, 2014. The amounts subject to audit are total program expense of approximately $72.2 million. The NYSOSC issued their report dated October 4, 2017 with an aggregate recommended disallowance of $1,089,215, to which BCCS provided its response on November 1, 2017.

Management is challenging these findings and is presently unable to predict the ultimate outcome of the audit. Accordingly, no provision for loss has been recorded in the consolidated financial statements as of December 31, 2017 and for the year then ended.

20. Subsequent Events

The Foundation has evaluated subsequent events through June 29, 2018, the date the consolidated financial statements were available for issuance. There were no subsequent events requiring adjustments to the consolidated financial statements or disclosures as stated herein.

Supplementary Information

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidating Statement of Financial Position

Year ended December 31, 2017

	Nassau County AHRC Foundation, Inc.	Brookville Center for Children's Services, Inc.	Citizens Options Unlimited, Inc.	Community Services Support Corporation	Life Care Data Exchange, LLC	Eliminations	Consolidated Total
Assets							
Current							
Cash and cash equivalents	$ 5,574,108	$ 2,454,333	$ 2,810,034	$ 379,346	$ 11,933	$ -	$ 11,229,754
Investments, at fair value	24,825,880	-	480,971	1,291,326	-	-	26,598,177
Accounts receivable, net	-	6,117,761	4,651,283	12,327	4,943	(8,332)	10,777,982
Contributions receivable, net	31,825	-	-	-	-	-	31,825
Accrued interest receivable	2,833	-	-	-	-	-	2,833
Prepaid expenses and other assets	238,431	619,982	165,471	8,591	-	-	1,032,475
Due from Nassau County AHRC Foundation, Inc.	-	1,000	-	-	-	(1,000)	-
Due from non-controlled affiliated organizations, current portion	956	11,450	-	263,421	-	-	275,827
Due from controlled affiliates	-	1,158	-	-	-	(1,158)	-
Total Current Assets	30,674,033	9,205,684	8,107,759	1,955,011	16,876	(10,490)	49,948,873
Due from Non-Controlled Affiliated Organizations, Net of Current Portion	-	-	-	2,054,992	-	-	2,054,992
Assets Held for Specific Purpose	-	-	-	117,756	-	-	117,756
Loan Receivable from Life Care Data Exchange, LLC	176,218	-	-	-	-	(176,218)	-
Subvention Loan Receivable from Advantage Care Diagnostic and Treatment Center, Inc.	862,689	-	-	-	-	-	862,689
Deferred Charges	-	-	112,981	-	-	-	112,981
Computer Software, Net	-	-	-	-	912,046	-	912,046
Investment in Managed Care Organization	746,480	-	-	-	-	-	746,480
Investment in E-Works Electronics Services, Inc.	-	-	-	-	-	-	-
Investment in Computer Software - Managed Care Organization	2,051,684	-	-	-	-	-	2,051,684
Fixed Assets, net	155,413	3,976,539	6,779,851	35,516,593	-	-	46,428,396
Total Assets	$ 34,666,517	$ 13,182,223	$ 15,000,591	$ 39,644,352	$ 928,922	$ (186,708)	$ 103,235,897
Liabilities and Net Assets							
Current Liabilities							
Accounts payable and accrued expenses	$ 51,763	$ 1,013,595	$ 1,764,796	$ 55,873	$ 65,004	$ -	$ 2,951,031
Accrued payroll and payroll related costs	66,421	3,625,534	2,098,021	-	-	-	5,789,976
Assets held for related organizations	8,332	-	-	-	-	(8,332)	-
Reserve for potential liabilities	-	369,777	971,188	-	-	-	1,340,965
Due to Nassau County AHRC Foundation, Inc.	-	-	-	-	176,218	(176,218)	-
Due to Non-Controlled Affiliated Organizations, current	31,182	865,573	1,244,905	-	-	-	2,141,660
Due to controlled affiliates	1,000	-	1,158	-	-	(2,158)	-
Line of credit	-	-	-	2,623,439	-	-	2,623,439
Mortgages payable, current portion	-	-	-	314,638	-	-	314,638
Bonds payable, current portion	-	-	-	3,744,000	-	-	3,744,000
Total Current Liabilities	158,698	5,874,479	6,080,068	6,737,950	241,222	(186,708)	18,905,709
Deferred Revenue	-	-	-	234,762	-	-	234,762
Mortgages Payable, Net of Current Portion	-	-	-	905,510	-	-	905,510
Bonds Payable, Net of Current Portion and Deferred Financing Costs	-	-	-	18,628,391	-	-	18,628,391
Total Liabilities	158,698	5,874,479	6,080,068	26,506,613	241,222	(186,708)	38,674,372
Commitments and Contingencies							
Net Assets							
Unrestricted	34,059,345	5,362,331	5,738,080	13,137,739	687,700	-	58,985,195
Temporarily restricted	448,474	1,945,413	3,182,443	-	-	-	5,576,330
Total Net Assets	34,507,819	7,307,744	8,920,523	13,137,739	687,700	-	64,561,525
Total Liabilities and Net Assets	$ 34,666,517	$ 13,182,223	$ 15,000,591	$ 39,644,352	$ 928,922	$ (186,708)	$ 103,235,897

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidating Statement of Activities

Year ended December 31, 2017

	Nassau County AHRC Foundation, Inc.	Brookville Center for Children's Services, Inc.	Citizens Options Unlimited, Inc.	Community Services Support Corporation	Life Care Data Exchange, LLC	Eliminations	Total
Revenue							
Program Service Fees:							
Education services	$ -	$ 42,322,633	$ -	$ -	$ -	$ -	$ 42,322,633
Residential services	-	5,583,469	13,080,953	-	-	-	18,664,422
Intermediate care facility services	-	-	16,825,450	-	-	-	16,825,450
Camp Loyaltown	-	-	4,725,547	-	-	-	4,725,547
Medicaid Service Coordination	-	-	2,367,598	-	-	-	2,367,598
Crisis respite services	-	-	704,174	-	-	-	704,174
Family support services	-	-	318,719	-	-	-	318,719
Self-direction	-	-	226,494	-	-	-	226,494
Total Program Service Fees	-	47,906,102	38,248,935	-	-	-	86,155,037
Rental Income	-	-	55,536	4,829,292	-	(2,817,053)	2,067,775
Contributions	754,605	265,887	227,278	-	-	-	1,247,770
Service Fees	-	-	-	-	70,744	-	70,744
Government Grants	-	1,061,373	-	-	-	-	1,061,373
Special Events, Net of Direct Expense	517,030	-	-	-	-	-	517,030
Other Revenue	-	-	298	-	-	-	298
Total Revenue	1,271,635	49,233,362	38,532,047	4,829,292	70,744	(2,817,053)	91,120,027
Expenses							
Program Expenses:							
Education services	-	40,981,357	-	-	-	(1,071,604)	39,909,753
Residential services	-	5,593,111	11,971,622	-	-	(1,128,672)	16,436,061
Intermediate care facility services	-	-	16,767,965	-	-	(497,631)	16,270,334
Camp Loyaltown	-	-	3,872,213	-	-	(8,581)	3,863,632
Medicaid Service Coordination	-	-	2,118,582	-	-	(27,733)	2,090,849
Crisis respite services	-	-	964,571	-	-	(82,832)	881,739
Family support services	-	-	350,234	-	-	-	350,234
Self-direction	-	-	306,603	-	-	-	306,603
Grants	289,000	-	-	-	-	-	289,000
Other	-	-	-	4,498,779	186,026	-	4,684,805
Total Program Expenses and Services	289,000	46,574,468	36,351,790	4,498,779	186,026	(2,817,053)	85,083,010
Supporting Services:							
Management fee	60,000	1,938,200	2,123,784	150,000	-	-	4,271,984
Management and general	919,221	1,399,577	195,938	-	591	-	2,515,327
Fundraising - contracted services	110,620	-	-	-	-	-	110,620
Professional services	-	-	-	24,470	300,882	-	325,352
Total Supporting Services Expenses	1,089,841	3,337,777	2,319,722	174,470	301,473	-	7,223,283
Total Expenses	1,378,841	49,912,245	38,671,512	4,673,249	487,499	(2,817,053)	92,306,293
Operating Income (Loss)	(107,206)	(678,883)	(139,465)	156,043	(416,755)	-	(1,186,266)
Non-Operating Activity							
Investment income (loss)	3,488,507	-	11,511	32,251	-	-	3,532,269
Interest and other income	212,135	5,183	-	-	-	-	217,318
Total Non-Operating Activity	3,700,642	5,183	11,511	32,251	-	-	3,749,587
Change in Net Assets	3,593,436	(673,700)	(127,954)	188,294	(416,755)	-	2,563,321
Net Assets, Beginning of Year	30,914,383	7,981,444	9,048,477	12,949,445	1,104,455	-	61,998,204
Net Assets, End of Year	$ 34,507,819	$ 7,307,744	$ 8,920,523	$ 13,137,739	$ 687,700	$ -	$ 64,561,525

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Nassau County AHRC Foundation, Inc. and Affiliates

Consolidated Financial Statements and Supplementary Information
Year Ended December 31, 2016

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.

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidated Financial Statements and Supplementary Information
Year Ended December 31, 2016

Nassau County AHRC Foundation, Inc. and Affiliates

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BDO

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

100 Park Avenue
New York, NY 10017

Independent Auditor's Report

The Board of Directors
Nassau County AHRC Foundation, Inc. and Affiliates
Brookville, New York

We have audited the accompanying consolidated financial statements of Nassau County AHRC Foundation, Inc. and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of these consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

BDO

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nassau County AHRC Foundation, Inc. and Affiliates as of December 31, 2016, 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 Matter

The consolidating information is presented for purposes of additional analysis for the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BDO USA, LLP

August 25, 2017

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Consolidated Statement of Financial Position

December 31, 2016	
Assets	
Current:	
Cash and cash equivalents	$ 14,957,683
Investments, at fair value	22,223,222
Accounts receivable, net	10,829,436
Contributions receivable, net	18,410
Accrued interest receivable	13,658
Prepaid expenses and other assets	814,923
Due from non-controlled affiliated organizations, current portion	278,495
Total Current Assets	49,135,827
Due From Non-Controlled Affiliated Organizations, Net of Current Portion	2,327,504
Assets Held for Specific Purpose	117,734
Loan Receivable From E-Works Electronics Services, Inc., Net	250,000
Subvention Loan Receivable From Advantage Care Diagnostic and Treatment Center, Inc.	917,364
Deferred Charges	129,928
Computer Software, Net	978,494
Investment in Computer Software - Managed Care Organization	746,480
Investment in E-Works Electronics Services, Inc.	250,000
Investment in Managed Care Organization	2,051,684
Fixed Assets, Net	45,468,750
Total Assets	$102,373,765
Liabilities and Net Assets	
Current Liabilities:	
Accounts payable and accrued expenses	$ 2,924,977
Accrued payroll and payroll related costs	5,364,396
Due to New York State OPWDD	613,776
Due to non-controlled Affiliated Organizations, current	2,169,113
Line of credit	1,287,646
Mortgages payable, current portion	399,845
Bonds payable, current portion	3,941,000
Total Current Liabilities	16,700,753
Reserve for Potential Liabilities	218,735
Deferred Revenue	252,501
Mortgages Payable, Net of Current Portion	1,219,875
Bonds Payable, Net of Current Portion and Deferred Financing Costs	21,983,697
Total Liabilities	40,375,561
Commitments and Contingencies	
Net Assets:	
Unrestricted	56,689,897
Temporarily restricted	5,308,307
Total Net Assets	61,998,204
Total Liabilities and Net Assets	$102,373,765

See accompanying notes to consolidated financial statements.

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Consolidated Statement of Activities

Year ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Program service fees:			
Education services	$41,505,402	$ -	$41,505,402
Residential services	16,619,578	-	16,619,578
Intermediate care facility services	13,597,357	-	13,597,357
Camp Loyaltown	3,404,586	-	3,404,586
Medicaid service coordination	2,557,486	-	2,557,486
Crisis respite services	785,457	-	785,457
Family support services	323,419	-	323,419
Total Program Service Fees	78,793,285	-	78,793,285
Rental income	2,497,204	-	2,497,204
Contributions	412,665	832,104	1,244,769
Service fees	76,138	-	76,138
Government grants	1,671,558	-	1,671,558
Special events	677,498	-	677,498
Less: Direct benefits to donor expenses	(111,023)	-	(111,023)
Capital grant and other revenue	1,390	1,396,400	1,397,790
Net assets released from restrictions	502,730	(502,730)	-
Total Revenue	84,521,445	1,725,774	86,247,219
Expenses:			
Program expenses:			
Education services	39,408,282	-	39,408,282
Residential services	13,853,730	-	13,853,730
Intermediate care facility services	11,245,566	-	11,245,566
Camp Loyaltown	3,006,523	-	3,006,523
Medicaid service coordination	2,300,046	-	2,300,046
Crisis respite services	809,612	-	809,612
Family support services	330,745	-	330,745
Other operating expenses:		-	
Interest	1,398,703	-	1,398,703
Grants	565,000	-	565,000
OPWDD administrative fees - bonds	3,320	-	3,320
Depreciation and amortization	3,790,014	-	3,790,014
Total Program and Other Operating Expenses	76,711,541	-	76,711,541
Supporting services:			
Management fee	3,585,196	-	3,585,196
Management and general	2,641,226	-	2,641,226
Fundraising - contracted services	127,220	-	127,220
Professional services	65,171	-	65,171
Total Supporting Services Expenses	6,418,813	-	6,418,813
Total Expenses	83,130,354	-	83,130,354
Operating Income	1,391,091	1,725,774	3,116,865
Non-Operating Activity:			
Investment income	2,169,803	-	2,169,803
Interest and other income	226,789	-	226,789
Total Non-Operating Activity	2,396,592	-	2,396,592
Change in Net Assets	3,787,683	1,725,774	5,513,457
Net Assets, Beginning of Year	52,902,214	3,582,533	56,484,747
Net Assets, End of Year	$56,689,897	$5,308,307	$61,998,204

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended December 31, 2016

Cash Flows From Operating Activities:	
Change in net assets	$ 5,513,457
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	4,692,011
Interest expense related to deferred financing costs	580,308
Realized gains on investments	(223,988)
Unrealized gains on investments	(1,487,132)
Provision for bad debt	579,025
Decrease (increase) in assets:	
Accounts receivable	(765,184)
Contributions receivable	461,538
Accrued interest receivable	2,045
Prepaid expenses and other assets	(185,169)
Due from non-controlled affiliated organizations	377,332
Assets held for specific purpose	347,306
Deferred charges	16,947
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	490,945
Accrued payroll and payroll related costs	245,185
Due to NYS OPWDD	(3,706,694)
Due to non-controlled affiliated organizations	2,917,403
Reserve for potential liabilities	57,183
Deferred revenue	15,539
Net Cash Provided By Operating Activities	9,928,057
Cash Flows From Investing Activities:	
Purchases of fixed assets	(5,343,669)
Additional loan provided to E-Works Electronics Services, Inc.	(262,500)
Proceeds received for repayment of subvention loan receivable from Advantage Care Diagnostic and Treatment Center, Inc.	57,406
Purchases of computer software	(59,833)
Proceeds received from investment in computer software	46,306
Purchases of investments	(955,617)
Proceeds from sale of investments	1,177,080
Net Cash Used In Financing Activities	(5,340,827)
Cash Flows From Financing Activities:	
Proceeds from line of credit	705,354
Repayments on line of credit	(26,905)
Principal payment made on mortgages payable	(398,813)
Principal payment made on bonds payable	(4,640,000)
Net Cash Used in Financing Activities	(4,360,364)
Increase in Cash and Cash Equivalents	226,866
Cash and Cash Equivalents, Beginning of Year	14,730,817
Cash and Cash Equivalents, End of Year	$14,957,683
Supplemental Disclosure of Cash Flow Information:	
Cash paid for interest	$ 818,395

See accompanying notes to consolidated financial statements.

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1. Description of Organization

(a) Nature of Operations

Nassau County AHRC Foundation, Inc. ("AHRC Foundation") is a not-for-profit organization. Its primary purpose is to publicly solicit and receive funds for the benefit of children and adults with intellectual and developmental disabilities. AHRC Foundation's primary support is derived from contributions and special events.

(b) Controlled Entities

AHRC Foundation is the sole member of Community Services Support Corporation ("CSSC"), Citizens Options Unlimited, Inc. ("Citizens Options"), Brookville Center for Children's Services ("BCCS") and Life Care Data Exchange ("LCDX"). Accordingly, members of AHRC Foundation's Board of Directors have authority to approve changes to CSSC, Citizens Options, BCCS and LCDX by-laws and may appoint members of their Board of Directors.

BCCS is a not-for-profit organization which provides educational services to children with intellectual and other developmental disabilities and day care services for children in five locations in Nassau County, New York. BCCS serves over 1,000 children from the ages of birth through twenty-one years of age in classroom and home-based environments by offering developmentally appropriate, child-centered activities and providing opportunities for hands-on integrated learning through real-life experiences. BCCS also provides child care services in its day care programs. BCCS is licensed by the New York State Education Department ("SED"), as well as the New York State Office for People with Developmental Disabilities ("OPWDD"). BCCS is supported primarily by tuition fees paid by Nassau County, New York City Board of Education ("NYCBOE") and local school districts. In addition, BCCS obtains grant funding through the Individuals with Disabilities in Education Act ("IDEA"). BCCS also operates a Children's Residential Program ("CRP") which is funded by OPWDD. The program provides residential services in four locations to twenty-five children diagnosed with autism who attend BCCS' school-age programs.

Citizens Options is a not-for profit organization which provides individualized residential alternative services ("IRA"), residential respite services, intermediate care facility services ("ICF") and Medicaid service coordination ("MSC") for individuals with intellectual and other developmental disabilities. Additionally, Citizens Options operates Camp Loyaltown in Hunter, New York, a respite program providing services to developmentally disabled children and adults. Citizens Options is governed by its own Board of Directors, which is responsible for its operations. Citizens Options is supported primarily by service fees paid by various New York State and local government agencies. Effective February 1, 2016, Citizens Options assumed program operations with annual revenue of approximately $900,000 from another agency, consisting of one residential property in Hempstead, New York, serving eight persons. Effective March 31, 2016, Citizens Options assumed program operations with annual revenue of approximately $1.4 million from another agency, consisting of an ICF in Melville, New York, serving seven persons. Citizens Options continually pursues growth opportunities to expand its program services.

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

intercompany transactions and balances have been eliminated in the consolidating financial statements of Citizens Options.

CSSC is a not-for-profit organization which holds title to and maintains buildings and properties for various programs operated by NYSARC, Inc. Nassau County Chapter ("AHRC Nassau"), Citizens Options, BCCS and Advantage Care Diagnostic and Treatment Center, Inc. ("Advantage Care"). Revenues are derived mainly from the rental of these facilities. In March 2016, CSSC changed its name from Community Services for the Mentally Retarded, Inc. to more appropriately reflect the organization's mission and nature of services provided.

LCDX became operational in January 2015 for the purpose of investing in development of care coordination software for licensing to third-party service providers to developmentally disabled persons. LCDX is a single-member LLC.

The accompanying consolidated financial statements include the accounts of AHRC Foundation, BCCS, Citizens Options and MRCS V (collectively, "Citizens"), CSSC and LCDX (collectively, the "Foundation"). All intercompany transactions and balances have been eliminated in the consolidated financial statements.

(c) Non-Controlled Affiliated Organizations

AHRC Nassau

AHRC Nassau is one of forty-eight New York State county chapters of NYSARC, Inc. NYSARC, Inc. is a membership corporation formed in 1949 for all county chapters. AHRC Nassau is governed by its own Board of Directors and is operated under guidelines promulgated by NYSARC, Inc. AHRC Nassau provides residential, day habilitation, vocational and other services to individuals with developmental disabilities in Nassau County, New York. AHRC Nassau is supported primarily by service fees paid by various New York State agencies and government grants.

Certain administrative services are provided to the Foundation by AHRC Nassau, a non-controlled affiliated organization. These services are provided pursuant to the terms of an administrative services agreement and include, but are not limited to, leadership consulting, purchasing, accounts payable, payroll, human resources, accounting, budgeting and financial reporting.

Advantage Care

Advantage Care specializes in the treatment of health care challenges faced by persons with developmental disabilities. Advantage Care is supported primarily by service fees paid by the New York State Department of Health ("NYSDOH"), Medicare and Medicaid. Advantage Care is a health care facility which operates a medical services clinic and autism services clinic. Medical services are provided by clinic staff trained in clinical specialties such as primary medical care, psychiatric, gynecology, dental care, podiatry and neurology services. Prior to June 8, 2015, the Foundation was the sole member of Advantage Care. Effective June 8, 2015, Advantage Care became a Federally Qualified Health Center ("FQHC") and entered into a sub-recipient agreement with Hudson River Health Care, LLC ("HRH").

Certain fundraising activities and related support are provided to Advantage Care by the Foundation. Advantage Care also leases approximately 10,300 square feet in its Brookville, NY location from CSSC.

The accounts of AHRC Nassau and Advantage Care are not included in the accompanying consolidated financial statements.

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2. Summary of Significant Accounting Policies

(a) Basis of Presentation

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

(b) Financial Statement Presentation

The classification of the Foundation's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be presented in a consolidated statement of financial position and that the amounts of change in each of those classes of net assets be presented in a consolidated statement of activities.

These classes are defined as follows:

(i) Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

(ii) Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to the stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated 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 Foundation considers all highly liquid instruments with an original maturity of three months or less, at the date of purchase, to be cash equivalents.

(d) Fair Value Measurement

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

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active

Nassau County AHRC Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

market, valuation of these products does not entail a significant degree of judgment. Examples include common stocks, stock index funds, mutual funds and international stocks.

Level 2 – Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly. This category includes certain government securities and mutual funds.

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

(e) Investments, at Fair Value

Investments are recorded at their fair values. Realized and unrealized gains or losses on investments are reported in the consolidated statement of activities as increases or decreases in unrestricted net assets.

(f) Accounts Receivable, Net

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

(g) Fixed Assets, Net

Fixed assets, net are recorded at cost. Depreciation and amortization is computed over the estimated useful lives of the assets by the straight-line method for financial reporting as follows:

Building and leasehold improvements	5-25 years
Cooperative apartments	15-50 years
Equipment	3-25 years

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

The Foundation follows the policy of capitalizing all fixed asset acquisitions in excess of $200. Maintenance and repairs are charged to operations when incurred. When fixed assets are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

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

(h) Impairment of Long-Lived Assets

The Foundation reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2016, there have been no such losses.

(i) Revenue Recognition

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

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

CSSC's revenue is derived principally from the renting of various properties to AHRC Nassau, Citizens, BCCS and Advantage Care.

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

Rental income for CSSC and MRCS V is recognized as earned pursuant to the terms of long-term rental agreements.

(j) Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(k) Concentration of Credit Risk

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

(l) Use of Estimates

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

(m) Income Taxes

The Foundation is incorporated in the State of New York and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is required. There was no unrelated business income for the year ended December 31, 2016.

The Foundation adopted the provisions of ASC 740, "Accounting for Uncertainty in Income Taxes." Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained. The implementation of ASC 740 had no impact on the Foundation's consolidated financial statements. The Foundation does not believe there are any material uncertain tax positions and, accordingly, it will recognize any liability for unrecognized tax benefits. The Foundation has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Foundation has filed Internal Revenue Service Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. The Foundation is subject to routine audits by taxing authorities.

(n) Recently Adopted Authoritative Guidance

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-03, "Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs," which resulted in the reclassification of debt issuance costs from other assets to inclusion as a reportable long-term debt balance on the balance sheet. The standard also calls for the amortization of debt issuance costs to now be reported as interest expense in the consolidated financial statements. The standard is effective for all non-public business entities for fiscal years beginning after December 15, 2015 and must be applied retrospectively. The Foundation has adopted and applied the standard for the year ended December 31, 2016. The standard did not have a material impact on the consolidated statements of financial position or cash flows provided by operations.

(o) Accounting Pronouncements Issued But Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB also issued ASU 2015-14 which deferred the effective date for the Foundation until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements – Going Concern: Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern." This ASU provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, this ASU provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The new standard will be effective for reporting periods beginning after December 15, 2016, with early adoption permitted. Management will apply the provisions of this standard upon adoption.

In May 2015, the FASB issued ASU 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)," which seeks to eliminate diversity in practice surrounding how investments measured at net asset value under the practical expedient with future redemption dates have been categorized in the fair value hierarchy. The standard is effective for annual periods beginning after December 15, 2016 for nonpublic entities. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Accounting for Leases," which applies a right-of-use ("ROU") model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income 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.

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

3. Investments, at Fair Value

Investments recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2 for a discussion of the Foundation's policies regarding this hierarchy.

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

Investments at fair value as of December 31, 2016 are as follows:

	Fair Value Measurement at Reporting Date Using			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance as of December 31, 2016
Common stock	$ 5,373,437	$ -	$-	$ 5,373,437
Stock index funds	6,282,490	-	-	6,282,490
Mutual funds	1,854,727	3,648,824	-	5,503,551
International stocks	1,799,602	-	-	1,799,602
Government securities	-	3,264,142	-	3,264,142
	$15,310,256	$6,912,966	$-	$22,223,222

There have been no changes in the methodologies used at December 31, 2016.

The cost and fair values of investments at December 31, 2016 are as follows:

December 31, 2016	Cost	Fair Value
Common stock	$ 3,829,848	$ 5,373,437
Stock index funds	3,968,453	6,282,490
Mutual funds	5,401,556	5,503,551
International stocks	1,728,664	1,799,602
Government securities	3,279,033	3,264,142
	$18,207,554	$22,223,222

Investment income, net consists of the following for the year ended December 31, 2016:

Year ended December 31, 2016	
Interest and dividends	$ 529,599
Unrealized gains	1,487,132
Realized gains	223,988
Investment fees	(70,916)
	$2,169,803

4. Accounts Receivable, Net

Accounts receivable, net consist of the following:

December 31, 2016	
Education services	$ 6,166,013
Residential	2,205,249
Intermediate care facility	778,376
Camp Loyaltown	708,892
Medicaid service coordination	423,563
Crisis respite	219,600
Family support	137,816
HUD	238,100
Miscellaneous	57,910
	10,935,519
Less: Allowance for doubtful accounts	(106,083)
	$10,829,436

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5. Assets Held for Specific Purpose

Under the terms of the Nassau County Industrial Development Agency (“IDA”) bonds and the 2014 and 2012 Nassau County Local Economic Assistance Corporation (“LEAC”) bonds, assets held for specific purpose consist of cash and cash equivalents. As of December 31, 2016, the assets held for specific purpose amounted to $117,734.

6. Investment in and Loan Receivable from E-Works Electronics Services, Inc.

AHRC Foundation has an investment of $500,000 in E-Works Electronic Services, Inc. (“EES”), constituting a 50% interest in EES. EES operates an electronics recycling vocational program which provides educational, training and employment opportunities for persons with developmental disabilities. AHRC Foundation recorded a valuation allowance of $250,000 in the year ended December 31, 2016. The remaining value of the investment at December 31, 2016 is $250,000.

Additionally, in November 2015, AHRC Foundation’s Board of Directors authorized a working capital loan to EES not to exceed $500,000, subject to further negotiation of interest rate and other repayment terms. AHRC Foundation recorded an allowance of $250,000 in the year ended December 31, 2016. The remaining net loan receivable as of December 31, 2016 is $250,000.

7. Subvention Loan Receivable

In February 2014, the Foundation entered into a subvention loan agreement with Advantage Care. Under the terms of the subvention loan agreement, Advantage Care may borrow up to $1.1 million pursuant to a promissory note payable for a period of fifteen years. Interest is payable monthly at the rate of two-thirds of the maximum interest rate authorized from time to time pursuant to Section 5-501 of the New York General Obligations Law or 5.0% per annum, whichever is lower (such rate being 4.0% per annum for the year ended December 31, 2016). Proceeds from this loan were

used for the new Freeport clinic construction, equipment, furniture and fixtures, in connection with development of Advantage Care to a full service, managed care supporting organization. Interest income for the year ended December 31, 2016 was $37,946.

8. Investment in Computer Software

The Foundation has an investment in proprietary software that is used for billing, operating systems and documentation standards in accordance with regulatory requirements, for support to third-party providers of services to developmentally disabled persons. As of December 31, 2016, there was $746,780 invested.

9. Programmatic Investment

Programmatic investment by its nature meets two distinct criteria: (i) its primary purpose is to further the tax-exempt objectives of the organization, and (ii) the production of income or appreciation of the investment is not a significant purpose for making this investment.

As of December 31, 2016, the Foundation has an investment of $2,051,684 in a managed care organization (the “MCO”). The MCO was developed, by AHRC Nassau, together with four other chapters of NYSARC, Inc. in the New York City metropolitan area, to provide a broad range of support and services for people with developmental disabilities, in transition from a fee for service program model to a capitated, comprehensive care management model. The MCO operations commenced on April 1, 2016. The MCO consists of Partners Health Plan, Inc. (“PHP”), a New York not-for-profit corporation, the operating entity which will serve as a health management organization (“HMO”) for payment of claims for the support and services delivered to developmentally disabled populations in the geographic regions of each chapter. PHP is a licensed HMO under Article 44 of the New York State Public Health Law and is approved by Centers for Medicare and Medicaid Services (“CMS”) as a Fully Integrated Duals Advantage (“FIDA”) provider. PHP is the obligor for repayment of the investment pursuant to a subordinated note payable to each of the chapters. The carrying value and recoverability of the investment in the MCO will be periodically evaluated over the course of its operations. Since operations of the MCO have only recently commenced, no impairment has been identified and recorded as of December 31, 2016.

10. Fixed Assets, Net

Fixed assets, net, consist of the following:

December 31, 2016	
Land	$ 12,168,955
Buildings and leasehold improvements	90,405,628
Cooperative apartments	3,080,762
Equipment	5,622,238
	111,277,583
Less: Accumulated depreciation and amortization	(65,808,833)
	$ 45,468,750

Depreciation and amortization expense for the year ended December 31, 2016 totaled $4,692,011.

11. Due From/(To) Non-Controlled Affiliated Organizations

(a) Management Fee

Certain administrative services are provided by AHRC Nassau, a non-controlled affiliated organization, pursuant to terms of an administrative services agreement for which the Foundation incurred management fees of approximately $3,585,000 for the year ended December 31, 2016.

(b) Rental Income

For the year ended December 31, 2016, rental income earned from various organizations was as follows:

Year ended December 31, 2016	
AHRC Nassau	$2,468,943
Advantage Care	28,261
	$2,497,204

(c) Tri-Party Agreement

On December 28, 2012, AHRC Nassau and Nassau Community Mental Retardation Services Company, Inc. ("NCMRS") entered into a tri-party agreement ("Tri-Party Lease") with CSSC. The Tri-Party Lease provided for CSSC's purchase of the corresponding receivable held by AHRC Nassau from NCMRS. NCMRS has a payable to CSSC in connection with the Tri-Party Lease for the December 28, 2012 LEAC Bonds Series G and K. The 2012 LEAC Bonds were established to refinance the outstanding debt of each of the Nassau County IDA Civic Facility Revenue Bond and the AHRC Nassau HSBC Line of Credit, of which the proceeds were used for improvements to the NCMRS property. As of December 31, 2016, the balance due to CSSC from NCMRS was approximately $1,026,000.

(d) Debt Forgiveness - Acquisition of Property

(i) CSSC entered into an agreement in January 2012 with AHRC Nassau and Mental Retardation Community Services of Nassau County - Project III, Inc. ("MRCS III") for properties purchased by MRCS III and financed by CSSC. AHRC Nassau paid for a portion of property acquisitions on behalf of MRCS III in a prior year. AHRC Nassau is being reimbursed for its funding of the property acquisitions by OPWDD over a number of years. MRCS III realizes debt forgiveness commensurate with reimbursement amounts received by AHRC Nassau from OPWDD. The debt forgiveness amounted to $75,563 for the year ended December 31, 2016.

In accordance with a January 2012 agreement between AHRC Nassau, MRCS III and CSSC, the debt owed by MRCS III to AHRC Nassau was purchased by CSSC. Effective with this transaction, and with substantially the same terms as the original agreement with AHRC Nassau as mentioned above, the debt owed by MRCS III will be forgiven by CSSC. The remaining balance due to CSSC relating to this acquisition is $755,726.

(ii) CSSC entered into an agreement in December 2014 with AHRC Nassau and Mental Retardation Community Services of Nassau County - Project IV, Inc. ("MRCS IV") for properties purchased by MRCS IV and financed by CSSC. AHRC Nassau paid for a portion of property acquisitions on behalf of MRCS IV in a prior year. AHRC Nassau is being reimbursed for its funding of the property acquisitions by OPWDD over a number of years. AHRC Nassau forgives a portion of the debt due from MRCS IV as it receives reimbursement from OPWDD and MRCS IV records a forgiveness of debt accordingly. The debt forgiveness amounted to $64,757 for the year ended December 31, 2016.

In accordance with a December 2014 agreement between AHRC Nassau, MRCS IV and CSSC, the debt owed by MRCS IV to AHRC Nassau was purchased by CSSC. Effective with this transaction, and with substantially the same terms as the original agreement with AHRC Nassau as mentioned above, the debt owed by MRCS IV will be forgiven by CSSC. The remaining balance due to CSSC relating to this acquisition is $617,723. For the year ended December 31, 2016, MRCS IV paid a portion of this debt in the amount of $100,000, in addition to the debt forgiveness.

(e) Guarantees of Obligations

(i) CSSC unconditionally guarantees a Nassau County IDA bond financing agreement entered into by Advantage Care. At December 31, 2016, the outstanding balance carried by Advantage Care was $1,480,000. At December 31, 2016, Advantage Care was not in default of the scheduled bond payments.

(ii) CSSC unconditionally guarantees a lease agreement entered into by BCCS over the next ten years with minimum aggregate payments due of approximately $12,600,000. As of December 31, 2016, BCCS was not in default of the terms of the lease agreement. The related rental activity is eliminated in the consolidating schedule of activities.

(iii) CSSC unconditionally guarantees separate revolving lines of credit agreements for each of Citizens Options and BCCS, each in the amount of $2.0 million. As of December 31, 2016, there were no amounts outstanding under these agreements and there were no defaults under the terms of these agreements.

(iv) AHRC Foundation unconditionally guarantees a line of credit agreement entered into by EES up to $500,000.

(v) AHRC Foundation unconditionally guarantees a lease agreement entered into by PHP over the period January 1, 2016 to May 30, 2022 with minimum aggregate payments due of approximately $1,625,000, or $25,000 per month. The Foundation may be released as guarantor on or after December 31, 2017 when PHP meets certain financial requirements.

(vi) Citizens Options unconditionally guarantees separate line of credit agreements for CSSC and BCCS in the amounts of $5 million and $2 million, respectively. At December 31, 2016, there were no amounts outstanding under the BCCS line of credit and there was approximately $1,288,000 outstanding under the CSSC line of credit. At December 31, 2016, there was no default of the terms of these agreements.

12. Capital Advance From HUD

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

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

As of December 31, 2016, there was a related accounts receivable due from this advance in the amount of $228,338.

13. Lines of Credit

As of December 31, 2016, Citizens has an unsecured revolving bank line of credit under which a maximum amount of $2.0 million can be borrowed. The line of credit agreement requires that Citizens comply with certain financial covenants. Citizens was in compliance with its financial covenants as of December 31, 2016. The line of credit bears interest at the prevailing prime rate (such rate being 3.75% at December 31, 2016). There were no amounts borrowed under the line of credit and no interest expense incurred for the year ended December 31, 2016. The agreement expires on December 8, 2017 and may be renewed with the bank's approval.

As of December 31, 2016, BCCS has an unsecured revolving bank line of credit under which a maximum amount of $2.0 million can be borrowed. The line of credit agreement requires that BCCS comply with certain financial covenants. BCCS was in compliance with its financial covenants as of December 31, 2016. The line of credit bears interest at the prevailing prime rate (such rate being 3.75% at December 31, 2016). A total amount of $1,400,000 was borrowed under the line of credit and was fully repaid prior to December 31, 2016, for which interest expense of $5,300 was incurred for the year ended December 31, 2016. The agreement expires on December 8, 2017 and may be renewed with the bank's approval.

As of December 31, 2016, CSSC has a secured revolving bank line of credit with HSBC Bank, under which a maximum amount of $5.0 million can be borrowed. The line of credit agreement requires that CSSC comply with certain financial covenants. CSSC was in compliance with its financial covenants as of December 31, 2016. The line of credit bears interest at the prevailing prime rate (such rate being 3.75% at December 31, 2016). The line of credit is to be used to fund the acquisition of property and/or renovation of residents approved by OPWDD and the New York State Education Department, as applicable. The line of credit is secured by the assets of CSSC and guaranteed by each of BCCS, Citizens and the Foundation (collectively, the "Guarantors"). As of December 31, 2016, there was $1,287,646 outstanding under this line of credit. The agreement expires on December 8, 2017 and may be renewed with the bank's approval.

14. Mortgages Payable

On February 23, 2012, CSSC entered into mortgage loans with HSBC Bank for two residential properties. The loans are payable in monthly installments of $9,073 at interest rates of 4.17% and 4.19% per annum for each of these properties which mature in February 2025 and May 2025, respectively.

CSSC has entered into loan agreements with FDC, acting by and through its agent, the Commissioner of OPWDD and its successors. The loans are secured by four residential properties. The loans bear interest at rates ranging from 3.33% to 7.82% and are payable in semi-annual installments through varying dates from February 2016 to February 2021.

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Future minimum annual principal payments for the year ended December 31, 2016 are as follows:

Year ending December 31,	
2017	$ 399,845
2018	314,638
2019	247,477
2020	204,364
2021	118,977
Thereafter	334,419
	$1,619,720

15. Bonds Payable

On December 30, 2014, CSSC entered into a loan agreement with Israel Discount Bank ("IDB"), in the aggregate amount of $12,763,000. IDB purchased and holds bonds pursuant to a bond purchase agreement by and between IDB and Bank of New York Mellon as trustee. CSSC remits monthly payments of principal and interest to the trustee.

The bond purchase agreement consists of a series of four bonds, referred to as 2014 LEAC Bonds Series A through D. Proceeds from the bond purchase agreement were used by CSSC to refinance years 2007 and 2006 IDA bonds of $10.2 million, to purchase and/or renovate four new projects of $2.1 million and $500,000 to pay loan closing costs. The 2014 LEAC Bonds mature at varying dates from December 1, 2021 through January 1, 2030 with interest rates ranging from 2.35% to 4.50%. Series A through C bonds are tax-exempt bonds and Series D is a taxable bond.

Future minimum annual principal payments for the year ended December 31, 2016 are as follows:

Year ending December 31,	
2017	$1,502,000
2018	1,560,000
2019	1,585,000
2020	1,625,000
2021	1,485,000
Thereafter	1,990,000
	9,747,000
Less: Unamortized balance of deferred financing costs	(521,523)
	$9,225,477

On December 28, 2012, CSSC entered into loan agreements aggregating $31,299,000. These agreements consist of a separate agreement with each of two banks, TD Bank and IDB, with substantially identical terms in the amounts of $19,559,000 and $11,740,000, respectively. Each bank purchased and holds bonds pursuant to separate bond purchase agreements by and between each bank and U.S. Bank, NA, as trustee. CSSC remits monthly payments of principal and interest to the trustee.

The bond purchase agreements consist of a series of thirteen bonds, referred to as 2012 LEAC Bonds Series A through M. Proceeds from the bond purchase agreement were used by CSSC to refinance the then existing long-term debt of $22.6 million, to purchase and/or renovate three new projects for $6.5 million, and $2.2 million to pay loan closing costs. The 2012 LEAC Bonds mature at varying dates from April 1, 2015 through June 1, 2027 with interest rates ranging from 1.81% to 4.25%. Series A through L bonds are tax-exempt bonds and Series M is a taxable bond. The bond proceeds were deposited into bond funds held by U.S. Bank, NA which were used for purchase and renovations of the respective facilities and debt service repayments. U.S. Bank, NA has a lien on, and security interest in, the facilities, property, equipment and furnishings in addition to the rents, issues and profits generated by the facilities.

Future minimum annual principal payments for the year ended December 31, 2016 are as follows:

Year ending December 31,	
2017	$ 2,439,000
2018	2,184,000
2019	2,151,000
2020	2,212,000
2021	2,284,000
Thereafter	6,202,000
	17,472,000
Less: Unamortized balance of deferred financing costs	(772,780)
	$16,699,220

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The 2014 LEAC Bonds and the 2012 LEAC Bonds are subject to certain covenants. CSSC, along with the Foundation, Advantage Care, AHRC Nassau, BCCS and Citizens Options (collectively, the "Institution") must maintain a specified debt service coverage ratio, a specified amount of unrestricted liquid net assets, and must deposit and maintain a specified average balance with each lender measured semi-annually on the last day of the second fiscal quarter and on the last day of each fiscal year. The Institution is in compliance with these covenants as of December 31, 2016.

16. Retirement Expense

Each of AHRC Foundation, BCCS and Citizens Options maintains a defined contribution plan, as defined by IRC Section 403(b), and is offered to all employees who have attained the age of 20-1/2 years, completed six months of service at the beginning of the contribution period, and have 1,000 hours of credited service. The annual employer contributions to the plans for AHRC Foundation and Citizens Options were 4% of total eligible salaries for all employees covered. The annual employer contributions to the BCCS plan were 6.5% of total eligible salaries for all employees covered. Total retirement expense for AHRC Foundation, BCCS and Citizens Options for the year ended December 31, 2016 was approximately $1,987,000.

17. Reserve for Potential Liabilities

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

Revenues and receivables from government funded programs are subject to review and final determination of realizable rates by various regulatory agencies. Management has estimated a reserve for potential liabilities of approximately $219,000 as of December 31, 2016.

18. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2016:

December 31, 2016	
Camp Loyaltown general purposes	$1,363,937
Autism	1,211,281
Special needs	615,031
Camp Loyaltown capital projects	209,853
Parent association	35,318
ICF services	16,635
CRP	3,805
Other	456,047
HUD time restriction	1,396,400
	$5,308,307

Income earned on temporarily restricted net assets is expendable to support operations unless otherwise specified by the donor.

Net assets were released for the following purposes:

December 31, 2016	
Camp Loyaltown pool	$350,000
Autism	35,347
Special needs	34,851
Parent association	35,880
CRP	27,622
Camp Loyaltown capital projects	19,030
	$502,730

The following table represents the reconciliation of changes in temporarily restricted net assets for the year ended December 31, 2016:

Year ended December 31, 2016

	Nassau County AHRC Foundation, Inc.	Brookville Center for Children's Services, Inc.	Citizens Options Unlimited, Inc.	Community Services Support Corporation	Life Care Data Exchange, LLC	Consolidated Total
Temporarily restricted net assets, beginning of year	$ 778,474	$1,722,830	$1,081,229	$-	$-	$3,582,533
Temporarily restricted contributions	-	276,305	1,952,199	-	-	2,228,504
Temporarily restricted net assets released from restriction	(350,000)	(133,700)	(19,030)	-	-	(502,730)
Temporarily restricted net assets, end of year	$ 428,474	$1,865,435	$3,014,398	$-	$-	$5,308,307

19. Commitments and Contingencies

Leases

Citizens and BCCS lease various buildings, vehicles and equipment under operating leases. The leases are for various durations through December 31, 2066.

Future minimum lease payments at December 31, 2016 for the next five years and in the aggregate are as follows:

Year ending December 31,	Buildings	Vehicles	Total
2017	$ 2,583,743	$394,335	$ 2,978,078
2018	2,435,608	311,158	2,746,766
2019	2,375,234	214,579	2,589,813
2020	2,315,467	59,187	2,374,654
2021	2,219,396	6,046	2,225,442
Thereafter	8,661,538	-	8,661,538
Total	$20,590,986	$985,305	$21,576,291

Rent expense for the year ended December 31, 2016 approximated $5,254,000.

Legal Matters

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

HUD Contingencies

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

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

New York State Office of the State Comptroller Audit

BCCS has been subject to an audit of its preschool programs by the New York State Office of the State Comptroller ("NYSOSC"). The preschool programs consist of the preschool segregated (SED Code 9100), preschool integrated (SED Code 9160) and the Special Education Itinerant Teacher (SED Code 9135) programs. The periods covered under audit are the fiscal years ended June 30, 2012 through June 30, 2014. The amounts subject to audit are total program expense of approximately $72.2 million. The NYSOSC issued a draft report dated June 9, 2017 with an aggregate recommended disallowance of $1,364,017, to which BCCS provided its response on July 10, 2017.

Management disagrees with substantially all of the NYSOSC findings and is challenging these findings. Management is presently unable to predict the ultimate outcome of the audit. Accordingly, no provision for loss has been recorded in the consolidated financial statements as of December 31, 2016 and for the year then ended.

20. Subsequent Events

The Foundation has evaluated subsequent events through August 25, 2017, the date the consolidated financial statements were available for issuance. During the quarter ended March 31, 2017, Citizens Options assumed program operations with annual revenue of approximately $2.8 million from another agency, consisting of two ICFs in Melville, NY serving nineteen persons, one of which opened on February 16, 2017 and the other which opened on March 16, 2017. Other than the aforementioned, and the NYSOSC audit disclosed in Note 19, there were no subsequent events requiring adjustments to the consolidated financial statements or disclosures as stated herein.

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Nassau County AHRC Foundation, Inc. and Affiliates

Consolidating Schedule of Financial Position

December 31, 2016

	Nassau County AHRC Foundation, Inc.	Brookville Center for Children's Services, Inc.	Citizens Options Unlimited, Inc.	Community Services Support Corporation	Life Care Data Exchange, LLC	Eliminations	Total
Assets							
Current:							
Cash and cash equivalents	$ 5,673,696	$ 2,504,477	$ 4,745,235	$ 1,901,825	$ 132,450	$ -	$ 14,957,683
Investments, at fair value	20,927,155	-	-	1,296,067	-	-	22,223,222
Accounts receivable, net	-	6,799,277	4,000,153	125,284	5,288	(100,566)	10,829,436
Contributions receivable, net	18,410	-	-	-	-	-	18,410
Accrued interest receivable	13,658	-	-	-	-	-	13,658
Prepaid expenses and other assets	178,373	419,989	207,970	8,591	-	-	814,923
Due from non-controlled affiliated organizations, current portion	-	-	-	278,495	-	-	278,495
Due from controlled affiliates	76,333	-	-	-	-	(76,333)	-
Total Current Assets	26,887,625	9,723,743	8,953,358	3,610,262	137,738	(176,899)	49,135,827
Due From Non-Controlled Affiliated Organizations, Net of Current Portion	-	-	-	2,327,504	-	-	2,327,504
Assets Held for Specific Purpose	-	-	-	117,734	-	-	117,734
Loan Receivable From E-Works Electronics Services, Inc., Net	250,000	-	-	-	-	-	250,000
Subvention Loan Receivable From Advantage Care Diagnostic and Treatment Center, Inc.	917,364	-	-	-	-	-	917,364
Deferred Charges	-	-	129,928	-	-	-	129,928
Computer Software, Net	-	-	-	-	978,494	-	978,494
Investment in Computer Software - Managed Care Organization	746,480	-	-	-	-	-	746,480
Investment in E-Works Electronics Services, Inc.	250,000	-	-	-	-	-	250,000
Investment in Managed Care Organization	2,051,684	-	-	-	-	-	2,051,684
Fixed Assets, Net	6,150	4,040,116	5,343,832	36,078,652	-	-	45,468,750
Total Assets	$31,109,303	$13,763,859	$14,427,118	$42,134,152	$1,116,232	$(176,899)	$102,373,765
Liabilities and Net Assets							
Current Liabilities:							
Accounts payable and accrued expenses	$ 48,696	$ 815,669	$ 1,969,248	$ 100,143	$ 11,777	$ (20,556)	$ 2,924,977
Accrued payroll and payroll related costs	49,115	3,662,709	1,652,572	-	-	-	5,364,396
Assets held for related organizations	80,010	-	-	-	-	(80,010)	-
Due to New York State OPWDD	-	142,657	471,119	-	-	-	613,776
Due to Nassau County AHRC Foundation, Inc.	-	42,059	34,274	-		(76,333)	-
Due to non-controlled Affiliated Organizations, current	17,099	900,586	1,251,428	-	-	-	2,169,113
Line of credit	-	-	-	1,287,646	-	-	1,287,646
Mortgages payable, current portion	-	-	-	399,845	-	-	399,845
Bonds payable, current portion	-	-	-	3,941,000	-	-	3,941,000
Total Current Liabilities	194,920	5,563,680	5,378,641	5,728,634	11,777	(176,899)	16,700,753
Reserve for Potential Liabilities	-	218,735	-	-	-	-	218,735
Deferred Revenue	-	-	-	252,501	-	-	252,501
Mortgages Payable, Net of Current Portion	-	-	-	1,219,875	-	-	1,219,875
Bonds Payable, Net of Current Portion and Deferred Financing Costs	-	-	-	21,983,697	-	-	21,983,697
Total Liabilities	194,920	5,782,415	5,378,641	29,184,707	11,777	(176,899)	40,375,561
Commitments and Contingencies							
Net Assets:							
Unrestricted	30,485,909	6,116,009	6,034,079	12,949,445	1,104,455	-	56,689,897
Temporarily restricted	428,474	1,865,435	3,014,398	-	-	-	5,308,307
Total Net Assets	30,914,383	7,981,444	9,048,477	12,949,445	1,104,455	-	61,998,204
Total Liabilities and Net Assets	$31,109,303	$13,763,859	$14,427,118	$42,134,152	$1,116,232	$(176,899)	$102,373,765

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidating Schedule of Activities

Year ended December 31, 2016

	Nassau County AHRC Foundation, Inc.	Brookville Center for Children's Services, Inc.	Citizens Options Unlimited, Inc.	Community Services Support Corporation	Life Care Data Exchange, LLC	Eliminations	Total
Revenue:							
Program service fees:							
Education services	$ -	$41,505,402	$ -	$ -	$ -	$ -	$41,505,402
Residential services	-	6,085,078	10,534,500	-	-	-	16,619,578
Intermediate care facility services	-	-	13,597,357	-	-	-	13,597,357
Camp Loyaltown	-	-	3,404,586	-	-	-	3,404,586
Medicaid service coordination	-	-	2,557,486	-	-	-	2,557,486
Crisis respite services	-	-	785,457	-	-	-	785,457
Family support services	-	-	323,419	-	-	-	323,419
Total Program Service Fees	-	47,590,480	31,202,805	-	-	-	78,793,285
Rental income	-	-	9,762	5,394,366	-	(2,906,924)	2,497,204
Contributions	911,337	381,471	578,858	-	-	(626,897)	1,244,769
Service fees	-	-	-	-	76,138	-	76,138
Government grants	-	1,671,558	-	-	-	-	1,671,558
Special events	677,498	-	-	-	-	-	677,498
Less: Direct benefits to donor expenses	(111,023)	-	-	-	-	-	(111,023)
Less: Amounts received on behalf of related organizations	(176,897)	-	-	-	-	176,897	-
Capital grant and other revenue	-	-	1,397,790	-	-	-	1,397,790
Total Revenue	1,300,915	49,643,509	33,189,215	5,394,366	76,138	(3,356,924)	86,247,219
Expenses:							
Program expenses:							
Education services	-	40,527,322	-	-	-	(1,119,040)	39,408,282
Residential services	-	5,141,641	9,497,999	-	-	(785,910)	13,853,730
Intermediate care facility services	-	-	12,115,867	-	-	(870,301)	11,245,566
Camp Loyaltown	-	-	3,016,000	-	-	(9,477)	3,006,523
Medicaid service coordination	-	-	2,330,729	-	-	(30,683)	2,300,046
Crisis respite services	-	-	901,125	-	-	(91,513)	809,612
Family support services	-	-	330,745	-	-	-	330,745
Other operating expenses:							
Interest	-	-	-	1,398,703	-	-	1,398,703
Grants	1,015,000	-	-	-	-	(450,000)	565,000
OPWDD administrative fees - bonds	-	-	-	3,320	-	-	3,320
Depreciation and amortization	-	-	-	3,617,934	172,080	-	3,790,014
Total Program and Other Operating Expenses	1,015,000	45,668,963	28,192,465	5,019,957	172,080	(3,356,924)	76,711,541
Supporting services:							
Management fee	60,000	1,669,000	1,706,196	150,000	-	-	3,585,196
Management and general	889,555	1,627,687	122,222	-	1,762	-	2,641,226
Fundraising - contracted services	127,220	-	-	-	-	-	127,220
Professional services	-	-	-	41,612	23,559	-	65,171
Total Supporting Services Expenses	1,076,775	3,296,687	1,828,418	191,612	25,321	-	6,418,813
Total Expenses	2,091,775	48,965,650	30,020,883	5,211,569	197,401	(3,356,924)	83,130,354
Operating Income (Loss)	(790,860)	677,859	3,168,332	182,797	(121,263)	-	3,116,865
Non-Operating Activity:							
Investment income (loss)	2,129,417	-	-	40,386	-	-	2,169,803
Interest and other income	221,945	4,844	-	-	-	-	226,789
Total Non-Operating Activity	2,351,362	4,844	-	40,386	-	-	2,396,592
Transfer of Assets	(288,680)	-	-	-	288,680	-	-
Change in Net Assets	1,271,822	682,703	3,168,332	223,183	167,417	-	5,513,457
Net Assets, Beginning of Year	29,642,561	7,298,741	5,880,145	12,726,262	937,038	-	56,484,747
Net Assets, End of Year	$30,914,383	$ 7,981,444	$ 9,048,477	$12,949,445	$1,104,455	$ -	$61,998,204

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WeiserMazars LLP

NASSAU COUNTY AHRC FOUNDATION, INC. AND AFFILIATES

REPORT ON AUDIT OF CONSOLIDATING FINANCIAL STATEMENTS

Year Ended December 31, 2015

MAZARS

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WEISERMAZARS LLP IS AN INDEPENDENT MEMBER FIRM OF MAZARS GROUP.

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MAZARS WeiserMazars

Independent Auditors' Report

Board of Directors
Nassau County AHRC Foundation, Inc.
and Affiliates
Brookville, New York

We have audited the accompanying consolidating financial statements of Nassau County AHRC Foundation, Inc. and Affiliates, which comprise the consolidating statements of financial position as of December 31, 2015, and the related consolidating statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidating financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidating financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of these consolidating financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidating financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidating financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 consolidating financial statements referred to above present fairly, in all material respects, the individual and consolidated financial positions of Nassau County AHRC Foundation, Inc. and Affiliates as of December 31, 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.

WeiserMazars LLP

July 12, 2016

WeiserMazars LLP
135 West 50th Street New York, New York 10020
Tel: 212.812.7000 – Fax: 212.375.6888 – www.weisermazars.com

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Consolidating Statement of Financial Position

December 31, 2015

	Nassau County AHRC Foundation, Inc.	Brookville Center for Children's Services, Inc.	Citizens Options Unlimited, Inc.	Community Services for the Mentally Retarded, Inc.	Life Care Data Exchange, LLC	Eliminations	Consolidated Total
Assets							
Current Assets:							
Cash and cash equivalents	$ 4,536,293	$ 1,622,772	$ 6,071,788	$ 2,359,213	$ 140,751	$ -	$ 14,730,817
Investments	19,443,753	-	-	1,289,812	-	-	20,733,565
Accounts receivable, net	-	6,875,325	3,131,992	208,748	-	(53,516)	10,162,549
Contributions receivable	479,948	-	-	-	-	-	479,948
Accrued interest receivable	15,703	-	-	-	-	-	15,703
Prepaid expenses and other current assets	116,078	263,280	204,232	46,164	1,284	-	631,038
Receivable from other organizations	10,922	-	-	277,332	-	(14,338)	273,916
Total Current Assets	24,602,697	8,761,377	9,408,012	4,181,269	142,035	(67,854)	47,027,536
Receivable from other organizations	-	-	1,915,827	2,705,999	-	-	4,621,826
Assets held for specific purpose	347,306	-	-	117,734	-	-	465,040
Loan receivable from E-Works Electronics Services, Inc.	237,500	-	-	-	-	-	237,500
Loan receivable from Life Care Data Exchange, LLC	288,680	-	-	-	-	(288,680)	-
Subvention loan receivable from Advantage Care	974,770	-	-	-	-	-	974,770
Deferred charges	-	-	146,875	-	-	-	146,875
Deferred financing costs, net	-	-	-	1,874,611	-	-	1,874,611
Computer software, net	-	-	-	-	1,090,741	-	1,090,741
Investment in computer software - managed care organization	792,786	-	-	-	-	-	792,786
Investment in E-Works Electronics Services, Inc.	500,000	-	-	-	-	-	500,000
Investment in managed care organization	2,051,684	-	-	-	-	-	2,051,684
Land, buildings, equipment and improvements, net	10,250	3,975,508	2,036,435	38,622,819	-	-	44,645,012
Total Assets	$ 29,805,673	$ 12,736,885	$ 13,507,149	$ 47,502,432	$ 1,232,776	$ (356,534)	$ 104,428,381
Liabilities and Net Assets							
Current Liabilities:							
Accounts payable and accrued expenses	$ 39,302	$ 1,263,277	$ 895,237	$ 52,478	$ 7,058	$ (3,984)	$ 2,253,368
Accrued payroll and payroll related costs	45,830	3,550,866	1,522,515	-	-	-	5,119,211
Assets held for related organizations	53,516	-	-	-	-	(53,516)	-
Due to other organizations	24,464	337,147	816,848	-	288,680	(299,034)	1,168,105
Due to OPWDD	-	125,302	4,195,168	-	-	-	4,320,470
Bank lines of credit	-	-	-	609,197	-	-	609,197
Current portion of long-term debt	-	-	-	5,039,077	-	-	5,039,077
Total Current Liabilities	163,112	5,276,592	7,429,768	5,700,752	295,738	(356,534)	18,509,428
Reserve for third-party payors and rate adjustments	-	161,552	197,236	-	-	-	358,788
Deferred revenue	-	-	-	236,962	-	-	236,962
Long-term debt, net of current portion	-	-	-	28,838,456	-	-	28,838,456
Total Liabilities	163,112	5,438,144	7,627,004	34,776,170	295,738	(356,534)	47,943,634
Net Assets:							
Unrestricted	28,864,087	5,575,911	4,798,916	12,726,262	937,038	-	52,902,214
Temporarily restricted	778,474	1,722,830	1,081,229	-	-	-	3,582,533
Total Net Assets	29,642,561	7,298,741	5,880,145	12,726,262	937,038	-	56,484,747
Total Liabilities and Net Assets	$ 29,805,673	$ 12,736,885	$ 13,507,149	$ 47,502,432	$ 1,232,776	$ (356,534)	$ 104,428,381

See notes to consolidating financial statement.

NASSAU COUNTY AHRC FOUNDATION, INC.
AND AFFILIATES

Consolidating Statement of Activities and Change in Net Assets

Year Ended December 31, 2015

	Nassau County AHRC Foundation, Inc.	Brookville Center for Children's Services, Inc.	Citizens Options Unlimited, Inc.	Community Services for the Mentally Retarded, Inc.	Advantage Care Diagnostic and Treatment Center, Inc.	Life Care Data Exchange, LLC	Eliminations	Consolidated Total
Revenue:								
Program Revenue:								
Residential services	$ -	$ 5,534,145	$ 7,354,153	$ -	$ -	$ -	$ -	$ 12,888,298
Crisis respite services	-	-	769,961	-	-	-	-	769,961
Medicaid service coordination	-	-	2,620,958	-	-	-	-	2,620,958
Family support services	-	-	263,096	-	-	-	-	263,096
Camp Loyaltown	-	-	3,097,291	-	-	-	-	3,097,291
Intermediate care facility services	-	-	11,839,360	-	-	-	-	11,839,360
Education services	-	40,117,237	-	-	-	-	-	40,117,237
Rental income	-	-	-	5,965,706	-	-	(2,976,030)	2,989,676
Contributions	1,898,318	355,035	207,118	-	-	-	(173,588)	2,286,883
Service fee revenue	-	-	-	-	-	205,638	-	205,638
Government grants	-	1,300,310	-	-	-	-	-	1,300,310
Special events	737,182	-	-	-	-	-	-	737,182
Less direct benefits to donor expenses	(126,701)	-	-	-	-	-	-	(126,701)
Less amounts received on behalf of related organizations	(173,588)	-	-	-	-	-	173,588	-
Interest and other income	182,452	-	-	6,452	-	-	-	188,904
Investment income (loss)	(454,564)	-	-	19,268	-	-	-	(435,296)
Total Revenue	2,063,099	47,306,727	26,151,937	5,991,426	-	205,638	(2,976,030)	78,742,797
Expenses:								
Program expenses:								
Residential services	-	5,018,769	6,197,610	-	-	-	(789,025)	10,427,354
Crisis respite services	-	-	782,198	-	-	-	(93,963)	688,235
Medicaid service coordination	-	-	2,395,141	-	-	-	(31,037)	2,364,104
Family support services	-	-	312,010	-	-	-	-	312,010
Camp Loyaltown	-	-	2,861,472	-	-	-	(9,506)	2,851,966
Intermediate care facility services	-	-	11,025,808	-	-	-	(900,871)	10,124,937
Educational services	-	39,106,284	-	-	-	-	(1,151,628)	37,954,656
Program services:								
Grants	779,359	-	-	-	-	-	-	779,359
Interest	-	-	-	952,283	-	-	-	952,283
OPWDD administrative fees - bonds	-	-	-	6,793	-	-	-	6,793
Depreciation and amortization	-	-	-	4,556,829	-	83,903	-	4,640,732
Total Program Expenses and Services	779,359	44,125,053	23,574,239	5,515,905	-	83,903	(2,976,030)	71,102,429
Supporting services:								
Management fee	60,000	1,565,000	1,340,000	150,000		-	-	3,115,000
Management and general	373,091	1,200,298	200,298	-		1,852	-	1,775,539
Fundraising - contracted services	123,877	-	-	-		-	-	123,877
Professional services	-	-	-	43,169		79,941	-	123,110
Total Supporting Services	556,968	2,765,298	1,540,298	193,169	-	81,793	-	5,137,526
Total Expenses	1,336,327	46,890,351	25,114,537	5,709,074	-	165,696	(2,976,030)	76,239,955
Change in Net Assets	726,772	416,376	1,037,400	282,352	-	39,942	-	2,502,842
Net Assets, beginning of year	29,812,885	6,882,365	4,842,745	12,443,910	2,553,214	-	-	56,535,119
Spin-off of Advantage Care (Note 1)	-	-	-	-	(2,553,214)	-	-	(2,553,214)
Net Assets, beginning of year as adjusted	29,812,885	6,882,365	4,842,745	12,443,910	-	-	-	53,981,905
Transfer of Assets (Note 1)	(897,096)	-	-	-	-	897,096	-	-
Net Assets, end of year	$ 29,642,561	$ 7,298,741	$ 5,880,145	$ 12,726,262	$ -	$ 937,038	$ -	$ 56,484,747

See notes to consolidating financial statements.

Consolidating Statement of Cash Flows

Year Ended December 31, 2015

	Nassau County AHRC Foundation, Inc.	Brookville Center for Children's Services, Inc.	Citizens Options Unlimited, Inc.	Community Services for the Mentally Retarded, Inc.	Life Care Data Exchange, LLC	Eliminations	Consolidated Total
Cash Flows from Operating Activities:							
Change in net assets	$ 726,772	$ 416,376	$ 1,037,400	$ 282,352	$ 39,943	-	$ 2,502,843
Adjustments to reconcile change in net assets to net cash provided by operating activities:							
Depreciation and amortization	2,050	489,684	261,008	4,556,829	83,903	-	5,393,474
Realized and unrealized losses on investments	840,284	-	-	1,511	-	-	841,795
Provision for third-party payors and rate adjustments	-	50,777	-	-	-	-	50,777
Provision for doubtful accounts	-	(30,923)	-	-	-	-	(30,923)
Decrease (increase) in operating assets:							
Accounts receivable	-	(931,986)	592,792	(116,461)	10,350	-	(445,305)
Contributions receivable	1,791,179	-	-	-	-	-	1,791,179
Accrued interest receivable	(9,902)	-	-	-	-	-	(9,902)
Receivable from other organization	-	-	-	273,918	-	-	273,918
Accrued pledges receivable	-	10,008	-	-	-	-	10,008
Prepaid expenses and other current assets	(50,271)	21,091	(44,417)	(16,544)	(1,284)	-	(91,425)
Real property - held for resale	(347,306)	-	-	-	-	-	(347,306)
Increase (decrease) in operating liabilities:							
Accounts payable and accrued expenses	(3,183)	276,585	146,503	(35,668)	7,058	-	391,295
Accrued payroll and payroll related costs	13,425	63,285	280,985	-	-	-	357,695
Assets held for related organizations	(9,739)	-	-	-	-	9,739	-
Due to OPWDD	-	(718)	1,331,036	-	-	-	1,330,318
Refundable advances	-	(29,731)	-	-	-	-	(29,731)
Deferred revenue	-	-	-	91,150	-	-	91,150
Net Cash Provided by Operating Activities	2,953,309	334,448	3,605,307	5,037,087	139,970	9,739	12,079,860
Cash Flows from Investing Activities:							
Purchase of land, buildings, equipment and improvements	(12,300)	(313,813)	(417,506)	(1,855,637)	-	-	(2,599,256)
Due from other organizations	-	-	(1,840,044)	-	-	(9,739)	(1,849,783)
Investment in computer software	-	-	-	-	(287,899)	-	(287,899)
Purchase of investments, net	(3,936,369)	-	-	(1,313,915)	-	-	(5,250,284)
Proceeds from sale of investments	1,675,576	-	-	1,745,464	-	-	3,421,040
Net Cash Used in Investing Activities	(2,273,093)	(313,813)	(2,257,550)	(1,424,088)	(287,899)	(9,739)	(6,566,182)
Cash Flows from Financing Activities:							
Proceeds from line of credit	-	900,000	-	582,291	-	-	1,482,291
Subvention loan to Advantage Care	(3,666)	-	-	-	-	-	(3,666)
Loan to E-Works Electronics Services, Inc.	(237,500)	-	-	-	-	-	(237,500)
Proceeds from loan from Nassau County AHRC Foundation, Inc.	-	-	-	-	288,680	(288,680)	-
Loan to Life Care Data Exchange, LLC	(288,680)	-	-	-	-	288,680	-
Principal payments on bank lines of credit	-	(900,000)	-	(1,090,620)	-	-	(1,990,620)
Principal payments on long-term debt	-	-	-	(5,443,614)	-	-	(5,443,614)
Due to Nassau County AHRC Foundation	2,025,000	-	-	(2,025,000)	-	-	-
Due to/(from) other organizations	(12,815)	(300,516)	186,905	-	-	-	(126,426)
Increase in assets held for specific purpose	-	-	-	1,833	-	-	1,833
Increase in deferred financing charges	-	-	-	(361)	-	-	(361)
Net Cash Provided by (Used in) Financing Activities	1,482,339	(300,516)	186,905	(7,975,471)	288,680	-	(6,318,063)
Net increase (decrease) in cash and cash equivalents	2,162,555	(279,881)	1,534,662	(4,362,472)	140,751	-	(804,385)
Cash and cash equivalents, beginning of year	2,373,738	1,902,653	4,537,126	6,721,685	-	-	15,535,202
Cash and cash equivalents, end of year	$ 4,536,293	$ 1,622,772	$ 6,071,788	$ 2,359,213	$ 140,751	$ -	$ 14,730,817
Supplemental Disclosure of Cash Flow Information:							
Cash paid for interest	$ -	$ 813	$ -	$ 955,972	$ -	$ -	$ 956,785
Supplemental Disclosure of Non-Cash Activities							
Transfer of assets to Life Care Data Exchange, LLC:							
Computer software	$ (886,746)	$ -	$ -	$ -	$ 886,746	$ -	$ -
Other Assets	(10,350)	-	-	-	10,350	-	-
Transfer of assets to Nassau County AHRC Foundation, Inc.:							
Investments	2,501,919	-	-	(2,501,919)	-	-	-
Total Transfer of Assets	$ 1,604,823	$ -	$ -	$ (2,501,919)	$ 897,096	$ -	$ -

See notes to consolidating financial statements.

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1. Description of Organization and Summary of Significant Accounting Policies

Organization, affiliates and nature of operations – The primary purpose of Nassau County AHRC Foundation, Inc. (the "Foundation") is to publicly solicit and receive funds for the exclusive benefit of children and adults with intellectual and developmental disabilities. The Foundation's primary support is derived from contributions and special events. The Foundation is the sole member of Community Services for the Mentally Retarded, Inc. ("CSMR"), Citizens Options Unlimited, Inc. ("Citizens, Inc."), Brookville Center for Children's Services, Inc. ("BCCS") and Life Care Data Exchange, LLC ("LCDX"). Accordingly, members of the Foundation's Board of Directors have authority to approve changes to CSMR, Citizens Inc., BCCS and LCDX by-laws and may elect members of their Board of Directors.

CSMR holds title to and maintains properties for various programs, such as residential facilities for the developmentally disabled, operated by the organizations noted below. Revenues are derived mainly from rental of its properties.

Citizens, Inc. provides individualized residential alternative services ("IRA"), residential respite services, intermediate care facility services ("ICF") and Medicaid service coordination ("MSC") for individuals with intellectual and other developmental disabilities. Additionally, Citizens, Inc. operates Camp Loyaltown in Hunter, NY, a respite program providing services to developmentally disabled children and adults. Citizens, Inc. is supported primarily by service fees paid by various New York State and local government agencies.

BCCS provides educational services to children with intellectual and other developmental disabilities and day care services for children in five locations in Nassau County, New York. BCCS serves over 1,000 children from the ages of birth through twenty-one years of age in classroom and home-based environments by offering developmentally appropriate, child-centered activities and providing opportunities for hands-on integrated learning through real-life experiences. BCCS also provides child care services in its day care programs. BCCS is licensed by the New York State Education Department ("SED") as well as the New York State Office for People with Developmental Disabilities ("OPWDD"). BCCS is supported primarily by tuition fees paid by Nassau County, New York City Board of Education ("NYCBOE") and local school districts. In addition, BCCS obtains grant funding through the Individuals with Disabilities in Education Act ("IDEA"). BCCS also operates a Children's Residential Program ("CRP") which is funded by OPWDD. The program provides residential services in four locations to twenty-five children diagnosed with autism who attend BCCS' school-age programs.

In May 2014, the Foundation established a new corporation, LCDX, for the purpose of investing in development of care coordination software for licensing to third-party service providers to developmentally disabled persons. LCDX became operational in January 2015 and is included in the accompanying consolidating financial statements for the year ended December 31, 2015.

Beginning net assets adjusted – The Foundation was the sole member of Advantage Care Diagnostic and Treatment Center, Inc. ("Advantage Care"), a health care service facility, up until June 8, 2015, at which time Advantage Care became a Federally Qualified Health Center. Since the Foundation is no longer the sole member of Advantage Care ("spin-off"), the beginning net assets have been restated to remove Advantage Care from these consolidated financial statements effective as of January 1, 2015.

In April 2015, the Foundation approved funding to Advantage Care of $325,000, $200,000 and $100,000 in each of the three years beginning in year 2015.

Basis of presentation – The accompanying consolidating financial statements include the accounts of the Foundation and its affiliated organizations, CSMR, Citizens Inc., LCDX and BCCS, collectively referred to

as the "Companies", and have been prepared on the accrual basis of accounting. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Companies report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets depending upon donor restrictions. The Companies have no permanently restricted net assets.

Cash and cash equivalents – The Companies consider all highly liquid debt instruments with an original maturity of three months or less at the date of purchase to be cash equivalents.

Investments – Investments are recorded at their fair values. Realized and unrealized gains or losses from investments are reported in the statements of activities and changes in net assets as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulation or by law.

Allowance for doubtful accounts – Accounts receivable balances are continually reviewed and evaluated as to collectability. The allowance for doubtful accounts is adjusted according to the results of these evaluations.

Land, buildings, equipment, improvements, deferred charges, depreciation and amortization – Fixed assets are recorded at cost, except for donated assets, which are recorded at fair market value at the time of donation. The Companies capitalize fixed asset acquisitions in excess of $1,000. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets ranging from 5 to 50 years. Amortization of leasehold improvements is recorded over the shorter of their useful lives or the remainder of the lease period using the straight-line method.

Fixed assets purchased in starting up certain Medicaid-funded programs are funded up to approved amounts by OPWDD over a 60-month period. The amortization of these costs is consistent with the funding period in accordance with a rate notice issued by OPWDD. Citizens, Inc. records a deferred charge equal to the net future reimbursement it expects to realize in the operation of its programs. The deferred charge is amortized over the period of reimbursement. Citizens, Inc. expenses all non-reimbursable start-up costs. In addition, to account for the future reimbursement of these costs, Citizens, Inc. records a deferred charge equal to the net future reimbursement it expects to realize in operation of its programs. The deferred charge is amortized over the period of reimbursement.

Donor-imposed restrictions – The Companies report gifts of cash and other assets as restricted assets if they are received with donor stipulations that limit the use of the donated assets. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and change in net assets as net assets released from restrictions. Temporarily restricted contributions that originate in a given year and are released from restrictions in the same year by meeting the donor's restricted purposes are reflected as temporarily restricted revenue with a corresponding amount shown as a release from restriction.

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

Administrative Services Agreement and Rental Income – Certain administrative services are provided by NYSARC, Inc. – Nassau County Chapter ("AHRC Nassau"), a non-controlled organization, pursuant to administrative service agreements under which the Companies paid, collectively, management fees of $3,115,000 for the year ended December 31, 2015. Total rental income payments made by AHRC Nassau to CSMR were approximately $2,959,000 for the year ended December 31, 2015.

Transfer of Assets – In January 2015, pursuant to Foundation Board of Directors' approval, a non-refundable capital contribution of $897,096 was made to LCDX from the Foundation, consisting principally of computer software.

In November 2014, the CSMR Board of Directors approved a non-refundable capital contribution to the Foundation including the transfer of investments up to $10.0 million and the forgiveness of a promissory note payable in the amount of $2,776,513 plus accrued interest. The total amount of the capital contribution was $12,832,530 consisting of the transfer of investments of $9,991,530, write-off of note receivable of $2,776,513 and write-off of interest receivable of $64,487. As of December 31, 2014, the entire capital contribution was recorded by CSMR of which approximately $4.5 million was recorded as a liability and transferred to the Foundation in the quarter ended March 31, 2015.

Deferred revenue – Revenue from OPWDD services includes interest and principal amortization on loans from the Facilities Development Corporation ("FDC") in the reimbursement rate paid to service providers. However, CSMR recognizes revenue based upon interest and depreciation of the facility. The difference between the revenue recognized and the reimbursement from OPWDD is reflected as deferred revenue on the consolidating statements of financial position. Deferred revenue reflects timing differences, which will accumulate over the early periods of the loan repayments and will reverse during the latter periods of the loan repayments.

Functional allocation of expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidating statements of activities and change in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising – All costs associated with advertising are expensed as incurred. Advertising costs were approximately $6,000 for the year ended December 31, 2015.

Estimates – The preparation of consolidating 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 consolidating financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Income taxes – The Companies qualify as tax exempt, not-for-profit organizations under Section 501(c) (3) of the Internal Revenue Code, and as not-for-profit organizations under the laws of New York State. Accordingly, no provision for federal or state income taxes is required.

Management has determined that the Companies have no uncertain tax positions that would require financial statement recognition. The Companies are no longer subject to audits by the applicable taxing jurisdictions for periods prior to year 2012.

2. Investments

The Companies' 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 following table presents the financial assets measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value 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 at fair value as of December 31, 2015 are as follows:

December 31,	**2015**
Description:	
(Level I)	
Stock index funds**	**$ 7,198,215**
Mutual funds*	**5,096,227**
Common stocks*	**4,219,943**
International stocks	**306,990**
Limited partnerships	**173,434**
Preferred stocks	**144,495**
	17,139,304
(Level II)	
Government securities***	**3,594,261**
Total Investments	**$ 20,733,565**

* Common stocks and mutual funds consist of securities in a multitude of different industries including energy, entertainment, retail, financial services among many others, with no single industry group prevailing.

** Stock index funds consist of Vanguard's International Stock Index, Small-Cap Index, and 500 Index, each respectively representing approximately 24%, 33% and 43% at December 31, 2015.

*** Government securities as of December 31, 2015 consist of government bonds (Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, among others) which mature at various dates from July 28, 2017 through September 8, 2023.

There have been no changes in the methodologies used at December 31, 2015. The Companies did not have any Level III investments as of December 31, 2015.

Investment income (loss) includes the following:

Years Ended December 31,		2015
Interest and dividends	$	**478,156**
Investment fees		**(71,657)**
Unrealized losses		**(935,644)**
Realized gains		**93,849**
Total Investment (Loss) Income	**$**	**(435,296)**

In connection with its capital contribution to the Foundation, CSMR transferred ownership of shares of stock and mutual funds. Additionally, as part of the capital contribution, CSMR sold a portion of its stock index funds to enable the transfer of cash totaling $2,025,000 and to maintain an appropriate balance of cash in the funds remaining in CSMR, in accordance with CSMR's investment policy.

3. Accounts Receivable, Net

Accounts receivable, net consists of the following:

December 31,		2015
Educational services	$	**6,255,138**
Medicaid		**3,029,793**
OPWDD		**134,401**
Government grants		**508,355**
Related services		**263,239**
Day care		**51,661**
Early intervention		**4,203**
Total		**10,246,790**
Less: allowance for doubtful accounts		**84,241**
Total Accounts Receivable, Net	$	**10,162,549**

4. Assets Held for Specific Purpose

Under the terms of the Nassau County Industrial Development Agency ("IDA") bonds and the 2014 and 2012 Nassau County Local Economic Assistance Corporation ("LEAC") bonds, assets held for specific purpose by CSMR, consisting of cash and cash equivalents, as well as government securities, at December 31, 2015, are maintained in the restricted funds described below.

December 31,		2015
Project Funds – LEAC and IDA Bonds (a)	$	**5,110**
Debt Service Reserve Funds – FDC Mortgages (b)		**112,624**
Bond Funds – IDA Bonds (c)		**-**
Real property - held for resale (d)		**347,306**
Total Assets Held for Specific Purpose	**$**	**465,040**

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(a) Project Funds – The Project Funds are restricted for payments by CSMR of the bond issuance costs and construction and acquisition of the leased facilities.

(b) Debt Service Reserve Funds – The Debt Service Reserve Funds were established for the purpose of assuring that CSMR will have sufficient funds available for payments of debt service on the bonds/mortgages in each year that the bonds/mortgages are outstanding. Under the terms of the FDC mortgages, CSMR is required to deposit with the bond trustee amounts to be held in reserve, which will be withdrawn to satisfy the last installments on the FDC mortgages. Interest earned on these reserve funds will be used to reduce CSMR's payment obligation under the mortgages.

(c) Bond Funds – CSMR is required to make payments into the Bond Funds in accordance with the bond amortization schedules for the purpose of satisfying required principal and interest payments of the bonds.

(d) Real property - held for resale – On September 29, 2015, the Foundation received a bequest consisting of a residential property in East Rockaway, New York. The Foundation liquidated this asset on February 3, 2016. At December 31, 2015, the Foundation recorded an asset held for specific purpose of $347,306, consisting of the net proceeds of this bequest.

There were no gains or losses recognized in the year ended December 31, 2015.

5. Loan Receivable from E-Works Electronics Services, Inc.

In November 2015, the Foundation Board of Directors authorized a working capital loan to E-Works Electronics Services, Inc. ("EES") not to exceed $500,000, subject to further negotiation of interest rate and other repayment terms. As of December 31, 2015, there was a total of $237,500 outstanding under the loan arrangement. Negotiations are in process to finalize repayment terms. (See Note 8).

6. Deferred Financing Charges, Net

CSMR entered into a financing facility on December 30, 2014 in the amount of $12,763,000 (see Note 13 – Long-Term Debt – Year 2014 Financing Facility). In connection with this transaction, CSMR incurred total financing costs of $1,553,810, consisting of $494,317 of closing costs and $1,059,493 of unamortized debt service reserves. As of December 31, 2015, there was a net balance of $956,117.

CSMR entered into a financing facility on December 28, 2012 aggregating $31,299,000 (see Note 13 – Long-Term Debt – Year 2012 Financing Facility). In connection with this transaction, CSMR incurred total financing costs of $1,451,839, which includes a net rebate of $35,209 received in 2013. As of December 31, 2015, there was a net balance of $918,494.

Total financing costs are amortized over the terms of the related loan agreements.

7. Investment in Computer Software

The Foundation has an investment in proprietary software that is used for billing, operating systems and documentation standards in accordance with regulatory requirements, for support to third-party providers of services to developmentally disabled persons. As of December 31, 2015, there was $792,786 invested. The decrease in the investment in computer software is due to the transfer of certain computer software to LCDX (see Note 1).

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8. Investment in E-Works Electronics Services, Inc.

The Foundation has an investment of $500,000 in EES, constituting a 50% interest in EES. EES operates an electronics recycling vocational program which provides educational, training and employment opportunities for persons with developmental disabilities.

9. Programmatic Investment

Programmatic investments by their nature meet two distinct criteria. One, its primary purpose is to further the tax-exempt objectives of the organization, and two, the production of income or appreciation of the investment is not a significant purpose for making this investment.

As of December 31, 2015, the Foundation has an investment of $2,051,684 in a managed care organization (the "MCO"). The MCO is being developed by AHRC Nassau, together with four other chapters of NYSARC, Inc. in the New York City metropolitan area, to provide a broad range of support and services for people with developmental disabilities, in transition from a fee for service program model to a capitated, comprehensive care management model. The MCO consists of Partners Health Plan, Inc. ("PHP"), a New York not-for-profit corporation, the operating entity which will serve as a health management organization ("HMO") for payment of claims for the supports and services delivered to developmentally disabled populations in the geographic regions of each chapter. PHP is a licensed HMO under Article 44 of the New York State Public Health Law and is approved by Centers for Medicare and Medicaid Services ("CMS") as a Fully Integrated Duals Advantage ("FIDA") provider. The sole member organization of the MCO, Partners Health Services, Inc. ("PHSI") is the obligor for repayment of the investment until such time that the MCO becomes operational. Upon the effective date of operations, PHP shall assume the PHSI obligations in a subordinated note payable to each of the chapters. The MCO operations commenced on April 1, 2016. The carrying value and recoverability of the investment in the MCO will be periodically evaluated over the course of its operations. Since operations of the MCO had not yet commenced, no impairment had been identified and recorded as of December 31, 2015.

10. Land, Buildings, Equipment and Improvements, Net

Land, buildings, equipment and improvements, net, consists of the following:

December 31,	**2015**
Land	**$ 11,568,955**
Buildings	**54,765,438**
Buildings and leasehold improvements	**31,598,095**
Cooperative apartments	**3,080,762**
Equipment	**4,921,336**
Total cost	**105,934,586**
Less: accumulated depreciation and amortization	**61,289,574**
Total Land, Building, Equipment and Improvements, Net	**$ 44,645,012**

11. Due to OPWDD

As of December 31, 2015, the amount due to OPWDD of $4,320,470 reflects amounts received in excess of amounts Citizens, Inc. and BCCS are entitled to receive for services provided. The related liability is paid to OPWDD through recoupment from current remittances for services.

BCCS has entered into a contract with OPWDD for the operation of the CRP. As part of this agreement, OPWDD advanced funds for preoperational start-up costs, equipment, lease costs, real estate taxes and operations. BCCS has agreed to repay OPWDD all of the above funds, to the extent that such costs are reimbursed by Medicaid.

As of December 31, 2015, the amounts received in excess of permitted reimbursement were $4,195,168 for ICF services provided by Citizens, Inc. and $125,302 for CRP services provided by BCCS.

12. Bank Lines of Credit

BCCS has a secured revolving bank line of credit under which a maximum amount of $2.0 million can be borrowed, with interest payable monthly at the prevailing prime interest rate (such rate being 3.50% at December 31, 2015). The line of credit is secured by the assets of BCCS and guaranteed by each of the Foundation, CSMR and Citizens, Inc. As of December 31, 2015, there was no amount outstanding under this line of credit. BCCS is required to maintain unrestricted net assets of at least $4.0 million, measured annually on the last day of each fiscal year. The line of credit matures on December 8, 2016 and may be renewed with the bank's approval.

Citizens, Inc. has a secured revolving bank line of credit under which a maximum amount of $2.0 million can be borrowed, with interest payable monthly at the prevailing prime interest rate (such rate being 3.50% at December 31, 2015). The line of credit is secured by the assets of Citizens, Inc. and guaranteed by each of the Foundation, BCCS and CSMR. As of December 31, 2015, there was no amount outstanding under this line of credit. Citizens, Inc. is required to maintain unrestricted net assets of at least $2.0 million, measured annually as of each December 31. The line of credit matures on December 8, 2016 and may be renewed with the bank's approval.

CSMR has a secured revolving bank line of credit under which a maximum amount of $5.0 million can be borrowed, with interest payable monthly at the prevailing prime interest rate (such rate being 3.50% at December 31, 2015). The purpose of the line of credit is to fund the acquisition and/or renovation of residences approved by OPWDD and SED, as applicable. The line of credit is secured by the assets of CSMR and guaranteed by each of the Foundation, BCCS and Citizens Inc. The line of credit matures on December 8, 2016 and may be renewed with the bank's approval. As of December 31, 2015, there was $609,197 outstanding under this line of credit.

During the term of the revolving line of credit, CSMR together with its Guarantors must: (a) maintain a Debt Service Coverage Ratio of not less than 1.25 to 1.00, the ratio of (i) earnings before interest expense, tax expense, depreciation and amortization and unrealized gain (loss) on investments to (ii) the current portion of long-term debt plus interest expense, all calculated in accordance with GAAP; (b) maintain unrestricted net assets of not less than $18,000,000 measured annually on the last day of each fiscal year; and CSMR on its own must maintain cash and investments of not less than $10,000,000 measured annually on the last day of each fiscal year.

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The bank lines of credit consist of the following:

December 31,		2015
Line of Credit – CSMR		
The property encumbered is the land and building located at 346 Ivy Avenue, Westbury, New York.	$	**582,292**
The property encumbered is the land and building located at 9 Rondel Lane, Commack, New York.		**13,056**
The property encumbered is the land and building located at 12 North Manor Road, Greenlawn, New York.		**13,849**
Total Lines of Credit	**$**	**609,197**

Capitalized interest was approximately $48,000 for the year ended December 31, 2015.

13. Long-Term Debt

Long-term debt consists of the following:

December 31,		2015
2014 LEAC Bond Series A through D (Year 2014 Financing Facility)	**$**	**11,200,000**
2012 LEAC Bond Series A through M (Year 2012 Financing Facility)		**20,659,000**
Mortgages payable - HSBC Bank		**837,444**
Mortgages payable - FDC and its successors		**1,181,089**
Total		**33,877,533**
Less current portion		**5,039,077**
Long-term debt, net of current portion	**$**	**28,838,456**

Year 2014 Financing Facility
On December 30, 2014, CSMR entered into a loan agreement with Israel Discount Bank ("IDB"), in the aggregate amount of $12,763,000. IDB purchased and holds bonds pursuant to a bond purchase agreement by and between IDB and Bank of New York Mellon as trustee. CSMR remits monthly payments of principal and interest to the trustee.

The Year 2014 financing facility consists of a series of four bonds, referred to as 2014 LEAC Bonds Series A through D. Proceeds from the loan facility were used by CSMR to refinance Years 2007 and 2006 IDA bonds of $10.2 million (new Series A and B), to purchase and/or renovate four new projects of $2.1 million (new Series C) and $500,000 to pay loan closing costs (new Series D). Closing costs include $73,200 for redemption premiums paid on two refinanced bonds. The 2014 LEAC Bonds mature at varying dates from December 1, 2021 through January 1, 2030 with interest rates ranging from 2.35% to 4.50%, a weighted average annual interest rate of 3.07%. Series A through C bonds are tax-exempt bonds and Series D is a taxable bond.

Year 2012 Financing Facility
On December 28, 2012, CSMR entered into loan agreements aggregating $31,299,000. These agreements consist of a separate agreement with each of two banks (TD Bank, NA and IDB), with substantially identical terms, in the aggregate amounts of $19,559,000 and $11,740,000, respectively. Each bank purchased and holds bonds pursuant to separate bond purchase agreements by and between each bank and U.S. Bank, NA, as trustee. CSMR remits monthly payments of principal and interest to the trustee.

The Year 2012 financing facility consists of a series of 13 bonds, referred to as 2012 LEAC Bonds Series A through M. Proceeds from the loan facility were used by CSMR to refinance existing long-term debt of $22.6 million (new Series A through I), to purchase and/or renovate three new projects of $6.5 million (new Series J, K and L), and to pay $2.2 million of loan closing costs (new Series M). The 2012 LEAC Bonds mature at varying dates from April 1, 2015 through June 1, 2027 with interest rates ranging from 1.81% to 4.25%, a weighted average annual interest rate of 2.72%. Series A through L bonds are tax-exempt bonds and Series M is a taxable bond.

The bond proceeds were deposited into bond funds held by U.S. Bank, which were used for purchase and renovations of the respective facilities and debt service repayments.

U.S. Bank has a lien on, and security interest in, the facilities, property, equipment and furnishings in addition to the rents, issues and profits generated by the facilities.

Financial Covenants – TD Bank, NA & Israel Discount Bank
CSMR, together with the Foundation, Advantage Care, AHRC Nassau, BCCS and Citizens, Inc. (collectively, the "Institution") shall maintain in aggregate amounts, measured annually as of the last day of each fiscal year of the Institution, (a) a Debt Service Coverage Ratio of not less than 1.25 to 1.00, the ratio of the Institution's (i) earnings before interest expense and depreciation to (ii) the current portion of long-term debt plus interest expense, all calculated in accordance with GAAP; (b) the Institution shall maintain unrestricted liquid assets of not less than $18,000,000 measured semi-annually on the last day of the second fiscal quarter, and on the last day of, each fiscal year; and (c) CSMR shall deposit and maintain, or cause CSMR together with its affiliated organizations (see Note 1) to deposit and maintain, with each lender an average balance of not less than $2,000,000 measured semi-annually on the last day of the second fiscal quarter, and on the last day of each fiscal year.

Mortgages Payable
CSMR entered into mortgage loans with HSBC Bank on February 23, 2012 for two residential properties. The loans are payable in monthly installments of $9,073 at interest rates of 4.17% and 4.19% per annum for each of these properties which mature in February 2025 and May 2025, respectively.

CSMR entered into loan agreements with FDC, acting by and through its agent, the Commissioner of OPWDD and its successors. The loans are secured by four residential properties. The loans bear interest at rates ranging from 3.33% to 7.82% and are payable in semi-annual installments through varying dates from February 2016 to February 2021.

Future minimum annual principal payments at December 31, 2015 are as follows:

Years Ending December 31,	
2016	$ 5,039,077
2017	4,340,570
2018	4,058,638
2019	3,983,477
2020	4,041,364
Thereafter	12,414,407
Total	$ 33,877,533

The interest expense for long-term debt for the year ended December 31, 2015 was approximately $952,000.

14. Subvention Loan Receivable

In February 2014, the Foundation entered into a subvention loan agreement with Advantage Care. Under the terms of the subvention agreement, Advantage Care may borrow up to $1.1 million pursuant to a promissory note payable for a period of fifteen years. Interest is payable monthly at the rate of 2/3 of the maximum interest rate authorized from time to time pursuant to Section 5-501 of the New York General Obligations Law or 5.0% per annum, whichever is lower (such rate being 4.0% per annum for the year ended December 31, 2015) . Proceeds from this loan were used for the new Freeport clinic construction, equipment, furniture and fixtures, in connection with development of Advantage Care to a full service, managed care supporting organization. Interest income for the year ended December 31, 2015 was $38,650.

15. Net Assets

Temporarily restricted net assets are available for the Foundation, BCCS and Citizens, Inc. as of December 31, 2015, aggregating approximately $3,583,000. Net assets will be released from donor restriction by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

16. Retirement Expense

Each of Foundation, BCCS and Citizens, Inc. maintains a defined contribution plan, as defined by Internal Revenue Code Section 403(b), to all employees who have attained the age of 20-1/2 years, completed six months of service (one year of service for BCCS) at the beginning of the contribution period, and have 1,000 hours of credited service. Employees may also contribute to the plan up to 100% of pretax annual compensation limited to Internal Revenue Service ("IRS") regulations (maximum amount of $18,000 in year 2015) by completing a salary deferral agreement.

Citizens, Inc., BCCS (CRP employees), and Foundation annual employer contributions to the plan were 4.0% of total eligible compensation for all employees covered in the year ended December 31, 2015. BCCS annual employer contributions were 6.5% of total eligible compensation for all education service employees in the year ended December 31, 2015. Retirement expense for the year ended December 31, 2015 was approximately $1,678,000.

NASSAU COUNTY AHRC FOUNDATION, INC.
AND AFFILIATES

Notes to Consolidating Financial Statements
Year Ended December 31, 2015

17. Commitments and Contingencies

Guarantees of other organizations' obligations include:

a. CSMR unconditionally guarantees a Nassau County IDA bond financing agreement entered into by Advantage Care. As of December 31, 2015, the outstanding balance carried by Advantage Care was $1,555,000. As of December 31, 2015, Advantage Care was not in default of the scheduled bond payments.

b. CSMR unconditionally guarantees a lease agreement entered into by BCCS over the next eleven years with minimum aggregate payments due of approximately $13,800,000. As of December 31, 2015, BCCS was not in default of the terms of the lease agreement.

c. The Foundation unconditionally guarantees a line of credit agreement entered into by EES up to $500,000.

d. The Foundation unconditionally guarantees a lease agreement entered into by PHP over the period January 1, 2016 to May 30, 2022 with minimum aggregate payments due of approximately $1,925,000, or $25,000 per month. The Foundation may be released as guarantor on or after December 31, 2017 when PHP meets certain financial requirements. (See Note 9).

18. Leases

Citizens, Inc. and BCCS lease buildings, vehicles and equipment under various non-cancellable operating leases, for periods expiring through December 31, 2063.

The approximate minimum rental payments under these operating leases are as follows for the years ending December 31:

2016	$ 1,494,000
2017	1,468,000
2018	1,419,000
2019	1,356,000
2020	1,315,000
Thereafter	7,425,000
Total Leases	$ 14,477,000

19. Concentrations

Financial instruments, which potentially subject the Companies to concentrations of credit risk, consist principally of temporary cash investments and investments in marketable securities and bonds. As of December 31, 2015, the Companies maintained cash and cash equivalents with four financial institutions which exceeded Federal Deposit Insurance Corporation limits of $250,000 per institution. The total uninsured cash balance as of December 31, 2015 was approximately $11.1 million. Management believes that credit risk related to these accounts is minimal based on the historical credit worthiness of these financial institutions.

Citizens, Inc. generates accounts receivable from state and local government agencies. The financial condition and status of state and local government operating budgets could have a material adverse impact on the ability to collect accounts receivable on a timely basis.

Financial instruments which potentially subject BCCS to concentrations of credit risk consist principally of accounts receivable from government agencies. Accounts receivable from government agencies are primarily from Nassau County, NYCBOE and Medicaid.

20. Reserve for Third-Party Payors and Rate Adjustments

Revenues and receivables from government funded programs are subject to review and final determination of realizable rates by various regulatory agencies. Management has an estimated reserve for potential rate adjustments of approximately $359,000 as of December 31, 2015.

21. Subsequent Events

The Companies have evaluated subsequent events through July 12, 2016, the date the financial statements were available for issuance.

In March 2016, CSMR changed its corporate name from Community Services for the Mentally Retarded, Inc. to Community Support Services Corporation to more appropriately reflect the organization's mission and nature of services provided.

www.weisermazars.com

APPENDIX B-IIB

MRCS V, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016 (PARTIAL YEAR))

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MRCS V, Inc.
HUD Project No. 012-HD145

Financial Statements, Supplemental Schedules and Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

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.

MRCS V, Inc.
HUD Project No. 012-HD145

Financial Statements, Supplemental Schedules and
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

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MRCS V, Inc.
HUD Project No. 012-HD145

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BDO

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

100 Park Avenue
New York NY 10017

Independent Auditor's Report

The Board of Directors
MRCS V, Inc.
HUD Project No. 012-HD145
Brookville, New York

Report on the Financial Statements

We have audited the accompanying financial statements of MRCS V, Inc. HUD Project No. 012-HD145 ("MRCS V"), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MRCS V'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 MRCS V, Inc. HUD Project No. 012-HD145 as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules of reserve for replacements, computation of cash deficit and changes in fixed asset accounts are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of Federal awards, as required by Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2018 on our consideration of MRCS V's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MRCS V's internal control over financial reporting and compliance.

BDO USA LLP

March 28, 2018

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MRCS V, Inc.
HUD Project No. 012-HD145

Statement of Financial Position

December 31, 2017

	Assets	
	Current:	
1120	Cash - operations (Note 2)	$ 156,683
1140	Accounts receivable - HUD capital advance (Notes 2 and 4)	203,013
1200	Prepaid expenses	270
1100T	Total Current Assets	359,966
1320	Replacement reserve (Note 3)	7,860
1410	Land	600,000
1420	Buildings	2,329,026
1460	Furniture and equipment	26,106
1400T	Total Fixed Assets	2,955,132
1495	Less: Accumulated depreciation	(95,140)
1400N	Net Fixed Assets (Note 2)	2,859,992
1000T	Total Assets	$3,227,818
	Liabilities and Net Assets	
	Current Liabilities:	
2110	Accounts payable	$ 71,028
2190	Due to affiliate (Note 5)	168,631
2122T	Total Current Liabilities	239,659
2390	Due to affiliate - acquisition of property (Note 6)	1,588,335
2000T	Total Liabilities	1,827,994
	Commitments and Contingencies (Notes 4 and 9)	
	Net Assets:	
3131	Unrestricted (Note 2)	3,424
3132	Temporarily restricted (Notes 2, 4 and 8)	1,396,400
3130	Total Net Assets	1,399,824
2033T	Total Liabilities and Net Assets	$3,227,818

See accompanying notes to financial statements.

MRCS V, Inc.
HUD Project No. 012-HD145

Statement of Activities

Year ended December 31, 2017

		Unrestricted	Temporarily Restricted	Total
	Revenue:			
	Rent revenue (Note 2):			
5120	Rent revenue	$ 33,600	$ -	$ 33,600
5121	Tenant assistance payments	55,536	-	55,536
5100T	Total Rent Revenue	89,136	-	89,136
	Financial revenue:			
5410	Revenue from construction operation account	36	-	36
5470	Revenue from security account	196	-	196
5490	Revenue from investments - sponsorship account	16	-	16
5440	Revenue from replacement reserve	8	-	8
5980	Interest from operating	42	-	42
5990	Other revenue (Note 6)	66,877	-	66,877
5000T	Total Revenue	156,311	-	156,311
	Administrative Expenses:			
6320	Management fees	8,784	-	8,784
6350	Audit expense	10,599	-	10,599
6351	Bookkeeping fees/accounting services	1,080	-	1,080
6263T	Total Administrative Expenses (Note 5)	20,463	-	20,463
	Utilities Expenses:			
6450	Electricity	15,324	-	15,324
6451	Water	1,151	-	1,151
6400T	Total Utilities Expenses	16,475	-	16,475
	Maintenance Expenses:			
6510	Payroll	5,000	-	5,000
6590	Miscellaneous operating and maintenance expenses	22,759	-	22,759
6500T	Total Maintenance Expenses	27,759	-	27,759
	Taxes and Insurance:			
6711	Payroll taxes	383	-	383
6720	Property and liability insurance	3,871	-	3,871
6790	Miscellaneous taxes and fees	330	-	330
6700T	Total Taxes and Insurance	4,584	-	4,584
6000T	Total Expenses, Exclusive of Depreciation	69,281	-	69,281
	Income Before Depreciation	87,030	-	87,030
6600	Depreciation	63,447	-	63,447
5060N	Net Change in Net Assets	23,583	-	23,583
	Net Assets, Beginning of Year	(20,159)	1,396,400	1,376,241
	Net Assets, End of Year	$ 3,424	$1,396,400	$1,399,824

See accompanying notes to financial statements.

MRCS V, Inc.
HUD Project No. 012-HD145

Statement of Cash Flows

Year ended December 31, 2017

Cash Flows From Operating Activities:	
Rental receipts	$ 98,898
Interest receipts	298
Construction receipts	25,325
Administrative	(11,679)
Management fee	(8,784)
Utilities	(16,475)
Salaries and wages	(5,000)
Operating and maintenance	(22,759)
Miscellaneous taxes and insurance	(4,584)
Net Cash Provided By Operating Activities	55,240
Cash Flows From Investing Activities:	
Net purchase of fixed assets	(33,774)
Net deposits to the reserve replacement account	(7,860)
Net Cash Used In Investing Activities	(41,634)
Cash Flows From Financing Activities:	
Due to affiliate	34,269
Net Cash Provided By Financing Activities	34,269
Net Increase in Cash and Cash Equivalents	47,875
Cash and Cash Equivalents, Beginning of Year	108,808
Cash and Cash Equivalents, End of Year	$156,683
Cash Flows From Operating Activities:	
Change in net assets	$ 23,583
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	63,447
Forgiveness of debt	(66,877)
Changes in operating assets and liabilities:	
Increase in operating assets:	
Accounts receivable	9,762
Accounts receivable - HUD capital advance	25,325
Total Adjustments	31,657
Net Cash Provided By Operating Activities	$ 55,240

See accompanying notes to financial statements.

1. Nature of the Organization

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

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of MRCS V have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (“U.S. GAAP”) 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.

(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 MRCS V is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of MRCS V.

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

MRCS V considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

(d) Allowance for Doubtful Accounts

Periodically, the accounts receivable balances are reviewed and evaluated as to their collectability. An allowance is then set up based on these evaluations. A receivable balance is considered past due once it has not been received by its scheduled due date. As of December 31, 2017, the allowance for doubtful accounts was $-0-.

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MRCS V, Inc.
HUD Project No. 012-HD145

Notes to Financial Statements

(e) Fixed Assets and Depreciation

Fixed assets are stated at cost. MRCS V capitalizes fixed asset acquisitions in excess of $5,000. All fixed assets other than land are depreciated on a straight-line basis over the estimated useful lives of the related assets, ranging from seven to forty years.

(f) Asset Impairment

MRCS V evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Long-lived assets would be deemed impaired if the carrying value of the asset is in excess of its fair value. There were no impairment losses recognized as of December 31, 2017.

(g) Rental Income

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

Rental income is recognized as earned from HUD and when housing is provided to individuals each month.

(h) Income Taxes

MRCS V qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code (the “Code”) and as a non-profit corporation in New York State. Accordingly, no provision for federal or state income taxes is required. MRCS V has been determined by the Internal Revenue Service (“IRS”) not to be a “private foundation” within the meaning of Section 509(a) of the Code. There was no unrelated business income for 2017.

MRCS V adopted the provisions of Accounting Standards Codification (“ASC”) 740, “Income Taxes.” Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained upon examination by a taxing authority. The implementation of ASC 740 had no impact on MRCS V’s financial statements. MRCS V does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. MRCS V has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, MRCS V has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended December 31, 2017, there were no interest or penalties recorded or included in the statement of activities. MRCS V is subject to routine audits by a taxing authority. As of December 31, 2017, MRCS V 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 2016.

(i) 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.

(j) Functional Expenses

Expenses incurred in connection with operations have been determined by management to be either project related or administrative expenses and are summarized in the accompanying statement of activities.

(k) Accounting Pronouncements Issued but not yet Adopted

Revenue from Contracts With Customers (Topic 606)

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in in exchange for those goods and services. The FASB also issued ASU 2015-2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of the initial application. Management is currently evaluating the impact of this ASU on its financial statements.

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use ("ROU") model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for MRCS V's fiscal years beginning after December 15, 2019 with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities

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

3. Restricted Deposits and Funded Reserves

MRCS V maintains a replacement reserve account, required by HUD, for future repairs and maintenance. Distributions may be made from the reserve only upon approval by HUD. As of December 31, 2017, the funds were invested in interest-bearing savings accounts and amounted to $7,860.

4. Capital Advance From HUD

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

The Capital Advance/Building Loan bears no interest and is not required to be repaid, so long as the housing remains available to eligible, very low income households for a period of forty years. This advance has been reported as capital grant revenue for the year ended December 31, 2017.

As of December 31, 2017, there was a related accounts receivable due from this advance in the amount of $203,013.

5. Due to Affiliate

MRCS V is affiliated with Citizens Options Unlimited, Inc. ("Citizens, Inc."), which provides programs to meet the needs of disabled persons. Citizens, Inc. is the sole corporate member of MRCS V. The two residences are used exclusively as residential sites for clients of Citizens, Inc.

At December 31, 2017, the amount due to affiliate represents project expenses paid by Citizens, Inc. on behalf of MRCS V, and general and administrative services provided by Citizens, Inc. on a defined fee basis to be paid back totaling $168,631. Pursuant to the Housing Management Agreement and the Management Plan, Citizens provides management services for MRCS V. The management fee is calculated based on the HUD-approved rate of $61 per unit per month. Management fees and general and administrative fees charged to MRCS V by Citizens, Inc. for the year ended December 31, 2017 amounted to $20,463.

Because Citizens, Inc. will continue to support MRCS V's activities, it is expected that MRCS V will continue as a going concern.

6. Debt Forgiveness/Due to Affiliate - Acquisition of Property

Citizens, Inc. paid for a portion of property acquisitions on behalf of MRCS V in a prior year. Citizens, Inc. is being reimbursed for its funding of the property acquisitions by New York State Office for People with Developmental Disabilities ("OPWDD") over a number of years. Citizens forgives a portion of the debt due from MRCS V as it receives reimbursement from New York State OPWDD and MRCS V records a forgiveness of debt accordingly. The debt forgiveness amounted to $66,877 for the year ended December 31, 2017. The remaining balance due to Citizens relating to this acquisition is $1,588,335.

7. Functional Expenses

MRCS V's operating expenses grouped by functional classification are as follows for the year ended December 31, 2017:

Year ended December 31, 2017	
Residential property expenses	$112,265
General and administrative	20,463
	$132,728

8. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2017 consist of the Capital Advance/Building Loan in the amount of $1,396.400. (See Note 4).

9. Contingency

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

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

10. Subsequent Events

Management has performed subsequent events procedures through March 28, 2018, which is the date that the financial statements were available to be issued. There were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

Supplemental Schedules

MRCS V, Inc.
HUD Project No. 012-HD145

Schedule of Reserve for Replacements

Year ended December 31, 2017	
Balance, December 31, 2016, reconciled to bank statement	$ -
Total monthly deposits during 2017	7,852
Interest earned on deposits during 2017	8
Balance, December 31, 2017, Reconciled to Bank Statement	$7,860

MRCS V, Inc.
HUD Project No. 012-HD145

Computation of Cash Deficit

Year ended December 31, 2017	
Cash on hand and in banks (including tenant security deposits)	$ 156,683
Less: current obligations:	
Accounts payable due within 30 days	(71,028)
Due to affiliate	(168,631)
Cash Deficit at Balance Sheet Date	$ (82,976)

MRCS V, Inc.
HUD Project No. 012-HD145

Schedule of Changes in Fixed Assets Accounts

Year ended December 31, 2017

	Assets				Accumulated Depreciation				
	Balance January 1, 2017	Additions	Deductions	Balance December 31, 2017	Balance January 1, 2017	Current Provisions	Deductions	Balance December 31, 2017	Net Book Value December 31, 2017
Land	$ 600,000	$-	$-	$ 600,000	$ -	$ -	$-	$ -	$ 600,000
Buildings	2,329,026	-	-	2,329,026	29,082	58,257	-	87,339	2,241,687
Furniture and equipment	26,106	-	-	26,106	2,611	5,190	-	7,801	18,305
	$2,955,132	$-	$-	$2,955,132	$31,693	$63,447	$-	$95,140	$2,859,992

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MRCS V, Inc.
HUD Project No. 012-HD145

Schedule of Expenditures of Federal Awards

Year ended December 31, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
United States Department of Housing and Urban Development:				
Supportive Housing for Persons with Disabilities – Section 811:				
Project rental assistance	14.181	N/A	$-	$ 55,536
Capital advance financing	14.181	N/A	-	1,396,400
Total Expenditures of Federal Awards			$-	$1,451,936

The accompanying notes are in integral part of this schedule.

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MRCS V, Inc.
HUD Project No. 012-HD145

Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of MRCS V, Inc. HUD Project No. 012-HD145 ("MRCS V") under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of MRCS V, it is not intended to and does not present the financial position, changes in net assets or cash flows of MRCS V.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost rate

MRCS V has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

100 Park Avenue
New York NY 10017

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Directors
MRCS V, Inc.
HUD Project No. 012-HD145
Brookville, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of MRCS V, Inc. HUD Project No. 012-HD145 ("MRCS V"), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2018.

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Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MRCS V's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MRCS V's internal control. Accordingly, we do not express an opinion on the effectiveness of MRCS V's internal control.

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

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA LLP

March 28, 2018

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

100 Park Avenue
New York NY 10017

Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
MRCS V, Inc.
HUD Project No. 012-HD145
Brookville, New York

Report on Compliance for Each Major Federal Program

We have audited MRCS V, Inc. HUD Project No. 012-HD145 ("MRCS V") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of MRCS V's major federal programs for the year ended December 31, 2017. MRCS V's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of MRCS V's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MRCS V's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of MRCS V's compliance.

Opinion on Each Major Federal Program

In our opinion, MRCS V complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of MRCS V is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MRCS V's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MRCS V's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA LLP

March 28, 2018

MRCS V, Inc.
HUD Project No. 012-HD145

Schedule of Findings and Questioned Costs
Year Ended December 31, 2017

Section 1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	☐ Yes	☒ No
• Significant deficiency(ies) identified?	☐ Yes	☒ None reported
Noncompliance material to financial statements noted?	☐ Yes	☒ No

Federal Awards

Internal control over major federal programs:		
• Material weakness(es) identified?	☐ Yes	☒ No
• Significant deficiency(ies) identified?	☐ Yes	☒ None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	☐ Yes	☒ No

Identification of major federal programs:

CFDA Number	Name of Federal Program
14.181	Supportive Housing for Persons with Disabilities

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	☐ Yes	☒ No

Section 2. Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards.

Sections 3. Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in 2 CFR 200.516(a)) that are required to be reported.

MRCS V, Inc.
HUD Project No. 012-HD145

Managing Agent, Mortgagor's Certification and Auditor Information

U.S. Department of Housing and Urban Development
26 Federal Plaza
New York, New York

We hereby certify that we have examined the accompanying financial statements and supplemental information of MRCS V, Inc. (HUD Project No. 012-HD145), and to the best of our knowledge and belief, the same are complete and accurate as of and for the year ended December 31, 2017.

Managing Agent:	Mortgagor:
Citizens Options Unlimited, Inc.	
Name: Willard Derr	Name: ______________
Title: Chief Financial Officer	Title: ______________
Date: ______________	Date: ______________
Signature: ______________	Signature: ______________

Managing Agent Federal ID #: 26-1520311

Mortgagor's Federal ID #: 46-2778089

Audit Partner: Sofia Blair, CPA

Audit Firm's Federal ID #: 13-5381590

MRCS V, Inc.
HUD Project No. 012-HD145

Financial Statements, Supplemental Schedules and Schedule of Expenditures of Federal Awards
For the Period From September 1, 2016 Through December 31, 2016

MRCS V, Inc.
HUD Project No. 012-HD145

Financial Statements, Supplemental Schedules and Schedule of Expenditures of Federal Awards
For the Period From September 1, 2016 Through December 31, 2016

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MRCS V, Inc.
HUD Project No. 012-HD145

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BDO

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

100 Park Avenue
New York, NY 10017

Independent Auditor's Report

The Board of Directors
MRCS V, Inc.
HUD Project No. 012-HD145
Brookville, New York

We have audited the accompanying financial statements of MRCS V, Inc. HUD Project No. 012-HD145 ("MRCS V"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the period from September 1, 2016 through December 31, 2016, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

BDO

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MRCS V, Inc. HUD Project No. 012-HD145 as of December 31, 2016, and the changes in its net assets and its cash flows for the period from September 1, 2016 through December 31, 2016 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules of reserve for replacements, computation of cash deficiency and changes in fixed asset accounts are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of Federal awards, as required by Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2017 on our consideration of MRCS V's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MRCS V's internal control over financial reporting and compliance.

BDO USA, LLP

March 30, 2017

Statement of Financial Position

December 31, 2016

	Assets	
	Current:	
1120	Cash - operations (Note 2)	$ 108,808
1135	Accounts receivable - HUD (Note 2)	9,762
1140	Accounts Receivable - HUD capital advance (Notes 2 and 3)	228,338
1200	Prepaid expenses	270
1100T	Total Current Assets	347,178
1410	Land	600,000
1420	Buildings	2,329,026
1460	Furniture and equipment	26,106
1400T	Total Fixed Assets	2,955,132
1495	Less: Accumulated depreciation	(31,693)
1400N	Net Fixed Assets (Note 2)	2,923,439
1000T	Total Assets	$3,270,617
	Liabilities and Net Assets	
	Current Liabilities:	
2110	Accounts payable	$ 94,302
2190	Due to affiliate (Note 4)	269,861
2122T	Total Current Liabilities	364,163
2390	Due to affiliate - acquisition of property (Note 5)	1,530,213
2000T	Total Liabilities	1,894,376
	Commitments and Contingencies (Note 8)	
	Net Assets (Deficit):	
3131	Unrestricted (Note 2)	(20,159)
3132	Temporarily restricted (Notes 2, 3 and 7)	1,396,400
3130	Total Net Assets	1,376,241
2033T	Total Liabilities and Net Assets	$3,270,617

See accompanying notes to financial statements.

MRCS V, Inc.
HUD Project No. 012-HD145

Statement of Activities

Period from September 1, 2016 through December 31, 2016

		Unrestricted	Temporarily Restricted	Total
	Revenue:			
	Rent revenue (Note 2):			
5120	Rent revenue	$ 6,292	$ -	$ 6,292
5121	Tenant assistance payments	9,762	-	9,762
5100T	Total Rent Revenue	16,054	-	16,054
	Financial revenue:			
5410	Financial from construction account	11	-	11
5470	Revenue from security account	74	-	74
5490	Revenue from investments - sponsorship account	4	-	4
5970	Capital grant revenue (Note 3)	-	1,396,400	1,396,400
5980	Interest from contributions	1,301	-	1,301
5990	Other revenue	16,721	-	16,721
5000T	Total Revenue	34,165	1,396,400	1,430,565
	Administrative Expenses:			
6320	Management fees	2,196	-	2,196
6350	Audit expense	5,000	-	5,000
6351	Bookkeeping fees/accounting services	520	-	520
6263T	Total Administrative Expenses (Note 4)	7,716	-	7,716
	Utilities Expenses:			
6450	Electricity	1,397	-	1,397
6451	Water	846	-	846
6400T	Total Utilities Expenses	2,243	-	2,243
	Maintenance Expenses:			
6510	Payroll	1,250	-	1,250
6590	Miscellaneous operating and maintenance expenses	6,990	-	6,990
6500T	Total Maintenance Expenses	8,240	-	8,240
	Taxes and Insurance:			
6711	Payroll taxes	96	-	96
6720	Property and liability insurance	4,336	-	4,336
6700T	Total Taxes and Insurance	4,432	-	4,432
6000T	Total Expenses, Exclusive of Depreciation	22,631	-	22,631
6600	Depreciation	31,693	-	31,693
5060N	Net (Decrease) Increase in Net Assets	(20,159)	1,396,400	1,376,241
	Net Assets, Beginning of Year	-	-	-
	Net Assets, End of Year	$(20,159)	$1,396,400	$1,376,241

See accompanying notes to financial statements.

MRCS V, Inc.
HUD Project No. 012-HD145

Statement of Cash Flows

Period from September 1, 2016 through December 31, 2016

Cash Flows From Operating Activities:	
Rental receipts	$ 6,292
Interest receipts	89
Capital grant advance	1,168,062
Interest receipt on capital grant advance	1,301
Total Receipts	1,175,744
Administrative	(790)
Management fees	(2,196)
Utilities	(2,243)
Salaries and wages	(1,250)
Operating and maintenance	(6,990)
Miscellaneous taxes and insurance	(4,432)
Total Disbursements	(17,901)
Net Cash Provided By Operating Activities	1,157,843
Cash Flows From Investing Activities:	
Net purchase of fixed assets	(2,865,830)
Cash Flows From Financing Activities:	
Due to affiliates	1,800,074
Forgiveness of debt	16,721
Net Cash Provided By Financing Activities	1,816,795
Net Increase in Cash and Cash Equivalents	108,808
Cash and Cash Equivalents, Beginning of Year	-
Cash and Cash Equivalents, End of Year	$ 108,808
Cash Flows From Operating Activities:	
Change in net assets	$ 1,376,241
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	31,693
Forgiveness of debt	(16,721)
Changes in operating assets and liabilities:	
Increase in operating assets:	
Accounts receivable	(9,762)
Accounts receivable - HUD capital advance	(228,338)
Prepaid expenses	(270)
Increase in operating liabilities:	
Accounts payable	5,000
Total Adjustments	(218,398)
Net Cash Provided By Operating Activities	$ 1,157,843

See accompanying notes to financial statements.

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1. Nature of the Organization

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

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of MRCS V have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP") 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.

(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 MRCS V is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of MRCS V.

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

MRCS V considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

(d) Allowance for Doubtful Accounts

Periodically, the accounts receivable balances are reviewed and evaluated as to their collectability. An allowance is then set up based on these evaluations. A receivable balance is considered past due once it has not been received by its scheduled due date.

(e) Fixed Assets and Depreciation

Fixed assets are stated at cost. MRCS V capitalizes fixed asset acquisitions in excess of $1,000. All fixed assets other than land are depreciated on a straight-line basis over the estimated useful lives of the related assets, ranging from seven to forty years.

(f) Rental Income

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

Rental income is recognized as earned from HUD and when housing is provided to individuals each month.

(g) Income Taxes

MRCS V qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code (the "Code") and as a non-profit corporation in New York State. Accordingly, no provision for federal or state income taxes is required. MRCS V has been determined by the Internal Revenue Service ("IRS") not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for 2016.

MRCS V adopted the provisions of Accounting Standards Codification ("ASC") 740, "Income Taxes." Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained upon examination by a taxing authority. The implementation of ASC 740 had no impact on MRCS V's financial statements. MRCS V does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. MRCS V has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, MRCS V has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the period from September 1, 2016 through December 31, 2016, there were no interest or penalties recorded or included in the statement of activities. MRCS V is subject to routine audits by a taxing authority. As of December 31, 2016, MRCS V 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 2013.

(h) 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.

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(i) Accounting Pronouncements Issued but not yet Adopted

Revenue from Contracts With Customers (Topic 606)

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in in exchange for those goods and services. The FASB also issued ASU 2015-2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of the initial application. Management is currently evaluating the impact of this ASU on its financial statements.

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use ("ROU") model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for MRCS V's fiscal years beginning after December 15, 2019 with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities

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

3. Capital Advance From HUD

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

The Capital Advance/Building Loan bears no interest and is not required to be repaid, so long as the housing remains available to eligible, very low income households for a period of forty years. This advance has been reported as capital grant revenue for the period from September 1, 2016 to December 31, 2016.

As of December 31, 2016, there was a related accounts receivable due from this advance in the amount of $228,338.

4. Due to Affiliate

MRCS V is affiliated with Citizens Options Unlimited, Inc. ("Citizens, Inc."), which provides programs to meet the needs of disabled persons. Citizens, Inc. is the sole corporate member of MRCS V. The two residences are used exclusively as residential sites for clients of Citizens, Inc.

At December 31, 2016, the amount due to affiliate represents project expenses paid by Citizens, Inc. on behalf of MRCS V, and general and administrative services provided by Citizens, Inc. on a defined fee basis to be paid back totaling $269,861. Pursuant to the Housing Management Agreement and the Management Plan, Citizens provides management services for MRCS V. The management fee is calculated based on the HUD-approved rate of $61 per unit per month. Management fees and general and administrative fees charged to MRCS V by Citizens, Inc. for the four months ended December 31, 2016 amounted to $7,716.

Because Citizens, Inc. will continue to support MRCS V's activities, it is expected that MRCS V will continue as a going concern.

5. Debt Forgiveness/Due to Affiliate - Acquisition of Property

Citizens, Inc. paid for a portion of property acquisitions on behalf of MRCS V in a prior year. Citizens, Inc. is being reimbursed for its funding of the property acquisitions by New York State Office for People with Developmental Disabilities ("OPWDD") over a number of years. Citizens forgives a portion of the debt due from MRCS V as it receives reimbursement from New York State OPWDD and MRCS V records a forgiveness of debt accordingly. The debt forgiveness amounted to $16,721 for the period from September 1, 2016 through December 31, 2016. The remaining balance due to Citizens relating to this acquisition is $1,530,213.

For the year ended December 31, 2016, MRCS V was able to pay down a portion of this debt in the amount of $125,000, in addition to the debt forgiveness.

6. Functional Expenses

MRCS V's operating expenses grouped by functional classification are as follows for the four months ended December 31, 2016:

Four months ended December 31, 2016	
Residential property expenses	$46,608
General and administrative	7,716
	$54,324

7. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2016 consist of the Capital Advance/Building Loan in the amount of $1,396,400. (See Note 3).

8. Contingency

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

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

9. Subsequent Events

MRCS V has evaluated subsequent events through March 30, 2017, the date the financial statements were available to be issued.

Supplemental Schedules

MRCS V, Inc.
HUD Project No. 012-HD145

Schedule of Reserve for Replacements

Year ended December 31, 2016	
Balance, September 1, 2016, reconciled to bank statement	$-
Total monthly deposits for the period September 1, 2016 through December 31, 2016	-
Interest earned on deposits for the period September 1, 2016 through December 31, 2016	-
Restricted cash used for replacements for the period September 1, 2016 through December 31, 2016	-
Balance, December 31, 2016, Reconciled to Bank Statement	$-

MRCS V, Inc.
HUD Project No. 012-HD145

Computation of Cash Deficiency

Year ended December 31, 2016	
Cash on hand and in banks (including tenant security deposits)	$108,808
Accounts receivable	9,762
Accounts receivable - HUD capital advance	228,338
Less: current obligations:	
Accounts payable due within 30 days	94,302
Due to affiliate	269,861
Cash Deficiency at Balance Sheet Date	$ (17,255)

MRCS V, Inc.
HUD Project No. 012-HD145

Schedule of Changes in Fixed Assets Accounts

Year ended December 31, 2016

	Assets				Accumulated Depreciation				
	Balance September 1, 2016	Additions	Deductions	Balance December 31, 2016	Balance September 1, 2016	Current Provisions	Deductions	Balance December 31, 2016	Net Book Value December 31, 2016
Land	$-	$ 600,000	$-	$ 600,000	$-	$ -	$-	$ -	$ 600,000
Buildings	-	2,329,026	-	2,329,026	-	29,113	-	29,113	2,299,913
Furniture and equipment	-	26,106	-	26,106	-	2,580	-	2,580	23,526
	$-	$2,955,132	$-	$2,955,132	$-	$31,693	$-	$31,693	$2,923,439

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MRCS V, Inc.
HUD Project No. 012-HD145

Schedule of Expenditures of Federal Awards

Period from September 1, 2016 through December 31, 2016

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
United States Department of Housing and Urban Development:				
Supportive Housing for Persons with Disabilities – Section 811:				
Project rental assistance	14.181	N/A	$-	$ 9,762
Capital advance financing	14.181	N/A	-	1,396,400
Total Expenditures of Federal Awards			$-	$1,406,162

The accompanying notes are in integral part of this schedule.

MRCS V, Inc.
HUD Project No. 012-HD145

Notes to Schedule of Expenditures of Federal Awards
Period from September 1, 2016 through December 31, 2016

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of MRCS V, Inc. HUD Project No. 012-HD145 (“MRCS V”) under programs of the federal government for the period from September 1, 2016 through December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of MRCS V, it is not intended to and does not present the financial position, changes in net assets or cash flows of MRCS V.

Program 14.181 - Capital advance financing represents the outstanding mortgage note balance as of December 31, 2016. Program 14.181 - Project rental assistance represents the tenant assistance revenue and was in the form of cash assistance for the year ended December 31, 2016.

MRCS V had no federally-funded insurance programs or loan guarantees during the period from September 1, 2016 through December 31, 2016.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. MRCS V has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

100 Park Avenue
New York, NY 10017

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Directors
MRCS V, Inc.
HUD Project No. 012-HD145
Brookville, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of MRCS V, Inc. HUD Project No. 012-HD145 ("MRCS V"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March __, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MRCS V's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MRCS V's internal control. Accordingly, we do not express an opinion on the effectiveness of MRCS V's internal control.

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

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

March 30, 2017

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

100 Park Avenue
New York, NY 10017

Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
MRCS V, Inc.
HUD Project No. 012-HD145
Brookville, New York

Report on Compliance for Each Major Federal Program

We have audited MRCS V, Inc. HUD Project No. 012-HD145 ("MRCS V") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of MRCS V's major federal programs for the year ended December 31, 2016. MRCS V's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of MRCS V's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MRCS V's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of MRCS V's compliance.

Opinion on Each Major Federal Program

In our opinion, MRCS V complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of MRCS V is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MRCS V's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MRCS V's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

March 30, 2017

B-IIB-26

MRCS V, Inc.
HUD Project No. 012-HD145

Schedule of Findings and Questioned Costs
Period from September 1, 2016 through December 31, 2016

Section 1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	☐ Yes	☒ No
• Significant deficiency(ies) identified?	☐ Yes	☒ None reported
Noncompliance material to financial statements noted?	☐ Yes	☒ No

Federal Awards

Internal control over major federal programs:		
• Material weakness(es) identified?	☐ Yes	☒ No
• Significant deficiency(ies) identified?	☐ Yes	☒ None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	☐ Yes	☒ No

Identification of major federal programs:

CFDA Number	Name of Federal Program
14.181	Supportive Housing for Persons with Disabilities

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	☐ Yes	☒ No

Section 2. Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards.

Sections 3. Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in 2 CFR 200.516(a)) that are required to be reported.

MRCS V, Inc.
HUD Project No. 012-HD145

Managing Agent, Mortgagor's Certification and Auditor Information

U.S. Department of Housing and Urban Development
26 Federal Plaza
New York, New York

We hereby certify that we have examined the accompanying financial statements and supplemental information of MRCS V, Inc. (HUD Project No. 012-HD145), and to the best of our knowledge and belief, the same are complete and accurate as of and for the year ended December 31, 2016.

Managing Agent:	Mortgagor:
Citizens Options Unlimited, Inc.	
Name: Willard Derr	Name: ____________
Title: Chief Financial Officer	Title: ____________
Date: ____________	Date: ____________
Signature: ____________	Signature: ____________

Managing Agent Federal ID #: 26-1520311

Mortgagor's Federal ID #: 46-2778089

Audit Partner: Sofia Blair, CPA

Audit Firm's Federal ID #: 13-5381590

APPENDIX B-III

LIFESPIRE, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED JUNE 30, 2017, JUNE 30, 2016 AND JUNE 30, 2015)

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LIFESPIRE, INC. AND SUBSIDIARY
(A Not-for-Profit Organization)

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

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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, 2017, 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

MBAF CPAs, LLC

New York, NY
November 20, 2017

LIFESPIRE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS		
Cash and cash equivalents	$	31,510,085
Cash and cash equivalents designated for recoupments payable		6,199,360
Cash and cash equivalents designated for self funded insurance		896,712
Cash and cash equivalents designated for health reimbursement accounts		1,577,059
Cash and cash equivalents restricted to debt service escrow		3,101,134
Cash and cash equivalents designated - other		1,162,231
Investments		4,549,481
Debt service reserve fund due from New York State		302,553
Accounts receivable, net		233,471
Accrued income receivable		12,722,044
Due from related parties		649,633
Security deposits and prepaid expenses		1,055,293
Property and equipment, net		17,219,476
Deferred rent recovery		2,475,711
TOTAL ASSETS	**$**	**83,654,243**
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$	5,730,932
Accrued payroll		2,700,164
Accrued compensated absences		3,503,150
Recoupments payable		6,199,360
Mortgages payable - DASNY		390,792
Bonds payable - DASNY, net		13,111,041
Bonds payable - IDA, net		540,000
Capital lease liability		692,358
Lines of credit		488,286
Deferred rent		2,475,711
Self funded insurance liability		959,527
Pension liability		4,746,764
Postretirement health insurance liability		5,239,218
TOTAL LIABILITIES		46,777,303
NET ASSETS		
Unrestricted:		
Undesignated		26,356,436
Residential reserve for replacement		1,030,056
Property and equipment		6,077,698
Board designated - program expansion		1,182,197
Board designated - anticipated pension contributions		1,250,000
Board designated - self funded insurance		921,712
		36,818,099
Temporarily restricted		58,841
TOTAL NET ASSETS		36,876,940
TOTAL LIABILITIES AND NET ASSETS	**$**	**83,654,243**

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, 2017

REVENUE - PROGRAM OPERATIONS	
Program service fees	$ 95,824,281
Participants' share of room and board	3,485,104
Subcontract	292,243
DASNY bond fees	571,204
	100,172,832
Net assets released from restrictions	2,757
TOTAL REVENUE - PROGRAM OPERATIONS	100,175,589
EXPENSES	
Program services	91,038,993
Management and administration	7,123,981
TOTAL EXPENSES	98,162,974
CHANGE IN UNRESTRICTED NET ASSETS BEFORE OTHER REVENUE AND PENSION AND HEALTH CARE BENEFIT PLAN-RELATED CHANGES	2,012,615
OTHER REVENUE	
Investment income	50,086
Contributions and fundraising	140
Retroactive rate adjustments	3,222,104
Miscellaneous	20,296
TOTAL OTHER REVENUE	3,292,626
CHANGE IN UNRESTRICTED NET ASSETS BEFORE PENSION AND HEALTH CARE BENEFIT PLAN-RELATED CHANGES	5,305,241
Pension related change other than net periodic pension benefits (costs)	5,306,575
Post-retirement health care benefit change other than net periodic benefits (costs)	378,698
CHANGE IN UNRESTRICTED NET ASSETS	10,990,514
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	
Donors	4,980
Net assets released from restrictions	(2,757)
	2,223
CHANGE IN NET ASSETS	10,992,737
NET ASSETS - BEGINNING OF YEAR	25,884,203
NET ASSETS - END OF YEAR	**$ 36,876,940**

The accompanying notes are an integral part of these financial statements.

B-III-3

LIFESPIRE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017

UNRESTRICTED NET ASSETS - BEGINNING OF YEAR	$ 25,827,585
Change in unrestricted net assets	10,990,514
UNRESTRICTED NET ASSETS - END OF YEAR	$ 36,818,099
TEMPORARILY RESTRICTED NET ASSETS - BEGINNING OF YEAR	$ 56,618
Change in temporarily restricted net assets	2,223
TEMPORARILY RESTRICTED NET ASSETS - END OF YEAR	$ 58,841

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, 2017

	Program Services							
	Waiver Services	Vocational Services	Residential	Mental Health	Other Programs	Total Program Services	Management and Administration	Total Expenses
Salaries	$ 16,085,547	$ 69,723	$ 19,687,675	$ 519,018	$ 3,333,324	$ 39,695,287	$ 2,586,352	$ 42,281,639
Payroll taxes and benefits	6,350,954	45,320	6,681,441	181,675	1,141,134	14,400,524	958,364	15,358,888
Total personnel costs	22,436,501	115,043	26,369,116	700,693	4,474,458	54,095,811	3,544,716	57,640,527
Professional fees and contracted services	553,475	6,645	3,693,315	65,947	1,278,134	5,597,516	521,699	6,119,215
General and professional liability insurance	366,959	11,105	263,657	25,145	37,276	704,142	628,559	1,332,701
Supplies and expenses:								
Food, household supplies and services	85,162	-	2,456,994	2,296	17,808	2,562,260	17,020	2,579,280
Rent and real estate taxes	3,517,039	36,447	2,665,917	195,467	488,652	6,903,522	675,209	7,578,731
Transportation	9,707,942	23,196	861,123	5,973	106,303	10,704,537	71,673	10,776,210
Utilities and telephone	878,492	3,768	927,522	67,063	247,130	2,123,975	203,476	2,327,451
Maintenance and repair	333,337	106	620,978	9,363	41,560	1,005,344	143,253	1,148,597
General	828,825	195,153	1,989,785	14,885	572,401	3,601,049	1,248,866	4,849,915
Total expenses before interest, fees, and bond expense, and depreciation and amortization	38,707,732	391,463	39,848,407	1,086,832	7,263,722	87,298,156	7,054,471	94,352,627
Interest, fees, and bond expense	458,437	3,723	1,539,923	-	19,056	2,021,139	17,561	2,038,700
Depreciation and amortization	639,966	72,984	928,503	10,318	67,927	1,719,698	51,949	1,771,647
TOTAL EXPENSES	$ 39,806,135	$ 468,170	$ 42,316,833	$ 1,097,150	$ 7,350,705	$ 91,038,993	$ 7,123,981	$ 98,162,974

The accompanying notes are an integral part of these financial statements.

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LIFESPIRE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 10,992,737
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,771,647
Amortization of bond issuance costs	188,537
Unrealized loss on investments	18,633
Loss on disposal of property and equipment	5,047
Changes in operating assets and liabilities:	
Debt service reserve fund due from New York State	16,288
Accounts receivable	56,100
Accrued income receivable	887,918
Due from related parties	96,240
Security deposits and prepaid expenses	814,737
Accounts payable and accrued expenses	287,107
Accrued payroll	723,990
Accrued compensated absences	(5,303)
Recoupments payable	(1,179,841)
Self funded insurance liability	(852,053)
Pension liability	(6,775,008)
Postretirement health insurance liability	(72,881)
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,973,895
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash and cash equivalents restricted to debt service escrow	43,549
Purchases of investments	(3,374,018)
Proceeds from sales of investments	3,342,466
Purchases of property and equipment	(818,745)
NET CASH USED IN INVESTING ACTIVITIES	(806,748)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from bonds payable - DASNY	2,695,000
Repayments of mortgages payable - DASNY	(504,850)
Repayments of bonds payable - DASNY	(1,230,000)
Proceeds from line of credit	553,823
Repayments of line of credit	(1,101,205)
Repayments of bonds payable - IDA	(280,000)
Payment of bond issuance costs	(154,976)
Repayments of capital lease liability	(128,410)
NET CASH USED IN FINANCING ACTIVITIES	(150,618)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,016,529
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	35,328,918
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 41,345,447
RECONCILIATION FOR UNRESTRICTED CASH & CASH EQUIVALENTS	
Cash and cash equivalents	$ 31,510,085
Cash and cash equivalents designated for recoupments payable	6,199,360
Cash and cash equivalents designated for self funded insurance	896,712
Cash and cash equivalents designated for health reimbursement accounts	1,577,059
Cash and cash equivalents designated - other	1,162,231
CASH AND CASH EQUIVALENTS - END OF YEAR, UNRESTRICTED	$ 41,345,447
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash paid during the year for:	
Interest	$ 518,909
Non-cash investing and financing activity during the period:	
Acquisition of property and equipment under capital lease obligations	$ 820,768

The accompanying notes are an integral part of these financial statements.

LIFESPIRE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2014.

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 $1,030,056 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 $6,077,698 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 $1,182,197 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 $8,736,000 to finance its program operations.

Board Designated-Anticipated Pension Contributions - The Board has designated $1,250,000 for anticipated defined benefit pension plan contributions for the year ended June 30, 2018.

Board Designated-Self Funded Insurance - The Board has designated $921,712 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. 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 liability are subject to change in the near term. Actual results could differ from those estimates.

Subsequent Events

The Agency has evaluated events through November 20, 2017, 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, 2017 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, 2017. The allowance for doubtful accounts, which amounts to $6,854 at June 30, 2017, 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.

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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, 2017, substantially all of the accrued income receivable of $12,722,044 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, 2017, the Agency collected $3,222,104 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. The Office of the State Comptroller performed an audit and filed a preliminary claim against the Agency. The Agency is vigorously contesting the claim and management believes the final settlement will not be material to the consolidated financial statements.

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, 2017.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled $4,690 for the year ended June 30, 2017, 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 $2,475,711 at June 30, 2017 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.

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 deferred rent recovery on the consolidated statement of financial position. This deferred rent recovery 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 $2,475,711 at June 30, 2017. For the year ended June 30, 2017, the decrease in deferred rent recovery amounted to $74,509 and is reflected in the accompanying consolidated statement of activities.

Self Funded Health and Workers' Compensation Insurance

The Agency is self funded for workers' compensation insurance on all employees. At June 30, 2017, the Agency recorded a liability of $934,527 for claims that have been incurred but not paid for employees covered by the self funded workers' compensation plan.

On June 30, 2016, the Agency terminated the self funded health insurance on all employees, and purchased a full coverage health insurance effective July 1, 2016. At June 30, 2017, the Agency recorded a reserve liability of $25,000 for prior claims under the self funded health insurance that have been incurred but not paid as of termination date.

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)

Fair Value Measurements (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.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

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 approximate market rates.

Adoption of Accounting Pronouncement

Effective July 1, 2016, the Agency adopted Accounting Standards Update ("ASU") 2015-03, *Simplifying the Presentation of Debt Issuance Costs.* ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented as a direct deduction on the statement of financial position from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by this ASU. This ASU was applied for the year ending June 30, 2017. Bonds payable – DASNY and bonds payable – IDA as of July 1, 2016 have been adjusted to apply the new method retrospectively.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued an accounting standards 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (continued)

In February 2016, the FASB issued an accounting standards update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current US GAAP. The Agency is currently evaluating the effect the update will have on its financial statements but expects upon adoption that the update will have a material effect on the Agency's financial condition due to the recognition a right-of-use asset and related lease liability. The Agency does not anticipate the update having a material effect on the Agency's results of operations or cash flows, though such an effect is possible. The update is effective using a modified retrospective approach for fiscal years beginning after December 15, 2018, and interim periods within those years, with early application permitted. The Agency is currently evaluating the effect the update will have on its financial statements.

In August 2016, the FASB issued an accounting standards update which aims to improve information provided to creditors, donors, grantors, and others while also reducing complexity and costs. The update is the first phase of a project regarding not-for-profits which aims to improve and simplify net asset classification requirements and improve the information presented and disclosed in financial statements about liquidity, cash flows, and financial performance. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with earlier application permitted. The Agency is currently evaluating the effect the update will have on its financial statements.

In August 2016, the FASB issued an accounting standards update to reduce diversity in practice on eight specific statement of cash flows issues. The update is effective retrospectively for annual periods beginning after December 15, 2017 and in interim periods in that reporting period, with early adoption permitted. The Agency is currently evaluating the effect the update will have on its financial statements.

In January 2017, the FASB issued an accounting standards update which clarifies when a not-for-profit that is a general or limited partner should consolidate a for-profit limited partnership or similar entity. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017, with early adoption permitted. The Agency is currently evaluating the effect the update will have on its financial statements.

In March 2017, the FASB issued an accounting standards update to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost in the financial statements of employers that offer defined benefit pension plans, other postretirement benefit plans, or certain other types of benefits. The update also specifies that the service cost component of net benefit cost is eligible to be capitalized. The update is effective retrospectively for presentation requirements and prospectively in terms of capitalization, for annual periods beginning after December 15, 2017 and interim periods within those annual periods. Early adoption is 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, 2017 comprised of the following:

	Restricted Cash Amount
Temporarily restricted contributions	$ 58,841
403(b) tax sheltered annuity plan	73,334
Residential reserve for replacement	1,030,056
	$ 1,162,231

4. CASH AND CASH EQUIVALENTS DESIGNATED FOR RECOUPMENTS PAYABLE

As of June 30, 2017, the Agency designated cash and cash equivalents of $6,199,360 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.

OPWDD does not recoup amounts more than seven years old. As a result, the Agency recognized a net gain of $1,179,841 resulting from the reduction of the recoupment payable, which is included in retroactive rate adjustments on the consolidated statement of activities.

As of June 30, 2017, the Agency has a recoupment payable balance of $6,199,360. These amounts are expected to be recouped in the future through designated reductions of remittance payments or by demanding payment of full amount.

The recoupment payable is related to transactions incurred as follows:

June 30,	
2017	$ 790,792
2016	497,453
2015	382,939
2014	257,370
2012 and prior	4,270,806
	$ 6,199,360

5. CASH AND CASH EQUIVALENTS RESTRICTED TO DEBT SERVICE ESCROW

The cash and cash equivalents related to debt service escrow of $3,101,134 is comprised of the following:

Debt Service Escrow:	
IDA – Bond 2002	$ 673,494
DASNY – Bond 2010	745,968
DASNY – Bond 2011	244,661
DASNY – Bond 2013	349,704
DASNY – Bond 2015	831,194
DASNY – Bond 2016	256,113
	$ 3,101,134

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, 2015, and 2016 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 $302,553 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, 2017, total investments are comprised of money market, bank certificates of deposit, and mutual funds stated at $4,549,481. Investments consisted of the following:

	Cost	Fair Value
Bank of America - money market	$ 5,553	$ 5,553
Morgan Stanley - certificates of deposit	4,111,087	4,108,076
Chase - mutual funds	467,905	435,852
Total	$ 4,584,545	$ 4,549,481

7. INVESTMENTS (CONTINUED)

Activity in investments is as follows for the year ended June 30, 2017:

Investments - beginning of year	$ 4,536,562
Investment activity:	
Purchases	3,333,145
Investment returns (reinvested)	40,873
Sales and redemptions (at cost)	(3,216,146)
Withdrawals for operations	(126,320)
	31,552
Net depreciation in fair value of investments: unrealized losses	(18,633)
Investments - end of year	$ 4,549,481

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 $649,633 on the accompanying consolidated statement of financial position represents net amounts owed from the Parent 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 $469,133 at June 30, 2017.

- 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. Also, 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, 2017. Subsequent to the statement of financial position date, the board of directors of the Agency modified the payment terms of these notes, as well as the resolution to forgive in full the accrued interest receivable as of June 30, 2017 totaling $68,644 (see Note 25).

Board members of the Parent are also Board members of the Agency.

8. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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 $17,814. The Agency also received $15,560 from HUD for reimbursement of certain employee benefits and insurance costs during the year ended June 30, 2017.

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, 2017, purchases of supplies and services from Community totaled $604,295 and fees from Community for the provision of labor provided by the Agency totaled $89,776. At June 30, 2017, $73,436 was due to Community, which is included in accounts payable and accrued expenses in the accompanying consolidated statement of financial position. In addition, the Agency also received approximately $20,886 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, 2017.

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, 2017, purchases of these services from Enterprise totaled $233,116. In addition, during the year ended June 30, 2017, the Agency also received $20,124 from Enterprise for reimbursement of insurance costs. At June 30, 2017, $26,334 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. At June 30, 2017, no allowance was necessary because the related party receivables from Community and Enterprise were determined to be fully collectible.

9. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

June 30, 2017	Cost	Estimated Useful Lives
Land	$ 4,924,267	
Construction in progress	969,666	
Buildings and improvements	28,791,914	5-20 years
Furniture and equipment	3,658,198	5 years
Vehicles	1,108,817	4 years
Leasehold improvements	9,418,504	Life of lease
	48,871,366	
Less: accumulated depreciation and amortization	(31,651,890)	
	$ 17,219,476	

9. PROPERTY AND EQUIPMENT (CONTINUED)

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 $1,771,647 for the year ended June 30, 2017.

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, 2017
213-233 48th Street (Sunset I)	2/15/2018	7.34%	$ 72,660
87-21 121st Street (Queens)	2/15/2018	6.41%	219,000
Jumel	8/15/2018	6.41%	99,132
Total Mortgages Payable - DASNY			$ 390,792

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% (4.25% at June 30, 2017) through March 31, 2018, 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, 2017 was $488,286. 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 February 28, 2018. 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% (4.25% at June 30, 2017) and is secured by a lien on the Agency's government receivables not otherwise encumbered. The government receivables totaled $12,722,044 at June 30, 2017 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, 2017.

12. BONDS PAYABLE – DASNY, NET

Bonds payable – DASNY includes the following at June 30, 2017:

Series	Due Date	Interest Rates	Principal Due
2010 A-1 and A-2	July 2028	2.10% to 5.00%	$ 3,390,000
2011 A-1 and A-2	July 2026	1.40% to 4.00%	1,315,000
2013 A-1 and A-2	July 2038	2.00% to 4.00%	3,165,000
2015 A-1 and A-2	July 2024	1.20% to 4.00%	2,800,000
2016 A-1 and A-2	July 2040	1.50% to 4.00%	585,000
2016 B-1 and B-2	July 2041	1.50% to 4.00%	2,695,000
			13,950,000
Less: unamortized debt issuance costs			(767,933)
Less: unamortized bond discounts			(71,026)
Total bonds payable - DASNY, net			$ 13,111,041

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 2010 A-1, and 2010 A-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 $170,278 was amortized as of June 30, 2017. The cost of bond discounts amounted to $78,516, of which $42,883 was amortized as of June 30, 2017.

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).

12. BONDS PAYABLE – DASNY, NET (CONTINUED)

2010 A-1 and A-2 (continued)

The principal payments of the debt owed to the bondholders are as follows:

Due Date July 1,	Principal Due
2017	$ 415,000
2018	415,000
2019	415,000
2020	410,000
2021	415,000
Thereafter	1,320,000
	$ 3,390,000

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 2011 A-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 $63,536 was amortized as of June 30, 2017. The cost of the bond discounts amounted to $12,469 of which $4,904 was amortized during the year ending June 30, 2017.

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
2017	$ 130,000
2018	130,000
2019	130,000
2020	130,000
2021	130,000
Thereafter	665,000
	$ 1,315,000

LIFESPIRE, INC. AND SUBSIDIARY

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JUNE 30, 2017

12. BONDS PAYABLE – DASNY, NET (CONTINUED)

2011 A-1 and A-2 (continued)

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 2013 A-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 $65,796 was amortized as of June 30, 2017. The cost of the bond discounts amounted to $33,679 of which $5,851 was amortized during the year ending June 30, 2017.

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
2017	$ 165,000
2018	165,000
2019	170,000
2020	180,000
2021	180,000
Thereafter	2,305,000
	$ 3,165,000

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.

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 2015 A-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 $45,685 was amortized as of June 30, 2017.

12. BONDS PAYABLE – DASNY, NET (CONTINUED)

2015 A-1 and A-2 (continued)

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
2017	$ 490,000
2018	480,000
2019	325,000
2020	330,000
2021	335,000
Thereafter	840,000
	$ 2,800,000

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.

2016 A-1 and A-2

On February 10, 2016, a bond payable – DASNY was issued in the amount of $605,000 and is related to the DASNY InterAgency Council Pooled Loan Program Revenue Bond Resolution, Series 2016A, subseries 2016A-1, and subseries 2016 A-2 (the “2016A Bonds”). The Agency used the proceeds from the 2016A Bonds to pay down $538,118 of indebtedness on one property.

The interest is payable to the bondholders on an annual basis commencing on July 1, 2016. The cost of the bond issuance amounted to $73,347 of which $3,265 was amortized as of June 30, 2017.

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
2017	$ 25,000
2018	15,000
2019	15,000
2020	20,000
2021	20,000
Thereafter	490,000
	$ 585,000

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12. BONDS PAYABLE – DASNY, NET (CONTINUED)

2016 A-1 and A-2 (continued)

The 2016A 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.

2016 B-1 and B-2

On November 29, 2016, a bond payable – DASNY was issued in the amount of $2,695,000 and is related to the DASNY InterAgency Council Pooled Loan Program Revenue Bond Resolution, Series 2016B, subseries 2016B-1, and subseries 2016 B-2 (the “2016B Bonds”). The Agency used the proceeds from the 2016B Bonds to facilitate building improvements and project costs totaling $2,499,164 on two properties.

The interest is payable to the bondholders on an annual basis commencing on July 1, 2017. The cost of the bond issuance amounted to $154,976 of which $2,906 was amortized as of June 30, 2017.

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
2017	$ 45,000
2018	95,000
2019	95,000
2020	105,000
2021	110,000
Thereafter	2,245,000
	$ 2,695,000

The 2016B 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, 2017 :

Series	Due Date	Interest Rates	Principal Due
2002 C-1	July 1, 2017	6.50%	$ 540,000
Total Bonds Payable - IDA			$ 540,000

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, which was fully amortized as of June 30, 2017.

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
2017	$ 540,000
	$ 540,000

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 $571,204 for the year ended June 30, 2017, 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. CAPITAL LEASE LIABILITY

During the year ended June 30, 2017, the Agency leased its vehicles under leases classified as capital leases. The following is a schedule showing the future minimum lease payments under capital leases by years and the present value of the minimum lease payments as of June 30, 2017. The interest rate related to these capital lease liabilities ranged from 4.39% to 7.47% and the maturity dates ranged from April 2020 through May 2021.

June 30,	
2018	$ 227,483
2019	227,483
2020	223,275
2021	71,312
Total minimum lease payments	749,553
Less: amount representing interest	(57,195)
Present value of minimum lease payments	$ 692,358

15. MATURITIES OF DEBT TO THIRD PARTIES

The short-term and long-term third-party debt is comprised of the following:

June 30, 2017	
Mortgages payable – DASNY	$ 390,792
Bonds payable – DASNY, net	13,111,041
Bonds payable – IDA	540,000
Capital lease liability	692,358
Line of credit	488,286
	$ 15,222,477

Approximate maturities of short-term and long-term third-party debt are as follows:

June 30,	
2017	$ 2,861,571
2018	1,532,704
2019	1,363,819
2020	1,244,870
2021	1,190,000
Thereafter	7,868,472
	16,061,436
Less: unamortized bond issuance costs	(767,933)
Less: unamortized bond discounts	(71,026)
	$ 15,222,477

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.

16. SELF FUNDED INSURANCE

All Agency employees had an option to participate in the Agency's self-funded, comprehensive medical care benefits program. The cost of medical care was paid out of employee and employer contributions and was held in a separate reserve bank account. The Agency contracted with Aetna, Inc., a third-party administrator, to provide administrative services for this health care benefits program. The health care benefits program had 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. Effective June 30, 2016, the Agency terminated the self-funded health insurance plan and purchased a full coverage health insurance with Oxford Health Insurance, Inc. As of June 30, 2017, the estimated liability for outstanding claims totaled $25,000, which represents estimated potential claims not paid as of June 30, 2017.

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, 2017, cash designated for this program totaled $896,712 and the estimated liability for outstanding claims at June 30, 2017 totaled $934,527.

The Agency is partially self-insured for its workers compensation commitments. Accordingly, the Agency has provided $2,433,696 in Letters of Credit for performance guarantees, which are secured by certificates of deposit totaling $2,820,000 on the accompanying consolidated statement of financial position.

17. 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 2016 met the minimum funding requirements of the Employee Retirement Income Security Act of 1974 ("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 $1,250,000 to its defined benefit plan for the year ended June 30, 2017.

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 $4,746,764 of pension liability as of June 30, 2017.

17. DEFINED BENEFIT PENSION PLAN (CONTINUED)

The changes in the defined benefit pension obligations, plan assets and funded status for the year ended June 30, 2017 were as follows:

	Pension Benefits
Reconciliation of benefit obligation:	
Benefit obligation, beginning of year	$ 44,399,554
Service cost	-
Interest cost	1,577,936
Actuarial gain due to increase in discount rate	(2,032,895)
Benefits paid	(1,169,736)
Benefit obligation, end of year	$ 42,774,859
Reconciliation of fair value of plan assets:	
Fair value of plan assets, beginning of year	$ 32,877,782
Actual return on plan assets	4,229,809
Employer contributions	2,090,240
Benefits paid	(1,169,736)
Fair value of plan assets, end of year	$ 38,028,095
Funded status, end of year	$ (4,746,764)

Assumptions

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, 2017:

Discount rate	3.87%
Expected long-term rate of return on plan assets	6.75%
Rate of compensation increase	0.00%

Net periodic pension benefit and other amounts recognized in the statement of activities for the year ended June 30, 2017 included the following components:

Service cost	$ -
Interest cost	1,577,936
Expected return on plan assets	(2,215,386)
Amortization of net loss	1,259,257
Net periodic pension cost	$ 621,807

17. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

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.

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17. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 dollar values and fair value measurements at June 30, 2017 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	$ 2,364,611	$ 2,364,611	$ -	$ -
Equities	7,947,568	7,947,568	-	-
Government securities	935,510	935,510	-	-
Municipal bonds	522,773	522,773	-	-
International bonds	1,248,556	1,248,556	-	-
Corporate bonds	9,415,442	9,415,442	-	-
Mutual funds	15,593,635	15,593,635	-	-
	$ 38,028,095	$ 38,028,095	$ -	$ -

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
2018	$ 1,362,484
2019	1,341,361
2020	1,466,245
2021	1,561,541
2022	1,642,921
2023 - 2027	9,896,134
	$ 17,270,686

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18. POSTRETIREMENT HEALTH CARE BENEFIT PLAN

The Agency sponsors a defined benefit postretirement health care benefit plan.

Plan Provisions

Retired Prior to January 1, 2001

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.

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, 2017 included the following components:

Service cost		$ 244,282
Interest cost		192,170
Amortization:		
(a) Transition obligation	-	
(b) Prior service cost	-	
(c) (Gain) loss	(44,296)	
Net amortization		(44,296)
Net periodic benefit cost		$ 392,156

Reconciliation of Funded Status for the Fiscal Year Ended June 30, 2017

Accumulated postretirement benefit liability at June 30, 2017	$ 5,239,218
Net liability recognized at June 30, 2017	$ 5,239,218

18. POSTRETIREMENT HEALTH CARE BENEFIT PLAN (CONTINUED)

Net Amount Recognized in Consolidated Statement of Financial Position

Beginning of year	$ 5,312,099
Service cost	244,282
Interest cost	192,170
Expected return on plan assets	-
Employer contributions	(86,339)
Net gain	(422,994)
Prior service credit (cost)	-
End of year	$ 5,239,218

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:	4.30% - 11.30% – based on the year of retirement
Funding method:	Projected Unit Credit Actuarial Cost Method

a) The discount rate was changed from 3.65% to 3.87%, which decreased the accumulated postretirement benefit liability by approximately $209,000.

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	$ 5,239,218	$ 436,452
At trend + 1%	5,266,038	438,064
Dollar impact	26,820	1,612
Percentage impact	0.51%	0.37%
At trend – 1%	5,215,849	435,058
Dollar impact	(23,369)	(1,394)
Percentage impact	-0.45%	-0.32%

18. 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:

June 30,	Postretirement Benefits
2018	$ 99,471
2019	112,824
2020	126,984
2021	141,164
2022	158,723
2023 - 2027	1,078,656
	$ 1,717,822

19. TEMPORARILY RESTRICTED NET ASSETS

The changes in contributions, which comprise the Agency's temporarily restricted net assets for the year ended June 30, 2017, which are available for use in future years, were as follows:

	Balance at 6/30/16	Additions	Expenditures	Balance at 6/30/17
Program	$ 56,618	4,980	(2,757)	$ 58,841

The funds released from restrictions were used towards other expenses for some of the Agency's programs.

20. 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.

20. COMMITMENTS AND CONTINGENCIES (CONTINUED)

General (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 February 9, 2016, 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, 2018. 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,	
2018	$ 7,305,225
2019	5,797,276
2020	4,708,744
2021	4,303,385
2022	4,271,821
Thereafter	8,558,115
	$ 34,944,566

For the year ended June 30, 2017, rent expense was $7,033,929, 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.

Capital Commitments

The Agency entered into construction contracts with unrelated parties, in the amount of $1,106,077 (including change orders), for the construction or rehabilitation of various real properties. At June 30, 2017, $714,404 of such contract commitments had not yet been incurred.

21. 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.

22. 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, 2017.

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.

Approximately 14% of the Agency's accounts payable and accrued expenses as of June 30, 2017 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.

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. 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 ("CCO") implementation, Coordinated Assessment System ("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.

On November 2, 2017, the board of directors of the Agency amended the terms of the two notes receivable from the Parent totaling $180,500. Per the resolution, effective June 30, 2017, these two notes with a total outstanding balance of $180,500 at June 30, 2017, were combined into one note totaling $296,537 (includes principal and interest at a rate of 4.25%), whereby the Parent is obligated to pay the outstanding indebtedness in twenty-five equal annual installments of $11,861 on or before July 1st of each year. Additionally, the board also resolved to forgive the $68,644 in accrued interest income receivable at June 30, 2017 relating to these two notes.

The Agency has evaluated events through November 20, 2017, 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, 2016

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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, 2016, 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, 2016, 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 17, 2016

LIFESPIRE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS	
Cash and cash equivalents	$ 22,225,608
Cash and cash equivalents designated for recoupments payable	7,379,201
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	3,144,683
Cash and cash equivalents designated - other	1,051,899
Investments	4,536,562
Debt service reserve fund due from New York State	318,841
Accounts receivable, net	289,571
Accrued income receivable	13,609,962
Due from related parties	745,873
Security deposits and prepaid expenses	1,870,030
Property and equipment, net	17,356,657
Deferred charges, net	3,422,740
TOTAL ASSETS	**$ 80,623,837**
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable and accrued expenses	$ 5,443,825
Accrued payroll	1,976,174
Accrued compensated absences	3,508,453
Recoupments payable	7,379,201
Mortgages payable - DASNY	895,642
Bonds payable - DASNY	12,485,000
Bonds payable - IDA	820,000
Lines of credit	1,035,668
Deferred rent	2,550,220
Self funded insurance liability	1,811,580
Pension liability	11,521,772
Postretirement health insurance liability	5,312,099
TOTAL LIABILITIES	54,739,634
NET ASSETS	
Unrestricted:	
Undesignated	12,532,666
Residential reserve for replacement	922,020
Property and equipment	7,030,158
Board designated - program expansion	1,155,486
Board designated - anticipated pension contributions	1,270,000
Board designated - self funded insurance	2,917,255
	25,827,585
Temporarily restricted	56,618
TOTAL NET ASSETS	25,884,203
TOTAL LIABILITIES AND NET ASSETS	**$ 80,623,837**

The accompanying notes are an integral part of these financial statements.

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LIFESPIRE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

REVENUE - PROGRAM OPERATIONS	
Program service fees	$ 96,814,036
Participants' share of room and board	3,455,502
Subcontract	413,223
DASNY bond fees	572,308
	101,255,069
Net assets released from restrictions	5,336
TOTAL REVENUE - PROGRAM OPERATIONS	101,260,405
EXPENSES	
Program services	90,608,970
Management and administration	6,275,425
TOTAL EXPENSES	96,884,395
CHANGE IN UNRESTRICTED NET ASSETS BEFORE OTHER REVENUE AND PENSION AND HEALTH CARE BENEFIT PLAN-RELATED CHANGES	4,376,010
OTHER REVENUE	
Investment income	59,289
Contributions and fundraising	3,074
Retroactive rate adjustments	2,436,487
Miscellaneous	18,015
TOTAL OTHER REVENUE	2,516,865
CHANGE IN UNRESTRICTED NET ASSETS BEFORE PENSION AND HEALTH CARE BENEFIT PLAN-RELATED CHANGES	6,892,875
Pension related change other than net periodic pension benefits (costs)	(7,502,898)
Post-retirement health care benefit change other than net periodic benefits (costs)	(231,339)
CHANGE IN UNRESTRICTED NET ASSETS	(841,362)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	
Donors	3,400
Net assets released from restrictions	(5,336)
	(1,936)
CHANGE IN NET ASSETS	(843,298)
NET ASSETS - BEGINNING OF YEAR	26,727,501
NET ASSETS - END OF YEAR	**$ 25,884,203**

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, 2016

UNRESTRICTED NET ASSETS - BEGINNING OF YEAR	$ 26,668,947
Change in unrestricted net assets	(841,362)
UNRESTRICTED NET ASSETS - END OF YEAR	$ 25,827,585
TEMPORARILY RESTRICTED NET ASSETS - BEGINNING OF YEAR	$ 58,554
Change in temporarily restricted net assets	(1,936)
TEMPORARILY RESTRICTED NET ASSETS - END OF YEAR	$ 56,618

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, 2016

	Program Services							
	Waiver Services	Vocational Services	Residential	Mental Health	Other Programs	Total Program Services	Management and Administration	Total Expenses
Salaries	$ 15,932,177	$ 24,201	$ 19,008,857	$ 584,596	$ 3,956,827	$ 39,506,658	$ 2,460,973	$ 41,967,631
Payroll taxes and benefits	6,158,713	12,094	6,568,790	187,800	1,390,836	14,318,233	820,485	15,138,718
Total personnel costs	22,090,890	36,295	25,577,647	772,396	5,347,663	53,824,891	3,281,458	57,106,349
Professional fees and contracted services	597,946	2	1,957,826	71,947	2,362,448	4,990,169	448,341	5,438,510
General and professional liability insurance	410,685	26,545	314,493	36,406	42,380	830,509	401,120	1,231,629
Supplies and expenses:								
Food, household supplies and services	120,208	6	2,703,982	1,981	14,241	2,840,418	15,690	2,856,108
Rent and real estate taxes	3,407,370	238,794	2,708,743	176,243	478,716	7,009,866	491,108	7,500,974
Transportation	9,731,009	44,253	977,676	10,978	90,157	10,854,073	102,951	10,957,024
Utilities and telephone	1,050,475	2,469	970,454	73,883	238,164	2,335,445	182,924	2,518,369
Maintenance and repair	343,661	690	679,395	11,473	47,957	1,083,176	93,044	1,176,220
General	847,376	251,308	1,403,421	28,512	604,536	3,135,153	1,215,219	4,350,372
Total expenses before interest, fees, and bond expense, and depreciation and amortization	38,599,620	600,362	37,293,637	1,183,819	9,226,262	86,903,700	6,231,855	93,135,555
Interest, fees, and bond expense	608,885	28,247	1,381,893	-	15,397	2,034,422	-	2,034,422
Depreciation and amortization	686,055	74,014	828,133	10,675	71,971	1,670,848	43,570	1,714,418
TOTAL EXPENSES	$ 39,894,560	$ 702,623	$ 39,503,663	$ 1,194,494	$ 9,313,630	$ 90,608,970	$ 6,275,425	$ 96,884,395

The accompanying notes are an integral part of these financial statements.

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LIFESPIRE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (843,298)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,714,418
Amortization of bond issue costs	114,963
Unrealized loss on investments	6,320
Bad debt expense	1,712
Changes in operating assets and liabilities:	
Accounts receivable	(206,326)
Accrued income receivable	1,295,925
Due from related parties	7,594
Security deposits and prepaid expenses	(1,035,177)
Accounts payable and accrued expenses	(487,139)
Accrued payroll	(1,380,187)
Accrued compensated absences	(148,385)
Recoupments payable	(2,285,196)
Self funded insurance liability	(246,081)
Pension liability	6,341,195
Postretirement health insurance liability	583,852
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,434,190
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash and cash equivalents restricted to debt service escrow	(409,443)
Purchases of investments	(3,250,285)
Proceeds from sales of investments	3,201,565
Purchases of property and equipment	(1,517,220)
NET CASH USED IN INVESTING ACTIVITIES	(1,975,383)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from bonds payable - DASNY	605,000
Repayments of mortgages payable - DASNY	(473,116)
Repayments of bonds payable - DASNY	(840,000)
Proceeds from line of credit	716,431
Repayments of line of credit	(533,145)
Repayments of bonds payable - IDA	(280,000)
Payments of bond issuance costs	(61,316)
NET CASH USED IN FINANCING ACTIVITIES	(866,146)
NET INCREASE IN CASH AND CASH EQUIVALENTS	592,661
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	34,736,257
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 35,328,918
RECONCILIATION FOR UNRESTRICTED CASH & CASH EQUIVALENTS	
Cash and cash equivalents	$ 22,225,608
Cash and cash equivalents designated for recoupments payable	7,379,201
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 designated - other	1,051,899
CASH AND CASH EQUIVALENTS - END OF YEAR, UNRESTRICTED	$ 35,328,918
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash paid during the year for:	
Interest	$ 572,680

The accompanying notes are an integral part of these financial statements.

LIFESPIRE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2013.

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 $922,020 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 $7,037,515 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 $1,155,486 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 $8,636,000 to finance its program operations.

Board Designated-Anticipated Pension Contributions - The Board has designated $1,270,000 for anticipated defined benefit pension plan contributions for the year ended June 30, 2016.

Board Designated-Self Funded Insurance - The Board has designated $2,917,255 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. 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 17, 2016, 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, 2016 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, 2016. The allowance for doubtful accounts, which amounts to $6,854 at June 30, 2016, 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, 2016, substantially all of the accrued income receivable of $13,609,962 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, 2016, the Agency recognized $2,436,487 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, 2016.

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, 2016.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled $27,636 for the year ended June 30, 2016, 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 $2,550,220 at June 30, 2016 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 $872,520 at June 30, 2016, which is net of accumulated amortization. Amortization expense of these costs for the year ended June 30, 2016 was $114,963. Such amortization is included in interest, fees and bond expense 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 $2,550,220 at June 30, 2016. For the year ended June 30, 2016, the decrease in deferred rent recovery amounted to $99,017 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, 2016, the Agency recorded a liability of $1,811,580 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.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

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 approximate market rates.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (continued)

In February 2016, the FASB issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current US GAAP. The Company is currently evaluating the effect the update will have on its financial statements but expects upon adoption that the update will have a material effect on the Company's financial condition due to the recognition a right-of-use asset and related lease liability. The Company does not anticipate the update having a material effect on the Company's results of operations or cash flows, though such an effect is possible. The update is effective using a modified retrospective approach for fiscal years beginning after December 15, 2018, and interim periods within those years, with early application permitted. The Agency is currently evaluating the effect the update will have on its financial statements.

In August 2016, the FASB issued an accounting standard update which aims to improve information provided to creditors, donors, grantors, and others while also reducing complexity and costs. The update is the first phase of a project regarding not-for-profits which aims to improve and simplify net asset classification requirements and improve the information presented and disclosed in financial statements about liquidity, cash flows, and financial performance. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with earlier application permitted. The Agency is currently evaluating the effect the update will have on its financial statements.

In August 2016, the FASB issued an accounting standards update to reduce diversity in practice on eight specific statement of cash flows issues. The update is effective retrospectively for annual periods beginning after December 15, 2017 and in interim periods in that reporting period, with early adoption 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, 2016 comprised of the following:

	Restricted Cash Amount
Temporarily restricted contributions	$ 56,618
403(b) tax sheltered annuity plan	73,261
Residential reserve for replacement	922,020
	$ 1,051,899

4. CASH AND CASH EQUIVALENTS DESIGNATED FOR RECOUPMENTS PAYABLE

As of June 30, 2016, the Agency designated cash and cash equivalents of $7,379,201 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, 2016, the Agency has a recoupment payable balance of $7,379,201. These amounts are expected to be recouped in the future through designated reductions of remittance payments or by demanding payment of full amount.

The recoupment payable is related to transactions incurred as follows:

June 30,		
2016	$	601,069
2015		382,939
2014		257,370
2013		1,290,268
2012 and prior		4,847,555
	$	7,379,201

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5. CASH AND CASH EQUIVALENTS RESTRICTED TO DEBT SERVICE ESCROW

The cash and cash equivalents related to debt service escrow of $3,144,683 is comprised of the following:

Debt Service Escrow:		
IDA – Bond 2002	$	901,055
DASNY – Bond 2010		750,078
DASNY – Bond 2011		240,380
DASNY – Bond 2013		351,232
DASNY – Bond 2015		850,360
DASNY – Bond 2016		51,578
	$	3,144,683

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).

5. CASH AND CASH EQUIVALENTS RESTRICTED TO DEBT SERVICE ESCROW (CONTINUED)

The Debt Service Escrow – DASNY - regarding the Dormitory Authority State of New York ("DASNY") Bonds 2010, 2011, 2013, 2015, and 2016 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, 2016, total investments are comprised of money market, bank certificates of deposit, and mutual funds stated at $4,536,562. Investments consisted of the following:

	Cost	Fair Value
Bank of America - money market	$ 102,155	$ 102,155
Morgan Stanley - certificates of deposit	3,994,087	4,006,417
Chase - mutual funds	458,680	427,990
Total	$ 4,554,922	$ 4,536,562

Activity in investments is as follows for the year ended June 30, 2016:

Investments - beginning of year	$ 4,494,162
Investment activity:	
Purchases	3,192,245
Investment returns (reinvested)	58,040
Sales and redemptions (at cost)	(3,192,245)
Withdrawals for operations	(9,320)
	48,720
Net depreciation in fair value of investments: unrealized losses	(6,320)
Investments - end of year	$ 4,536,562

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 $745,873 on the accompanying consolidated statement of financial position represents net amounts owed from the Parent as follows:

An amount of $745,873 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 $496,729 at June 30, 2016.

- 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, 2016. 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 $68,644 as of June 30, 2016 relating to the above. Related party interest income amounted to $10,836 for the year ended June 30, 2016.

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 $17,814. The Agency also received $13,251 from HUD for reimbursement of certain employee benefits and insurance costs during the year ended June 30, 2016.

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, 2016, purchases of supplies and services from Community totaled $676,458 and fees from Community for the provision of labor provided by the Agency totaled $124,695. At June 30, 2016, $86,916 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, 2016, approximately $6,379 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 $20,385 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, 2016.

8. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Other Related Party Transactions (continued)

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, 2016, purchases of these services from Enterprise totaled $230,350. In addition, during the year ended June 30, 2016, the Agency also received $22,260 from Enterprise for reimbursement of insurance costs. At June 30, 2016, $22,288 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, 2016, 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, 2016	Cost	Estimated Useful Lives
Land	$ 4,924,267	
Construction in progress	716,264	
Buildings and improvements	28,357,102	5-20 years
Furniture and equipment	3,542,716	5 years
Vehicles	290,049	4 years
Leasehold improvements	9,431,462	Life of lease
	47,261,860	
Less: accumulated depreciation and amortization	(29,905,203)	
	$ 17,356,657	

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 $1,714,418 for the year ended June 30, 2016.

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, 2016
213-233 48th Street (Sunset I)	2/15/2018	7.34%	$ 186,260
87-21 121st Street (Queens)	2/15/2018	6.41%	501,500
Jumel	8/15/2018	6.41%	207,882
Total Mortgages Payable - DASNY			$ 895,642

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% (3.50% at June 30, 2016) through March 31, 2017, 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, 2016 was $1,035,668. 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 February 28, 2017. 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% (3.50% at June 30, 2016) and is secured by a lien on the Agency's government receivables not otherwise encumbered. The government receivables totaled $13,609,962 at June 30, 2016 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, 2016.

12. BONDS PAYABLE - DASNY

Bonds payable – DASNY includes the following at June 30, 2016:

Series	Due Date	Interest Rates	Principal Due
2010 A-1 and A-2	July 2028	2.10% to 5.00%	$ 3,805,000
2011 A-1 and A-2	July 2026	1.40% to 4.00%	1,440,000
2013 A-1 and A-2	July 2038	2.00% to 4.00%	3,330,000
2015 A-1 and A-2	July 2024	1.20% to 4.00%	3,305,000
2016 A-1 and A-2	July 2040	1.50% to 4.00%	605,000
Total Bonds Payable - DASNY			$ 12,485,000

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 2010 A-1, and 2010 A-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 $147,965 was amortized as of June 30, 2016. The cost of bond discounts amounted to $78,516, of which $37,396 was amortized as of June 30, 2016.

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
2016	$ 415,000
2017	415,000
2018	415,000
2019	415,000
2020	410,000
Thereafter	1,735,000
	$ 3,805,000

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.

12. BONDS PAYABLE – DASNY (CONTINUED)

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 2011 A-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 $52,448 was amortized as of June 30, 2016. The cost of the bond discounts amounted to $12,469 of which $4,063 was amortized during the year ending June 30, 2016.

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
2016	$ 125,000
2017	130,000
2018	130,000
2019	130,000
2020	130,000
Thereafter	795,000
	$ 1,440,000

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 2013 A-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 $49,673 was amortized as of June 30, 2016. The cost of the bond discounts amounted to $33,679 of which $4,418 was amortized during the year ending June 30, 2016.

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
2016	$ 165,000
2017	165,000
2018	165,000
2019	170,000
2020	180,000
Thereafter	2,485,000
	$ 3,330,000

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.

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 2015 A-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 $25,380 was amortized as of June 30, 2016.

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
2016	$ 505,000
2017	490,000
2018	480,000
2019	325,000
2020	330,000
Thereafter	1,175,000
	$ 3,305,000

The 2015 Bonds are secured by each mortgage on the properties and a lien on the furnishings and equipment located at each mortgaged property.

12. BONDS PAYABLE – DASNY (CONTINUED)

Under the terms of the bond payable – DASNY, the Agency is required to fulfill certain financial covenants.

2016 A-1 and A-2

On February 10, 2016, a bond payable – DASNY was issued in the amount of $605,000 and is related to the DASNY InterAgency Council Pooled Loan Program Revenue Bond Resolution, Series 2016A, subseries 2016A-1, and subseries 2016 A-2 (the "2016 Bonds"). The Agency used the proceeds from the 2016 Bonds to pay down $538,118 of indebtedness on one property.

The interest is payable to the bondholders on an annual basis commencing on July 1, 2016. The cost of the bond issuance amounted to $73,347 of which $251 was amortized as of June 30, 2016.

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
2016	$ 20,000
2017	25,000
2018	15,000
2019	15,000
2020	20,000
Thereafter	510,000
	$ 605,000

The 2016 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, 2016 :

Series	Due Date	Interest Rates	Principal Due
2002 C-1	July 1, 2017	6.50%	$ 820,000
Total Bonds Payable - IDA			$ 820,000

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 $357,904 was amortized as of June 30, 2016.

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
2016	$ 280,000
2017	540,000
	$ 820,000

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 $572,308 for the year ended June 30, 2016, 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, 2016	
Mortgages payable – DASNY	$ 895,642
Bonds payable – DASNY	12,485,000
Bonds payable – IDA	820,000
Line of credit	1,035,668
	$ 15,236,310

14. MATURITIES OF DEBT TO THIRD PARTIES (CONTINUED)

Approximate maturities of short-term and long-term third-party debt are as follows:

June 30,	
2017	$ 3,050,000
2018	1,693,000
2019	1,230,000
2020	1,055,000
2021	1,070,000
Thereafter	7,138,000
	$ 15,236,000

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, 2016, cash designated for this program totaled $2,006,618 and the estimated liability for outstanding claims at June 30, 2016 totaled $927,570.

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, 2016, cash designated for this program totaled $910,637 and the estimated liability for outstanding claims at June 30, 2016 totaled $884,010.

The Agency is partially self-insured for its workers compensation commitments. Accordingly, the Agency has provided $2,677,000 in Letters of Credit for performance guarantees, which are secured by certificates of deposit 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 2015 met the minimum funding requirements of the Employee Retirement Income Security Act of 1974 ("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 $1,270,000 to its defined benefit plan for the year ended June 30, 2016.

16. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 $11,521,772 of pension liability as of June 30, 2016.

The changes in the defined benefit pension obligations, plan assets and funded status for the year ended June 30, 2016 were as follows:

	Pension Benefits
Reconciliation of benefit obligation:	
Benefit obligation, beginning of year	$ 38,274,785
Service cost	-
Interest cost	1,691,121
Actuarial loss due to decrease in discount rate	5,518,545
Benefits paid	(1,084,897)
Benefit obligation, end of year	$ 44,399,554
Reconciliation of fair value of plan assets:	
Fair value of plan assets, beginning of year	$ 33,094,208
Actual return on plan assets	(398,420)
Employer contributions	1,266,891
Benefits paid	(1,084,897)
Fair value of plan assets, end of year	$ 32,877,782
Funded status, end of year	$ (11,521,772)

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, 2016:

Discount rate	3.65%
Expected long-term rate of return on plan assets	6.75%
Rate of compensation increase	0.00%

Net periodic pension benefit and other amounts recognized in the statement of activities for the year ended June 30, 2016 included the following components:

Service cost	$ -
Interest cost	1,691,121
Expected return on plan assets	(2,301,898)
Amortization of net loss	715,965
Net periodic pension cost	$ 105,188

16. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

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.

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16. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, 2016, 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	$ 1,838,723	$ 1,838,723	$ -	$ -
Equities:				
Basic Materials	381,690	381,690	-	-
Consumer Goods	460,609	460,609	-	-
Financials	1,716,458	1,716,458	-	-
Healthcare	653,285	653,285	-	-
Industrial Goods	448,540	448,540	-	-
Oil & Gas	380,588	380,588	-	-
Services	1,183,896	1,183,896	-	-
Technology	1,030,095	1,030,095	-	-
Utilities	38,602	38,602	-	-
Government Securities	1,298,220	1,298,220	-	-
Municipal Bonds	-		-	-
International Bonds	1,249,371	1,249,371	-	-
Corporate Bonds	9,012,650	9,012,650	-	-
Mutual Funds:				
Mid Cap Growth	957,766	957,766	-	-
Mid Cap Value	1,006,604	1,006,604	-	-
Small Cap Value	340,515	340,515	-	-
Large Cap Foreign	2,300,290	2,300,290	-	-
Large Cap Growth	4,540,405	4,540,405	-	-
Large Cap Value	424,950	424,950	-	-
Emerging Markets	2,575,313	2,575,313	-	-
REITs	1,039,212	1,039,212	-	-
	$ 32,877,782	$ 32,877,782	$ -	$ -

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.

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
2017	$ 1,645,112
2018	1,286,405
2019	1,368,797
2020	1,490,083
2021	1,583,076
2022 - 2026	9,469,935
	$ 16,843,408

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, 2016 included the following components:

Service cost		$ 228,435
Interest cost		207,428
Amortization:		
(a) Transition obligation	-	
(b) Prior service cost	63,695	
(c) (Gain) loss	(66,591)	
Net amortization		(2,896)
Net periodic benefit cost		$ 432,967

Reconciliation of Funded Status for the Fiscal Year Ended June 30, 2016

Accumulated postretirement benefit liability at June 30, 2016	$ 5,312,099
Net liability recognized at June 30, 2016	$ 5,312,099

Net Amount Recognized in Consolidated Statement of Financial Position

Beginning of year	$ 4,728,247
Service cost	228,435
Interest cost	207,428
Expected return on plan assets	-
Employer contributions	(80,454)
Net loss	228,443
Prior service credit (cost)	-
End of year	$ 5,312,099

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:	4.70% - 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 4.43% to 3.65%, which increased the accumulated postretirement benefit liability by approximately $665,000.

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	$ 5,312,099	$ 435,863
At trend + 1%	5,356,265	438,006
Dollar impact	44,166	2,143
Percentage impact	0.83%	0.49%
At trend – 1%	5,273,908	433,910
Dollar impact	(38,191)	(1,953)
Percentage impact	-0.72%	-0.45%

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
2017	$ 98,344
2018	108,463
2019	121,394
2020	135,784
2021	151,421
2022 - 2026	1,031,252
	$ 1,646,658

18. TEMPORARILY RESTRICTED NET ASSETS

The changes in contributions, which comprise the Agency's temporarily restricted net assets for the year ended June 30, 2016, which are available for use in future years, were as follows:

	Balance at 6/30/15	Additions	Expenditures	Balance at 6/30/16
Program	$ 58,554	3,400	(5,336)	$ 56,618

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 February 9, 2016, 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, 2018. 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,	
2017	$ 6,957,966
2018	4,984,032
2019	4,460,703
2020	3,810,740
2021	3,475,407
Thereafter	6,671,458
	$ 30,360,306

For the year ended June 30, 2016, rent expense was $6,974,621, 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, 2016.

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 14% of the Agency's accounts payable and accrued expenses as of June 30, 2016 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.

LIFESPIRE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

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 17, 2016, which is the date the financial statements were available to be issued.

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LIFESPIRE, INC. AND SUBSIDIARY
(A Not-for-Profit Organization)

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015

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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, 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.

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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.

LIFESPIRE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015

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.

LIFESPIRE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015

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.

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.

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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").

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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

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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.

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APPENDIX B-IV

SCO FAMILY OF SERVICES

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED JUNE 30, 2017, JUNE 30, 2016 AND JUNE 30, 2015)

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SCO Family of Services, Inc.

Financial Statements
Year Ended June 30, 2017

SCO Family of Services, Inc.

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June 30, 2017

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Independent Auditors' Report

Board of Directors
SCO Family of Services, Inc.

We have audited the accompanying financial statements of SCO Family of Services, Inc. ("SCO"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SCO Family of Services, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

November 28, 2017

PKF O'CONNOR DAVIES, LLP
665 Fifth Avenue, New York, NY 10022 I Tel: 212.286.2600 I Fax: 212.286.4080 I www.pkfod.com

SCO Family of Services, Inc.

Statement of Financial Position
June 30, 2017

ASSETS	
Current Assets	
Cash and cash equivalents (Note 2)	$ 5,004,732
Investments at fair value (Notes 2, 3 and 7)	59,219,483
Program receivables, net of allowances for doubtful accounts of $1,195,242 (Notes 2 and 4)	40,914,169
Prepaid expenses and other current assets	1,737,703
Custodial accounts (Note 2)	304,694
Total Current Assets	107,180,781
Debt service reserve (Note 6)	1,665,959
Security deposits and other assets	465,420
Property and equipment, net (Notes 2, 5, 8, 9, and 10)	34,450,626
Restricted investments (Notes 2, 3, 7 and 15)	1,442,996
	$ 145,205,782
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable and accrued expenses	$ 26,301,485
Accrued pension obligation - current portion (Notes 1 and 12)	2,400,000
Custodial accounts (Note 2)	304,694
Deferred revenue, current portion (Note 2)	4,758,485
Lines of credit (Note 7)	12,688,309
Mortgages payable, current portion (Note 8)	1,073,995
Bonds payable, current portion (Note 9)	27,129
Capital lease, current portion (Note 10)	491,879
Due to government agencies, current portion (Note 11)	3,923,069
Accrued interest payable	4,603
Total Current Liabilities	51,973,648
Accrued pension obligation, net of current portion (Notes 1 and 12)	52,219,214
Interest rate swap liability (Notes 2, 3, and 13)	236,023
Deferred revenue, net of current portion (Note 2)	1,076,490
Mortgages payable, net of current portion (Note 8)	5,038,997
Bonds payable, net of current portion (Note 9)	12,800,114
Capital lease, net of current portion (Note 10)	552,919
Due to government agencies, net of current portion (Note 11)	4,742,403
Total Liabilities	128,639,808
Net Assets	
Unrestricted - operations	54,660,993
Unrestricted - pension related changes other than net periodic pension cost as a result of the conversion from multi-employer plan to a single employer plan in 2013 (Notes 1 and 12)	(46,295,067)
Total Unrestricted Net Assets	8,365,926
Temporarily restricted (Note 14)	6,757,052
Permanently restricted (Note 15)	1,442,996
Total Net Assets	16,565,974
	$ 145,205,782

See notes to financial statements

SCO Family of Services, Inc.

Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUE AND SUPPORT				
Government revenue	$ 231,857,687	$ 283,986	$ -	$ 232,141,673
Foundations and other grants	7,000,804	235,303	-	7,236,107
Prior year cost reimbursement adjustments	546,588	-	-	546,588
Contributions	142,810	337,632	-	480,442
Other income (loss)	2,779,127	(486)	-	2,778,641
Special events less costs with direct benefit to donors of $229,897	736,002	-	-	736,002
Net assets released from restrictions (Note 14)	1,441,473	(1,441,473)	-	-
Total Operating Revenue and Support	244,504,491	(585,038)	-	243,919,453
OPERATING EXPENSES				
Program Services				
Foster Care Services	61,020,046	-	-	61,020,046
Family Support Services	13,776,650	-	-	13,776,650
Early Childhood Services	14,783,504	-	-	14,783,504
Special Needs and Behavioral Health Services	73,772,229	-	-	73,772,229
Education and Youth Development Services	30,919,479	-	-	30,919,479
Shelters and Homeless Services	29,668,784	-	-	29,668,784
Total Program Services	223,940,692	-	-	223,940,692
Supporting Services				
Management and General	19,620,153	-	-	19,620,153
Development	1,264,853	-	-	1,264,853
Total Supporting Services	20,885,006	-	-	20,885,006
Total Operating Expenses	244,825,698	-	-	244,825,698
Change in Net Assets From Operations	(321,207)	(585,038)	-	(906,245)
NONOPERATING CHANGES				
Interest and dividend income	5,576,955	-	-	5,576,955
Realized and unrealized losses on securities	(2,627,840)	-	-	(2,627,840)
Change in unfunded pension obligation (Note 12)	12,282,795	-	-	12,282,795
Gain on interest rate swap	710,928	-	-	710,928
Loss on mortgage refinancing	(144,814)	-	-	(144,814)
Other changes	(59,006)	-	-	(59,006)
Change in Net Assets	15,417,811	(585,038)	-	14,832,773
NET ASSETS				
Beginning of year (deficit)	(7,051,885)	7,342,090	1,442,996	1,733,201
End of year	$ 8,365,926	$ 6,757,052	$ 1,442,996	$ 16,565,974

See notes to financial statements

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SCO Family of Services, Inc.

Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services							Supporting Services			
	Foster Care Services	Family Support Services	Early Childhood Services	Special Needs and Behavioral Health Services	Education and Youth Development Services	Shelters and Homeless Services	Total Program Services	Management and General	Development	Total Supporting Services	Total Expenses
Salaries	$ 27,473,712	$ 8,547,285	$ 6,676,489	$ 41,720,267	$ 18,504,294	$ 7,780,468	$ 110,702,515	$ 8,673,204	$ 623,615	$ 9,296,819	$ 119,999,334
Employee fringe benefits	9,990,159	3,137,907	2,478,535	14,245,209	6,128,046	2,796,229	38,776,085	3,193,707	275,036	3,468,743	42,244,828
Total Salaries and Fringe Benefits	37,463,871	11,685,192	9,155,024	55,965,476	24,632,340	10,576,697	149,478,600	11,866,911	898,651	12,765,562	162,244,162
Foster care pass through	11,752,341	-	-	-	-	-	11,752,341	-	-	-	11,752,341
Professional fees	657,611	58,398	69,793	36,576	145,720	29,421	997,519	3,200,166	84,413	3,284,579	4,282,098
Contractual services	721,603	422,278	2,815,110	3,119,310	1,167,767	3,010,757	11,256,825	55,008	37,298	92,306	11,349,131
Utilities	676,566	84,270	10,735	839,008	291,842	893,963	2,796,384	136,328	4,116	140,444	2,936,828
Telephone and internet	317,182	62,746	71,513	341,281	156,908	112,756	1,062,386	195,344	6,303	201,647	1,264,033
Transportation and staff travel	729,188	147,558	51,861	802,581	164,947	64,568	1,960,703	69,169	6,815	75,984	2,036,687
Repairs and maintenance	919,028	42,003	221,423	1,222,642	441,809	1,981,031	4,827,936	114,547	2,634	117,181	4,945,117
Postage and supplies	1,560,240	162,613	244,792	1,007,160	606,945	992,230	4,573,980	734,521	64,721	799,242	5,373,222
Program activities/incidentals	1,192,241	168,578	182,278	3,361,741	743,477	181,469	5,829,784	-	19,422	19,422	5,849,206
Food	1,205,908	48,600	1,362,230	1,321,601	212,174	1,030,393	5,180,906	191	1,100	1,291	5,182,197
Rental and lease expense (Note 16)	1,324,948	525,544	272,355	1,555,116	416,904	9,537,435	13,632,302	143,514	3,104	146,618	13,778,920
Recruiting and staff development	146,400	40,067	90,823	124,875	145,993	29,202	577,360	122,450	98,676	221,126	798,486
Insurance	1,116,367	133,727	223,552	1,289,458	626,615	845,607	4,235,326	907,422	6,973	914,395	5,149,721
Fees, assessments and taxes	94,981	9,008	11,065	656,138	23,946	270,011	1,065,149	627,074	21,080	648,154	1,713,303
Interest	355,799	7,878	-	696,148	559,556	29,799	1,649,180	478,648	235	478,883	2,128,063
Depreciation and amortization (Notes 2 and 3)	785,772	178,190	950	1,433,118	582,536	83,445	3,064,011	561,248	9,312	570,560	3,634,571
Total Expenses before Bad Debt Expense	61,020,046	13,776,650	14,783,504	73,772,229	30,919,479	29,668,784	223,940,692	19,212,541	1,264,853	20,477,394	244,418,086
Bad debt expense	-	-	-	-	-	-	-	407,612	-	407,612	407,612
Total Expenses	$ 61,020,046	$ 13,776,650	$ 14,783,504	$ 73,772,229	$ 30,919,479	$ 29,668,784	$ 223,940,692	$ 19,620,153	$ 1,264,853	$ 20,885,006	$ 244,825,698

See notes to financial statements

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SCO Family of Services, Inc.

Statements of Cash Flows
Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 14,832,773
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation and amortization	3,634,571
Bad debt expense	407,612
Amortization of deferred financing costs	852,019
Loss on mortgage refinancing	144,814
Amortization of bond premium / discount	3,160
Unrealized loss on securities	3,184,163
Realized gain on sale of securities	(556,323)
Change in unfunded pension obligation	(12,282,795)
Gain on interest rate swap	(710,928)
Donated stock	(22,636)
Changes in operating assets and liabilities :	
Program receivables	3,484,138
Prepaid expenses and other current assets	(685,348)
Security deposits and other assets	(10,161)
Accounts payable and accrued expenses	(3,049,481)
Deferred revenue	1,305,087
Due to government agencies	2,212,901
Accrued interest payable	(35,534)
Accrued pension obligation	4,071,001
Net Cash From Operating Activities	16,779,033
CASH FLOWS FROM INVESTING ACTIVITIES	
Debt service reserve	161,618
Purchase of property and equipment	(3,509,107)
Purchases of designated investments	(68,148,831)
Proceeds from sales of securities	55,844,556
Change in short term investments	6,682,048
Net Cash from Investing Activities	(8,969,716)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from lines of credit	7,188,309
Principal payments on lines of credit	(8,500,000)
Mortgage assumption from redemption of bond	4,500,000
Principal payments on mortgages payable	(1,063,338)
Payments of mortgage redemption costs	(246,280)
Principal payments on bonds payable	(1,781,969)
Bond redemption	(4,500,000)
Principal payments on capital lease obligations	(433,692)
Net Cash from Financing Activities	(4,836,970)
Change in Cash and Cash Equivalents	2,972,347
CASH AND CASH EQUIVALENTS	
Beginning of year	2,032,385
End of year	$ 5,004,732
SUPPLEMENTAL CASH FLOW INFORMATION	
Interest paid	$ 1,305,057
Property and equipment acquired through capital leases	$ 824,982

See notes to financial statements

SCO Family of Services, Inc.

Notes to Financial Statements
June 30, 2017

1. Organization

Nature of Organization

SCO Family of Services, Inc. (“SCO”) is a not-for-profit corporation that provides human care services to children, young adults and families in metropolitan New York. Each year, its programs reach more than 60,000 New Yorkers in need. Its core service areas include preventive services, foster care and adoption, youth development services, homelessness services, schools, school-based programs, mental health programs and services and homes for people with developmental disabilities.

Financial Condition

On June 30, 2011, SCO ceased participation in the Roman Catholic Diocese of Brooklyn Pension Plan (the “Diocesan Pension Plan”), a multi-employer plan, and froze retirement benefit accruals for participating SCO employees. SCO established a mirror Defined Benefit Pension Plan (the “Plan”) effective March 20, 2012 for the purpose of providing retirement benefits to those current and former employees and, as applicable, beneficiaries of such employees who had accrued retirement benefits under the Diocesan Pension Plan through June 30, 2011. The Plan, established as a single employer plan, maintained solely by SCO, will provide those benefits which had accrued under the former Diocesan Pension Plan up to the date it was frozen on June 30, 2011. Under Accounting Standards Codification (“ASC”) 715-20, “Defined Benefit Plans”, when an organization adopts a single employer pension plan, it is required to record the full amount of any underfunded pension liability on the statement of financial position. No such requirement exists for a multi-employer plan. Assets formerly held by the Roman Catholic Diocese of Brooklyn to fund SCO’s portion of accrued pension liabilities under the Diocesan Pension Plan were transferred to SCO. The transfer of assets from the Diocesan Pension Plan was completed on October 19, 2012. Assets are actively managed and SCO has taken all prudent steps necessary to ensure the Plan is able to meet all payments to retirees or their beneficiaries in future years. Both the Diocesan Pension Plan and the Plan are non-ERISA church plans with no requirement under the Employee Retirement Income Security Act of 1974 (“ERISA”) to fund the Plan. The Plan provides SCO cost certainty and better cash management and the ability to pay down pension obligations within 20 years.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of SCO have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). 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.

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

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Asset Presentation

The classification of SCO'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:

Unrestricted – operations net assets consist of net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations.

Unrestricted – pension related charges other than net periodic pension cost as a result of the conversion from a multi-employer plan to a single employer plan in 2012 consist of net assets related to the funded status of SCO's defined benefit plan.

Temporarily restricted net assets are subject to donor-imposed stipulations, that may or will be released either by actions of SCO and/or the passage of time. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as assets released from restrictions.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by SCO. Generally, the donors of these assets permit SCO to use all of the income earned on any related investments for general or specific purposes.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with maturities of three months or less at time of purchase.

Investments at Fair Value and Income Recognition

Investments in marketable securities are stated at fair value with changes in the fair value of investments recorded in the statement of activities. Realized gains and losses resulting from sales of securities are calculated on the specific identification basis. Purchases and sale of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Gains or losses that result from market fluctuations are recorded as unrealized gains and losses.

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

Investments at Fair Value and Income Recognition (continued)

Net investment income earned on endowment funds is reflected within the unrestricted class of net assets. SCO has a "total return" policy in regards to the spending of net investment income for operations. The total return to be spent annually is equal to approximately 3% of the average fair value of the previous fiscal year as approved by the Board of Directors and reported as part of operations in other income on the accompanying statement of activities. For fiscal 2017, the approved return was $1,238,000 and was used for certain operating expenditures.

Fair Value Measurements

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

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

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

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

Program Receivables

Program receivables are stated as unpaid balances, less an allowance for doubtful accounts. SCO provides for losses on amounts due using the allowance method. The allowance method is based on experience, contractual terms, and other circumstances, which may affect the ability of the agencies to meet their obligations. Program receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is SCO's policy to charge off uncollectible amounts when management determines they will not be collected.

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

Debt Issuance Costs

Debt issuance costs are comprised of expenses incurred to obtain construction loans, and legal, professional and commitment fees paid in connection with the closing of long-term debt financings.

In 2017, SCO adopted new U.S. GAAP guidance for the presentation of debt costs and related amortization. Debt issuance costs are now reported on the statement of financial position as a direct deduction from the face amount of the debt. Previously, such costs were shown as deferred financing costs. These costs are amortized using the effective interest method over the term of the related loans SCO reflects amortization of debt issuance costs within interest expense, in accordance with the new guidance. This change had no effect on previously reported earnings.

Custodial Accounts

Custodial accounts primarily represent supplemental Social Security funds plus accrued interest on those funds which are held by SCO on behalf of certain children in its care.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed over the estimated useful lives of the assets by the straight-line method for financial reporting as follows:

Building and improvements	10 - 40 years
Furniture, equipment and vehicles	3 - 20 years
Leasehold improvements	3 - 25 years

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.

SCO follows the policy of capitalizing all acquisitions in excess of $5,000 and a useful life of 2 years or more. Maintenance and repairs are charged to operations when incurred. When items are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in nonoperating charges.

Items of furniture and equipment, where title is held by the granting agency, are expensed when purchased.

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

Long-Lived Assets

In accordance with the provisions of ASC 360, SCO reviews long-lived assets for impairment when circumstances indicate that the carrying amount of an asset may not be recoverable based on the undiscounted cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the undiscounted cash flows, quoted market values or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified. There were no impairment losses recognized for the year ended June 30, 2017.

Third-Party Reimbursements and Revenue Recognition

SCO receives substantially all of its revenue for services provided from governmental agencies, including the Office for People with Developmental Disabilities (“OPWDD”), New York City Administration for Children Services (“ACS”), Office of Mental Health (“OMH”), Office of Children and Family Services (“OCFS”), New York State Department of Social Services (“NYSDSS”) and New York State Department of Education (“SED”) and Medicaid. 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.

Revenue is recognized as earned from third parties and when received or pledged for contributions, special events and fundraising activities.

Grant revenue is recognized in amounts equal to expenses incurred by SCO in administering the related program. Upon termination, the unexpended cash funds received under the terms of the grant provisions revert to the grantor.

Receipts under certain government-funded fee-for-services contract programs, which have not been spent due to budget modifications, are available for application to future years’ renewal contracts and are therefore classified as deferred revenue.

Conditional Asset Retirement Obligations

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

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

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.

Advertising Costs

Adverting costs are expensed as incurred. Advertising expense for the year ended June 30, 2017 was $6,062.

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. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recorded as either temporarily or permanently restricted support if they are received with donor restrictions that limit the use of the donated asset. When donor restrictions expire, that is, when stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Contributions of property and services are recorded at the fair value of the property and services at the time of contribution.

Medical Self-Insurance

SCO maintains a self-insured medical plan for its employees. The accrued liability for the self-insured components of the plan includes an estimate of the incurred but not yet reported claims expense. This liability is included in accounts payable and accrued expenses on the statement of financial position.

Substantially all of SCO's employees and their dependents are eligible to participate in SCO's employee health insurance plan. SCO is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of $200,000 per covered employee. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that SCO's estimate will change by a material amount in the near term.

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

Medical Self-Insurance (continued)

Activity in SCO's accrued employee health claims liability during 2017 is summarized as follows:

Balance, beginning of year	$ 1,528,682
Current year claims incurred and changes in estimates for claims incurred in prior years	24,585,264
Claims and expenses paid	(24,458,146)
Balance, end of year	$ 1,655,800

Income Taxes

SCO was incorporated in the State of New York and is exempt from Federal, state and local income taxes under Section 501(c)(3) of the Code. SCO has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

SCO adopted the provisions of ASC 740, "Income Taxes", on July 1, 2009. Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken or expected to be taken for tax return purposes when it is more likely than not the position will be sustained upon examination by a taxing authority. The implementation of ASC 740 had no impact SCO's financial statements.

SCO does not believe they have taken any material uncertain tax positions and, accordingly, they have not recorded any liability for unrecognized tax benefits. SCO has filed for and received income tax exemptions in the jurisdictions where they are required to do so. Additionally, SCO has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended June 30, 2017, there were no interest or penalties recorded or included in the statement of activities. SCO is subject to routine examinations by a taxing authority. As of June 30, 2017, SCO 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 2014.

Concentration of Credit Risk

Financial instruments which potentially subject SCO to concentration of credit risk consist primarily of cash and cash equivalents, investments and accounts receivable. At times, SCO has cash deposits at financial institutions which exceed the Federal Depository Insurance Corporation insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal. As of June 30 2017, the uninsured portion of this balance was $4,967,511. The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment or group of investments represents a significant concentration of risk.

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

Endowment Fund

SCO's endowment consists of investments that are permanently restricted under ASC 958, "Not-for-Profit Entities". On September 17, 2010, New York State enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). This law, which is a modified version of Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), makes significant changes to the rules governing how New York not-for-profit organizations may manage, invest and spend their endowment funds. The new law is designed to allow organizations to cope more easily with fluctuations in the value of their endowments and to afford them greater access to funds needed to support their programs and services in difficult financial times.

Subsequent Events

SCO's management has performed subsequent events procedures through November 28, 2017, which is the date the financial statements were available to be issued. There were no subsequent events requiring adjustment or disclosure to the financial statements.

3. Investments at Fair Value

SCO'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 SCO'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. SCO'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.

Indexed Mutual Fund

SCO has investments in indexed mutual funds. These investments are valued at the Net Asset Value ("NAV") shares held by SCO at year-end. The indexed mutual funds are traded at quoted prices through the National Securities Clearing Corporation. Management has reviewed the fair value classifications and determined that Level 1 is the most appropriate classification.

3. Investments at Fair Value *(continued)*

Fixed Income

SCO has investments in fixed income securities. These investments are priced by SCO's custodian using nationally recognized pricing services. SCO's fixed income investments include United States government obligations and corporate bonds. Since these securities 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 relevant market information, benchmark curves, benchmarking of similar securities, sector groupings and matrix pricing. These investments are classified as Level 2.

Interest Rate Swap

The fair value of the interest rate swap is 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.

At June 30, 2017, investments in marketable securities were as follows:

	Cost	Fair Value
Indexed mutual fund	$ 29,261,276	$ 32,056,226
Fixed Income:		
Government bonds	28,297,713	27,979,206
	$ 57,558,989	60,035,432
Cash and cash equivalents		627,047
Total		$ 60,662,479

The following table sets forth by level, within the fair value hierarchy, SCO's financial assets measured at fair value on a recurring basis. Fair value equals carrying value:

	Assets at Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Indexed mutual fund	$ 32,056,226	$ -	$ -	$32,056,226
Fixed income				
Government bonds	-	27,979,206	-	27,979,206
Total Assets	$ 32,056,226	$27,979,206	$ -	$60,035,432
Liabilities				
Interest rate swap	$ -	$ 236,023	$ -	$ 236,023

There were no transfers between levels during the year ended June 30, 2017.

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4. Program Receivables

At June 30, 2017, SCO's program receivables were comprised of the following:

Rate-based Programs	
Foster care services	$ 14,133,496
Family support services	2,826,633
Early childhood services	2,746,102
Special needs and behavioral health services	8,148,378
Education and youth development services	9,761,628
Shelters and homeless services	4,101,906
Other	391,268
	42,109,411
Less: Allowance for doubtful accounts	1,195,242
Total	$ 40,914,169

5. Property and Equipment

Property and equipment, net consist of the following at June 30, 2017:

Land	$ 2,026,113
Building and improvements	67,191,753
Furniture, equipment and vehicles	12,837,964
Leasehold improvements	3,918,160
	85,973,990
Less: Accumulated depreciation and amortization	51,523,364
Property and equipment, net	$ 34,450,626

At June 30, 2017, there were $22,849,551 of fully depreciated assets still in use by SCO.

6. Debt Service Reserve

Under the terms of various bonds, SCO deposited with the bond trustee amounts to be held in reserve which will be withdrawn to satisfy the future installments of the bonds. Interest earned on this reserve fund will be used to reduce SCO's payment obligation under the bonds. The debt service reserve amounted to $1,665,959 which consists of cash and cash equivalents at June 30, 2017.

7. Lines of Credit

SCO has a line of credit with an available limit of $25,000,000 which is due on demand and expires June 27, 2019. Interest rates range from 1.68% - 3.25% and was 3.5% at June 30, 2017. As of June 30, 2017, the outstanding balance was $11,000,000.

7. Lines of Credit *(continued)*

In June 2016, SCO entered into a bridge loan line of credit agreement with an available limit of $10,000,000 in connection with the short-term financing of certain capital projects. The line is renewable annually. The interest rate was 4.25% at June 30, 2017. As of June 30, 2017, the outstanding balance was $1,688,309.

The borrowings are based on the market value of underlying investments pledged as collateral. Interest, which is payable on demand, is based on prime and London Interbank Offered Rates ("LIBOR") rates. The lines of credit are further secured by SCO's accounts receivable.

8. Mortgages Payable

Mortgages payable consist of the following at June 30, 2017:

Mortgage payable to Medical Care Facilities Finance Agency, due past February 15, 2018, payable in monthly installments of $4,650, including interest at the rate of 7.34% per annum; secured by real estate located in Kew Gardens, New York.	$ 39,300
Mortgage payable to TD Bank, due March 1, 2027, payable in monthly installments of $46,213, including interest at the rate of 4.24% per annum; secured by real estate located in Jamaica, New York.	4,409,796
Mortgage payable to Medical Care Facilities Finance Agency, due July 1, 2018, payable in monthly installments of $3,567, including interest at the rate of 6.12% per annum; secured by real estate located in Richmond Hill, New York.	32,100
Mortgage payable to Medical Care Facilities Finance Agency, due December 1, 2018, payable in monthly installments of $31,315, including interest at the rate of 6.539% per annum; secured by real estate located in Jamaica, New York.	787,260
Mortgage payable to the Dormitory Authority State of New York ("DASNY"), due February 24, 2028, payable in annual installments ranging from $50,748 to $133,421, including interest of 4.76%, secured by real estate located in Dix Hills, New York.	1,179,254
Total Mortgages Payable	6,447,710
Less: Current maturities	1,109,580
	$ 5,338,130

Mortgages payable consist of the following at June 30, 2017:

Mortgages payable	$ 6,447,710
Less: debt issuance costs	334,718
	$ 6,112,992

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8. Mortgages Payable *(continued)*

Future annual principal payments of SCO's mortgages payable are as follows for the years ending June 30:

2018	$ 1,109,580
2019	687,086
2020	500,141
2021	522,990
2022	546,544
Thereafter	3,081,369
	$ 6,447,710

Debt issuance costs, net of accumulated amortization, total $334,718 as of June 30, 2017, and are recorded as a reduction to mortgages payable on the accompanying statement of financial position. Debt issuance costs consist of the following:

Debt Issuance costs	$ 2,235,694
Less: Accumulated amortization	1,900,976
	$ 334,718

9. Bonds Payable

In June 2007, SCO obtained financing of $1,554,500 of insured revenue bonds through DASNY for the purpose of refinancing the acquisition and construction of two facilities.

The bonds, which require annual payments, bear interest at 5% and are secured by the related properties.

Series	Principal
DASNY Series 2007A, interest rate of 5%, due December 1, 2031	$ 1,135,400
DASNY Series 2007B, interest rate of 5%, due December 1, 2031	$ 419,100

Unamortized premium costs relating to the issuance of the Series A and B bonds are $33,397 and $12,440, respectively, at June 30, 2017. The unamortized premium costs are amortized over the term of the indebtedness of the total amount issued and included in bonds payable in the statement of financial position. Debt issuance costs, net of accumulated amortization, totaled $26,987 as of June 30, 2017, and are recorded as a reduction in bonds payable on the accompanying statement of financial position.

On June 27, 2013, SCO obtained financing of $27,784,000 (Series 2013) of insured revenue bonds through Nassau Local Economic Assistance Corporation ("LEAC"), Build NYC Resource Corporation and the Suffolk County Economic Development Corporation ("EDC") for the purpose of refinancing the existing DASNY 2001, 2003 and 2010 bonds.

9. Bonds Payable *(continued)*

On March 1, 2017, SCO redeemed $4,500,000 of outstanding Series 2013 bonds and assumed a mortgage in the same amount collateralized by a property located in Jamaica, New York.

The bonds, which require payments as noted below, bear interest rates ranging from 2.9% to 4.7% and are secured by the related properties.

Series	Principal
TD Bank Nassau LEAC Series 2013A-A1, annual principal payment, interest rate 3.3%, due July 1, 2035	$ 6,095,000
People's United Bank Nassau LEAC Series 2013A-A2, annual principal payment, interest rate 3.4%, due July 1, 2035	6,095,000
TD Bank Nassau LEAC Series 2013A-B1, annual principal payment, interest rate 3.2%, due July 1, 2027	385,000
People's United Bank Nassau LEAC Series 2013A-B2, annual principal payment, interest rate 3.3%, due July 1, 2027	385,000
TD Bank Nassau LEAC Series 2013A-C1, monthly principal payment, interest rate 4.5%, due June 1, 2023	877,000
People's United Bank Nassau LEAC Series 2013A-C2, monthly principal payment, interest rate 4.7%, due June 1, 2023	877,000
TD Bank Build NYC Resource Corporation Series 2013B-A1, annual principal payment, interest rate 2.9%, due July 1, 2025	3,555,000
People's United Bank Build NYC Resource Corporation Series 2013B-A2, annual principal payment, interest rate 3%, due July 1, 2025	3,555,000
TD Bank Build NYC Resource Corporation Series 2013B-B1, annual principal payment, interest rate 3.3%, due July 1, 2027	810,000
People's United Bank Build NYC Resource Corporation Series 2013B-B2, annual principal payment, interest rate 3.3%, due July 1, 2027	810,000
People's United Bank Build NYC Resource Corporation Series 2013B-C2, monthly principal payment, interest rate 3.7%, due June 1, 2018	339,000
TD Bank Suffolk County EDC Series 2013C-A1, annual principal payments, interest rate 2.9%, due July 1, 2025	1,690,000
People's United Bank Suffolk County EDC Series 2013C-A2, annual principal payments, interest rate 3%, due July 1, 2025	1,690,000
TD Bank Suffolk County EDC Series 2013C-B1, monthly principal payments, interest rate 3.4%, due June 1, 2018	141,000
People's United Bank Suffolk County EDC Series 2013C-B2, monthly principal payments, interest rate 3.7%, due June 1, 2018	141,000

9. Bonds Payable *(continued)*

Debt issuance costs, net of accumulated amortization, totaled $1,726,242 as of June 30, 2017, and are recorded as a reduction in bond notes payable on the accompanying statement of financial position.

Debt issuance costs consist of the following at year end:

Debt issuance costs	$ 4,250,315
Less: accumulated amortization	2,524,073
	$ 1,726,242

On June 30, 2017, SCO made payments on bonds payable in advance of their 2018 due dates. Future principal payments are as follows:

	(a)	(b)	Total
2018	$ 57,856	$ 396,000	$ 453,856
2019	60,650	1,504,920	1,565,570
2020	63,588	1,562,224	1,625,812
2021	66,676	1,556,298	1,622,974
2022	69,921	1,614,874	1,684,795
Thereafter	861,577	6,738,900	7,600,477
	$ 1,180,268	$ 13,373,216	$ 14,553,485

The new financing received related to the 2010 bond is being held in escrow until the call date of the bond which is July 1, 2020.

10. Capital Leases

SCO entered into various vehicle leases with maturities through June 30, 2020 and interest rates ranging from 5.91% to 8.53%. The following is a schedule of future minimum lease payments, including interest, as of June 30, 2017.

2018	$ 553,214
2019	440,810
2020	183,624
Total minimum lease payments	1,177,648
Less: Interest	132,850
Present value of net minimum lease payments	$ 1,044,798

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11. Due to Governmental Agencies

SCO has recorded estimated liabilities of $8,665,472 at June 30, 2017. The estimated amounts owed to governmental agencies is for rate adjustments and reimbursement audits.

Audits have been completed by ACS through fiscal 2014. It is management's opinion that retroactive adjustments, if any, for years subsequent to fiscal 2014 will not have a material adverse impact on the financial position or net assets of SCO.

12. Pension Plans

Defined Benefit Pension Plan

As mentioned in Note 1, SCO established the Plan for eligible employees who are at least 25 years old and have completed at least one year of continuous service.

Pursuant to the transfer agreement with the multi-employer Diocesan Pension Plan, pension assets and liabilities relating to the SCO participants were transferred from the Diocesan Pension Plan to the Plan effective March 20, 2012. All assets and liabilities were transferred to the Plan as of October 19, 2012. This Plan is exempt from ERISA reporting requirements.

The net periodic pension cost for the year ended June 30, 2017 is comprised of the following:

Service cost	$ 200,000
Interest cost	3,771,481
Expected return on Plan assets	(3,269,043)
Amortization of prior service cost	2,066,224
Amortization of net loss	3,040,137
Net periodic pension cost	$ 5,808,799

A reconciliation of the changes in the Plan's benefit obligations and fair value of assets during 2017 and a statement of the funded status of the Plan as of June 30, 2017 is as follows:

Change in projected benefit obligation	
Projected benefit obligation at beginning of the year	$110,104,485
Service cost	200,000
Interest cost	3,771,481
Actuarial gain	(4,892,731)
Benefits	(3,127,799)
Projected benefit obligation at June 30, 2017	$106,055,436

12. Pension Plans *(continued)*

Defined Benefit Pension Plan (continued)

Change in Plan assets	
Fair value of Plan assets at beginning of the year	$ 47,273,476
Actual return on Plan assets	5,462,783
Employer contributions	1,805,000
Benefits	(3,105,037)
Fair value of plan assets at the end of the year	$ 51,436,222

The funded status of the Plan at June 30, 2017 is as follows:

Benefit obligation	$106,055,436
Fair value of Plan assets	51,436,222
Accrued pension obligation at June 30, 2017	$ 54,619,214

Pension related charges other than net periodic pension cost included in unrestricted net assets consist of prior service cost of $2,066,224, net amortization of gain of $3,107,338 and an actuarial gain of $7,109,233.

The following benefit payments are expected to be paid:

2018	$ 3,302,405
2019	3,608,443
2020	3,950,965
2021	4,236,589
2022	4,515,607
2023-2027	26,055,338
	$ 45,669,347

Employer contributions expected to be paid in fiscal year ending June 30, 2018 are $2,400,000.

12. Pension Plans *(continued)*

Investment Policy

The Plan assets shall be managed with the following allocations as of June 30, 2017:

	Amount	Percentage
Money market/cash	$ 942,633	2%
Intermediate term bond	8,668,540	17
Corporate bond	6,436,418	13
Large cap blend U.S. stock	19,410,844	37
Market neutral U.S. stock	1,956,290	4
Large cap blend foreign stock	2,583,402	5
Large cap growth foreign stock	2,098,719	4
Diversified emerging markets stock	3,095,532	6
Allocation – 50% to 70% equity	2,034,513	4
Real estate/REIT	2,039,728	4
Tactical allocation	2,169,603	4
Fair value of Plan assets	$51,436,222	100%

The Plan'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 Plan's policies regarding this hierarchy.

All of the Plan assets are invested in mutual funds and exchange-traded funds that are liquid and actively traded, and are therefore classified as Level 1 investments.

Investment Policy

The discount rate, expected long-term rate of return on assets and the rates of increase in future compensation levels used to determine the projected benefit obligation at June 30, 2017 were as follows:

	Pension Benefits	
	Used for Net Pension Cost in Fiscal Year July 1, 2016 to June 30, 2017	Used for Pension Obligations as of June 30, 2017
Discount rate	3.50%	3.75%
Rate of compensation increase	N/A	N/A
Long-term rate of return	7.00%	N/A

12. Pension Plans *(continued)*

The expected long-term rate of return on Plan assets assumption of 7.00% was selected using the “building block” approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27 - Selection Economic Assumptions for Measuring Pension Obligations. Based on the investment allocation for the pension plan in effect as of the beginning of 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 2.50% was selected and added to the real rate of return range to arrive at a best estimate range for which a rate of 7.00% is near the midpoint and was selected.

(a) Rockville Diocese Plan

SCO previously participated in the Rockville Centre Diocese Pension Plan (the “Rockville Diocese Plan”), a church plan, which has been approved by the IRS and is exempt from ERISA reporting requirements and was frozen effective June 30, 2011. SCO commenced a defined contribution plan for eligible employees effective July 1, 2011. SCO is in the process of buying out their financial obligations to the Rockville Diocese Plan for pension accruals through June 30, 2011. This will be paid over a five-year period of $142,917 per year, which began on July 1, 2012. Once these payments are made, SCO will cease to have any obligation to make payments to the Rockville Diocese Plan. In October 2016, the remaining balance was paid.

(b) Supplemental Pension Plan

In 2000, SCO adopted a supplemental pension plan through an insurance company. The plan is tax-qualified as a defined contribution arrangement under IRS Section 403(b). Participants become eligible to participate on their date of hire. Funding is provided by employee withholding and an annual discretionary contribution made by SCO. Total contribution expense for the defined contribution plan for the year ended June 30, 2017 was $2,700,000.

13. Derivative Financial Instruments

SCO entered into various interest rate swap agreements to limit the effects of increases in interest rates on the Series 2013 bonds (Note 9). The change in fair value of the interest rate swap is recognized in the statement of activities.

	Amount	Fair Value
Interest rate swap agreements with People’s United and TD Bank with fixed rates ranging from 2.897% - 3.362%. The banks pay a variable rate of interest based on US Dollar LIBOR-BBA. The agreements provide for monthly settlements and mature June 27, 2023.	$ 20,080,000	$ (236,023)

14. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following for the year ended June 30, 2017:

	Net Assets July 1, 2016	Additions	Net Assets Released	Net Assets June 30, 2017
Center for family life	$3,441,695	$ 242,997	$ (88,865)	$ 3,595,827
Early childhood services	8,544	50	-	8,594
Education and youth development services	390,565	9,993	(50,181)	350,377
Family support services	38,291	14,758	(10,997)	42,052
Foster care services	322,655	54,227	(35,755)	341,127
Management and other indirect	2,005,470	365,946	(1,020,303)	1,351,113
Shelters and homeless services	114,196	16,623	(48,124)	82,695
Special needs and behavioral health services	1,020,674	151,841	(187,248)	985,267
	$7,342,090	$ 856,435	$ (1,441,473)	$ 6,757,052

15. Endowment Fund

SCO maintains a donor-restricted endowment fund (the “Brookwood Fund”) that has been classified as permanently restricted net assets. As required by U.S. GAAP, net assets associated with permanently restricted donor funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of SCO has adopted the rules of NYPMIFA requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Brookwood Fund is classified as permanently restricted net assets and includes the original value of gifts donated to the permanent endowment.

NYPMIFA further requires all endowment income to be classified as temporarily restricted until appropriated for use by the governing board, unless directed differently by the donor. The income on the Brookwood Fund will be used to support SCO’s general programs and activities supporting children and families.

15. Endowment Fund *(continued)*

SCO has adopted investment and spending policies for endowment assets that attempt to provide sufficient income to meet various program expenses and to extend the pursuit of SCO's mission in perpetuity. The Brookwood Fund is invested in a manner that is intended to produce results that exceed the price and yield results of the Triple-A rated short-term money market instruments for the cash and cash equivalent investments and the Barclay's Intermediate Government/Corporate Bonds Index for the fixed income investments. SCO appropriates the actual interest income and dividend returns from the restricted assets and supplements non-restricted funds for other programs. In establishing this policy, SCO considered the long-term expected return on its endowment. Accordingly, over the long term, SCO expects the current spending policy to allow its endowment to grow annually.

SCO considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- the duration and preservation of the funds;
- availability of other funding sources;
- general economic conditions;
- the possible effect of inflation and deflation;
- the expected total return from income and the appreciation/depreciation of investments;
- purposes of donor-restricted funds; and
- the investment and spending policies of the Brookwood Fund's investment returns distribution policy, which mandates appropriations of donor-restricted assets to be deemed prudent by the Investment Committee of the Board of Directors of SCO.

For the year ended June 30, 2017, all assets included in the Brookwood Fund are as follows:

Indexed mutual funds	$ 1,580,827

The following table represents a reconciliation of beginning and ending balances as of June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment balances as of July 1, 2016	$ 380,083	$ -	$ 1,442,996	$ 1,823,079
Unrealized loss	(242,252)	(242,252)	-	(484,504)
Transfers appropriated	-	242,252	-	242,252
Endowment balances as of June 30, 2017	$ 137,831	$ -	$ 1,442,996	$ 1,580,827

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16. Commitments and Contingencies

Operating Leases

As of June 30, 2017, minimum annual rental commitments for the remaining terms of SCO's operating leases relating to buildings for programs and equipment were as follows:

2018	$ 8,469,975
2019	3,370,574
2020	3,021,573
2021	1,410,229
2022	1,062,351
Thereafter	2,173,612
Total	$ 19,518,314

Certain leases require additional payments based upon property tax and maintenance expense escalations.

Substantially all leases have a defunding clause, as defined, which provides that SCO's obligations under the lease would terminate if the applicable governmental funding agency were to eliminate or significantly reduce funding for the related program.

Aggregate rental expense for buildings and equipment for the year ended June 30, 2017 amounted to $13,778,920.

Other Matters

SCO participates in various Federal, state and city programs, all of which have strict requirements for participation and, accordingly, SCO is subject to government program reviews covering compliance with laws and regulations. In addition, the expenses of programs, which have been reimbursed pursuant to Federal, state and local government contracts and grants, are subject to audit by the respective granting agencies. Until such audits are completed and final settlements reached, there exists a contingency to refund any amount in excess of allowable costs. Management is of the opinion that no material liability would result from such audits.

Legal Matters

SCO is involved with several cases in litigation as a defendant. A number of the cases are currently in pre-trial discovery. Management intends to vigorously defend all claims against SCO. Management is unable to determine at this time the likelihood of the outcomes.

* * * * *

SCO Family of Services, Inc.

Financial Statements
Year Ended June 30, 2016

SCO Family of Services, Inc.

Financial Statements
Year Ended June 30, 2016

SCO Family of Services, Inc.

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BDO

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

100 Park Avenue
New York, NY 10017

Independent Auditor’s Report

Board of Directors
SCO Family of Services, Inc.
Glen Cove, New York

We have audited the accompanying financial statements of SCO Family of Services, Inc. (“SCO”), which comprise the statement of financial position as of June 30, 2016, 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 SCO’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 SCO’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 statement of financial position of SCO Family of Services, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited SCO's 2015 financial statements and our report, dated November 30, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

November 23, 2016

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SCO Family of Services, Inc.

Statement of Financial Position
(with comparative totals for 2015)

June 30,	2016	2015
Assets		
Current:		
Cash and cash equivalents (Note 2)	$ 2,032,385	$ 3,582,639
Short-term investments (Notes 2, 3 and 7)	7,309,095	114,100
Investments at fair value (Notes 2, 3 and 7)	50,336,361	34,017,967
Program receivables, net of allowances for doubtful accounts of $998,047 and $1,507,593, respectively (Notes 2, 4 and 7)	44,805,919	46,340,803
Prepaid expenses and other assets	1,052,355	734,522
Custodial accounts (Note 2)	303,089	286,928
Total Current Assets	105,839,204	85,076,959
Debt Service Reserve (Note 6)	1,827,577	1,827,562
Deferred Financing Costs (Notes 2 and 9)	2,814,674	3,322,808
Security Deposits and Other Assets	455,259	398,306
Assets Held for Sale	-	568,925
Fixed Assets, Net (Notes 2 and 5)	33,751,108	34,235,593
	$144,687,822	$125,430,153
Liabilities and Net Assets (Deficit)		
Current Liabilities:		
Accounts payable and accrued expenses	$ 11,563,323	$ 7,125,255
Accrued payroll and compensated absence liability	17,787,643	19,628,367
Accrued pension obligation - current portion (Notes 1(b), 2 and 12)	2,400,000	1,599,559
Custodial accounts (Note 2)	303,089	286,928
Deferred revenue, current portion (Note 2)	3,437,786	1,069,245
Lines of credit (Note 7)	14,000,000	12,000,000
Mortgages payable, current portion (Note 8)	972,496	951,335
Bonds payable, current portion (Note 9)	435,196	404,667
Capital leases, current portion (Note 10)	302,269	389,223
Due to government agencies, current portion (Notes 2 and 11)	3,230,517	4,188,611
Accrued interest payable	40,137	38,617
Total Current Liabilities	54,472,456	47,681,807
Accrued Pension Obligation, Net of Current Portion (Notes 1(b) and 12)	60,431,009	44,456,968
Interest Rate Swap Liability (Notes 2, 3 and 13)	946,951	509,036
Deferred Revenue, Net of Current Portion (Note 2)	1,092,102	3,791,210
Mortgages Payable, Net of Current Portion (Note 8)	2,038,552	3,011,511
Bonds Payable, Net of Current Portion (Note 9)	20,400,258	23,797,454
Capital Leases, Net of Current Portion (Note 10)	351,239	142,360
Due to Government Agencies, Net of Current Portion (Notes 2 and 11)	3,222,054	4,256,091
Total Liabilities	142,954,621	127,646,437
Commitments and Contingencies (Notes 2, 7, 8, 9, 10, 11, 12, 13, 16, and 17)		
Net Assets (Deficit) (Notes 2, 14, 15 and 16):		
Unrestricted - operations	51,525,977	30,755,631
Unrestricted - pension related changes other than net periodic pension cost as a result of the conversion from multi-employer plan to a single employer plan in 2012 (Notes 1(b) and 12)	(58,577,862)	(41,803,380)
Total Unrestricted Net Asset (Deficit)	(7,051,885)	(11,047,749)
Temporarily restricted (Note 14)	7,342,090	7,388,469
Permanently restricted (Note 16)	1,442,996	1,442,996
Total Net Assets (Deficit)	1,733,201	(2,216,284)
	$144,687,822	$125,430,153

See accompanying notes to financial statements.

SCO Family of Services, Inc.

Statement of Activities
(with comparative totals for 2015)

Year ended June 30,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Total 2015
Program Revenue and Other Support:					
Government revenues	$236,044,043	$ -	$ -	$236,044,043	$240,830,156
Foundations and other grants	7,284,200	326,362	-	7,610,562	8,027,720
Prior years' cost reimbursement adjustments	(176,139)	-	-	(176,139)	338,895
Contributions	1,480,204	31,175	-	1,511,379	964,506
Other revenue	787,347	-	-	787,347	3,535,580
Special events:					
Gross receipts	641,295	-	-	641,295	1,304,400
Less: Direct cost to donors	(185,438)	-	-	(185,438)	(301,169)
Net Revenue From Special Events	455,857	-	-	455,857	1,003,231
Net assets released from restrictions (Note 15)	403,916	(403,916)	-	-	-
Total Program Revenue and Other Support	246,279,428	(46,379)	-	246,233,049	254,700,088
Expenses:					
Program services:					
Foster Care Services	66,047,045	-	-	66,047,045	66,271,821
Family Support Services	13,355,761	-	-	13,355,761	13,421,982
Early Childhood Services	14,931,648	-	-	14,931,648	14,842,074
Special Needs and Behavioral Health Services	71,749,519	-	-	71,749,519	72,211,141
Education and Development Services	31,061,527	-	-	31,061,527	32,684,822
Shelters and Homeless Services	28,335,384	-	-	28,335,384	35,621,989
Total Program Services	225,480,884	-	-	225,480,884	235,053,829
Supporting services:					
Management and general	19,110,822	-	-	19,110,822	17,814,299
Development	1,375,559	-	-	1,375,559	1,458,793
Total Supporting Services	20,486,381	-	-	20,486,381	19,273,092
Total Expenses	245,967,265	-	-	245,967,265	254,326,921
Change in Net Assets From Operations	312,163	(46,379)	-	265,784	373,167
Nonoperating Revenue:					
Interest and dividend income	1,455,265	-	-	1,455,265	968,641
Realized and unrealized gains (losses) on securities	1,067,224	-	-	1,067,224	(488,343)
Total Nonoperating Revenue	2,522,489	-	-	2,522,489	480,298
Change in Net Assets Before Other Nonoperating Items	2,834,652	(46,379)	-	2,788,273	853,465
Change in Unfunded Pension Obligation	(16,774,482)	-	-	(16,774,482)	(2,014,587)
Gain (Loss) on Real Estate (Note 2(k))	21,373,609	-	-	21,373,609	(464,759)
Contingency Reserve	(3,000,000)	-	-	(3,000,000)	-
Loss on Interest Rate Swap	(437,915)	-	-	(437,915)	(105,995)
Nonoperating Expenses	-	-	-	-	(148,557)
Change in Net Assets	3,995,864	(46,379)	-	3,949,485	(1,880,433)
Net Assets (Deficit), Beginning of Year	(11,047,749)	7,388,469	1,442,996	(2,216,284)	(335,851)
Net Assets (Deficit), End of Year	$ (7,051,885)	$7,342,090	$1,442,996	$ 1,733,201	$ (2,216,284)

See accompanying notes to financial statements.

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SCO Family of Services, Inc.

Statement of Functional Expenses
(with comparative totals for 2015)

Year ended June 30,

	Program Services							Supporting Services				
	Foster Care Services	Family Support Services	Early Childhood Services	Special Needs and Behavioral Health Services	Education and Youth Development Services	Shelters and Homeless Services	Total Program Services	Management and General	Development	Total Supporting Services	Total Expenses 2016	Total Expenses 2015
Salaries	$29,784,012	$ 8,499,685	$ 7,124,235	$40,972,211	$19,124,559	$ 7,163,824	$112,668,526	$ 8,818,571	$ 741,592	$ 9,560,163	$122,228,689	$125,527,223
Employee fringe benefits	10,266,783	2,988,579	2,496,731	13,309,544	6,037,546	2,423,497	37,522,680	3,073,555	327,514	3,401,069	40,923,749	40,483,634
Total Salaries and Fringe Benefits	40,050,795	11,488,264	9,620,966	54,281,755	25,162,105	9,587,321	150,191,206	11,892,126	1,069,106	12,961,232	163,152,438	166,010,857
Foster care pass through	13,956,802	-	-	-	-	-	13,956,802	-	-	-	13,956,802	14,598,162
Professional fees	745,898	64,706	107,593	114,380	99,823	92,534	1,224,934	3,198,431	56,333	3,254,764	4,479,698	2,836,333
Contractual services	367,178	200,114	3,007,155	2,896,501	1,127,256	2,873,588	10,471,792	53,854	-	53,854	10,525,646	12,978,330
Utilities	724,556	85,096	9,519	758,471	319,345	982,468	2,879,455	137,863	-	137,863	3,017,318	3,443,166
Telephone and internet	300,303	69,643	75,699	301,712	132,918	106,563	986,838	226,034	7,446	233,480	1,220,318	1,205,906
Transportation and staff travel	895,982	157,805	55,860	770,600	174,915	52,893	2,108,055	80,603	7,828	88,431	2,196,486	2,158,999
Repairs and maintenance	1,273,992	62,419	158,870	1,209,523	379,890	1,962,751	5,047,445	276,671	9,283	285,954	5,333,399	5,480,157
Postage and supplies	1,413,529	130,000	266,575	948,750	500,661	767,607	4,027,122	586,596	72,894	659,490	4,686,612	4,081,698
Program activities/incidentals	1,590,806	193,704	183,727	3,768,415	766,351	174,954	6,677,957	3,076	13,125	16,201	6,694,158	7,843,346
Food	1,207,984	62,058	1,063,806	1,367,658	231,340	1,054,456	4,987,302	-	-	-	4,987,302	5,472,434
Rental and lease expense (Note 17)	1,355,217	512,883	164,465	1,455,321	420,960	9,601,799	13,510,645	96,717	2,771	99,488	13,610,133	15,627,340
Recruiting and staff development	121,658	33,935	60,631	143,103	133,475	25,320	518,122	34,707	109,383	144,090	662,212	851,832
Insurance	826,879	97,362	147,148	898,902	449,669	572,908	2,992,868	720,712	4,382	725,094	3,717,962	3,437,761
Fees, assessments and taxes	63,985	7,009	8,504	812,343	35,874	392,272	1,319,987	647,933	11,906	659,839	1,979,826	2,113,442
Interest	256,943	4,026	47	491,150	264,641	13,779	1,030,586	327,677	331	328,008	1,358,594	1,659,634
Depreciation and amortization	894,538	186,737	1,083	1,530,935	862,304	74,171	3,549,768	827,822	10,771	838,593	4,388,361	4,527,524
Total Expenses	$66,047,045	$13,355,761	$14,931,648	$71,749,519	$31,061,527	$28,335,384	$225,480,884	$19,110,822	$1,375,559	$20,486,381	$245,967,265	$254,326,921

See accompanying notes to financial statements.

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SCO Family of Services, Inc.

Statement of Cash Flows
(with comparative totals for 2015)

Year ended June 30,	2016	2015
Cash Flows From Operating Activities:		
Change in net assets	$ 3,949,485	$ (1,880,433)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,883,387	4,014,720
Amortization of deferred financing costs	504,974	512,804
Amortization of bond premium/discount	3,160	3,161
Unrealized (gain) loss on investments	(1,091,176)	1,188,877
Realized loss (gain) on sale of marketable securities	23,952	(700,534)
Gain on sale of real estate	(21,373,609)	-
Loss on disposal of fixed assets	9,446	151,262
Change in unfunded pension obligation	16,774,482	2,014,587
Loss on interest rate swap	437,915	105,995
Donated stock	(53,964)	(66,754)
(Increase) decrease in:		
Program receivable, net	1,534,884	14,300,636
Prepaid expenses and other current assets	(317,833)	(422,977)
Security deposits and other assets	(56,953)	(82,671)
Increase (decrease) in:		
Accounts payable and accrued expenses	4,438,068	(1,894,067)
Accrued payroll, vacation, and related holdings	(1,840,724)	(5,615,800)
Deferred revenue	(330,567)	341,088
Due to government agencies	(1,992,131)	1,580,653
Accrued interest payable	1,520	(38,611)
Net Cash Provided By Operating Activities	4,504,316	13,511,936
Cash Flows From Investing Activities:		
Proceeds from sale of real estate	21,942,534	-
Debt service reserve	(15)	15,567
Purchase of property and equipment, net	(2,821,112)	(1,906,354)
Purchases of designated investments	(16,651,171)	(9,515,384)
Proceeds from sales of marketable equity securities	1,453,965	6,823,847
Change in short-term investments	(7,194,995)	2,397,989
Net Cash Used In Investing Activities	(3,270,794)	(2,184,335)
Cash Flows From Financing Activities:		
Proceeds from lines of credit	30,000,000	11,500,000
Principal payments on lines of credit	(28,000,000)	(14,500,000)
Principal payments on mortgages	(951,798)	(886,151)
Principal payments on bonds payable	(3,366,667)	(4,600,262)
Principal payments on capital lease obligations	(465,311)	(735,531)
Net Cash Used In Financing Activities	(2,783,776)	(9,221,944)
Net (Decrease) Increase in Cash and Cash Equivalents	(1,550,254)	2,105,657
Cash and Cash Equivalents, Beginning of Year	3,582,639	1,476,982
Cash and Cash Equivalents, End of Year	$ 2,032,385	$ 3,582,639
Supplemental Disclosure of Cash Flow Information:		
Interest paid	$ 1,395,214	$ 1,698,245
Property and equipment attained through capital leases	587,236	199,032

See accompanying notes to financial statements.

1. Organization

(a) Nature of Organization

SCO Family of Services, Inc. ("SCO") is a not-for-profit corporation that provides human care services to children, young adults and families in metropolitan New York. Each year, its programs reach more than 60,000 New Yorkers in need. Its core service areas include preventive services, foster care and adoption, youth development services, homelessness services, schools, school-based programs, mental health programs and services and homes for people with developmental disabilities.

(b) Financial Condition

(i) In 2016, SCO continues its plan from 2015 which called for decreased agency administrative expenses and a prudent reduction in program costs where possible. Additionally, the plan placed increased emphasis on timely collections and aggressive management of accounts receivable. 2016 brought focused efforts on identifying and recovering open accounts receivable and, as a result, SCO is experiencing improved collectibility.

(ii) On June 30, 2011, SCO ceased participation in the Roman Catholic Diocese of Brooklyn Pension Plan (the "Diocesan Pension Plan"), a multi-employer plan, and froze retirement benefit accruals for participating SCO employees. SCO established a mirror Defined Benefit Pension Plan (the "Plan") effective March 20, 2012 for the purpose of providing retirement benefits to those current and former employees and, as applicable, beneficiaries of such employees who had accrued retirement benefits under the Diocesan Pension Plan through June 30, 2011. The Plan, established as a single employer plan, maintained solely by SCO will provide those benefits which had accrued or will accrue under the former Diocesan Pension Plan up to the date it was frozen on June 30, 2011. Under Accounting Standards Codification ("ASC") 715-20, "Defined Benefit Plans", when an organization adopts a single employer pension plan, they are required to record the full amount of any underfunded pension liability on the statement of financial position. No such requirement exists for a multi-employer plan. Assets formerly held by the Roman Catholic Diocese of Brooklyn to fund the accrued pension liabilities under the Diocesan Pension Plan were transferred to SCO. The transfer of assets from the Diocesan Pension Plan was completed on October 19, 2012. Assets are actively managed and SCO has taken all prudent steps necessary to ensure the Plan is able to meet all payments to retirees or their beneficiaries in future years. Both the Diocesan Pension Plan and the Plan are non-ERISA church plans with no requirement under the Employee Retirement Income Security Act of 1974 ("ERISA") to fund the Plan. The Plan provides SCO cost certainty and better cash management and the ability to pay down pension obligations within 20 years.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

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

2. Summary of Significant Accounting Policies (Continued)

(b) Financial Statement Presentation

The classification of SCO'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) Unrestricted – operations - net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations.

(ii) Unrestricted - pension related charges other than net periodic pension cost as a result of the conversion from a multi-employer plan to a single employer plan in 2012 consist of net assets related to the unfunded status of SCO's defined benefit plan.

(iii) Temporarily restricted net assets are subject to donor-imposed stipulations, that may or will be released either by actions of SCO and/or the passage of time. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as assets released from restrictions.

(iv) Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by SCO. Generally, the donors of these assets permit SCO to use all of the income earned on any related investments for general or specific purposes.

(c) Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less.

(d) Investments at Fair Value and Income Recognition

Investments in marketable securities are stated at fair value with changes in the fair value of investments recorded in the statement of activities. Realized gains and losses resulting from sales of securities are calculated on the specific identification basis. Purchases and sale of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Gains or losses that result from market fluctuations are recorded as unrealized gains and losses.

(e) Fair Value Measurements

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

2. Summary of Significant Accounting Policies (Continued)

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

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

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

(f) Program Receivables

Program receivables are stated as unpaid balances, less an allowance for doubtful accounts. SCO provides for losses on amounts due using the allowance method. The allowance method is based on experience, contractual terms, and other circumstances, which may affect the ability of the agencies to meet their obligations. Program receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is SCO's policy to charge off uncollectible amounts when management determines they will not be collected.

(g) Deferred Financing Costs

Deferred financing costs are comprised of expenses incurred to obtain construction loans, and legal, professional and commitment fees paid in connection with the closing of long-term debt financings. These costs are amortized over the term of the related loans.

(h) Custodial Accounts

Custodial accounts primarily represent supplemental Social Security funds plus accrued interest on those funds which are held by SCO on behalf of certain children in its care.

(i) Fixed Assets

Fixed assets are stated at cost. Depreciation is computed over the estimated useful lives of the assets by the straight-line method for financial reporting as follows:

Building and improvements	10 - 40 years
Furniture, equipment and vehicles	3 - 20 years
Leasehold improvements	3 - 25 years

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.

SCO follows the policy of capitalizing all fixed asset acquisitions in excess of $5,000 and a useful life of 2 years or more. Maintenance and repairs are charged to operations when incurred. When fixed assets are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Items of furniture and equipment, where title is held by the granting agency, are expensed when purchased.

2. Summary of Significant Accounting Policies (Continued)

(j) Long-Lived Assets

(i) In accordance with the provisions of ASC 360, SCO reviews long-lived assets for impairment when circumstances indicate that the carrying amount of an asset may not be recoverable based on the undiscounted cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the undiscounted cash flows, quoted market values or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified. There were no impairment losses recognized for the year ended June 30, 2016.

(ii) In September 2015, SCO completed the sale of the property located at 570 Fulton Street, Brooklyn. Gross proceeds from the sale totaled $21,942,534. The gain related to this sale totaled $21,373,609.

(iii) During fiscal year 2015, the decision was made to discontinue providing services at the facility located at 280 Shepherd Avenue, Brooklyn. This site had been operating under the Close to Home contract with ACS since 2012. The property lease for the site was transferred to Good Shepherd Services in January 2015. As a result, all fixed assets associated with the site, worth approximately $149,000, have been disposed of as of June 30, 2015.

(iv) SCO had anticipated the purchase of a facility on Pine Street in East New York; however, the transaction did not occur. SCO incurred a total of $464,759 in 2015 in costs that were committed and could not be recovered.

(k) Third-Party Reimbursements and Revenue Recognition

SCO receives substantially all of its revenue for services provided from governmental agencies, including the Office for People with Developmental Disabilities ("OPWDD"), New York City Administration for Children Services ("ACS"), Office of Mental Health ("OMH"), Office of Children and Family Services ("OCFS"), New York State Department of Social Services ("NYSDSS") and New York State Department of Education ("SED") and Medicaid. 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.

Revenue is recognized as earned from third parties and when received or pledged for contributions, special events and fundraising activities.

Grant revenue is recognized in amounts equal to expenses incurred by SCO in administering the related program. Upon termination, the unexpended cash funds received under the terms of the grant provisions revert to the grantor.

Receipts under certain government-funded fee-for-services contract programs, which have not been spent due to budget modification, are available for application to future years' renewal contracts and are therefore classified as deferred revenue.

(l) Allocation Methodology

Common costs incurred for the administration of the various programs are allocated directly to respective programs as incurred and/or utilizing predetermined allocation rates established by management.

2. Summary of Significant Accounting Policies (Continued)

(m) 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 services are recorded at the fair market value of the property and services at the time of contribution.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

(n) Medical Self-Insurance

SCO maintains a self-insured medical plan for its employees. The accrued liability for the self-insured components of the plan includes an estimate of the incurred but not yet reported claims expense. This liability is included in accrued payroll and compensated absence liability on the statement of financial position.

Substantially all of SCO's employees and their dependents are eligible to participate in SCO's employee health insurance plan. SCO Is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of $250,000 per covered employee. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that SCO's estimate will change by a material amount in the near term.

Activity in SCO's accrued employee health claims liability during 2016 is summarized as follows:

Balance, beginning of year	$ 1,760,000
Current year claims incurred and changes in estimates for claims incurred in prior years	23,954,631
Claims and expenses paid	(24,185,949)
Balance, end of year	$ 1,528,682

(o) Income Taxes

SCO was incorporated in the State of New York and is exempt from Federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). SCO has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

SCO adopted the provisions of ASC 740, "Income Taxes", on July 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 the position will not be sustained upon examination by a taxing authority. The implementation of ASC 740 had no impact SCO's financial statements.

2. Summary of Significant Accounting Policies (Continued)

SCO does not believe they have taken any material uncertain tax positions and, accordingly, they have not recorded any liability for unrecognized tax benefits. SCO has filed for and received income tax exemptions in the jurisdictions where they are required to do so. Additionally, SCO has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended June 30, 2016, there were no interest or penalties recorded or included in the statement of activities. SCO is subject to routine audits by a taxing authority. As of June 30, 2016, SCO 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 2013.

(p) Concentration of Credit Risk

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

(q) Use of Estimates

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

(r) Endowment Fund

SCO's endowment consists of investments that are permanently restricted under ASC 958, "Not-for-Profit Entities". On September 17, 2010, New York State enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). This law, which is a modified version of Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), makes significant changes to the rules governing how New York not-for-profit organizations may manage, invest and spend their endowment funds. The new law is designed to allow organizations to cope more easily with fluctuations in the value of their endowments and to afford them greater access to funds needed to support their programs and services in difficult financial times.

(s) Comparative Financial Information

The financial statements include certain prior-year summarized comparative information. With respect to the statement of activities, the prior year information is presented in total, not by net asset class. With respect to the statement of functional expenses, the prior year expenses by expense classification are presented in total rather than functional category. Accordingly, such information should be read in conjunction with the prior year financial statements from which the summarized information was derived. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles.

2. Summary of Significant Accounting Policies (Continued)

(t) Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (ASU 2014-09)," as amended by ASU 2015-14. The core principle of ASU 2014-09 is built on the contract between a vendor and a customer for the provision of goods and services, and attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this objective, the standard requires five basic steps: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, (v) recognize revenue when (or as) the entity satisfies a performance obligation. Nonpublic entities will apply the new standard for annual periods beginning after December 15, 2018, including interim periods therein. Three basic transition methods are available — full retrospective, retrospective with certain practical expedients, and a cumulative effect approach. Under the third alternative, an entity would apply the new revenue standard only to contracts that are incomplete under legacy U.S. GAAP at the date of initial application (e.g., January 1, 2019) and recognize the cumulative effect of the new standard as an adjustment to the opening balance of retained earnings. That is, prior years would not be restated and additional disclosures would be required to enable users of the financial statements to understand the impact of adopting the new standard in the current year compared to prior years that are presented under legacy U.S. GAAP. Early adoption is permitted for fiscal years beginning after December 15, 2016. SCO is currently evaluating the effect of this guidance on its financial statements.

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements – Going Concern: Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern." This ASU provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, this ASU provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The new standard will be effective for reporting periods beginning after December 15, 2016, with early adoption permitted. SCO will apply the provisions of this standard upon adoption.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs." This ASU revises Subtopic 835-30 to require that debt issuance costs be reported in the balance sheet as a direct deduction from the face amount of the related liability, consistent with the presentation of debt discounts. Prior to the amendments, debt issuance costs were presented as a deferred charge (i.e., an asset) on the balance sheet.

Further, the amendments require the amortization of debt issuance costs to be reported as interest expense. Similarly, debt issuance costs and any discount or premium are considered in the aggregate when determining the effective interest rate on the debt.

In the Basis for Conclusions, the FASB observed debt issuance costs that do not have an associated debt liability (for example, costs incurred before proceeds are received on a debt liability) generally are reported as deferred charges (i.e., assets) until the related debt liability is recorded and did not propose a change to this practice.

2. Summary of Significant Accounting Policies (Continued)

The standard does not affect the recognition and measurement of debt issuance costs. As such, entities may need to track debt issuance costs separately in order to address other areas of U.S. GAAP such as third-party costs related to a debt restructuring accounted for under ASC 470-50 or the calculation of a beneficial conversion feature in accordance with ASC 470-20.

The amendments are effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The amendments are effective for all other entities for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. The amendments must be applied retrospectively. All entities have the option of adopting the new requirements as of an earlier date for financial statements that have not been previously issued. Applicable disclosures for a change in an accounting principle are required in the year of adoption, including interim periods. Management is currently evaluating the impact of this ASU on its financial statements.

In May 2015, the FASB issued ASU 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)," which seeks to eliminate diversity in practice surrounding how investments measured at net asset value ("NAV") under the practical expedient with future redemption dates have been categorized in the fair value hierarchy. The standard is effective for annual periods after December 15, 2015. Management is currently determining the impact that adoption of this guidance will have on SCO's financial results.

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

In August 2016, the FASB issued ASU 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions," (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is

2. Summary of Significant Accounting Policies (Continued)

effective for SCO's financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on their financial statements.

(u) Reclassifications

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

3. Investments at Fair Value

SCO'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 SCO'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. SCO'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.

Equity Securities

For its investments with asset managers that hold public common and preferred stocks, SCO has position-level transparency into individual holdings. These investments are priced by SCO's custodian using nationally recognized pricing services based upon observable data. Common stocks are classified as Level 1.

Indexed Mutual fund

SCO has investments in indexed mutual funds. These investments are valued at the NAV of shares held by SCO at year-end. The indexed mutual funds are traded at quoted prices through the National Securities Clearing Corporation. Management has reviewed the fair value classifications and agrees that Level 2 is the most appropriate classification.

Fixed Income

SCO has investments in fixed income securities. These investments are priced by SCO's custodian using nationally recognized pricing services. SCO's fixed income investments include United States government obligations and corporate bonds. Since these securities 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 relevant market information, benchmark curves, benchmarking of similar securities, sector groupings and matrix pricing. These investments are classified as Level 2.

The fair value of the interest rate swap is 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.

3. Investments at Fair Value (Continued)

At June 30, 2016, investments in marketable securities were as follows:

June 30, 2016	Cost	Fair Value
Equity securities	$ 9,857,770	$12,797,215
Indexed mutual fund	11,785,455	14,059,992
Fixed income:		
Corporate bonds	19,601,073	18,764,272
Government bonds	4,670,259	4,714,882
Total	$45,914,557	$50,336,361

The following table sets forth by level, within the fair value hierarchy, SCO's financial assets and liabilities measured at fair value on a recurring basis. Fair value equals carrying value:

	Assets at Fair Value as of June 30, 2016			
Description	Level 1	Level 2	Level 3	Total
Assets:				
Equity securities	$12,797,215	$ -	$-	$12,797,215
Indexed mutual fund	-	14,059,992	-	14,059,992
Fixed income:				
Corporate bonds	-	18,764,272	-	18,764,272
Government bonds	-	4,714,882	-	4,714,882
Total	$12,797,215	$37,539,146	$-	$50,336,361
Liabilities:				
Interest rate swap	$ -	$ 946,951	$-	$ 946,951

There were no transfers between levels during the year ended June 30, 2016.

4. Program Receivables, Net

At June 30, 2016, SCO's program receivables, net were comprised of the following:

June 30, 2016	
Rate-based programs:	
Foster Care Services	$14,613,527
Family Support Services	1,957,796
Early Childhood Service	3,756,210
Special Needs and Behavioral Health Services	7,659,680
Education and Youth Development Services	9,591,595
Shelters and Homeless Services	8,179,287
Other	45,871
	45,803,966
Less: Allowance for doubtful accounts	(998,047)
Total	$44,805,919

5. Fixed Assets

Fixed assets, net consisted of the following:

June 30, 2016	
Land	$ 2,026,113
Building and improvements	65,018,955
Furniture, equipment and vehicles	10,728,555
Leasehold improvements	3,866,282
	81,639,905
Less: Accumulated depreciation and amortization	(47,888,797)
Fixed assets, net	$ 33,751,108

At June 30, 2016, there were $13,123,985 of fully depreciated assets still in use by SCO, excluding fully depreciated assets that were disposed of amounting to $211,663.

For the year ended June 30, 2016, depreciation and amortization expense was $4,388,361.

6. Debt Service Reserve

Under the terms of various bonds, SCO deposited with the bond trustee amounts to be held in reserve which will be withdrawn to satisfy the future installments of the bonds. Interest earned on this reserve fund will be used to reduce SCO's payment obligation under the bonds. The debt service reserve amounted to $1,827,577 which consists of cash and cash equivalents at June 30, 2016.

7. Lines of Credit

SCO has a line of credit with an available limit of $25,000,000 which is due on demand and expires June 27, 2019. The interest rate ranges from 1.68% - 3.5% and was 3.5% at June 30, 2016. As of June 30, 2016, the outstanding balance was $14,000,000.

In June 2016, SCO entered into a bridge loan line of credit agreement with an available limit of $10,000,000 in connection with the short-term financing of certain capital projects. The line is renewable annually. The interest rate ranges from 1.68% - 3.25% and was 2.15% at June 30, 2016. There was no outstanding balance as of June 30, 2016.

The borrowings are based on the market value of underlying investments pledged as collateral. Interest, which is payable on demand, is based on prime and London Interbank Offered Rates ("LIBOR") rates. The lines of credit are further secured by SCO's accounts receivable and investments.

8. Mortgages Payable

Mortgages payable consist of the following at June 30, 2016:

June 30, 2016	
Mortgage payable to Medical Care Facilities Finance Agency, due August 15, 2017, payable in monthly installments of $4,650, including interest at the rate of 7.34% per annum; secured by real estate located in Kew Gardens, New York.	$ 113,800
Mortgage payable to Medical Care Facilities Finance Agency, due February 15, 2018, payable in monthly installments of $12,992, including interest at the rate of 7.58% per annum; secured by real estate located in Jamaica, New York.	209,900
Mortgage payable to Medical Care Facilities Finance Agency, due July 1, 2018, payable in monthly installments of $3,567, including interest at the rate of 6.12% per annum; secured by real estate located in Richmond Hill, New York.	93,400
Mortgage payable to Medical Care Facilities Finance Agency, due December 1, 2018, payable in monthly installments of $31,315, including interest at the rate of 6.539% per annum; secured by real estate located in Jamaica, New York.	1,331,813
Mortgage payable to the Dormitory Authority of the State of New York ("DASNY"), due February 24, 2028, payable in annual installments ranging from $50,748 to $133,421, including interest of 4.76%, secured by real estate located in Dix Hills, New York.	1,262,135
Total mortgages payable	3,011,048
Less: Current maturities	(972,496)
	$2,038,552

Future annual principal payments of SCO's mortgages payable are as follows for the years ended after June 30, 2016:

Year ending June 30,	
2017	$ 972,496
2018	737,339
2019	299,624
2020	94,944
2021	99,624
Thereafter	807,021
	$3,011,048

9. Bonds Payable

(a) In June 2007, SCO obtained financing of $1,554,500 of insured revenue bonds through the DASNY for the purpose of refinancing the acquisition and construction of two facilities.

The bonds, which require annual payments, bear interest at 5% and are secured by the related properties.

Principal	Series
$1,135,400	DASNY Series 2007A, interest rate of 5%, due December 1, 2031
$ 419,100	DASNY Series 2007B, interest rate of 5%, due December 1, 2031

Unamortized premium costs relating to the issuance of the Series A and B bonds were $35,699 and $13,297, respectively, at June 30, 2016. The unamortized premium costs are amortized over the term of the indebtedness of the total amount issued and included in bonds payable in the statement of financial position.

(b) On June 27, 2013, SCO obtained financing of $27,784,000 of insured revenue bonds through Nassau Local Economic Assistance Corporation ("LEAC"), Build NYC Resource Corporation and the Suffolk County Economic Development Corporation ("EDC") for the purpose of refinancing the existing DASNY 2001, 2003 and 2010 bonds.

The bonds, which require payments as noted below, bear interest rates ranging from 2.9% to 4.7% and are secured by the related properties.

Principal	Series
$6,095,000	TD Bank Nassau LEAC Series 2013A-A1, annual principal payment, interest rate 3.3%, due July 1, 2035
$6,095,000	People's United Bank Nassau LEAC Series 2013A-A2, annual principal payment, interest rate 3.4%, due July 1, 2035
$ 385,000	TD Bank Nassau LEAC Series 2013A-B1, annual principal payment, interest rate 3.2%, due July 1, 2027
$ 385,000	People's United Bank Nassau LEAC Series 2013A-B2, annual principal payment, interest rate 3.3%, due July 1, 2027
$ 877,000	TD Bank Nassau LEAC Series 2013A-C1, monthly principal payment, interest rate 4.5%, due June 1, 2023
$ 877,000	People's United Bank Nassau LEAC Series 2013A-C2, monthly principal payment, interest rate 4.7%, due June 1, 2023
$3,555,000	TD Bank Build NYC Resource Corporation Series 2013B-A1, annual principal payment, interest rate 2.9%, due July 1, 2025
$3,555,000	People's United Bank Build NYC Resource Corporation Series 2013B-A2, annual principal payment, interest rate 3%, due July 1, 2025
$ 810,000	TD Bank Build NYC Resource Corporation Series 2013B-B1, annual principal payment, interest rate 3.3%, due July 1, 2027

9. Bonds Payable (Continued)

Principal	Series
$ 810,000	People's United Bank Build NYC Resource Corporation Series 2013B-B2, annual principal payment, interest rate 3.3%, due July 1, 2027
$ 339,000	TD Bank Build NYC Resource Corporation Series 2013B-C1, monthly principal payment, interest rate 3.4%, due June 1, 2018
$ 339,000	People's United Bank Build NYC Resource Corporation Series 2013B-C2, monthly principal payment, interest rate 3.7%, due June 1, 2018
$1,690,000	TD Bank Suffolk County EDC Series 2013C-A1, annual principal payments, interest rate 2.9%, due July 1, 2025
$1,690,000	People's United Bank Suffolk County EDC Series 2013C-A2, annual principal payments, interest rate 3%, due July 1, 2025
$ 141,000	TD Bank Suffolk County EDC Series 2013C-B1, monthly principal payments, interest rate 3.4%, due June 1, 2018
$ 141,000	People's United Bank Suffolk County EDC Series 2013C-B2, monthly principal payments, interest rate 3.7%, due June 1, 2018

On June 30, 2016, SCO made payments on bonds payable in advance of their 2017 due dates. Future principal payments are as follows:

Year ending June 30,	(a)	(b)	Total
2017	$ 55,196	$ 380,000	$ 435,196
2018	54,694	2,262,000	2,316,694
2019	57,489	2,044,000	2,101,489
2020	60,427	2,124,000	2,184,427
2021	63,515	1,893,778	1,957,293
Thereafter	944,133	10,896,222	11,840,355
	$1,235,454	$19,600,000	$20,835,454

The new financing received related to the 2010 bond is being held in escrow until the call date of the bond which is July 1, 2020.

10. Capital Leases

SCO entered into various vehicle leases with maturities through May 31, 2019 and interest rates ranging from 4.67% to 9.0%. The following is a schedule of future minimum lease payments, including interest, as of June 30, 2016.

Year ending June 30,	
2017	$335,302
2018	247,027
2019	137,021
2020	7,537
Total minimum lease payments	726,887
Less: Interest	(73,379)
Present value of net minimum lease payments	$653,508

11. Due to Governmental Agencies

SCO has recorded estimated liabilities of $6,452,571 for 2016 for future settlements with funding agencies, generally related to SCO's underspending of past years' contracts.

Audits have been completed by the ACS through fiscal 2013. It is management's opinion that retroactive adjustments, if any, for years subsequent to fiscal 2013 will not have a material adverse impact on the financial position or net assets of SCO.

12. Pension Plans

(a) Defined Benefit Pension Plan

As mentioned in Note 1(b), SCO established a single employer Defined Benefit Pension Plan (the "Plan") for eligible employees who are at least 25 years old and have completed at least one year of continuous service.

Pursuant to the transfer agreement with the multi-employer Diocesan Pension Plan, pension assets and liabilities relating to the SCO participants were transferred from the Diocesan Pension Plan to the Plan effective March 20, 2012. All assets and liabilities were transferred to the Plan as of October 2012. This Plan is exempt from ERISA reporting requirements.

The net periodic pension cost for the year ended June 30, 2016 is comprised of the following:

Service cost	$ 200,000
Interest cost	4,073,959
Expected return on Plan assets	(3,376,102)
Amortization of prior service cost	2,066,224
Amortization of net loss	1,249,395
Net periodic pension cost	$ 4,213,476

12. Pension Plans (Continued)

A reconciliation of the changes in the Plan's benefit obligations and fair value of assets during 2016 and a statement of the funded status of the Plan as of June 30, 2016 is as follows:

June 30, 2016	
Change in projected benefit obligation:	
Projected benefit obligation at beginning of the year	$ 95,066,928
Service cost	200,000
Interest cost	4,073,959
Actuarial loss	14,092,615
Benefits	(3,329,017)
Projected benefit obligation at June 30, 2016	$110,104,485

June 30, 2016	
Change in Plan assets:	
Fair value of Plan assets at beginning of the year	$49,010,401
Actual return on Plan assets	5,935
Employer contributions	1,600,000
Benefits	(3,342,860)
Fair value of Plan assets at the end of the year	$47,273,476

The funded status of the Plan at June 30, 2016 is as follows:

Benefit obligation	$110,104,485
Fair value of Plan assets	47,273,476
Accrued pension obligation at June 30, 2016	$ 62,831,009

Pension related charges other than net periodic pension cost included in unrestricted net assets consist of prior service cost of $11,386,960 and an actuarial loss of $37,728,118.

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

Year ending June 30,	
2017	$ 3,484,287
2018	3,765,239
2019	4,036,166
2020	4,310,942
2021	4,582,719
2022-2026	26,257,703
	$46,437,056

Employer contributions expected to be paid in fiscal year ending June 30, 2017 are $2,400,000.

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12. Pension Plans (Continued)

Investment Policy

The Plan assets shall be managed with the following allocations as of June 30, 2016:

	Amount	
Money market/cash	$ 3,631,712	8%
U.S. treasury bond	2,787,626	6
Short term bond	1,122,977	2
Intermediate term bond	5,588,404	12
Long government/credit bond	4,665,023	10
Large cap value U.S. stock	5,999,601	12
Large cap growth U.S. stock	4,858,419	10
Mid cap U.S. stock	3,181,258	7
Small cap U.S. stock	2,763,738	6
Real estate/REIT	2,029,413	4
Foreign stock	5,511,924	12
Emerging markets stock	5,133,381	11
Fair value of Plan assets	$47,273,476	100%

The Plan'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 Plan's policies regarding this hierarchy.

All of the Plan assets are invested in mutual funds and exchange-traded funds that are liquid and actively traded and are classified as Level 2 in the hierarchy.

Below sets forth a table of the Plan assets measured at fair value as of June 30, 2016:

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Schwab Advisor Cash Reserves Premier	$ 3,631,712	$-	$-	$ 3,631,712
PIMCO Real Return Asset Instl	1,392,052	-	-	1,392,052
Vanguard Inflation Protected Secs Instl	1,395,574	-	-	1,395,574
PIMCO Total Return Instl	2,269,886	-	-	2,269,886
Vanguard Total Bond Market Index Inst	2,380,104	-	-	2,380,104
PIMCO Long Duration Total Return Instl	938,414	-	-	938,414
Loomis Sayles Core Plus Bond	621,416	-	-	621,416
Vanguard Short-Term Bond Index Inst	1,122,977	-	-	1,122,977
Vanguard Long-Term Bond Index Inst	539,456	-	-	539,456
Dreyfus Opportunistic Fixed Income	2,135,044	-	-	2,135,044
JP Morgan Strategic Income Opps	1,369,107	-	-	1,369,107
Vanguard Value Index Signal	5,999,601	-	-	5,999,601
Vanguard Growth Index Instl	4,858,419	-	-	4,858,419
Vanguard Mid Cap Index Ins	3,181,258	-	-	3,181,258
Vanguard Small Cap Index Instl	2,763,738	-	-	2,763,738
Schwab International Equity ETF	5,511,924	-	-	5,511,924
Schwab Emerging Markets ETF	5,133,381	-	-	5,133,381
Vanguard REIT Index Ins.	2,029,413	-	-	2,029,413
	$47,273,476	$-	$-	$47,273,476

12. Pension Plans (Continued)

The discount rate, expected long-term rate of return on assets and the rates of increase in future compensation levels used to determine the projected benefit obligation at June 30, 2016 were as follows:

	Pension Benefits	
	Used for Net Pension Cost in Fiscal Year July 1, 2015 to June 30, 2016	Used for Pension Obligations as of June 30, 2016
Discount rate	4.35%	3.50%
Rate of compensation increase	N/A	N/A
Long-term rate of return	7.00%	N/A

The expected long-term rate of return on Plan assets assumption of 7.00% was selected using the "building block" approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27 - Selection Economic Assumptions for Measuring Pension Obligations. Based on the investment allocation for the pension plan in effect as of the beginning of 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 2.50% was selected and added to the real rate of return range to arrive at a best estimate range for which a rate of 7.00% is near the midpoint and was selected.

(b) Rockville Diocese Plan

SCO previously participated in the Rockville Centre Diocese Pension Plan (the "Rockville Diocese Plan"), a church plan, which has been approved by the IRS and is exempt from ERISA reporting requirements and was frozen effective June 30, 2011. SCO commenced a defined contribution plan for eligible employees effective July 1, 2011. SCO is in the process of buying out their financial obligations to the Rockville Diocese Plan for pension accruals through June 30, 2011. This will be paid over a five-year period of $142,917 per year, which began on July 1, 2012. Once these payments are made, SCO will cease to have any obligation to make payments to the Rockville Diocese Plan. At June 30, 2016, the remaining balance was $142,917. In October 2016, the remaining balance was paid.

(c) Supplemental Pension Plan

In 2000, SCO adopted a supplemental pension plan through an insurance company. The plan is tax-qualified as a defined contribution arrangement under IRS Section 403(b). Participants become eligible to participate on their date of hire. Funding is provided by employee withholding and an annual discretionary contribution made by SCO. Total contribution expense for the defined contribution plan for the year ended June 30, 2016 was $2,700,000.

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13. Derivative Financial Instruments

SCO entered into various interest rate swap agreements to limit the effects of increases in interest rates on the Series 2013 bonds (Note 9(b)). The change in fair value of the interest rate swap is recognized in the statement of activities. The difference is accrued as interest rates change.

June 30, 2016

	Notional Amount	Fair Value
Interest rate swap agreement with People's United and TD Bank with fixed rates ranging from 2.897% - 3.362%. The banks pay a variable rate of interest based on US Dollar LIBOR-BBA. The agreements provide for monthly settlements and mature June 27, 2023.	$20,080,000	$(946,951)

14. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2016 represent the unspent portion of contributions received and certain income related to the following:

Foster Care Services	$ 322,655
Family Support Services	38,291
Early Childhood Services	8,544
Special Needs and Behavioral Health Services	1,020,674
Education and Youth Development Services	390,565
Shelters and Homeless Services	114,194
Center for Family Life	3,441,695
Management and Other Indirect	2,005,472
Total temporarily restricted net assets	$7,342,090

15. Net Assets Released From Restrictions

The following temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose during the year ended June 30, 2016:

Foster Care Services	$ 41,054
Family Support Services	22,125
Special Needs and Behavioral Health Services	130,709
Education and Youth Development Services	89,714
Shelters and Homeless Services	5,348
Center for Family Life	97,362
Management and Other Indirect	17,604
Total net assets released from restrictions	$403,916

16. Endowment Fund

SCO maintains a donor-restricted endowment fund (the "Brookwood Fund") that has been classified as permanently restricted net assets. As required by accounting principles generally accepted in the United States, net assets associated with permanently restricted donor funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of SCO has adopted the rules of NYPMIFA requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Brookwood Fund is classified as permanently restricted net assets and includes the original value of gifts donated to the permanent endowment.

NYPMIFA further requires all endowment income to be classified as temporarily restricted until appropriated for use by the governing board, unless directed differently by the donor. The income on the Brookwood Fund will be used to support SCO's general programs and activities supporting children and families.

SCO has adopted investment and spending policies for endowment assets that attempt to provide sufficient income to meet various program expenses and to extend the pursuit of SCO's mission in perpetuity. The Brookwood Fund is invested in a manner that is intended to produce results that exceed the price and yield results of the Triple-A rated short-term money market instruments for the cash and cash equivalent investments and the Barclay's Intermediate Government/Corporate Bonds Index for the fixed income investments. SCO appropriates the actual interest income and dividend returns from the restricted assets and supplements non-restricted funds for other programs. In establishing this policy, SCO considered the long-term expected return on its endowment. Accordingly, over the long term, SCO expects the current spending policy to allow its endowment to grow annually.

SCO considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- the duration and preservation of the funds;
- availability of other funding sources;
- general economic conditions;
- the possible effect of inflation and deflation;
- the expected total return from income and the appreciation/depreciation of investments;
- purposes of donor-restricted fund; and
- the investment and spending policies of the Brookwood Fund's investment returns distribution policy, which mandates appropriations of donor-restricted assets to be deemed prudent by the Investment Committee of the Board of Directors of SCO.

For the year ended June 30, 2016, all assets included in the Brookwood Fund are as follows:

June 30, 2016	
Equity securities	$1,823,079

16. Endowment Fund (Continued)

The following table provides a reconciliation of beginning and ending balances as of June 30, 2016.

June 30, 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment balances as of July 1, 2016	$235,791	$ -	$1,442,996	$1,678,787
Unrealized gains	-	144,292	-	144,292
Transfers appropriated	144,292	(144,292)	-	-
	$380,083	$ -	$1,442,996	$1,823,079

17. Commitments and Contingencies

Operating Leases

As of June 30, 2016, minimum annual rental commitments for the remaining terms of SCO's operating leases relating to buildings for programs and equipment were as follows:

Year ending June 30,	Amount
2017	$ 8,269,198
2018	7,167,369
2019	2,796,382
2020	2,442,502
2021	917,364
Thereafter	2,500,277
Total	$24,093,092

Certain leases require additional payments based upon property tax and maintenance expense escalations.

Substantially all leases have a defunding clause, as defined, which provides that SCO's obligations under the lease would terminate if the applicable governmental funding agency were to eliminate or significantly reduce funding for the related program.

Aggregate rental expense for buildings and equipment for the year ended June 30, 2016 amounted to $13,610,133.

17. Commitments and Contingencies (Continued)

Other Matters

SCO participates in various Federal, state and city programs, all of which have strict requirements for participation and, accordingly, SCO is subject to government program reviews covering compliance with laws and regulations. In addition, the expenses of programs, which have been reimbursed pursuant to Federal, state and local government contracts and grants, are subject to audit by the respective granting agencies. Until such audits are completed and final settlements reached, there exists a contingency to refund any amount in excess of allowable costs. Management is of the opinion that no material liability would result from such audits.

Legal Matters

SCO is involved with several cases in litigation as a defendant. A number of the cases are currently in pre-trial discovery. Management intends to vigorously defend all claims against SCO. Management is unable to determine at this time the likelihood of the outcomes.

18. Subsequent Events

SCO's management has performed subsequent events procedures through November 23, 2016, which is the date the financial statements were available to be issued. There were no subsequent events requiring adjustment to the financial statements.

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SCO Family of Services

Financial Statements
Year Ended June 30, 2015

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.

SCO Family of Services

Financial Statements
Year Ended June 30, 2015

SCO Family of Services

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BDO

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

100 Park Avenue
New York, NY 10017

Independent Auditor's Report

Board of Directors
SCO Family of Services
Glen Cove, New York

We have audited the accompanying financial statements of SCO Family of Services ("SCO"), 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 SCO'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 SCO's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

BDO

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the statement of financial position of SCO Family of Services 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.

Report on Summarized Comparative Information

We have previously audited SCO's 2014 financial statements and our report, dated December 1, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended 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

SCO Family of Services

Statement of Financial Position
(with comparative totals for 2014)

June 30,	2015	2014
Assets		
Current:		
Cash and cash equivalents (Note 2)	$ 3,582,639	$ 1,476,982
Short-term investments (Notes 2, 3 and 7)	114,100	2,512,089
Investments at fair value (Notes 2, 3 and 7)	34,017,967	31,748,019
Program receivables, net of allowances for doubtful accounts of $1,507,593 and $761,302 for 2015 and 2014 (Notes 2, 4 and 7)	46,340,803	60,641,439
Prepaid expenses and other assets	734,522	311,545
Custodial accounts (Note 2)	286,928	276,076
Total Current Assets	85,076,959	96,966,150
Debt Service Reserve (Note 6)	1,827,562	1,843,129
Deferred Financing Costs (Notes 2 and 9)	3,322,808	3,838,773
Security Deposits and Other Assets	398,306	315,635
Assets Held for Sale, Net (Note 18)	568,925	-
Fixed Assets, Net (Notes 2, 5, 8, 9 and 10)	34,235,593	36,865,114
	$125,430,153	$139,828,801
Liabilities and Net Deficit		
Current Liabilities:		
Accounts payable and accrued expenses	$ 7,125,255	$ 9,019,322
Accrued payroll and compensated absence liability (Note 2(n))	19,628,367	25,244,167
Accrued pension obligation - current portion (Notes 1(b) and 12)	1,599,559	1,582,296
Custodial accounts (Note 2)	286,928	276,076
Deferred revenue, current portion (Note 2)	1,069,245	3,515,120
Line of credit (Note 7)	12,000,000	15,000,000
Mortgage payable, current portion (Note 8)	951,335	835,044
Bonds payable, current portion (Note 9)	404,667	2,647,970
Capital lease, current portion (Note 10)	389,223	687,724
Due to government agencies, current portion (Note 11)	4,188,611	5,251,949
Accrued interest payable	38,617	77,228
Total Current Liabilities	47,681,807	64,136,896
Accrued Pension Obligation, Net of Current Portion (Notes 1(b) and 12)	44,456,968	42,459,644
Interest Rate Swap Liability (Notes 2, 3 and 13)	509,036	403,041
Deferred Revenue, Net of Current Portion (Note 2)	3,791,210	1,004,247
Mortgage Payable, Net of Current Portion (Note 8)	3,011,511	4,013,953
Bonds Payable, Net of Current Portion (Note 9)	23,797,454	26,154,413
Capital Lease, Net of Current Portion (Note 10)	142,360	380,358
Due to Government Agencies, Current Portion (Note 11)	4,256,091	1,612,100
Total Liabilities	127,646,437	140,164,652
Commitments and Contingencies (Notes 2, 7, 8, 9, 10, 11, 16, 17 and 18)		
Net Assets (Deficit) (Notes 2, 14 and 16):		
Unrestricted - operations	30,755,631	29,915,762
Unrestricted - pension related changes other than net periodic pension cost as a result of the conversion from multi-employer plan to a single employer plan in 2013 (Notes 1(b) and 12)	(41,803,380)	(39,788,793)
Total Unrestricted Net Deficit	(11,047,749)	(9,873,031)
Temporarily restricted (Note 14)	7,388,469	8,094,184
Permanently restricted (Note 16)	1,442,996	1,442,996
Total Net Deficit	(2,216,284)	(335,851)
	$125,430,153	$139,828,801

See accompanying notes to financial statements.

SCO Family of Services

Statement of Activities
(with comparative totals for 2014)

Year ended June 30,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015	Total 2014
Program Revenue and Other Support:					
Government revenues	$240,830,156	$ -	$ -	$240,830,156	$240,400,405
Foundations and other grants	7,954,765	72,955	-	8,027,720	7,258,674
Prior years' cost reimbursement adjustments	338,895	-	-	338,895	488,465
Contributions	815,442	149,064	-	964,506	653,520
Other revenue	3,535,580	-	-	3,535,580	1,785,347
Special events:					
Gross receipts	1,304,400	-	-	1,304,400	1,057,630
Less: Direct cost to donors	(301,169)	-	-	(301,169)	(281,248)
Net Revenue From Special Events	1,003,231	-	-	1,003,231	776,382
Net assets released from restrictions (Note 15)	927,734	(927,734)	-	-	-
Total Program Revenue and Other Support	255,405,803	(705,715)	-	254,700,088	251,362,793
Program Expenses and Other Expenses:					
Program services:					
Foster care services	66,271,821	-	-	66,271,821	66,207,486
Family support services	13,421,982	-	-	13,421,982	15,027,820
Early childhood services	14,842,074	-	-	14,842,074	12,337,273
Special needs and behavioral health services	72,211,141	-	-	72,211,141	74,208,229
Education and youth development services	32,684,822	-	-	32,684,822	31,553,997
Shelters and homeless services	35,621,989	-	-	35,621,989	38,513,006
Total Program Services	235,053,829	-	-	235,053,829	237,847,811
Supporting services:					
Management and general	17,814,299	-	-	17,814,299	18,966,246
Development	1,458,793	-	-	1,458,793	1,381,992
Total Supporting Services	19,273,092	-	-	19,273,092	20,348,238
Total Program Expenses and Other Expenses	254,326,921	-	-	254,326,921	258,196,049
Change in Net Assets From Operations	1,078,882	(705,715)	-	373,167	(6,833,256)
Nonoperating Revenue:					
Interest and dividend income	968,641	-	-	968,641	888,630
Realized and unrealized (losses) gains on investments	(488,343)	-	-	(488,343)	2,420,880
Total Nonoperating Revenue	480,298	-	-	480,298	3,309,510
Change in Net Assets Before Change in Unfunded Pension Obligation, Loss on Pine Street, Loss on Interest Rate Swap and Nonoperating Expenses	1,559,180	(705,715)	-	853,465	(3,523,746)
Change in Unfunded Pension Obligation (Note 12)	(2,014,587)	-	-	(2,014,587)	(2,091,092)
Loss on Pine Street (Note 2(j)(iii))	(464,759)	-	-	(464,759)	-
Loss on Interest Rate Swap (Note 13)	(105,995)	-	-	(105,995)	(22,644)
Nonoperating Expenses (Note 2(j)(ii))	(148,557)	-	-	(148,557)	(1,176,855)
Change in Net Assets	(1,174,718)	(705,715)	-	(1,880,433)	(6,814,337)
Net Assets (Deficit), Beginning of Year	(9,873,031)	8,094,184	1,442,996	(335,851)	6,478,486
Net Assets (Deficit), End of Year	$ (11,047,749)	$7,388,469	$1,442,996	$(2,216,284)	$ (335,851)

See accompanying notes to financial statements.

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SCO Family of Services

Statement of Functional Expenses
(with comparative totals for 2014)

Year ended June 30,

	Program Services							Supporting Services			Total Expenses	
	Foster Care Services	Family Support Services	Early Childhood Services	Special Needs and Behavioral Health Services	Education and Youth Development Services	Shelters and Homeless Services	Total Program Services	Management and General	Development	Total Supporting Services	2015	2014
Salaries	$30,617,884	$ 8,462,875	$ 7,070,277	$40,702,749	$20,007,512	$ 8,420,373	$115,281,670	$ 9,347,995	$ 897,558	$10,245,553	$125,527,223	$126,064,944
Employee fringe benefits	9,877,322	2,758,209	2,258,216	13,119,676	6,359,349	2,791,618	37,164,390	3,026,027	293,217	3,319,244	40,483,634	41,333,443
Total Salaries and Fringe Benefits	40,495,206	11,221,084	9,328,493	53,822,425	26,366,861	11,211,991	152,446,060	12,374,022	1,190,775	13,564,797	166,010,857	167,398,387
Foster care pass through	14,598,162	-	-	-	-	-	14,598,162	-	-	-	14,598,162	15,100,368
Professional fees	753,536	14,488	98,546	215,188	114,469	49,783	1,246,010	1,535,391	54,932	1,590,323	2,836,333	3,882,221
Contractual services	430,592	330,399	3,430,356	2,931,782	1,234,414	4,578,310	12,935,853	40,760	1,717	42,477	12,978,330	11,990,411
Utilities	754,295	117,068	6,972	846,574	294,625	1,293,272	3,312,806	121,648	8,712	130,360	3,443,166	3,940,061
Telephone and internet	289,157	95,113	74,726	282,009	139,960	125,783	1,006,748	194,334	4,824	199,158	1,205,906	1,239,770
Transportation and staff travel	863,838	152,161	44,403	783,479	173,901	67,149	2,084,931	69,772	4,296	74,068	2,158,999	2,529,532
Repairs and maintenance	958,283	73,172	46,348	1,280,861	482,261	2,292,056	5,132,981	338,483	8,693	347,176	5,480,157	5,344,325
Postage and supplies	1,232,530	193,891	234,434	760,119	559,017	624,916	3,604,907	391,379	85,412	476,791	4,081,698	5,199,108
Program activities/incidentals	1,531,029	257,000	225,542	4,839,568	767,491	198,467	7,819,097	-	24,249	24,249	7,843,346	8,342,661
Food	1,196,872	71,811	1,018,435	1,429,748	225,636	1,528,876	5,471,378	1,056	-	1,056	5,472,434	5,269,268
Rental and lease expense (Note 17)	926,736	534,028	116,016	1,277,362	494,670	12,185,638	15,534,450	90,095	2,795	92,890	15,627,340	16,116,065
Recruiting and staff development	83,034	46,426	80,403	144,577	152,059	17,382	523,881	285,846	42,105	327,951	851,832	553,255
Insurance	828,130	97,167	128,021	856,069	429,402	646,181	2,984,970	448,022	4,769	452,791	3,437,761	3,209,989
Fees, assessments and taxes	53,520	11,965	6,469	661,562	18,325	706,402	1,458,243	640,485	14,714	655,199	2,113,442	2,249,072
Interest	296,147	4,595	195	572,623	288,592	18,320	1,180,472	478,409	753	479,162	1,659,634	1,785,943
Depreciation and amortization	980,754	201,614	2,715	1,507,195	943,139	77,463	3,712,880	804,597	10,047	814,644	4,527,524	4,045,613
Total Expenses	$66,271,821	$13,421,982	$14,842,074	$72,211,141	$32,684,822	$35,621,989	$235,053,829	$17,814,299	$1,458,793	$19,273,092	$254,326,921	$258,196,049

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Statement of Cash Flows
(with comparative totals for 2014)

Year ended June 30,	2015	2014
Cash Flows From Operating Activities:		
Change in net assets	$ (1,880,433)	$ (6,814,337)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,014,720	3,532,690
Amortization of deferred financing costs	512,804	512,923
Amortization of bond premium/discount	3,161	3,183
Unrealized loss (gain) on investments	1,188,877	(1,465,268)
Realized gain on sale of marketable securities	(700,534)	(955,612)
Loss on disposal of fixed assets	151,262	632,299
Change in unfunded pension obligation	2,014,587	2,091,092
Loss on interest rate swap	105,995	22,644
Donated stock	(66,754)	(10,638)
(Increase) decrease in:		
Program receivable, net	14,300,636	1,192,044
Prepaid expenses and other current assets	(422,977)	386,347
Custodial accounts	(10,852)	17,055
Deferred financing costs	-	101,185
Security deposits and other assets	(82,671)	(69,992)
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,894,067)	586,432
Accrued payroll and compensated absence liability	(5,615,800)	3,088,404
Custodial accounts	10,852	(17,055)
Deferred revenue	341,088	(1,294,414)
Due to government agencies	1,580,653	4,784,554
Accrued interest payable	(38,611)	29
Net Cash Provided By Operating Activities	13,511,936	6,323,565
Cash Flows From Investing Activities:		
Debt service reserve	15,567	36,010
Purchase of property and equipment	(2,105,386)	(2,657,180)
Purchases of designated investments	(9,515,384)	(11,159,398)
Proceeds from sales of marketable equity securities	6,823,847	7,085,998
Short-term investments	2,397,989	3,757,345
Net Cash Used In Investing Activities	(2,383,367)	(2,937,225)
Cash Flows From Financing Activities:		
Proceeds from lines of credit	(14,500,000)	(29,500,000)
Repayments on lines of credit	11,500,000	27,000,000
Principal payments on mortgages	(886,151)	(836,774)
Principal payments on bonds payable	(4,600,262)	(367,979)
Proceeds from capital lease obligations	199,032	566,241
Principal payments on capital lease obligations	(735,531)	(650,537)
Net Cash Used In Financing Activities	(9,022,912)	(3,789,049)
Net Increase (Decrease) in Cash and Cash Equivalents	2,105,657	(402,709)
Cash and Cash Equivalents, Beginning of Year	1,476,982	1,879,691
Cash and Cash Equivalents, End of Year	$ 3,582,639	$ 1,476,982
Supplemental Disclosure of Cash Flow Information:		
Interest paid	$ 1,698,245	$ 1,731,060

See accompanying notes to financial statements.

Notes to Financial Statements

1. Organization

(a) Nature of Organization

SCO Family of Services (“SCO”) is a not-for-profit corporation that provides human care services to children, young adults and families in metropolitan New York. Each year, its programs reach more than 60,000 New Yorkers in need. Its core service areas include preventive services, foster care and adoption, youth development services, homelessness services, schools, school-based programs, mental health programs and services and homes for people with developmental disabilities.

(b) Financial Condition

(i) In 2015, SCO devised a plan to improve the performance of the agency. The plan placed an increased emphasis on timely collections and aggressive management of accounts receivable. The plan also called for decreased agency and administrative expenses and a prudent reduction in program costs where possible. In addition, an improvement in the reporting of the financial condition of programs to both management and the Board of Directors was required. Lastly, the plan called for SCO to increase its fundraising efforts. As a result of the plan, SCO improved its operating cash flow, increased its overall fundraising, and reduced administrative expenses by approximately $1.5 million on an annualized basis.

(ii) On June 30, 2011, SCO ceased participation in the Roman Catholic Diocese of Brooklyn Pension Plan (the “Diocesan Pension Plan”), a multi-employer plan, and froze retirement benefit accruals for participating SCO employees. SCO established a mirror Defined Benefit Pension Plan (the “Plan”) effective March 20, 2012 for the purpose of providing retirement benefits to those current and former employees and, as applicable, beneficiaries of such employees who had accrued retirement benefits under the Diocesan Pension Plan through June 30, 2011. The Plan, established as a single employer plan, maintained solely by SCO will provide those benefits which had accrued or will accrue under the former Diocesan Pension Plan up to the date it was frozen on June 30, 2011. Under Accounting Standards Codification (“ASC”) 715-20, “Defined Benefit Plans”, when an organization adopts a single employer pension plan, it is required to record the full amount of any underfunded pension liability on the statement of financial position. No such requirement exists for a multi-employer plan. Assets formerly held by the Roman Catholic Diocese of Brooklyn to fund the accrued pension liabilities under the Diocesan Pension Plan were transferred to SCO. The transfer of assets from the Diocesan Pension Plan was completed on October 19, 2012. Assets are actively managed and SCO has taken all prudent steps necessary to ensure the Plan is able to meet all payments to retirees or their beneficiaries in future years. Both the Diocesan Pension Plan and the Plan are non-ERISA church plans with no requirement under the Employee Retirement Income Security Act of 1974 (“ERISA”) to fund the Plan. The Plan provides SCO cost certainty and better cash management and the ability to pay down pension obligations within 20 years.

(iii) In September 2015, SCO completed the sale of the property located at 570 Fulton Street, Brooklyn. Gross proceeds from the sale totaled approximately $22.8 million, of which $21.2 million was invested in the endowment fund.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

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

(b) Financial Statement Presentation

The classification of SCO'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) Unrestricted – Operations - net assets consist of net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations.

(ii) Unrestricted – pension-related charges other than net periodic pension cost as a result of the conversion from a multi-employer plan to a single employer plan in 2012 consist of net assets related to the funded status of SCO's defined benefit plan.

(iii) Temporarily Restricted - net assets are subject to donor-imposed stipulations that may or will be released either by actions of SCO and/or the passage of time. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidating statement of activities as assets released from restrictions.

(iv) Permanently Restricted - net assets are subject to donor-imposed stipulations that they be maintained permanently by SCO. Generally, the donors of these assets permit SCO to use all of the income earned on any related investments for general or specific purposes.

(c) Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less.

(d) Investments at Fair Value and Income Recognition

Investments in marketable securities are stated at fair value with changes in the fair value of investments recorded in the statement of activities. Realized gains and losses resulting from sales of securities are calculated on the specific identification basis. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Gains or losses that result from market fluctuations are recorded as unrealized gains and losses.

(e) Fair Value Measurements

ASC 820, "Fair Value Measurement", clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. However, additional disclosures will be required about the inputs used to develop the measurements of fair value and the effect of certain of the measurements reported in the statement of activities for a fiscal period.

2. Summary of Significant Accounting Policies (Continued)

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

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Examples include equity securities and publicly-traded mutual funds that are actively traded on a major exchange or over-the-counter market.

Level 2 – Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly, such as municipal bonds. The fair value of municipal bonds is estimated using recently executed transactions, bid/asked prices and pricing models that factor in, where applicable, interest rates, bond spreads and volatility.

Level 3 – Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value. Examples include limited partnerships and private equity investments.

(f) Provision for Doubtful Accounts

SCO provides an allowance for doubtful accounts for accounts receivable which are specifically identified by management as to their uncertainty in regards to collectibility.

(g) Deferred Financing Costs

Deferred financing costs are comprised of expenses incurred to obtain construction loans, and legal, professional and commitment fees paid in connection with the closing of long-term debt financings. These costs are amortized over the term of the related loans.

(h) Custodial Accounts

Custodial accounts primarily represent supplemental Social Security funds plus accrued interest on those funds which are held by SCO on behalf of certain children in its care.

(i) Fixed Assets

Fixed assets are stated at cost. Depreciation is computed over the estimated useful lives of the assets by the straight-line method for financial reporting as follows:

Building and improvements	10 - 40 years
Furniture, equipment and vehicles	3 - 20 years
Leasehold improvements	3 - 25 years

2. Summary of Significant Accounting Policies (Continued)

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.

SCO follows the policy of capitalizing all fixed asset acquisitions in excess of $5,000 and a useful life of 2 years or more. Maintenance and repairs are charged to operations when incurred. When fixed assets are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Items of furniture and equipment, where title is held by the granting agency, are expensed when purchased.

(j) Long-Lived Assets

(i) In accordance with the provisions of ASC 360, SCO reviews long-lived assets for impairment when circumstances indicate that the carrying amount of an asset may not be recoverable based on the undiscounted cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the undiscounted cash flows, quoted market values or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified. There were no impairment losses recognized for the year ended June 30, 2015.

(ii) During fiscal year 2015, the decision was made to discontinue providing services at the facility located at 280 Shepherd Avenue, Brooklyn. This site had been operating under the Close to Home contract with ACS since 2012. The property lease for the site was transferred to Good Shepherd Services in January 2015. As a result, all fixed assets associated with the site, worth approximately $149,000, have been disposed of as of June 30, 2015.

(iii) SCO had anticipated the purchase of a facility in East New York; however, the transaction did not occur. SCO incurred a total of $464,759 in costs that were committed and could not be recovered.

(k) Third-Party Reimbursements and Revenue Recognition

SCO receives substantially all of its revenue for services provided from governmental agencies, including the Office for People with Developmental Disabilities (“OPWDD”), New York City Administration for Children Services (“ACS”), Office of Mental Health (“OMH”), Office of Children and Family Services (“OCFS”), New York State Department of Social Services (“NYSDSS”) and New York State Department of Education (“SED”) and Medicaid. 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.

Revenue is recognized as earned from third parties and when received or pledged for contributions, special events and fundraising activities.

Grant revenue is recognized in amounts equal to expenses incurred by SCO in administering the related program. Upon termination, the unexpended cash funds received under the terms of the grant provisions revert to the grantor.

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2. Summary of Significant Accounting Policies (Continued)

Receipts under certain government-funded fee-for-services contract programs, which have not been spent due to budget modification, are available for application to future years’ renewal contracts and are therefore classified as deferred revenue.

(l) Allocation Methodology

Common costs incurred for the administration of the various programs are allocated directly to respective programs as incurred and/or utilizing predetermined allocation rates established by management.

(m) 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 services are recorded at the fair market value of the property and services at the time of contribution.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

(n) Medical Self-Insurance

SCO maintains a self-insured medical plan for its employees. The accrued liability for the self-insured components of the plan includes an estimate of the incurred but not yet reported claims expense. This liability is included in accrued payroll and compensated absence liability on the statement of financial position.

Substantially all of SCO’s employees and their dependents are eligible to participate in SCO’s employee health insurance plan. SCO is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of $175,000 per covered employee. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that SCO’s estimate will change by a material amount in the near term.

Activity in SCO’s accrued employee health claims liability during 2015 is summarized as follows:

Balance, beginning of year	$ 5,112,707
Current year claims incurred and changes in estimates for claims incurred in prior years	19,176,607
Claims and expenses paid	(22,529,314)
Balance, end of year	$ 1,760,000

2. Summary of Significant Accounting Policies (Continued)

(o) Income Taxes

SCO was incorporated in the State of New York and is exempt from Federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). SCO has been determined by the Internal Revenue Service ("IRS") not to be a "private foundation" within the meaning of Section 509(a) of the Code.

SCO adopted the provisions of ASC 740, "Income Taxes", on July 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 the position will not be sustained upon examination by a taxing authority. The implementation of ASC 740 had no impact on SCO's financial statements.

SCO does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. SCO has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, SCO has filed IRS 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. SCO is subject to routine audits by a taxing authority. As of June 30, 2015, SCO 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.

(p) Concentration of Credit Risk

Financial instruments which potentially subject SCO to concentration of credit risk consist primarily of cash and cash equivalents. At times, SCO has cash deposits at financial institutions which exceed the Federal Deposit Insurance Corporation insurance limits.

(q) 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(r) Endowment Fund

SCO's endowment consists of investments that are permanently restricted under ASC 958, "Not-for-Profit Entities". On September 17, 2010, New York State enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). This law, which is a modified version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), makes significant changes to the rules governing how New York not-for-profit organizations may manage, invest and spend their endowment funds. The law is designed to allow organizations to cope more easily with fluctuations in the value of their endowments and to afford them greater access to funds needed to support their programs and services in difficult financial times.

2. Summary of Significant Accounting Policies (Continued)

(s) Comparative Financial Information

The financial statements include certain prior-year summarized comparative information. Accordingly, such information should be read in conjunction with the prior year financial statements from which the summarized information was derived. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. With respect to the statement of activities, the prior year information is presented in total, not by net asset class. With respect to the statement of functional expenses, the prior year expenses by expense classification are presented in total rather than functional category.

(t) Reclassifications

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

3. Investments at Fair Value

SCO'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 SCO'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. SCO'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 interest rate swap is 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.

At June 30, 2015, investments in marketable securities were as follows:

June 30, 2015

	Cost	Fair Value
Equity securities	$ 9,857,770	$11,389,599
Indexed mutual funds	3,412,017	5,452,924
Fixed income:		
Corporate bonds	11,323,340	11,079,347
Government bonds	6,094,212	6,096,097
Total	$30,687,339	$34,017,967

3. Investments at Fair Value (Continued)

The following table sets forth by level, within the fair value hierarchy, SCO's financial assets and liabilities measured at fair value on a recurring basis. Fair value equals carrying value.

	Assets at Fair Value as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
Equity securities	$11,389,599	$ -	$-	$11,389,599
Indexed mutual funds	-	5,452,924	-	5,452,924
Fixed income:				
Corporate bonds	-	11,079,347	-	11,079,347
Government bonds	-	6,096,097	-	6,096,097
Total	$11,389,599	$22,628,368	$-	$34,017,967
Liabilities:				
Interest rate swap	$ -	$ 509,036	$-	$ 509,036

There were no transfers between levels during the year ended June 30, 2015.

4. Program Receivables

At June 30, 2015, SCO's program receivables were comprised of the following:

June 30, 2015	
Rate-based programs:	
Foster Care Services	$17,960,609
Family Support Services	3,663,571
Early Childhood Service	2,756,015
Special Needs and Behavioral Health Services	10,216,405
Education and Youth Development Services	7,078,330
Shelters and Homeless Services	6,084,766
Other	88,700
	47,848,396
Less: Allowance for doubtful accounts	(533,393)
Total	$47,315,003

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5. Fixed Assets, Net

Fixed assets, net consisted of the following:

June 30, 2015	
Land	$ 2,026,113
Building and improvements	63,553,650
Furniture, equipment and vehicles	8,942,681
Leasehold improvements	3,836,222
	78,358,666
Less: Accumulated depreciation and amortization	(44,123,073)
Fixed assets, net	$34,235,593

At June 30, 2015, there were $12,371,448 of fully depreciated assets still in use by SCO, excluding fully depreciated assets that were disposed of amounting to $100,563.

6. Debt Service Reserve

Under the terms of various bonds, SCO deposited with the bond trustee amounts to be held in reserve which will be withdrawn to satisfy the future installments of the bonds. Interest earned on this reserve fund will be used to reduce SCO's payment obligation under the bonds. The debt service reserve amounted to $1,827,562 which consists of cash and cash equivalents at June 30, 2015.

7. Line of Credit

SCO has a line of credit with an available limit of $25,000,000 which is due on demand and expires June 27, 2016. Interest rates range from 1.68% - 3.25%. As of June 30, 2015, the outstanding balance was $12,000,000.

The borrowings are based on the market value of underlying investments pledged as collateral. Interest, which is payable on demand, is based on prime and LIBOR rates. The line of credit is further secured by SCO's program receivables and investments.

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8. Mortgages Payable

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

June 30, 2015	
Mortgage payable to Medical Care Facilities Finance Agency, due August 15, 2017, payable in monthly installments of $4,650, including interest at the rate of 7.34% per annum; secured by real estate located in Kew Gardens, New York.	$ 183,100
Mortgage payable to Medical Care Facilities Finance Agency, due February 15, 2018, payable in monthly installments of $12,992, including interest at the rate of 7.58% per annum; secured by real estate located in Jamaica, New York.	404,700
Mortgage payable to Medical Care Facilities Finance Agency, due July 1, 2018, payable in monthly installments of $3,567, including interest at the rate of 6.12% per annum; secured by real estate located in Richmond Hill, New York.	151,100
Mortgage payable to Medical Care Facilities Finance Agency, due December 1, 2018, payable in monthly installments of $31,315, including interest at the rate of 6.539% per annum; secured by real estate located in Jamaica, New York.	1,843,230
Mortgage payable to the Dormitory Authority of the State of New York ("DASNY"), due June 1, 2016, payable in semi-annual installments of $21,572, including interest of 9.48%, secured by real estate located in Deer Park, New York.	39,859
Mortgage payable to the DASNY, due February 24, 2028, payable in annual installments ranging from $50,748 to $133,421, including interest of 4.76%, secured by real estate located in Dix Hills, New York.	1,340,857
Total mortgages and loans payable	3,962,846
Less: Current maturities	(951,335)
	$3,011,511

Future annual principal payments of SCO's mortgages payable are as follows for the years ended after June 30, 2015:

Year ending June 30,	
2016	$ 951,335
2017	972,496
2018	737,339
2019	299,624
2020	94,944
Thereafter	907,108
	$3,962,846

9. Bonds Payable

(a) In June 2007, SCO obtained financing of $1,554,500 of insured revenue bonds through the DASNY for the purpose of refinancing the acquisition and construction of two facilities.

The bonds, which require annual payments, bear interest at 5% and are secured by the related properties.

Principal	Series
$1,135,400	DASNY Series 2007A, interest rate of 5%, due December 1, 2031
$ 419,100	DASNY Series 2007B, interest rate of 5%, due December 1, 2031

Unamortized premium costs relating to the issuance of the Series A and B bonds were $38,003 and $14,156, respectively, at June 30, 2015. The unamortized premium costs are amortized over the term of the indebtedness of the total amount issued and included in bonds payable in the statement of financial position.

(b) On June 27, 2013, SCO obtained financing of $27,784,000 of insured revenue bonds through Nassau Local Economic Assistance Corporation ("LEAC"), Build NYC Resource Corporation and the Suffolk County Economic Development Corporation ("EDC") for the purpose of refinancing the existing DASNY 2001, 2003 and 2010 bonds.

The bonds, which require payments as noted below, bear interest rates ranging from 2.9% to 4.7% and are secured by the related properties.

Principal	Series
$6,095,000	TD Bank Nassau LEAC Series 2013A-A1, annual principal payment, interest rate 3.3%, due July 1, 2035
$6,095,000	People's United Bank Nassau LEAC Series 2013A-A2, annual principal payment, interest rate 3.4%, due July 1, 2035
$ 385,000	TD Bank Nassau LEAC Series 2013A-B1, annual principal payment, interest rate 3.2%, due July 1, 2027
$ 385,000	People's United Bank Nassau LEAC Series 2013A-B2, annual principal payment, interest rate 3.3%, due July 1, 2027
$ 877,000	TD Bank Nassau LEAC Series 2013A-C1, monthly principal payment, interest rate 4.5%, due June 1, 2023
$ 877,000	People's United Bank Nassau LEAC Series 2013A-C2, monthly principal payment, interest rate 4.7%, due June 1, 2023
$3,555,000	TD Bank Build NYC Resource Corporation Series 2013B-A1, annual principal payment, interest rate 2.9%, due July 1, 2025
$3,555,000	People's United Bank Build NYC Resource Corporation Series 2013B-A2, annual principal payment, interest rate 3%, due July 1, 2025
$ 810,000	TD Bank Build NYC Resource Corporation Series 2013B-B1, annual principal payment, interest rate 3.3%, due July 1, 2027
$ 810,000	People's United Bank Build NYC Resource Corporation Series 2013B-B2, annual principal payment, interest rate 3.3%, due July 1, 2027
$ 339,000	TD Bank Build NYC Resource Corporation Series 2013B-C1, monthly principal payment, interest rate 3.4%, due June 1, 2018

9. Bonds Payable (Continued)

Principal	Series
$ 339,000	People's United Bank Build NYC Resource Corporation Series 2013B-C2, monthly principal payment, interest rate 3.7%, due June 1, 2018
$1,690,000	TD Bank Suffolk County EDC Series 2013C-A1, annual principal payments, interest rate 2.9%, due July 1, 2025
$1,690,000	People's United Bank Suffolk County EDC Series 2013C-A2, annual principal payments, interest rate 3%, due July 1, 2025
$ 141,000	TD Bank Suffolk County EDC Series 2013C-B1, monthly principal payments, interest rate 3.4%, due June 1, 2018
$ 141,000	People's United Bank Suffolk County EDC Series 2013C-B2, monthly principal payments, interest rate 3.7%, due June 1, 2018

On June 30, 2015, SCO made payments on bonds payable in advance of their 2016 due dates. Future principal payments are as follows:

Year ending June 30,	(a)	(b)	Total
2016	$ 52,667	$ 352,000	$ 404,667
2017	55,197	2,482,000	2,537,197
2018	57,855	2,262,000	2,319,855
2019	60,650	2,044,000	2,104,650
2020	63,588	2,124,000	2,187,588
Thereafter	998,175	13,649,989	14,648,164
	$1,288,132	$22,913,989	$24,202,121

The new financing received related to the 2010 bond is being held in escrow until the call date of the bond which is July 1, 2020. As of June 30, 2015, $1,479,796 is recorded as part of deferred financing costs in the statement of financial position.

10. Capital Leases

SCO entered into a capital lease for equipment at their Madonna Heights campus that expires in November 2015. The lease, secured by the related property, requires monthly payments of principal and interest at a rate of 1.93%. The following is a schedule of future minimum lease payments, including interest, as of June 30, 2015. The lease contains a bargain purchase option for $1.

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10. Capital Leases (Continued)

In addition, SCO entered into various vehicle leases with maturities through May 17, 2018 and interest rates ranging from 2.94% to 9.0%.

Year ending June 30,	
2016	$426,346
2017	123,034
2018	34,421
Total minimum lease payments	583,801
Less: Interest	(52,218)
Present value of net minimum lease payments	$531,583

11. Due to Governmental Agencies

SCO has recorded estimated liabilities of $8,444,702 for 2015 for future settlements with funding agencies. These amounts due are generally related to routine overpayments received from funding agencies to be recouped in future years. SCO takes a conservative approach in estimating these future liabilities.

Audits have been completed by ACS through fiscal 2012. It is management's opinion that retroactive adjustments, if any, for years subsequent to fiscal 2012 will not have a material adverse impact on the financial position or net assets of SCO.

12. Pension Plans

(a) Defined Benefit Pension Plan

As mentioned in Note 1(b), SCO established a single employer Defined Benefit Pension Plan (the "Plan") for eligible employees who are at least 25 years old and have completed at least one year of continuous service.

Pursuant to the transfer agreement with the multi-employer Diocesan Pension Plan, pension assets and liabilities relating to the SCO participants were transferred from the Diocesan Pension Plan to the Plan effective March 20, 2012. All assets and liabilities were transferred to the Plan as of October 2012. This Plan is exempt from ERISA reporting requirements.

The net periodic pension cost for the year ended June 30, 2015 is comprised of the following:

Service cost	$ 200,000
Interest cost	3,996,118
Expected return on Plan assets	(3,472,614)
Amortization of prior service cost	2,066,224
Amortization of net loss	1,122,194
Net periodic pension cost	$ 3,911,922

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12. Pension Plans (Continued)

A reconciliation of the changes in the Plan's benefit obligations and fair value of assets during 2015 and a statement of the funded status of the Plan as of June 30, 2015 is as follows:

June 30, 2015	
Change in projected benefit obligation:	
Projected benefit obligation at beginning of the year	$94,707,423
Service cost	200,000
Interest cost	3,996,118
Actuarial gain	(1,113,574)
Benefits	(2,723,039)
Projected benefit obligation at June 30, 2015	$95,066,928

June 30, 2015	
Change in Plan assets:	
Fair value of Plan assets at beginning of the year	$50,665,483
Actual return on Plan assets	(528,469)
Employer contributions	1,582,296
Benefits	(2,708,909)
Fair value of Plan assets at the end of the year	$49,010,401

The funded status of the Plan at June 30, 2015 is as follows:

Benefit obligation	$95,066,928
Fair value of Plan assets	49,010,401
Accrued pension obligation at June 30, 2015	$46,056,527

Pension-related charges other than net periodic pension cost included in unrestricted net assets consist of prior service cost of $13,453,184 and an actuarial loss of $21,500,888.

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

Year ending June 30,	
2016	$ 2,825,405
2017	3,120,937
2018	3,408,314
2019	3,687,254
2020	3,957,930
2021-2024	23,522,130
	$40,521,970

Employer contributions expected to be paid in fiscal year ending June 30, 2016 are $1,599,559.

12. Pension Plans (Continued)

Investment Policy

The Plan assets shall be managed with the following allocations as of June 30, 2015:

	Amount	Percentage
Money market/cash	$ 1,939,047	4%
U.S. Treasury bond	2,899,150	6
Short-term bond	1,212,529	2
Intermediate term bond	5,815,840	12
Long government/credit bond	5,074,856	10
Large cap value U.S. stock	6,190,067	13
Large cap growth U.S. stock	5,265,423	10
Mid cap U.S. stock	3,340,642	7
Small cap U.S. stock	2,858,407	6
Real estate/REIT	1,878,912	4
Foreign stock	6,207,074	13
Other	992,652	2
Emerging markets stock	5,335,802	11
Fair value of Plan assets	$49,010,401	100%

The Plan'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 Plan's policies regarding this hierarchy.

All of the Plan assets are invested in mutual funds and exchange-traded funds that are liquid and actively traded and are classified as Level 2 in the hierarchy.

12. Pension Plans (Continued)

Below sets forth a table of the Plan assets measured at fair value as of June 30, 2015:

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Schwab Advisor Cash Reserves Premier	$1,939,047	$ -	$-	$1,939,047
PIMCO Real Return Asset Instl	-	1,449,671	-	1,449,671
Vanguard Inflation Protected Secs Instl	-	1,449,479	-	1,449,479
PIMCO Total Return Instl	-	2,424,420	-	2,424,420
Vanguard Total Bond Market Index Inst	-	2,423,602	-	2,423,602
PIMCO Long Duration Total Return Instl	-	601,707	-	601,707
Loomis Sayles Core Plus Bond	-	967,818	-	967,818
Vanguard Short Term Bond Index Inst	-	1,212,529	-	1,212,529
Vanguard Long Term Bond Index Inst	-	600,773	-	600,773
Dreyfus Opportunistic Fixed Income	-	2,419,520	-	2,419,520
JP Morgan Strategic Income Opps	-	1,452,856	-	1,452,856
Vanguard Value Index Signal	-	6,190,067	-	6,190,067
Vanguard Growth Index Instl	-	5,265,423	-	5,265,423
Vanguard Mid Cap Index Ins	-	3,340,642	-	3,340,642
Vanguard Small Cap Index Instl	-	2,858,407	-	2,858,407
Schwab International Equity ETF	-	6,207,074	-	6,207,074
Schwab Emerging Markets ETF	-	5,335,802	-	5,335,802
SCO MPS Account	-	992,652	-	992,652
Vanguard REIT Index Ins.	-	1,878,912	-	1,878,912
	$1,939,047	$47,071,354	$-	$49,010,401

The discount rate, expected long-term rate of return on assets and the rates of increase in future compensation levels used to determine the projected benefit obligation at June 30, 2015 were as follows:

	Pension Benefits	
	Used for Net Pension Cost in Fiscal Year July 1, 2014 to June 30, 2015	Used for Pension Obligations as of June 30, 2015
Discount rate	4.25%	4.35%
Rate of compensation increase	N/A	N/A
Long-term rate of return	7.00%	N/A

12. Pension Plans (Continued)

The weighted average discount rate used to determine net periodic pension cost for the year ended June 30, 2015 was 4.35%.

The expected long-term rate of return on Plan assets assumption of 7.00% was selected using the “building block” approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27 - Selection Economic Assumptions for Measuring Pension Obligations. Based on the investment allocation for the pension plan in effect as of the beginning of 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 2.50% was selected and added to the real rate of return range to arrive at a best estimate range for which a rate of 7.00% is near the midpoint and was selected.

(b) Rockville Diocese Plan

SCO previously participated in the Rockville Centre Diocese Pension Plan (the “Rockville Diocese Plan”), a church plan, which has been approved by the IRS and is exempt from ERISA reporting requirements and was frozen effective June 30, 2011. SCO commenced a defined contribution plan for eligible employees effective July 1, 2011. SCO is in the process of buying out its financial obligations to the Rockville Diocese Plan for pension accruals through June 30, 2011. This will be paid over a five-year period with payments of $142,917 per year, which began on July 1, 2012. Once these payments are made, SCO will cease to have any obligation to make payments to the Rockville Diocese Plan. Total contribution expense for the defined contribution plan for the year ended June 30, 2015 was $2,700,000.

(c) Supplemental Pension Plan

In 2000, SCO adopted a supplemental pension plan through an insurance company. The plan is tax-qualified as a defined contribution arrangement under IRS Section 403(b). Funding is provided by employee withholding.

(d) Mortality Table

The Society of Actuaries (“SOA”) issued two final reports that update the mortality assumptions that private defined benefit retirement plans in the U.S. use in the actuarial valuations that determine a plan sponsor’s pension obligations. Affected pension plan sponsors should expect the value of the actuarial obligations to increase, but the rate of increase will depend on the specific demographic characteristics of the plan participants and the types of benefits provided.

The RP-2014 Mortality Tables Report (“RP-2014”) replaces the RP-2000 Mortality Tables Report (“RP-2000”), using the incidence of deaths in private plans over the 2004 through 2008 period. The SOA’s companion Mortality Improvement Scale MP-2014 Report (“MP-2014”) adds a second, complex variable to the RP-2014 tables for “future mortality improvements”. “Improvement” refers to the concept that mortality rates have generally decreased from year to year and this pattern is expected to continue in the future. The new MP-2014 improvement scale varies by both age and year. The SOA concluded that its best estimate for long-term mortality improvement in the U.S. is an ultimate annual rate of 1% through age 85 and slowly diminishing for higher ages.

The SOA committee that developed the tables recommends consideration of their use, effective immediately, for measuring private pension plan obligations. Their use also will affect the measurement of plan obligations associated with private employer postretirement health and life insurance plans.

13. Derivative Financial Instruments

SCO entered into a limited number of interest rate swap agreements as necessary to effectively convert the Series 2013 bonds (Note 9(b)) from floating to fixed rate payments. The change in fair value of the interest rate swap is recognized in the statement of activities. The difference is accrued as interest rates change.

June 30, 2015

	Notional Amount	Fair Value
Interest rate swap agreement with People's United Bank and TD Bank with fixed rates ranging from 2.897% - 3.362%. The banks pay a variable rate of interest based on US Dollar LIBOR-BBA. The agreements provide for monthly settlements and mature June 27, 2023.	$ 22,790,000	$(509,036)

14. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 represent the unspent portion of contributions received and certain income related to the following:

Foster Care Services	$ 265,703
Family Support Services	55,980
Early Childhood Services	8,135
Special Needs and Behavioral Health Services	1,162,806
Education and Youth Development Services	470,397
Shelters and Homeless Services	107,004
Center for Family Life	3,221,304
Management and Other Indirect	2,097,140
Total temporarily restricted net assets	$7,388,469

15. Net Assets Released From Restrictions

The following temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose during the year ended June 30, 2015:

Foster Care Services	$ 45,335
Family Support Services	19,230
Early Childhood Services	14,227
Special Needs and Behavioral Health Services	428,852
Education and Youth Development Services	23,073
Shelters and Homeless Services	2,226
Center for Family Life	299,887
Management and Other Indirect	94,904
Total net assets released from restrictions	$927,734

16. Endowment Fund

SCO maintains a donor-restricted endowment fund (the "Brookwood Fund") that has been classified as permanently restricted net assets. As required by accounting principles generally accepted in the United States, net assets associated with permanently restricted donor funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of SCO has adopted the rules of NYPMIFA requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Brookwood Fund is classified as permanently restricted net assets and includes the original value of gifts donated to the permanent endowment.

NYPMIFA further requires all endowment income to be classified as temporarily restricted until appropriated for use by the governing board, unless directed differently by the donor. The income on the Brookwood Fund will be used to support SCO's general programs and activities supporting children and families.

SCO has adopted investment and spending policies for endowment assets that attempt to provide sufficient income to meet various program expenses and to extend the pursuit of SCO's mission in perpetuity. The Brookwood Fund is invested in a manner that is intended to produce results that exceed the price and yield results of the Triple-A rated short-term money market instruments for the cash and cash equivalent investments and the Barclay's Intermediate Government/Corporate Bonds Index for the fixed income investments. SCO appropriates the actual interest income and dividend returns from the restricted assets and supplements non-restricted funds for other programs. In establishing this policy, SCO considered the long-term expected return on its endowment. Accordingly, over the long term, SCO expects the current spending policy to allow its endowment to grow annually.

The following table represents the reconciliation of changes in endowment net assets for the year ended June 30, 2015:

Year ended June 30, 2015	Permanently Restricted
Endowment net assets, beginning of year	$1,442,996
Unrealized gains	235,791
Transfers appropriated	(235,791)
Endowment net assets, end of year	$1,442,996

17. Commitments and Contingencies

Operating Leases

As of June 30, 2015, minimum annual rental commitments for the remaining terms of SCO's operating leases relating to buildings for programs and equipment were as follows:

Year ending June 30,	Amount
2016	$10,576,736
2017	7,256,403
2018	6,796,298
2019	2,251,671
2020	2,038,574
Thereafter	2,399,379
Total	$31,319,061

Certain leases require additional payments based upon property tax and maintenance expense escalations.

Substantially all leases have a defunding clause, as defined, which provides that SCO's obligations under the lease would terminate if the applicable governmental funding agency were to eliminate or significantly reduce funding for the related program.

Aggregate rental expense for buildings and equipment for the year ended June 30, 2015 amounted to $15,627,340.

Workers' Compensation Trust

During the years 2006 - 2008, SCO participated in a self-insured workers' compensation trust administered by the Roman Catholic Diocese of Brooklyn (the "Diocese"). On August 31, 2008, the trust was closed. The trust only covers claims which occurred prior to August 31, 2008.

In April 2010, SCO received a demand letter from the Diocese for payment of its share of a shortfall in the trust in the amount of $3.4 million.

SCO engaged an independent risk management consultant in February 2013 to review the actuarial study sent by the Diocese. The consultant's findings refuted the claims made by the Diocese based upon the fact that the shortfall in the Trust's funding was primarily related to the years prior to when SCO and other agencies joined the Trust with SCO's share representing approximately $1.1 million. This liability was previously paid by SCO. SCO considers this matter to be closed.

Other Matters

SCO participates in various Federal, state and city programs, all of which have strict requirements for participation and, accordingly, SCO is subject to government program reviews covering compliance with laws and regulations. In addition, the expenses of programs, which have been reimbursed pursuant to Federal, state and local government contracts and grants, are subject to audit by the respective granting agencies. Until such audits are completed and final settlements reached, there exists a contingency to refund any amount in excess of allowable costs. Management is of the opinion that no material liability would result from such audits.

SCO Family of Services

Notes to Financial Statements

17. Commitments and Contingencies (Continued)

SCO is involved with several cases in litigation as a defendant. A number of the cases are currently in pre-trial discovery. Management is unable to determine at this time the likelihood of the outcomes. Management believes that insurance coverage will be sufficient to cover any potential claims.

18. Subsequent Events

SCO's management has performed subsequent events procedures through November 30, 2015, which is the date the financial statements were available to be issued. There were no subsequent events requiring adjustment to the financial statements.

As mentioned in Note 1, in September 2015, SCO completed the sale of the property located at 570 Fulton Street, Brooklyn. Gross proceeds from the sale totaled approximately $22.8 million. Management estimates the gain to be approximately $21 million.

APPENDIX B-V

SINERGIA, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED JUNE 30, 2017, JUNE 30, 2016 AND JUNE 30, 2015)

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Sinergia, Inc.

Financial Statements
Year Ended June 30, 2017

Sinergia, Inc.

Financial Statements
Year Ended June 30, 2017

Sinergia, Inc.

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BDO

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

100 Park Avenue
New York, NY 10017

Independent Auditor's Report

Board of Directors
Sinergia, Inc.
New York, New York

We have audited the accompanying financial statements of Sinergia, Inc. which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

BDO

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sinergia, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Sinergia Inc.'s 2016 financial statements and our report, dated December 1, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

November 30, 2017

Sinergia, Inc.

Statement of Financial Position
(with comparative totals for 2016)

June 30,	2017	2016
Assets		
Current:		
Cash and cash equivalents (Note 2)	$1,153,233	$1,363,292
Cash limited as to use (Note 2)	35,044	39,206
Accounts receivable, net of allowance for doubtful accounts of $361,825 and $395,127 for 2017 and 2016, respectively (Notes 2 and 4)	1,455,549	1,248,083
Prepaid expenses and other assets	91,884	60,458
Total Current Assets	2,735,710	2,711,039
Assets Whose Use is Limited (Note 2)	187,335	187,335
Security Deposits	98,645	120,034
Fixed Assets, Net (Notes 2 and 5)	241,297	229,286
Total Assets	$3,262,987	$3,247,694
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	$ 345,053	$ 279,363
Accrued compensation	465,065	343,710
Due to Medicaid	-	14,849
Consumer funds (Note 2)	35,044	39,206
Deferred revenue	17,893	24,064
Total Current Liabilities	863,055	701,192
Deferred Rent (Note 8)	798,792	793,699
Total Liabilities	1,661,847	1,494,891
Commitments and Contingencies (Notes 2, 6, 7, 8 and 9)		
Net Assets (Note 2):		
Unrestricted	1,601,140	1,752,803
Total Liabilities and Net Assets	$3,262,987	$3,247,694

See accompanying notes to financial statements.

Sinergia, Inc.

Statement of Activities
(with comparative totals for 2016)

Year ended June 30,	2017	2016
	(Unrestricted)	
Public Support and Revenue:		
Program service fees	$10,177,671	$ 8,762,758
Prior period revenue	82,071	57,346
Grant revenues	970,904	965,638
Contributions	5,886	2,485
Other	32,488	18,792
Total Public Support and Revenue	11,269,020	9,807,019
Expenses:		
Program services:		
Residential services	5,075,463	4,516,486
Day Habilitation services	1,214,470	1,116,328
Family support services	503,679	578,416
Housing assistance	114,507	134,194
Case management	834,591	877,991
Parent training service	147,248	202,115
Division of Housing and Community Renewal	90,451	93,959
Autism services	230,170	121,842
Supported employment	135,542	171,217
Community services	1,721,800	1,084,662
Total Program Services	10,067,921	8,897,210
Supporting services:		
Management and general	1,352,507	1,528,350
Fundraising	255	12,972
Total Supporting Services	1,352,762	1,541,322
Total Expenses	11,420,683	10,438,532
Change in Net Assets	(151,663)	(631,513)
Net Assets, Beginning of Year	1,752,803	2,384,316
Net Assets, End of Year	$ 1,601,140	$ 1,752,803

See accompanying notes to financial statements.

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Sinergia, Inc.

Statement of Functional Expenses
(with comparative totals for 2016)

Year ended June 30,

	Program Services											Supporting Services				
	Residential Services	Day Habilitation Services	Family Support Services	Housing Assistance	Case Management	Parent Training Service	Division of Housing and Community Renewal	Autism Services	Supported Employment	Community Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	2017	2016
Salaries and Related Expenses:																
Salaries	$2,687,821	$ 647,813	$309,142	$ 21,900	$561,860	$ 87,700	$65,900	$113,004	$102,376	$1,251,305	$ 5,848,821	$ 591,312	$237	$ 591,549	$ 6,440,370	$ 5,313,950
Fringe benefits	671,030	159,869	87,092	5,617	136,476	20,416	14,824	26,921	24,509	302,051	1,448,805	161,393	18	161,411	1,610,216	1,621,422
Total Salaries and Related Expenses	3,358,851	807,682	396,234	27,517	698,336	108,116	80,724	139,925	126,885	1,553,356	7,297,626	752,705	255	752,960	8,050,586	6,935,372
Other Expenses:																
Food and recreational allowance	32,340	2,466	-	-	-	-	-	952	128	7,593	43,479	-	-	-	43,479	37,664
Repairs and maintenance	29,848	19,713	4	383	50	70	-	4,429	-	3,873	58,370	38,506	-	38,506	96,876	83,914
Utilities	59,648	-	-	3,936	-	-	-	-	-	6,433	70,017	38,936	-	38,936	108,953	102,888
Transportation	45,532	58,475	2,743	164	4,506	2,352	678	5,779	1,581	5,870	127,680	1,016	-	1,016	128,696	123,398
Participant allowances	167,576	-	-	-	-	-	-	-	-	1,877	169,453	-	-	-	169,453	161,969
Personal allowances	155,014	-	-	-	-	-	-	-	-	-	155,014	-	-	-	155,014	94,500
Family reimbursement	-	-	33,015	-	-	-	-	-	-	-	33,015	-	-	-	33,015	33,440
Clothing	13,962	15	-	-	-	-	-	-	-	-	13,977	-	-	-	13,977	12,675
Expensed equipment	26,455	595	-	953	300	-	-	4,485	-	1,539	34,327	1,449	-	1,449	35,776	30,238
Staff training	3,071	2,201	2,262	-	475	276	-	1,515	-	1,557	11,357	9,229	-	9,229	20,586	17,573
Contracted services	53,140	1,184	10,298	-	217	6,927	4,902	46,163	-	1,357	124,188	155,791	-	155,791	279,979	206,062
Supplies	9,241	15,540	10,081	238	3,496	3,495	1,082	9,877	19	7,193	60,262	9,333	-	9,333	69,595	49,985
Household supplies	76,384	27	-	-	-	-	-	-	5	2,962	79,378	-	-	-	79,378	133,971
Telephone	19,695	18,639	7,318	-	6,502	7,010	811	714	125	1,373	62,187	14,887	-	14,887	77,074	85,280
Equipment leases	1,573	9,413	44	-	617	874	-	44	-	86	12,651	2,434	-	2,434	15,085	53,454
Property rental	930,109	209,528	5,570	72,000	112,896	1,047	2,434	5,704	-	84,452	1,423,740	269,448	-	269,448	1,693,188	1,698,277
Property and general insurance	15,271	11,046	16	1,245	3,281	109	218	23	612	6,927	38,748	5,466	-	5,466	44,214	47,847
Bad debt expense	34,233	30,752	-	9,546	-	-	-	-	6,449	31,353	112,333	-	-	-	112,333	313,413
Other expenses	28,971	17,876	36,094	(1,785)	2,945	16,972	(398)	10,560	(262)	3,068	114,041	39,003	-	39,003	153,044	139,956
Total Expenses Before Depreciation and Amortization	5,060,914	1,205,152	503,679	114,197	833,621	147,248	90,451	230,170	135,542	1,720,869	10,041,843	1,338,203	255	1,338,458	11,380,301	10,361,876
Depreciation and Amortization	14,549	9,318	-	310	970	-	-	-	-	931	26,078	14,304	-	14,304	40,382	76,656
Total Expenses	$5,075,463	$1,214,470	$503,679	$114,507	$834,591	$147,248	$90,451	$230,170	$135,542	$1,721,800	$10,067,921	$1,352,507	$255	$1,352,762	$11,420,683	$10,438,532

See accompanying notes to financial statements.

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Statement of Cash Flows
(with comparative totals for 2016)

Year ended June 30,	2017	2016
Cash Flows From Operating Activities:		
Change in net assets	$ (151,663)	$ (631,513)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	40,382	76,656
Provision for doubtful accounts	112,333	313,413
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Cash limited as to use	4,162	(10,344)
Accounts receivable	(319,799)	(313,330)
Prepaid expenses and other assets	(31,426)	124,398
Assets whose use is limited	-	(562)
Security deposits	21,389	(46,247)
Increase (decrease) in:		
Accounts payable and accrued expenses	73,019	22,788
Accrued compensation	121,355	(119,513)
Due to Medicaid	(14,849)	14,849
Consumer funds	(4,162)	10,344
Deferred revenue	(6,171)	(6,170)
Deferred rent	5,093	15,754
Net Cash Used In Operating Activities	(150,337)	(549,477)
Cash Flows From Investing Activities:		
Purchase of fixed assets	(52,393)	(70,107)
Cash Flows From Financing Activities:		
Payments of capital lease obligations	(7,329)	(7,329)
Net Decrease in Cash and Cash Equivalents	(210,059)	(626,913)
Cash and Cash Equivalents, Beginning of Year	1,363,292	1,990,205
Cash and Cash Equivalents, End of Year	$1,153,233	$1,363,292
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 293	$ 807

See accompanying notes to financial statements.

Notes to Financial Statements

1. Organization

Sinergia, Inc. (the "Agency") was founded in 1983 to provide case management/service coordination and multiple direct services - residential and support - to individuals with developmental disabilities and families including individuals with disabilities. In addition, the Agency provides or arranges for housing for such individuals and families and maintains or arranges for maintenance of such housing.

The name "Sinergia", which is Spanish for "synergy" (the process of two or more agents or forces working in concert to achieve an end beyond the capability of each individual participant), reflects this commitment to consumer involvement and self-empowerment.

Sinergia exists in order to ensure that consumers with developmental disabilities and their families have access to services necessary to enable them to integrate into the community and live productive lives. This had meant providing linkage and referral to existing services and, when necessary, developing new and enhanced services. The Agency's focus has always been on serving consumers in low-income minority neighborhoods, which have traditionally been underserved by government and voluntary service providers.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of the Agency are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). In the statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

(b) Financial Statement Presentation

The classification of the Agency's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

The classes are defined as follows:

(i) Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Agency.

(ii) Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Agency pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

(iii) Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations. If a part of net assets is restricted and those restrictions are satisfied in the same year, then this part of net assets should be classified as unrestricted.

(c) Cash and Cash Equivalents

Cash equivalents include short-term, highly liquid investments with maturities of three months or less at the time of purchase.

(d) Cash Limited as to Use

Cash limited as to use consists of cash deposits held by the Agency for its residents' personal use. This amount is recorded as an asset and corresponding liability.

(e) Assets Whose Use is Limited

Assets whose use is limited consist of cash and cash equivalents used to secure a letter of credit which is used by the Agency in lieu of a cash security deposit for a lease.

(f) Allowance for Doubtful Accounts

Accounts receivable are mainly comprised of Community Habilitation, Day Habilitation, Residential Services and Autism Service revenue. The Agency provides an allowance for doubtful accounts for accounts receivable which were specifically identified by management as to their uncertainty in regards to collectability.

(g) Fixed Assets

The Agency capitalizes assets with a cost of $5,000 or more. Fixed assets are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the related assets.

The Agency follows the provisions of Accounting Standards Codification ("ASC") 360-10-35, "Accounting for the Impairment or Disposal of Long-Lived Assets," which requires the Agency to review 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 year ended June 30, 2017, there have been no such losses.

	Years
Leasehold improvements	15
Furniture and equipment	3-5
Vehicles	5

(h) Support and Revenue Recognition

Support from contributors is recognized when received or pledged from donors. The Agency is funded in part through contracts with the New York State Office for People with Developmental Disabilities ("OPWDD"). Revenues are recorded when earned as services are provided through residential, day services and other supportive services. Substantially all programs are funded through New York State reimbursement and Medicaid funding. Certain rates are subject to audit and adjustment by governmental payors based upon regulations of the various funding entities. The effects of any such adjustments are recorded when reasonably determinable.

Sinergia, Inc.

Notes to Financial Statements

(i) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(j) Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(k) Income Taxes

The Agency is a not-for-profit organization that is exempt from Federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), and therefore has made no provision for income taxes in the accompanying financial statements. In addition, the Agency has been determined by the Internal Revenue Service ("IRS") not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for 2017.

Under ASC 740, "Income Taxes," an organization must recognize the financial statement effects of a tax position taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination. The Agency does not believe there are any material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits. The Agency has filed IRS Form 990 tax returns, as required, and all other applicable returns in jurisdictions where it is required. For the year ended June 30, 2017, there was no interest or penalties recorded or included in the statement of activities. The Agency is subject to routine audit by a taxing authority. As of June 30, 2017, the Agency was not subject to any examination by a taxing authority.

(l) Concentration of Credit Risk

Financial instruments which potentially subject the Agency to concentration of credit risk consist primarily of cash and cash equivalents in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits. At various times during the year, the Agency may have cash deposits at financial institutions in excess of FDIC insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

(m) Comparative Financial Information

The financial statements include certain prior-year summarized comparative information. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2016, from which the summarized information was derived. With respect to the statement of activities, the prior year information is presented in total, not by net asset class. With respect to the statement of functional expenses, the prior year expenses by expense classification are presented in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP.

(n) Accounting Pronouncements Issued But Not Yet Adopted

(i) Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities

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

(ii) Revenue From Contracts With Customers (Topic 606)

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606),” which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 that deferred the effective date for the Agency until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

(iii) Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842),” to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (“ROU”) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Agency’s fiscal years beginning after December 15, 2019 with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

3. Third-Party Reimbursements

The Agency is reimbursed by third parties for services to approved clients. These reimbursements are received from the OPWDD, the New York City Human Resources Administration, the New York State Division of Housing and Community Renewal, the New York State Education Department, the U.S. Department of Education, New York State Department of Health and the U.S. Department of Housing and Urban Development.

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4. Accounts Receivable, Net

Accounts receivable, net consist of the following:

June 30, 2017	
Accounts receivable:	
Residential services	$ 807,092
Day habilitation services	243,380
Family support services	350,279
Housing assistance	9,603
Case management	263,721
Parent training service	14,719
Autism services	100,996
Supported employment	7,133
Community services	20,451
	1,817,374
Less: Allowance for doubtful accounts	(361,825)
Total	$1,455,549

5. Fixed Assets, Net

Fixed assets, net consist of the following:

June 30, 2017	
Leasehold improvements	$ 294,380
Furniture and equipment	79,828
Vehicles	235,375
	609,583
Less: Accumulated depreciation and amortization	(368,286)
Fixed assets, net	$241,297

The depreciation and amortization expense for the year ended June 30, 2017 totaled $40,382.

6. Line of Credit

On January 26, 2017, the Agency entered into an agreement with Capital One for a $400,000 line of credit. The line of credit commitment will terminate on January 26, 2018. The Agency can elect to borrow at the Wall Street Journal prime rate. Pursuant to the agreement, the Agency will pay the outstanding principal plus all accrued unpaid interest on January 26, 2018. As of June 30, 2017 the Agency had a balance of $-0- outstanding on the line of credit.

7. 401(k) Retirement Plan

The Agency sponsors a 401(k) retirement plan covering full-time employees after six months of service requirements are satisfied. The employer's contribution is discretionary. The employer's contribution for the year ended June 30, 2017 was $140,732 and was included in fringe benefits expense on the statement of functional expenses.

8. Deferred Rent

The Agency has operating leases which contain predetermined increases in the rentals payable during the term of such leases. In addition, one lease includes rent abatement. For these leases, the aggregate rental expense is recognized on a straight-line basis over the lease term. The difference between the expenses charged to operations in any year and the amount payable under the lease during the year is recorded as deferred rent payable on the Agency's statement of financial position, which will reverse over the lease term. The balance as of June 30, 2017 was $798,792.

9. Commitments

Pursuant to several lease agreements for the main office and several apartments in the Residential Program, the Agency is obligated for minimum annual rentals as indicated below:

Year ending June 30,	
2018	$1,291,089
2019	906,158
2020	739,055
2021	778,449
2022	797,910
Thereafter	1,656,162
Total	$6,168,823

Rent expense was $1,693,188 for the year ended June 30, 2017 and was included in property rental expense on the statement of functional expenses.

10. Subsequent Events

The Agency's management has performed subsequent events procedures through November 30, 2017, 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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Sinergia, Inc.

Financial Statements
Year Ended June 30, 2016

Sinergia, Inc.

Financial Statements
Year Ended June 30, 2016

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.

Sinergia, Inc.

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BDO

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

100 Park Avenue
New York, NY 10017

Independent Auditor's Report

Board of Directors
Sinergia, Inc.
New York, New York

We have audited the accompanying financial statements of Sinergia, Inc. which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sinergia, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Sinergia Inc.'s 2015 financial statements and our report, dated October 30, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

December 1, 2016

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Sinergia, Inc.

Statement of Financial Position
(with comparative totals for 2015)

June 30,	2016	2015
Assets		
Current:		
Cash and cash equivalents (Note 2)	$1,363,292	$1,990,205
Consumer funds (Note 2)	39,206	28,862
Accounts receivable, net of allowance for doubtful accounts of $395,127 and $212,155 for 2016 and 2015, respectively (Notes 2 and 4)	1,248,083	1,248,166
Prepaid expenses and other assets	60,458	184,856
Total Current Assets	2,711,039	3,452,089
Assets Whose Use is Limited (Note 2)	187,335	186,773
Security Deposits	120,034	73,787
Fixed Assets, Net (Notes 2 and 5)	229,286	235,835
Total Assets	$3,247,694	$3,948,484
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	$ 279,363	$ 263,904
Accrued compensation	343,710	463,223
Due to Medicaid	14,849	-
Consumer funds (Note 2)	39,206	28,862
Deferred revenue	24,064	30,234
Total Current Liabilities	701,192	786,223
Deferred Rent (Note 7)	793,699	777,945
Total Liabilities	1,494,891	1,564,168
Commitments and Contingencies (Notes 2, 6, 7 and 8)		
Net Assets (Note 2):		
Unrestricted	1,752,803	2,384,316
Total Liabilities and Net Assets	$3,247,694	$3,948,484

See accompanying notes to financial statements.

Sinergia, Inc.

Statement of Activities
(with comparative totals for 2015)

Year ended June 30,	2016	2015
	(Unrestricted)	
Public Support and Revenue:		
Program service fees	$ 8,762,758	$8,113,799
Prior period revenue	57,346	113,186
Grant revenues	965,638	913,501
Contributions	2,485	25,918
Other	18,792	4,632
Total Public Support and Revenue	9,807,019	9,171,036
Expenses:		
Program services:		
Residential services	4,516,486	4,235,603
Day Habilitation services	1,116,328	1,133,866
Family support services	578,416	539,100
Housing assistance	134,194	120,609
Case management	877,991	767,473
Parent training service	202,115	205,364
Division of Housing and Community Renewal	93,959	67,124
Autism services	121,842	65,807
Supported employment	171,217	46,881
Community services	1,084,662	648,603
Total Program Services	8,897,210	7,830,430
Supporting services:		
Management and general	1,528,350	1,507,997
Fundraising	12,972	15,230
Total Supporting Services	1,541,322	1,523,227
Total Expenses	10,438,532	9,353,657
Change in Net Assets	(631,513)	(182,621)
Net Assets, Beginning of Year	2,384,316	2,566,937
Net Assets, End of Year	$ 1,752,803	$2,384,316

See accompanying notes to financial statements.

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Sinergia, Inc.

Statement of Functional Expenses
(with comparative totals for 2015)

Year ended June 30,

	Program Services											Supporting Services				
	Residential Services	Day Habilitation Services	Family Support Services	Housing Assistance	Case Management	Parent Training Service	Division of Housing and Community Renewal	Autism Services	Supported Employment	Community Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	2016	2015
Salaries and Related Expenses:																
Salaries	$2,167,609	$ 547,869	$344,290	$ 22,012	$479,056	$ 92,121	$66,598	$ 64,855	$124,148	$ 818,707	$4,727,265	$ 583,303	$ 3,382	$ 586,685	$ 5,313,950	$4,778,599
Fringe benefits	624,573	182,197	116,904	6,508	160,963	27,484	18,865	17,708	41,607	162,677	1,359,486	261,329	607	261,936	1,621,422	1,533,956
Total Salaries and Related Expenses	2,792,182	730,066	461,194	28,520	640,019	119,605	85,463	82,563	165,755	981,384	6,086,751	844,632	3,989	848,621	6,935,372	6,312,555
Other Expenses:																
Food and recreational allowance	32,007	4,446	-	-	-	-	-	1,000	6	205	37,664	-	-	-	37,664	38,196
Repairs and maintenance	31,035	12,364	133	414	304	749	22	1,515	26	2,560	49,122	30,004	4,788	34,792	83,914	65,365
Utilities	53,635	2,523	845	3,902	820	985	810	50	-	3,755	67,325	35,563	-	35,563	102,888	86,095
Transportation	47,252	56,268	2,941	164	6,829	2,781	646	1,458	1,453	1,904	121,696	1,565	137	1,702	123,398	111,686
Participant allowances	161,969	-	-	-	-	-	-	-	-	-	161,969	-	-	-	161,969	146,837
Personal allowances	94,500	-	-	-	-	-	-	-	-	-	94,500	-	-	-	94,500	102,852
Family reimbursement	-	-	33,440	-	-	-	-	-	-	-	33,440	-	-	-	33,440	33,367
Clothing	12,675	-	-	-	-	-	-	-	-	-	12,675	-	-	-	12,675	12,644
Expensed equipment	12,059	184	60	(38)	857	100	-	-	1,189	4,891	19,302	10,157	779	10,936	30,238	16,416
Staff training	3,522	4,273	498	-	2,884	267	200	525	567	3,122	15,858	1,715	-	1,715	17,573	13,046
Contracted services	45,046	720	86	7	27,700	5,734	14	4,716	-	5,605	89,628	116,434	-	116,434	206,062	123,596
Supplies	3,962	9,258	1,623	547	4,226	3,651	1,748	4,990	511	8,051	38,567	10,338	1,080	11,418	49,985	49,387
Household supplies	129,119	647	-	683	-	-	-	-	-	2,383	132,832	996	143	1,139	133,971	119,958
Telephone	24,840	21,371	4,868	73	7,479	7,816	397	1,500	-	2,274	70,618	14,662	-	14,662	85,280	85,945
Equipment leases	4,570	23,674	2,634	128	4,558	6,454	323	323	-	646	43,310	10,144	-	10,144	53,454	49,834
Property rental	935,619	201,852	10,300	84,205	109,881	804	2,362	5,040	-	38,650	1,388,713	309,564	-	309,564	1,698,277	1,523,284
Property and general insurance	10,305	16,434	2,667	1,119	3,686	494	1,429	359	513	3,456	40,462	7,385	-	7,385	47,847	55,614
Bad debt expense	92,816	19,406	30,753	13,127	67,825	50,739	-	12,789	1,025	24,933	313,413	-	-	-	313,413	217,185
Other expenses	19,752	3,544	26,299	1,033	714	1,786	545	4,673	172	780	59,298	80,365	293	80,658	139,956	112,963
Total Expenses Before Depreciation and Amortization	4,506,865	1,107,030	578,341	133,884	877,782	201,965	93,959	121,501	171,217	1,084,599	8,877,143	1,473,524	11,209	1,484,733	10,361,876	9,276,825
Depreciation and Amortization	9,621	9,298	75	310	209	150	-	341	-	63	20,067	54,826	1,763	56,589	76,656	76,833
Total Expenses	$4,516,486	$1,116,328	$578,416	$134,194	$877,991	$202,115	$93,959	$121,842	$171,217	$1,084,662	$8,897,210	$1,528,350	$12,972	$1,541,322	$10,438,532	$9,353,658

See accompanying notes to financial statements.

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Statement of Cash Flows
(with comparative totals for 2015)

Year ended June 30,	2016	2015
Cash Flows From Operating Activities:		
Change in net assets	$ (631,513)	$ (182,621)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	76,656	76,833
Provision for doubtful accounts	313,413	217,185
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Cash - consumer funds	(10,344)	(2,947)
Accounts receivable	(313,330)	(257,162)
Prepaid expenses and other assets	124,398	(19,690)
Assets whose use is limited	(562)	(94)
Security deposits	(46,247)	(1,496)
Increase (decrease) in:		
Accounts payable and accrued expenses	22,788	(8,084)
Accrued compensation	(119,513)	97,753
Due to Medicaid	14,849	-
Consumer funds	10,344	2,947
Deferred revenue	(6,170)	(6,170)
Deferred rent	15,754	47,674
Net Cash Used In Operating Activities	(549,477)	(35,872)
Cash Flows From Investing Activities:		
Purchase of fixed assets	(70,107)	(14,387)
Cash Flows From Financing Activities:		
Payments of capital lease obligations	(7,329)	(7,329)
Net Decrease in Cash and Cash Equivalents	(626,913)	(57,588)
Cash and Cash Equivalents, Beginning of Year	1,990,205	2,047,793
Cash and Cash Equivalents, End of Year	$1,363,292	$1,990,205
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 807	$ 1,283

See accompanying notes to financial statements.

Sinergia, Inc.

Notes to Financial Statements

1. Organization

Sinergia, Inc. (the "Agency") was founded in 1983 to provide case management/service coordination and multiple direct services - residential and support - to individuals with developmental disabilities and families including individuals with disabilities. In addition, the Agency provides or arranges for housing for such individuals and families and maintains or arranges for maintenance of such housing.

The name "Sinergia", which is Spanish for "synergy" (the process of two or more agents or forces working in concert to achieve an end beyond the capability of each individual participant), reflects this commitment to consumer involvement and self-empowerment.

Sinergia exists in order to ensure that consumers with developmental disabilities and their families have access to services necessary to enable them to integrate into the community and live productive lives. This had meant providing linkage and referral to existing services and, when necessary, developing new and enhanced services. The Agency's focus has always been on serving consumers in low-income minority neighborhoods, which have traditionally been underserved by government and voluntary service providers.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of the Agency are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). In the statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

(b) Financial Statement Presentation

The classification of the Agency's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

The classes are defined as follows:

(i) Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Agency.

(ii) Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Agency pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

(iii) Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations. If a part of net assets is restricted and those restrictions are satisfied in the same year, then this part of net assets should be classified as unrestricted.

(c) Cash and Cash Equivalents

Cash equivalents include short-term, highly liquid investments with maturities of three months or less at the time of purchase.

(d) Consumer Funds

Consumer funds consist of cash deposits held by the Agency for its residents' personal use.

(e) Assets Whose Use is Limited

Assets whose use is limited consist of cash and cash equivalents used to secure a letter of credit which is used by the Agency in lieu of a cash security deposit for a lease.

(f) Allowance for Doubtful Accounts

The Agency provides an allowance for doubtful accounts for accounts receivable which were specifically identified by management as to their uncertainty in regards to collectability. The allowance for doubtful accounts was $395,127 for the year ended June 30, 2016.

(g) Fixed Assets

The Agency capitalizes assets with a cost of $5,000 or more. Fixed assets are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the related assets.

The Agency follows the provisions of Accounting Standards Codification ("ASC") 360-10-35, "Accounting for the Impairment or Disposal of Long-Lived Assets," which requires the Agency to review 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 year ended June 30, 2016, there have been no such losses.

	Years
Leasehold improvements	15
Furniture and equipment	3-5
Vehicles	5

(h) Support and Revenue Recognition

Support from contributors is recognized when received or pledged from donors. The Agency is funded in part through contracts with the New York State Office for People with Developmental Disabilities ("OPWDD"). Revenues are recorded when earned as services are provided through residential, day services and other supportive services. Substantially all programs are funded through New York State reimbursement and Medicaid funding. Certain rates are subject to audit and adjustment by governmental payors based upon regulations of the various funding entities. The effects of any such adjustments are recorded when reasonably determinable.

(i) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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(j) Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(k) Income Taxes

The Agency is a not-for-profit organization that is exempt from Federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), and therefore has made no provision for income taxes in the accompanying financial statements. In addition, the Agency has been determined by the Internal Revenue Service ("IRS") not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for 2016.

Under ASC 740, "Income Taxes," an organization must recognize the financial statement effects of a tax position taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination. The Agency does not believe there are any material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits. The Agency has filed IRS Form 990 tax returns, as required, and all other applicable returns in jurisdictions where it is required. For the year ended June 30, 2016, there was no interest or penalties recorded or included in the statement of activities. The Agency is subject to routine audit by a taxing authority. As of June 30, 2016, the Agency was not subject to any examination by a taxing authority.

(l) Concentration of Credit Risk

Financial instruments which potentially subject the Agency to concentration of credit risk consist primarily of cash and cash equivalents in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits. At various times during the year, the Agency may have cash deposits at financial institutions in excess of FDIC insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

(m) Comparative Financial Information

The financial statements include certain prior-year summarized comparative information. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2015, from which the summarized information was derived. With respect to the statement of functional expenses, the prior year expenses by expense classification are presented in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP.

(n) Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation. The reclassifications have no effect on the net assets or operating results of the prior year.

(o) Accounting Pronouncements Issued But Not Yet Adopted

(i) Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities

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

(ii) Revenue From Contracts With Customers (Topic 606)

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 that deferred the effective date for the Agency until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

(iii) Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use ("ROU") model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Agency's fiscal years beginning after December 15, 2019 with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

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3. Third-Party Reimbursements

The Agency is reimbursed by third parties for services to approved clients. These reimbursements are received from the OPWDD, the New York City Human Resources Administration, the New York State Division of Housing and Community Renewal, the New York State Education Department, the U.S. Department of Education, New York State Department of Health and the U.S. Department of Housing and Urban Development.

4. Accounts Receivable, Net

Accounts receivable, net consist of the following:

June 30, 2016	
Accounts receivable:	
Residential services	$ 765,229
Day habilitation services	169,728
Family support services	266,103
Housing assistance	23,795
Case management	221,442
Parent training service	52,834
Autism services	112,475
Supported employment	9,055
Community services	22,549
	1,643,210
Less: Allowance for doubtful accounts	(395,127)
Total	$1,248,083

5. Fixed Assets, Net

Fixed assets, net consist of the following:

June 30, 2016	
Leasehold improvements	$ 252,889
Furniture and equipment	225,616
Vehicles	79,828
	558,333
Less: Accumulated depreciation and amortization	(329,047)
Fixed assets, net	$ 229,286

The depreciation and amortization expense for the year ended June 30, 2016 totaled $76,656.

6. 401(k) Retirement Plan

The Agency sponsors a 401(k) retirement plan covering full-time employees after six months of service requirements are satisfied. The employer's contribution is discretionary. The employer's contribution for the year ended June 30, 2016 was $133,946 and was included in fringe benefits expense on the statement of functional expenses.

7. Deferred Rent

The Agency has operating leases which contain predetermined increases in the rentals payable during the term of such leases. In addition, one lease includes rent abatement. For these leases, the aggregate rental expense is recognized on a straight-line basis over the lease term. The difference between the expenses charged to operations in any year and the amount payable under the lease during the year is recorded as deferred rent payable on the Agency's statement of financial position, which will reverse over the lease term. The balance as of June 30, 2016 was $793,699.

8. Commitments

Pursuant to several lease agreements for the main office and several apartments in the Residential Program, the Agency is obligated for minimum annual rentals as indicated below:

Year ending June 30,	
2017	$1,527,577
2018	1,130,181
2019	807,218
2020	739,055
2021	778,449
Thereafter	2,454,072
Total	$7,436,552

Rent expense was $1,698,277 for the year ended June 30, 2016 and was included in property rental expense on the statement of functional expenses.

9. Subsequent Events

The Agency's management has performed subsequent events procedures through December 1, 2016, 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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Sinergia, Inc.

Financial Statements
Year Ended June 30, 2015

Sinergia, Inc.

Financial Statements
Year Ended June 30, 2015

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.

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Sinergia, Inc.

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BDO

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

100 Park Avenue
New York, NY 10017

Independent Auditor's Report

Board of Directors
Sinergia, Inc.
New York, New York

We have audited the accompanying financial statements of Sinergia, Inc. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

BDO

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sinergia, Inc. 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.

Report on Summarized Comparative Information

We have previously audited Sinergia Inc.'s 2014 financial statements and our report, dated October 31, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

October 30, 2015

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Sinergia, Inc.

Statement of Financial Position
(with comparative totals for 2014)

June 30,	2015	2014
Assets		
Cash and cash equivalents (Note 2)	$1,990,205	$2,047,793
Cash - consumer funds	28,862	25,915
Assets whose use is limited (Note 2)	186,773	186,679
Accounts receivable, net of allowance for doubtful accounts of $212,155 and $55,544, respectively (Notes 2 and 3)	1,201,816	1,208,189
Prepaid expenses and other assets	304,993	237,457
Fixed assets, net (Notes 2 and 4)	235,835	298,281
	$3,948,484	$4,004,314
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 263,904	$ 279,317
Accrued compensation	463,223	365,470
Due to third parties	28,862	25,915
Deferred rent (Note 6)	808,179	766,675
Total Liabilities	1,564,168	1,437,377
Commitments and Contingencies (Notes 5 and 7)		
Net Assets (Note 2):		
Unrestricted	2,384,316	2,566,937
	$3,948,484	$4,004,314

See accompanying notes to financial statements.

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Sinergia, Inc.

Statement of Activities
(with comparative totals for 2014)

Year ended June 30,	2015	2014
	(Unrestricted)	
Public Support and Revenue:		
Program service fees	$8,226,985	$8,066,095
Grant revenues	907,331	865,027
Contributions	25,918	7,038
Other	10,802	13,333
Total Public Support and Revenue	9,171,036	8,951,493
Expenses:		
Program services:		
Residential services	4,724,479	4,155,382
Day Habilitation services	1,131,630	1,081,952
Family support services	714,700	815,419
Housing assistance	122,222	111,352
Case management	766,230	624,108
Parent training service	216,529	211,793
Division of Housing and Community Renewal	66,867	67,965
Autism services	69,300	41,567
Supported Employment	12,028	-
Caminos	11,234	-
Balance Incentive Program	25,941	-
Total Program Services	7,861,160	7,109,538
Supporting services:		
Management and general	1,482,149	1,540,047
Fundraising	10,348	-
Total Supporting Services	1,492,497	1,540,047
Total Expenses	9,353,657	8,649,585
Change in Net Assets	(182,621)	301,908
Net Assets, Beginning of Year	2,566,937	2,265,029
Net Assets, End of Year	$2,384,316	$2,566,937

See accompanying notes to financial statements.

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Sinergia, Inc.

Statement of Functional Expenses
(with comparative totals for 2014)

Year ended June 30,

	Program Services												Supporting Services				
	Residential Services	Day Habilitation Services	Family Support Services	Housing Assistance	Case Management	Parent Training Service	Division of Housing and Community Renewal	Autism Services	Supported Employment	Caminos	Balance Incentive Program	Total Program Services	Management and General	Fundraising	Total Supporting Services	2015	2014
Salaries and Related Expenses:																	
Salaries	$2,471,319	$ 528,333	$422,900	$ 23,309	$456,331	$138,179	$47,509	$36,647	$ 7,488	$ 7,488	$20,982	$4,160,485	$ 618,114	$ -	$ 618,114	$4,778,599	$4,402,462
Fringe benefits	712,940	164,738	129,986	13,222	167,963	28,002	11,879	11,054	3,697	3,697	2,682	1,249,860	268,702	-	268,702	1,518,562	1,301,501
Total Salaries and Related Expenses	3,184,259	693,071	552,886	36,531	624,294	166,181	59,388	47,701	11,185	11,185	23,664	5,410,345	886,816	-	886,816	6,297,161	5,703,963
Other Expenses:																	
Food and recreational allowance	29,353	4,354	-	-	-	3	-	-	-	-	-	33,710	796	3,690	4,486	38,196	39,548
Repairs and maintenance	22,828	7,400	187	383	385	2,229	-	888	-	-	-	34,300	31,065	-	31,065	65,365	71,003
Utilities	47,430	14,280	1,783	3,850	3,960	585	92	561	-	-	-	72,541	13,554	-	13,554	86,095	99,949
Transportation	46,112	54,657	694	151	3,533	3,044	466	225	-	-	-	108,882	2,775	29	2,804	111,686	113,301
Participant allowances	146,837	-	-	-	-	-	-	-	-	-	-	146,837	-	-	-	146,837	183,875
Personal allowances	102,852	-	-	-	-	-	-	-	-	-	-	102,852	-	-	-	102,852	95,596
Family reimbursement	-	-	33,161	-	-	-	-	-	-	-	-	33,161	206	-	206	33,367	30,625
Clothing	12,644	-	-	-	-	-	-	-	-	-	-	12,644	-	-	-	12,644	13,500
Expensed equipment	10,701	-	67	-	136	-	-	19	-	-	-	10,923	4,680	813	5,493	16,416	21,192
Staff training	2,234	2,828	400	-	1,270	1,179	-	40	-	-	-	7,951	5,024	44	5,068	13,019	11,930
Contracted services	3,433	-	3,300	-	-	6,902	2,850	4,346	-	-	-	20,831	101,265	1,500	102,765	123,596	131,045
Supplies	6,807	9,337	4,945	340	4,851	4,210	611	988	-	-	-	32,089	13,468	3,830	17,298	49,387	43,754
Household supplies	118,260	120	31	996	-	-	-	-	-	-	-	119,407	551	-	551	119,958	127,381
Telephone	31,351	20,531	3,840	-	6,424	7,505	522	(647)	-	-	-	69,526	16,419	-	16,419	85,945	87,012
Equipment leases	4,771	22,098	1,998	-	4,121	2	68	348	-	-	-	33,406	16,428	-	16,428	49,834	56,447
Property rental	834,253	234,635	7,897	72,000	63,531	2,232	2,188	1,127	-	-	-	1,217,863	305,421	-	305,421	1,523,284	1,570,042
Property and general insurance	12,774	18,513	1,268	1,026	3,700	310	732	106	-	-	-	38,429	17,185	-	17,185	55,614	56,545
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,220
Bad debt expense	89,329	37,564	24,623	3,611	48,632	3,346	-	6,920	843	39	2,277	217,184	-	-	-	217,184	5,282
Other expenses	9,328	2,677	77,395	3,024	1,184	18,350	(50)	6,269	-	10	-	118,187	9,755	442	10,197	128,384	116,323
Total Expenses Before Depreciation and Amortization	4,715,556	1,122,065	714,475	121,912	766,021	216,078	66,867	68,891	12,028	11,234	25,941	7,841,068	1,425,408	10,348	1,435,756	9,276,824	8,579,533
Depreciation and Amortization	8,923	9,565	225	310	209	451	-	409	-	-	-	20,092	56,741	-	56,741	76,833	70,052
Total Expenses	$4,724,479	$1,131,630	$714,700	$122,222	$766,230	$216,529	$66,867	$69,300	$12,028	$11,234	$25,941	$7,861,160	$1,482,149	$10,348	$1,492,497	$9,353,657	$8,649,585

See accompanying notes to financial statements.

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Statement of Cash Flows
(with comparative totals for 2014)

Year ended June 30,	2015	2014
Cash Flows From Operating Activities:		
Change in net assets	$ (182,621)	$ 301,908
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	76,833	70,052
Provision for doubtful accounts	217,184	5,282
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Cash - consumer funds	(2,947)	(5,539)
Assets whose use is limited	(94)	(93)
Accounts receivable	(210,811)	(349,428)
Prepaid expenses and other assets	(67,536)	108,207
Increase (decrease) in:		
Accounts payable and accrued expenses	(9,592)	(11,733)
Accrued compensation	97,753	98,040
Deferred rent	41,504	176,377
Due to third parties	2,947	5,539
Net Cash (Used In) Provided by Operating Activities	(37,380)	398,612
Cash Flows From Investing Activities:		
Purchase of fixed assets	(14,387)	(59,136)
Cash Flows From Financing Activities:		
Payments of capital lease obligations	(5,821)	(5,821)
Net (Decrease) Increase in Cash and Cash Equivalents	(57,588)	333,655
Cash and Cash Equivalents, Beginning of Year	2,047,793	1,714,138
Cash and Cash Equivalents, End of Year	$1,990,205	$2,047,793
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 1,049	$ 1,508

See accompanying notes to financial statements.

Notes to Financial Statements

1. Organization

Sinergia, Inc. (the “Agency”) was founded in 1983 to provide case management/service coordination and multiple direct services - residential and support - to individuals with developmental disabilities and families including individuals with disabilities. In addition, the Agency provides or arranges for housing for such individuals and families and maintains or arranges for maintenance of such housing.

The name “Sinergia”, which is Spanish for “synergy” (the process of two or more agents or forces working in concert to achieve an end beyond the capability of each individual participant), reflects this commitment to consumer involvement and self-empowerment.

Sinergia exists in order to ensure that consumers with developmental disabilities and their families have access to services necessary to enable them to integrate into the community and live productive lives. This had meant providing linkage and referral to existing services and, when necessary, developing new and enhanced services. The Agency’s focus has always been on serving consumers in low-income minority neighborhoods, which have traditionally been underserved by government and voluntary service providers.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of the Agency are prepared on the accrual basis.

(b) Financial Statement Presentation

The classification of an 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.

The classes of net assets are defined as follows:

Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Agency.

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.

Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

Income from investment gains and losses, including unrealized gains and losses, dividends, interest and other investments should be reported as increases (or decreases) in unrestricted net assets unless the use of the income received is limited by donor-imposed restrictions.

(c) Support and Revenue Recognition

Support from contributors is recognized when received or pledged from donors. Revenue from governmental grants is recognized as the expenses for each contract are incurred. Revenue from fee for service programs is recognized as it is earned (services are provided hourly, daily, and/or monthly). Prior year revenue and expense adjustments related to settlement of prior year contracts and retroactive rates are recorded in the period settled.

(d) Cash and Cash Equivalents

The Agency considers money market accounts and certificates of deposit purchased with original maturities of three months or less to be cash and cash equivalents.

(e) Fair Value Measurements

Accounting Standards Codification ("ASC") 820, "Fair Value Measurement", clarifies the definition of fair value, prescribes methods for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and expands disclosures about the use of fair value measurements. The disclosure of fair value estimates in the ASC 820 hierarchy is based on whether the significant inputs into the valuation are observable. The three levels of hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Quoted market prices for similar assets or liabilities in active markets.

Level 3 - Valuations based on models where significant inputs are not observable. The unobservable inputs reflect an entity's own assumptions about assumptions that market participants would use.

(f) Assets Whose Use is Limited

Assets whose use is limited consist of cash and cash equivalents used to secure a letter of credit which is used by the Agency in lieu of a cash security deposit for a lease.

(g) Provision for Doubtful Accounts

The Agency maintains an allowance for doubtful accounts which are specifically identified by management as to their uncertainty in regards to collectibility.

(h) Fixed Assets

The Agency capitalizes assets with a cost of $5,000 or more. Fixed assets are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, five years for furniture and equipment. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the related assets. The Agency follows the provisions of ASC 360-10-35, "Accounting for the Impairment or Disposal of Long-Lived Assets", which requires the Agency to review 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 year ended June 30, 2015, there have been no such losses.

(i) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(j) Income Taxes

The Agency is a not-for-profit organization that is exempt from Federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), and therefore has made no provision for income taxes in the accompanying financial statements. In addition, the Agency has been determined by the Internal Revenue Service ("IRS") not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for 2014.

Under ASC 740, "Income Taxes", an organization must recognize the financial statement effects of a tax position taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination. The Agency does not believe there are any material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits. The Agency has filed IRS Form 990 tax returns, as required, and all other applicable returns in jurisdictions where it is required. For the year ended June 30, 2015, there was no interest or penalties recorded or included in the statement of activities. The Agency is subject to routine audit by a taxing authority. As of June 30, 2015, the Agency was not subject to any examination by a taxing authority. The Agency believes it is no longer subject to income tax examinations for the years prior to 2012.

(k) Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, 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.

(l) Comparative Financial Information

The financial statements include certain prior-year summarized comparative information. Accordingly, such information should be read in conjunction with the prior year financial statements from which the summarized information was derived. With respect to the statement of functional expenses, the prior year expenses by expense classification are presented in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America.

(m) Concentration of Credit Risk

Financial instruments which potentially subject the Agency to concentration of credit risk consist primarily of cash and cash equivalents in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits. At various times during the year, the Agency may have cash deposits at financial institutions in excess of FDIC insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

B-V-26

3. Third-Party Reimbursements

The Agency is reimbursed by third parties for services to approved clients. These reimbursements are received from the New York State Office for People With Developmental Disabilities, the New York City Human Resources Administration, the New York State Division of Housing and Community Renewal, the New York State Education Department, the U.S. Department of Education, New York State Department of Health and the U.S. Department of Housing and Urban Development.

4. Fixed Assets, Net

Fixed assets, net consist of the following:

June 30, 2015	
Leasehold improvements	$ 185,984
Furniture and equipment	301,612
	487,596
Less: Accumulated depreciation and amortization	(251,761)
	$ 235,835

The depreciation expense for the year ended June 30, 2015 was $76,833.

During 2015, the Agency wrote off $854,543 of assets that were fully depreciated and no longer in service.

5. 401(k) Retirement Plan

The Agency sponsors a 401(k) pension plan covering full-time employees after six months of service requirements are satisfied. The employer's contribution is discretionary. The employer's contribution for the year ended June 30, 2015 was $141,296 and was included in fringe benefits expense on the statement of functional expenses.

6. Deferred Rent

The Agency has operating leases which contain predetermined increases in the rentals payable during the term of such leases. In addition, one lease includes rent abatement. For these leases, the aggregate rental expense is recognized on a straight-line basis over the lease term. The difference between the expenses charged to operations in any year and the amount payable under the lease during the year is recorded as deferred rent payable on the Agency's statement of financial position, which will reverse over the lease term.

7. Commitments

Pursuant to several lease agreements for the main office and several apartments in the Residential Program, the Agency is obligated for minimum annual rentals as indicated below:

Year ending June 30,	Amount
2016	$1,240,387
2017	792,974
2018	707,023
2019	701,209
2020	739,055
Thereafter	3,585,401
Total	$7,766,049

Rent expense was $1,513,816 for the year ended June 30, 2015 and was included in property rental expense on the statement of functional expenses.

8. Subsequent Events

The Agency's management has performed subsequent events procedures through October 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.

APPENDIX B-VI

YOUNG ADULT INSTITUTE, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED JUNE 30, 2017, JUNE 30, 2016 AND JUNE 30, 2015)

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Young Adult Institute, Inc. and Affiliates

YAI

Seeing beyond disability.

Consolidated Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2017 and 2016

MARKS PANETH

ACCOUNTANTS & ADVISORS

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2017 and 2016

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Marks Paneth LLP
685 Third Avenue
New York, NY 10017
P 212.503.8800
F 212.370.3759
markspaneth.com

New York
New Jersey
Pennsylvania
Washington, DC
Florida

MARKS PANETH
ACCOUNTANTS & ADVISORS

B-VI-2

INDEPENDENT AUDITORS' REPORT

The Board of Directors of the
Young Adult Institute, Inc. and Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Young Adult Institute, Inc. ("YAI") ("YAI") and its Affiliates: Rockland County Association for People with Disabilities ("RCAPD"), Premier HealthCare, Inc. ("PHC") and the International Institute for People with Disabilities of Puerto Rico, Inc. ("IIPD-PR") (YAI and its Affiliates are collectively referred to as the "Agency") which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Agency as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Morison KSi
Independent member

Other Matter- Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules (shown on pages 18-19) are presented for the purposes of additional analysis of the consolidated financial statements, rather than to present the financial position, change in net assets and cash flows of the individual affiliates, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Marks Paneth LLP

New York, NY
November 30, 2017

MARKS PANETH
ACCOUNTANTS & ADVISORS

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents (Notes 2D and 11)	20,490,066	$ 16,228,595
Short-term Investments (Notes 2E and 4)	18,579,116	17,550,824
Accounts receivable, net (Notes 2F and 3)	26,764,912	29,782,322
Other receivables, net (Note 2F)	997,210	1,737,673
Prepaid expenses and other assets	4,489,482	4,821,131
Property and equipment, net (Notes 2H, 5, 6 and 7)	37,682,416	37,913,705
Debt service reserve (Notes 2N and 4)	2,665,460	3,113,580
TOTAL ASSETS	$ 111,668,662	$ 111,147,830
LIABILITIES		
Accounts payable and accrued expenses	$ 9,312,056	$ 8,189,599
Accrued salary	6,416,512	5,727,660
Accrued vacation	3,065,770	3,039,649
Accrued pension (Note 12)	3,014,381	2,305,401
Other liabilities	3,818,722	2,612,292
Due to funding sources (Note 8C)	16,526,037	14,335,552
Notes and mortgages payable (Note 7)	33,865,205	39,443,478
Capital lease obligations (Note 6)	132,137	1,035,936
Deferred rent (Note 2L)	3,772,412	3,569,895
TOTAL LIABILITIES	79,923,232	80,259,462
COMMITMENTS AND CONTINGENCIES (Note 8)		
NET ASSETS (Note 2C)		
Unrestricted		
Invested in property and equipment	15,193,445	13,390,782
Available for operations	15,841,379	16,390,901
Total Unrestricted	31,034,824	29,781,683
Temporarily restricted (Note 9)	700,606	1,096,685
Permanently restricted (Note 10)	10,000	10,000
TOTAL NET ASSETS	31,745,430	30,888,368
TOTAL LIABILITIES AND NET ASSETS	$ 111,668,662	$ 111,147,830

The accompanying notes are an integral part of these consolidated financial statements.

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YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016	Unrestricted	Temporarily Restricted	Permanently Restricted
REVENUE AND SUPPORT								
Medicaid (Notes 2G and 2K)	$ 162,511,388	$ -	$ -	$ 162,511,388	$ 162,975,440	$ 162,975,440	$ -	$ -
Government Contracts (Note 2G)	19,985,946	-	-	19,985,946	20,203,646	20,203,646	-	-
Medicare and Client Fees (Note 2G)	9,830,514	-	-	9,830,514	10,586,148	10,586,148	-	-
Vocational Rehabilitation	34,200	-	-	34,200	204,867	204,867	-	-
Other Revenues	1,736,671	-	-	1,736,671	4,170,978	4,170,978	-	-
Contributions (Note 2I)	590,761	170,019	-	760,780	1,689,422	489,422	1,200,000	-
Special Events (net of direct costs of $283,894 and $350,063 for 2017 and 2016)	325,532	113,764	-	439,296	383,877	383,877	-	-
Investment Activity (Note 4)	101,097	-	-	101,097	108,896	108,896	-	-
Net Assets Released from Restrictions (Note 2C)	679,862	(679,862)	-	-	-	491,127	(491,127)	-
TOTAL REVENUE AND SUPPORT	195,795,971	(396,079)	-	195,399,892	200,323,274	199,614,401	708,873	-
EXPENSES:								
Program Services:								
Residential Services	86,188,459	-	-	86,188,459	80,907,533	80,907,533	-	-
Day and Community Services	61,528,924	-	-	61,528,924	59,174,405	59,174,405	-	-
Clinical Services	21,006,826	-	-	21,006,826	21,797,061	21,797,061	-	-
Employment Services	1,741,892	-	-	1,741,892	2,141,639	2,141,639	-	-
Total Program Services	170,466,101	-	-	170,466,101	164,020,638	164,020,638	-	-
Supporting Services:								
Management and General (Note 2J)	23,538,859	-	-	23,538,859	29,336,921	29,336,921	-	-
Fundraising	537,870	-	-	537,870	441,828	441,828	-	-
Total Supporting Services	24,076,729	-	-	24,076,729	29,778,749	29,778,749	-	-
TOTAL EXPENSES	194,542,830	-	-	194,542,830	193,799,387	193,799,387	-	-
CHANGE IN NET ASSETS	1,253,141	(396,079)	-	857,062	6,523,887	5,815,014	708,873	-
Net Assets - Beginning of Year	29,781,683	1,096,685	10,000	30,888,368	24,364,481	23,966,669	387,812	10,000
NET ASSETS - END OF YEAR	$ 31,034,824	$ 700,606	$ 10,000	$ 31,745,430	$ 30,888,368	$ 29,781,683	$ 1,096,685	$ 10,000

The accompanying notes are an integral part of these consolidated financial statements.

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	For the Year Ended June 30, 2017									
	Program Services					Supporting Services				
	Residential	Day and Community Services	Clinical Services	Employment Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2017	Total 2016
Salaries	$ 51,540,412	$ 30,094,058	$ 12,305,504	$ 1,114,031	$ 95,054,005	$ 10,187,053	$ 150,366	$ 10,337,419	$ 105,391,424	$ 100,887,833
Payroll taxes and benefits (Note 12)	14,968,642	8,750,341	2,826,656	299,853	26,845,492	2,886,340	46,829	2,933,169	29,778,661	30,519,055
Total Personnel Costs	66,509,054	38,844,399	15,132,160	1,413,884	121,899,497	13,073,393	197,195	13,270,588	135,170,085	131,406,888
Contracted services	1,205,625	393,719	1,135,112	10,904	2,745,360	544,558	-	544,558	3,289,918	3,227,563
Professional fees	351,697	124,503	34,318	4,758	515,276	3,037,490	80,965	3,118,455	3,633,731	6,200,109
Program supplies	2,500,612	1,353,485	357,245	6,276	4,217,618	48,808	-	48,808	4,266,426	3,887,073
Food	1,754,925	200,839	962	194	1,956,920	0	29,107	29,107	1,986,027	2,064,462
Transportation (Note 8)	1,344,544	10,495,751	222,124	33,810	12,096,229	78,415	3,061	81,476	12,177,705	11,265,135
Office and equipment expense	829,949	334,227	215,598	11,757	1,391,531	541,349	48,955	590,304	1,981,835	2,067,989
Staff development and expenses	207,701	232,185	44,835	9,340	494,061	298,739	2,670	301,409	795,470	893,195
Occupancy (Note 8)	2,348,329	5,049,624	1,765,651	118,064	9,281,668	1,923,880	-	1,923,880	11,205,548	10,571,757
Repairs and maintenance	1,727,812	712,926	342,260	29,541	2,812,539	267,390	-	267,390	3,079,929	3,486,414
Insurance	782,960	431,080	153,028	13,751	1,380,819	840,925	1,858	842,783	2,223,602	2,215,836
Utilities	1,261,355	536,879	110,087	14,331	1,922,652	217,564	-	217,564	2,140,216	2,206,041
Telephone	582,794	310,254	112,212	27,101	1,032,361	504,828	-	504,828	1,537,189	1,557,309
Information technology	378,181	530,109	310,771	21,000	1,240,061	1,163,313	107,523	1,270,836	2,510,897	2,307,007
Depreciation and amortization (Notes 2H and 5)	2,643,074	425,759	856,126	8,607	3,933,566	405,799	57,067	462,866	4,396,432	4,846,212
Interest	1,055,160	144,645	5,790	-	1,205,595	514,476	-	514,476	1,720,071	1,813,760
Bad debts	672,555	1,400,762	200,745	18,390	2,292,452	-	-	-	2,292,452	3,502,365
Miscellaneous	32,132	7,778	7,802	184	47,896	77,932	9,469	87,401	135,297	280,273
TOTAL EXPENSES	$ 86,188,459	$ 61,528,924	$ 21,006,826	$ 1,741,892	$ 170,466,101	$ 23,538,859	$ 537,870	$ 24,076,729	$ 194,542,830	$ 193,799,387

The accompanying notes are an integral part of these consolidated financial statements.

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services					Supporting Services			
	Residential	Day and Community Services	Clinical Services	Employment Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2016
Salaries	$ 47,353,829	$ 27,768,917	$ 13,371,956	$ 1,280,606	$ 89,775,308	$ 11,077,236	$ 35,289	$ 11,112,525	$ 100,887,833
Payroll taxes and benefits (Note 12)	14,960,108	8,823,554	3,112,626	361,944	27,258,232	3,249,728	11,095	3,260,823	30,519,055
Total Personnel Costs	62,313,937	36,592,470	16,484,582	1,642,550	117,033,540	14,326,964	46,384	14,373,348	131,406,888
Contracted services	607,737	455,671	1,350,591	15,581	2,429,580	797,983	-	797,983	3,227,563
Professional fees	356,419	199,984	57,737	12,046	626,187	5,449,188	124,734	5,573,922	6,200,109
Program supplies	2,228,229	1,371,470	279,852	7,522	3,887,073	-	-	-	3,887,073
Food	1,806,145	182,753	971	881	1,990,750	-	73,712	73,712	2,064,462
Transportation (Note 8)	1,141,389	9,933,833	7,712	63,425	11,146,359	107,790	10,986	118,776	11,265,135
Office and equipment expense	769,904	378,774	212,714	17,177	1,378,569	651,770	37,650	689,420	2,067,989
Staff development and expenses	153,122	130,593	48,533	18,970	351,217	541,978	-	541,978	893,195
Occupancy (Note 8)	2,029,158	4,844,860	1,756,395	124,630	8,755,043	1,816,714	-	1,816,714	10,571,757
Utilities	1,225,657	582,521	118,469	35,184	1,961,831	244,210	-	244,210	2,206,041
Repairs and maintenance	1,720,713	1,060,808	340,433	10,548	3,132,503	353,911	-	353,911	3,486,414
Insurance	829,382	407,177	237,433	20,533	1,494,525	719,747	1,564	721,311	2,215,836
Telephone	575,539	303,398	98,787	37,050	1,014,774	542,535	-	542,535	1,557,309
Information technology	243,917	501,275	23,737	30,048	798,977	1,391,578	116,452	1,508,030	2,307,007
Depreciation and amortization (Notes 2H and 5)	2,787,268	593,545	547,423	33,759	3,961,996	884,216	-	884,216	4,846,212
Interest	1,163,275	153,088	21,793	12,537	1,350,693	463,067	-	463,067	1,813,760
Bad debts	856,481	1,473,456	200,028	58,849	2,588,814	913,551	-	913,551	3,502,365
Miscellaneous	99,261	8,727	9,871	349	118,208	131,719	30,346	162,065	280,273
TOTAL EXPENSES	$ 80,907,533	$ 59,174,405	$ 21,797,061	$ 2,141,639	$ 164,020,638	$ 29,336,921	$ 441,828	$ 29,778,749	$ 193,799,387

The accompanying notes are an integral part of these consolidated financial statements.

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YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 857,062	$ 6,523,887
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,396,432	4,846,214
Non-cash interest expense	244,334	178,561
Unrealized loss (gains) on short-term investments	29,049	(31,720)
Realized (gains) on short-term investments	(1,169)	-
Bad debts	2,292,452	3,502,366
Loss on disposal of property and equipment	4,725	-
Subtotal	7,822,885	15,019,308
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Accounts receivable	724,958	(6,047,801)
Prepaid expenses and other assets	331,649	2,304,216
Other receivables	740,463	1,661,056
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	1,122,457	(1,316,137)
Accrued salary	688,852	1,271,393
Accrued vacation	26,121	(678,011)
Accrued pension	708,980	(558,914)
Due to funding sources	2,190,485	(9,596,697)
Deferred rent	202,517	335,540
Other liabilities	1,206,430	(2,502,427)
Net Cash Provided by (Used) in Operating Activities	15,765,797	(108,474)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(4,169,868)	(5,945,615)
Purchases of short-term investments	(1,335,172)	-
Proceeds from sale of short-term investments	279,000	989,220
Decrease (Increase) in debt service reserve	448,120	(118,672)
Net Cash Used in Investing Activities	(4,777,920)	(5,075,067)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes and mortgages	1,689,000	13,651,824
Principal repayments of notes and mortgages	(7,511,607)	(12,185,311)
Principal repayments of capital lease obligations	(903,799)	(728,703)
Net Cash (Used in) Provided by Financing Activities	(6,726,406)	737,810
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,261,471	(4,445,731)
Cash and Cash Equivalents - Beginning of Year	16,228,595	20,674,326
CASH AND CASH EQUIVALENTS- END OF YEAR	$ 20,490,066	$ 16,228,595
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 1,720,071	$ 1,813,761

The accompanying notes are an integral part of these consolidated financial statements.

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The Young Adult Institute, Inc. ("YAI") is organized under the Not-for-Profit Corporation Law of New York State and was incorporated in 1964. YAI has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. YAI has an equivalent exemption at the state and local levels.

YAI serves people of all ages with developmental and learning disabilities, from infants through the elderly, in a variety of community settings and at home through state-of-the-art programs that help to build skills, expand opportunities, and support community living. YAI's many programs and direct services benefit thousands of individuals and their families daily throughout the New York metropolitan area. YAI is funded primarily by Medicaid. YAI's 334 programs and direct services benefit over 10,521 individuals and their families daily in 10 counties throughout the New York metropolitan area. YAI is funded primarily by Medicaid.

YAI is part of a network of independent agencies, collectively known as the YAI Network. The network provides programs and support for people with intellectual and developmental disabilities throughout New York City, Westchester County, Rockland County, Long Island, New Jersey, and Puerto Rico. YAI is the sole corporate member of three of these agencies which have been included in the consolidated financial statements. Further descriptions follow:

- YAI is the sole corporate member of Premier Healthcare, Inc. ("PHC"). PHC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. PHC has an equivalent exemption at the state and local levels. PHC is an outpatient diagnostic and treatment center offering health care services to the general public with a specialty in medical services for people with developmental and learning disabilities and their families in many sites throughout the New York area. PHC is a quality health care practice providing outpatient clinic services which include: primary health, pediatrics, internal medicine, dentistry (including desensitization), nutrition, gynecology, neurology, podiatry, psychiatry, physical therapy, occupational therapy, ophthalmology, speech pathology and psychology. PHC's primary source of revenue is patient service fees received from Medicaid, Medicare and other third-party payors.

- YAI is the sole corporate member of the Rockland County Association for People with Disabilities ("RCAPD"). RCAPD has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. RCAPD has an equivalent exemption at the state and local levels. RCAPD provides a wide variety of employment, residential, family support and social/recreational programs which promote essential social and vocational skills that enable people with learning and other developmental disabilities to lead independent, productive and dignified lives. RCAPD provides extensive support and education to families and guidance and training to professionals who are assisting people with developmental and learning disabilities. RCAPD is funded primarily by service fees paid by various New York State agencies and government grants.

- YAI is the sole corporate member of the International Institute for People with Disabilities of Puerto Rico, Inc. ("IIPD-PR"), which was incorporated in 1998 under the Not-for-Profit Corporation Law of the Commonwealth of Puerto Rico. IIPD-PR has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has a similar exemption at the state and local levels. IIPD-PR creates employment opportunities for people with disabilities. The primary source of support is facilitated through long-term contracts with government and private industry and the development of affirmative businesses. By providing competitive employment opportunities for persons with disabilities, IIPD-PR demonstrates a commitment to independence, community inclusion and productivity for people with special needs. IIPD-PR is supported primarily by a government contract.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Accounting and Use of Estimates -*** The Agency's consolidated financial statements have been prepared on the accrual basis of accounting. The Agency adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Consolidation – The Agency's accompanying consolidated financial statements include the activities of: YAI; PHC; RCAPD and IIPD-PR. YAI has consolidated these entities pursuant to U.S. GAAP due to its financial interest and control over them. All material intercompany transactions and balances have been eliminated upon consolidation.

C. *Basis of Net Asset Presentation* - The Agency maintains its net assets under the following three classes:

Unrestricted - This represents net assets not subject to donor-imposed stipulations and that have no time restrictions. Such resources are available for support of the Agency's operations over which the Board of Directors has discretionary control.

Temporarily Restricted - This represents net assets subject to donor-imposed stipulations that will be met by actions of the Agency or by the passage of time. When a stipulated time restriction ends or purpose restriction is accomplished, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Permanently Restricted - This represents net assets subject to donor-imposed stipulations that they be maintained permanently by the Agency. Generally, the donors of these assets permit the Agency to use all or part of the income earned for unrestricted or donor-specified purposes.

D. *Cash and Cash Equivalents* - The Agency considers highly liquid debt instruments with maturities of three months or less, when acquired, to be cash and cash equivalents. Program participant funds included in cash and cash equivalents amounted to approximately $1,489,000 and $1,190,000 for the years ended June 30, 2017 and 2016. Such amounts are also included as a liability in the accompanying consolidated financial statements.

E. *Short-term Investments and Fair Value Measurements* – Short-term investments are carried at fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 4.

F. *Allowance for Uncollectible Receivables* - The Agency determines whether an allowance for uncollectible receivables should be provided for accounts receivable. Such estimate is based on management's assessment of the aged basis of its receivables, current economic conditions, historical experience, and collections subsequent to year end. As of June 30, 2017 and 2016, the Agency determined an allowance of $2,103,290 and $2,629,043, respectively for accounts receivable were necessary. In addition, the Agency has established an allowance for doubtful accounts for other receivables due from network agencies of $1,182,988 and $1,244,800, representing nearly the entire balance due as of June 30, 2017 and 2016.

G. *Revenue Recognition* - The Agency records Medicaid revenue based on established rates multiplied by the number of units of service provided. Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, the Agency records a liability due to funding sources. Other revenue includes management programmatic services provided to other network agencies. Such revenue is recorded based on the support service agreement.

H. *Property and Equipment* - Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the applicable lease. Property and equipment is capitalized by the Agency provided its cost is $5,000 or more and its useful life is greater than one year.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. *Contributions* - Unconditional contributions, including promises to give cash and other assets, are reported at their fair value on the date the contribution is received. The Agency reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose of restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

***J. Functional Expenses* -** The costs of providing program and supporting services of the Agency have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and general supporting services benefited. Included in management and general are costs associated with providing management services for other agencies which reimburse YAI for services provided.

***K. Prior Period Revenue* -** There are occasions when funding source reimbursements for prior years are adjusted in the current year. Such adjustments may be due to retroactive rate adjustments, funding source audit findings, additional monies available over and above original contract amounts, rate appeal results, etc. Included in Medicaid revenue for the years ended June 30, 2017 and 2016 is an increase of $1,302,840 and $600,000 of prior year revenues relating to such adjustments.

L. *Deferred Rent* - The Agency leases real property under various operating leases. The leases include rent escalations. Since the rent increases over time, the Agency records an adjustment to rent expense each year to reflect its straight-lining policy. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent in the accompanying consolidated statements of financial position.

M. *Bond Issuance Costs* - Bond issuance costs consist of financing costs which are amortized over the life of the bond. The amortization is on the straight line method which does not differ materially from the effective interest rate method.

N. *Debt Service Reserves* - Under the terms of the Industrial Development Agency ("IDA"), and Dormitory Authority State of New York ("DASNY"), the Agency is required to deposit with the bond trustee an amount to be held in a debt service reserve fund, which will be utilized to satisfy the last payment required on the mortgage, or can be used prior to that point under the direction of IDA or DASNY to make any loan payments due by reason of default or other causes spelled out in the loan agreement. The debt service reserve is carried at market value in the accompanying consolidated statements of financial position.

O. *Recent Accounting Pronouncement* – In 2016, the Association retrospectively adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2015-03, *Interest – Imputation of Interest, Simplifying the Presentation of Debt Issuance Costs*. This update requires that debt issuance costs related to a liability be reported as a deduction from that liability on the statement of financial position. Accordingly, the Association has presented long term debt net of debt issuance costs on the accompanying statements of financial position. Notes and mortgages payable as of June 30, 2016 were previously reported on the Consolidated Statements of Financial Position as $41,155,860, with the associated $1,712,382 of bond issuance cost. Amortization of the debt issuance costs of $175,932 is reported as interest expense and was previously reported as amortization expense. This change had no impact on the change in net assets for the year ended June 30, 2016.

P. *Reclassification* – Certain line items in the June 30, 2016 consolidated financial statements have been reclassified to conform to the June 30, 2017 presentation.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following as of June 30, 2017 and 2016:

	2017	2016
Due from Medicaid	$ 19,613,256	$ 22,391,873
Due from the State of New York	6,275,293	7,077,504
Due from the City of New York	1,136,994	552,640
Due from other sources	1,842,659	2,389,348
	28,868,202	32,411,365
Less: allowance for doubtful accounts	(2,103,290)	(2,629,043)
	$ 26,764,912	$ 29,782,322

NOTE 4 – SHORT-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS

Short-term investments consist of the following as of June 30, 2017 and 2016:

	2017	2016
Money market funds	$ 17,833,528	$ 16,498,354
Corporate bonds	745,588	817,375
Government bonds	-	235,095
	$ 18,579,116	$ 17,550,824

Investment activity consists of the following for the years ended June 30, 2017 and 2016:

	2017	2016
Interest	$ 128,977	$ 77,176
Realized gains	1,169	-
Unrealized (loss) gains	(29,049)	31,720
	$ 101,097	$ 108,896

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

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

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs. The Agency has no level 3 investments.

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NOTE 4 – SHORT-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

In determining fair value, the Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. Investments in money markets and U.S. Treasury bills are valued using market prices in active markets (Level 1). Fair value of these investments are determined by management through the investment managers. Level 1 instrument valuations are obtained from real-time quotes in active exchange markets involving identical assets. Corporate bonds and U.S. Government bonds are designated as Level 2 instruments and valuations are obtained from similar market or model derived valuations in which all significant inputs are observable or can be derived primarily from or corroborated with observable market data (credit risk/grade, maturities, etc.).

Financial assets carried at fair value as of June 30, 2017 are classified in the table as follows:

	Level 1	Level 2	2017 Total
Short-term Investments:			
Money market funds	$ 17,833,528	$ -	$ 17,833,528
Corporate bonds	-	745,588	745,588
Total Short-Term Investments	17,833,528	745,588	18,579,116
Debt Service Reserve Fund:			
U.S. Treasury bills	2,665,460	-	2,665,460
	$ 20,498,988	$ 745,588	$ 21,244,576

Financial assets carried at fair value as of June 30, 2016 are classified in the table as follows:

	Level 1	Level 2	2016 Total
Short-term Investments:			
Money market funds	$ 16,498,354	$ -	$ 16,498,354
Corporate bonds	-	817,375	817,375
Government bonds	-	235,095	235,095
Total Short-Term Investments	16,498,354	1,052,470	17,550,824
Debt Service Reserve Fund:			
U.S. Treasury bills	3,113,580	-	3,113,580
	$ 19,611,934	$ 1,052,470	$ 20,664,404

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2017 and 2016:

	2017	2016	Estimated Useful Lives
Land	$ 10,522,584	$ 10,522,584	
Buildings and building improvements	56,271,803	55,639,346	15-25 years
Leasehold improvements	25,460,977	24,219,385	5-25 years
Furniture and equipment	16,875,672	15,813,187	3-10 years
Construction in progress (see below)	3,365,713	3,071,909	
	112,496,749	109,266,411	
Less: accumulated depreciation	(74,814,333)	(71,352,708)	
	$ 37,682,416	$ 37,913,703	

NOTE 5 – PROPERTY AND EQUIPMENT (Continued)

Depreciation expenses amounted to $4,396,432 and $4,846,214 for the years ended June 30, 2017 and 2016. For the year ended June 30, 2017, fixed assets with total cost of $939,532 and total accumulated depreciation of $934,807 were disposed. This resulted in a loss of $4,725 on disposal of property and equipment.

Construction in progress consists of construction at new locations and various renovations with a combined additional estimated cost to complete of approximately $1.8 million and estimated completion dates in fiscal years 2018 and 2019.

NOTE 6 – CAPITAL LEASE OBLIGATIONS

YAI has capital lease agreements to fund the purchase of buildings, building improvements and equipment through two issuances in 2001 and 2002.

The New York City Industrial Development Agency ("NYCIDA"), a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York, issued and sold revenue bonds (Special Needs Pooled Program) carrying interest rates ranging from 6.26% to 6.30% per annum payable in semiannual installments with maturities in 2017. The proceeds of the loans were used to finance the purchase and renovation of various collateralized properties in New York. As part of the agreement with NYCIDA, YAI transferred the titles to all the facilities. NYCIDA has leased the facilities back to YAI for a term and at an amount concurrent with the bond repayment schedules. At the conclusion of the lease terms, YAI has the option to purchase each of the leased properties for $1.

The capital lease agreements require YAI to comply with certain terms and conditions. YAI was in compliance with all applicable financial covenants as of June 30, 2017 and 2016.

Pursuant to the capital lease agreement, the debt service reserve fund was established with a balance of $28,973 and $482,116 as of June 30, 2017 and 2016, included in the consolidated statement of financial position under debt service reserves. In addition, YAI has capital leases for computer and electronic equipment with maturities in 2019.

As of June 30, 2017, future minimum principal lease payments are as follows:

2018	$ 112,747
2019	19,390
	$ 132,137

NOTE 7 – NOTES AND MORTGAGES PAYABLE

	2017	2016
A. YAI has available an $18 million working capital line of credit with a bank and carrying an interest rate of prime or 30-day LIBOR (at YAI's election) plus 2% per annum, which at June 30, 2016 was 2.75%. The loan is collateralized by YAI's accounts receivable and matures in December 2017. The outstanding balance as of November 30, 2017 amounted to $6,342,911. YAI is in the process or renewing the line of credit.	$ 8,842,911	$ 12,842,911
B. YAI has available an $8 million line of credit with a bank for the acquisition and renovation of program sites. Upon receipt of New York State prior property approvals, the funds drawn down on this line of credit are subsequently converted into notes. As of June 30, 2017, there were four notes executed. The notes bear an interest rate of prime or 30-day LIBOR (at YAI's election) plus 2% per annum, resulting in a rate of 2.75% at June 30, 2017. The notes are collateralized by related property and mature in December 2017. The outstanding balance as of November 30, 2017 amounted to $2,979,393. YAI is in the process of renewing the line of credit.	2,434,393	745,393

NOTE 7 – NOTES AND MORTGAGES PAYABLE (Continued)

	2017	2016
C. YAI has entered into various loan agreements with the Dormitory Authority of the State of New York. The loans carry interest rates ranging from 1.5% to 7.82% per annum, payable in semi-annual installments and have maturity dates ranging from August 2018 through July 2040. The loans are collateralized by YAI's underlying real property.	21,198,460	23,981,184
D. PHC has a $3 million revolving line of credit with a bank. The line has an interest rate of one half percent above prime rate (amounting to an interest rate of 4.00% as of June 30, 2017). Borrowings are secured by PHC's accounts receivable. The outstanding balance as of November 30, 2017 amounted to $0.	1,267,734	1,497,527
E. PHC has a self-liquidating mortgage with a bank bearing an interest rate of 4.541% per annum that is secured by property. Monthly payments of principal and interest amount to $20,910. In January 2017, the loan was paid off.	-	241,964
F. RCAPD has a line of credit with a bank in the amount of $1 million that will expire in March 2018. The line of credit bears an interest rate at the lender's prime rate. The line of credit is guaranteed by YAI. The outstanding balance as of November 30, 2017 amounted to $505,439.	609,754	651,881
G. RCAPD financed the purchase and renovation of certain properties through the issuance of Civic Facility Revenue Bonds Series 2006J by the County of Rockland Industrial Development Agency (Special Needs Facilities Pooled Program) carrying average interest rates of: 4.75%, 4.74%, 4.78% and 4.75% per annum maturing in July 2020. The proceeds of the loan were used to finance the purchase and renovation of collateralized properties located in Rockland County, New York.	980,001	1,195,000
	35,333,253	41,155,860
Less unamortized debt issuance costs	(1,468,048)	(1,712,382)
Notes and mortgages payable, net	$ 33,865,205	$ 39,443,478

Most of the loans have provisions for loan covenants. The Agency was in compliance with these covenants as of and during the years ended June 30, 2017 and 2016.

Required future annual principal payments are payable as follows for the years ending June 30:

2018	$ 16,081,292
2019	2,798,015
2020	2,851,937
2021	1,761,820
2022	1,686,878
Thereafter	10,153,309
	$ 35,333,251

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. The Agency has a number of operating lease agreements. Annual future minimum rentals payable for real and personal property principally under long-term noncancellable operating leases expiring at varying dates through 2038 follows:

	Real Property	Vehicles and Equipment	Total
2018	$ 6,511,604	$ 786,693	$ 7,298,297
2019	7,205,553	852,676	8,058,229
2020	6,145,310	506,699	6,652,009
2021	4,576,823	172,023	4,748,846
2022	4,384,236	-	4,384,236
Thereafter	21,287,533	-	21,287,533
	$ 50,111,059	$ 2,318,091	$ 52,429,150

Rent expense (shown as occupancy and transportation in the accompanying consolidated statements of functional expenses) amounted to the following for the years ended June 30, 2017 and 2016:

	2017	2016
Real property	$ 9,896,347	$ 9,573,596
Vehicles and equipment	1,149,422	1,196,679
	$ 11,045,769	$ 10,770,275

B. The Agency believes it has no uncertain tax positions as of June 30, 2017 and 2016 in accordance with Accounting Standard Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

C. The Agency receives a significant portion of its revenue for services provided from third-party reimbursement through government agencies and Medicaid. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the government. The Agency, when appropriate, records an estimated liability to governmental agencies for any excess reimbursement over allowable costs and underspending of interim rates. As of June 30, 2017 and 2016, due to funding source represents overpayments from the 2010-2017 fiscal years for the Agency's programs. Such amounts are expected to be recouped by the funding sources.

D. The Agency is subject to legal proceedings and claims which have arisen in the ordinary course of its business and which have not been fully adjudicated. Management does not believe there will be a material adverse effect upon the financial position of the Agency.

E. In 2013, a former senior management employee and his spouse filed a complaint against YAI and the trustees of the Supplemental Pension Plan and Trust for Certain Management Employees of YAI (the "SERP"). On June 1, 2017, the District Court entered a Judgment providing a lump sum of about $3.4 million for past-due payments under the SERP, and a monthly lifetime benefit with survivor benefit to his spouse of approximately $44,000, a survivor benefit to his spouse in, and benefit under the Life Insurance Plan and Trust ("LIPT") of about $3.2 million. The plaintiff also submitted a motion for an award of over $3.2 million in attorney's fees and $330,000 in costs.

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

YAI has appealed the district court's June 1, 2017 judgment. As part of the appeal process, YAI obtained a letter of credit from a bank for the amount of approximately $1.8 million. YAI, with consultation with its outside legal counsel believes there to be a reasonable basis for concluding in light of various specific arguments that the judgment will be vacated or the damages significantly reduced. YAI, with consultation with its legal counsel, has taken the position that due to the uncertainty of the outcome and YAI's position to appeal any future judgments, as of June 30, 2017, no liability should be recorded related to this matter. Once all appeals have been exhausted, YAI's ultimate financial liability shall be limited to the difference, if any, between the final judgment and the then available funds in the SERP and LIPT.

NOTE 9 –TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2017 and 2016, temporarily restricted net assets consist of $700,606 and $1,096,685 restricted to programs including the Community of Learners and Linking Individuals to Necessary Knowledge ("LINK") program.

NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of a $10,000 permanently restricted endowment fund maintained by RCAPD for the years ended June 30, 2017 and 2016, respectively.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (referred as "underwater"). When underwater endowment funds exist, the amount that is below the initial value is classified as a reduction of unrestricted net assets. As of June 30, 2017 and 2016, there were no underwater funds.

NOTE 11 – CONCENTRATION

Cash and cash equivalents that potentially subject the Agency to a concentration of credit risk include cash and short-term investment accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Cash and short-term investment accounts are insured up to $250,000 per depositor. As of June 30, 2017 and 2016, there was approximately $21.0 and $18.8 million of cash and cash equivalents and $17.8 and $16.5 million of short-term investments held by banks that exceeded FDIC limits.

NOTE 12 – RETIREMENT PLANS

On July 1, 2015, the Agency adopted the YAI Network Affiliates 401(a) Plan. Employees are eligible to participate in the plan upon completion of one year of service after July 1, 2015 and when the employee worked at least 1,000 hours. Contributions to this plan are based on amounts determined in accordance with the Internal Revenue Service Code Section 415. The liability for the Agency amounted to approximately $3,014,000 and $2,305,000 as of June 30, 2017 and 2016, respectively. The expense for the Agency amounted to $2,555,000 and $2,121,000 for the years ended June 30, 2017 and 2016, respectively.

NOTE 13 – DUE TO MEDICAID

As required by statute, the New York State Department of Health ("DOH") transitioned Medicaid payments to diagnostic and treatment centers licensed under Article 28 of the New York Public Health Law ("D&TCs") to the Ambulatory Patient Group ("APG") payment methodology. On February 25, 2013, PHC, along with other D&TCs, received notice from DOH that the capital component of PHC's Medicaid payment rate for the period September 1, 2009 through December 31, 2012 had been retroactively rebased, purportedly in accordance with annual D&TC cost reports submitted by PHC for successive years. In the same notice, DOH advised PHC that it intended to commence a take-back equal to 15 percent of PHC's Medicaid remittances to recoup payments received during that period in excess of PHC's recalculated rate.

PHC immediately contested DOH's interpretation of applicable statutes and resulting retroactive reduction of PHC's Medicaid payments. DOH agreed to suspend the imposition of a Medicaid withhold while it considered PHC's position that the take-back violated these statutes.

NOTE 13 – DUE TO MEDICAID (Continued)

PHC initiated negotiations with DOH seeking to invalidate the retroactive take-back in its entirety. During 2014, DOH began recoupments at 15% of cash receipts from February 2013 until May 2013, which amounted to $551,000. DOH returned approximately $409,000 of the recouped amount to PHC based on the negotiations.

The amounts outstanding as of June 30, 2017 and 2016 were $6,185,014 and $6,051,279, respectively. PHC has begun monthly payments of $31,658 towards the $761,298 of this liability. Payments made as of June 30, 2017 amounted to $63,316. The start of the recoupment for the remaining liability is still pending.

NOTE 14 – SUBSEQUENT EVENTS

A. Management has evaluated, for potential recognition or disclosure, events subsequent to the date of the statement of financial position through November 30, 2017, the date the financial statements were issued.

B. On November 3, 2017, PHC signed a line of credit agreement with a bank in the amount of $3,000,000 that will expire on November 3, 2019. The line of credit has an interest rate equal to prime rate plus 0.50% per annum. The line of credit is guaranteed by YAI. As of November 30, 2017, there was an outstanding balance of $1,282,330.

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YOUNG ADULT INSTITUTE, INC. AND AFFILIATE
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2017

	YAI	RCAPD	PHC	IIPD-PR	Consolidating Eliminations	Total 2017
ASSETS						
Cash and cash equivalents	$ 18,585,550	$ 301,112	$ 1,599,601	$ 3,803	$ -	$ 20,490,066
Short-term Investments	18,579,116	-	-	-	-	18,579,116
Accounts receivable, net	23,686,406	964,263	2,114,243	-	-	26,764,912
Other receivables, net	997,210	-	-	-	-	997,210
Prepaid expenses and other assets	3,769,879	268,379	480,983	5,568	(35,327)	4,489,482
Property and equipment, net	34,881,726	1,398,443	1,402,247	-	-	37,682,416
Debt service reserve	2,352,081	313,379	-	-	-	2,665,460
TOTAL ASSETS	$ 102,851,968	$ 3,245,576	$ 5,597,074	$ 9,371	$ (35,327)	$ 111,668,662
LIABILITIES						
Accounts payable and accrued expenses	$ 8,368,856	$ 215,551	$ 722,932	$ 4,717	$ -	$ 9,312,056
Accrued salary	5,808,738	166,311	441,463	-	-	6,416,512
Accrued vacation	2,666,714	123,982	275,074	-	-	3,065,770
Accrued pension	2,884,414	45,924	84,043	-	-	3,014,381
Other liabilities	3,818,722	-	-	-	-	3,818,722
Due to funding sources	10,165,846	175,177	6,185,014	-	-	16,526,037
Notes and mortgages payable	31,085,566	1,511,905	1,267,734	-	-	33,865,205
Capital lease obligations	132,137	-	-	-	-	132,137
Due to Related Party	-	2,576	5,883,308	593,031	(6,478,915)	-
Deferred rent	3,488,140	27,687	256,585	-	-	3,772,412
TOTAL LIABILITIES	68,419,133	2,269,113	15,116,153	597,748	(6,478,915)	79,923,232
COMMITMENTS AND CONTINGENCIES						
NET ASSETS (DEFICIT)						
Unrestricted						
Invested in property and equipment	14,859,015	199,917	134,513	-	-	15,193,445
Available for operations	18,873,214	766,546	(9,653,592)	(588,377)	6,443,588	15,841,379
Total Unrestricted	33,732,229	966,463	(9,519,079)	(588,377)	6,443,588	31,034,824
Temporarily restricted	700,606	-	-	-	-	700,606
Permanently restricted	-	10,000	-	-	-	10,000
TOTAL NET ASSETS	34,432,835	976,463	(9,519,079)	(588,377)	6,443,588	31,745,430
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	$ 102,851,968	$ 3,245,576	$ 5,597,074	$ 9,371	$ (35,327)	$ 111,668,662

See independent auditors' report.

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Young Adult Institute, Inc.			Rockland County Association for People with Disabilities			Premier Healthcare, Inc.		International Intitute for People With Disabilities of Puerto Rico, Inc			Consolidated Total			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Permanent Restricted	Total	Unrestricted	Total	Unrestricted	Total	Consolidating Eliminations	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017
REVENUE AND SUPPORT															
Medicaid	$ 143,510,666	$ -	$ 143,510,666	4,948,379	$ -	$ 4,948,379	14,052,343	$ 14,052,343	$ -	$ -	$ -	$ 162,511,388	$ -	$ -	$ 162,511,388
Government Contracts	18,626,558	-	18,626,558	1,359,388	-	1,359,388	-	-	-	-	-	19,985,946	-	-	19,985,946
Medicare and Client fees	7,704,996	-	7,704,996	488,400	-	488,400	1,637,118	1,637,118	-	-	-	9,830,514	-	-	9,830,514
Vocational Rehabilitation	-	-	-	-	-	-	-	-	34,200	34,200	-	34,200	-	-	34,200
Other revenues	3,046,314	-	3,046,314	-	-	-	459,846	459,846	-	-	(1,769,489)	1,736,671	-	-	1,736,671
Contributions	569,959	170,019	739,978	17,437	-	17,437	3,365	3,365	-	-	-	590,761	170,019	-	760,780
Special Events (net of direct costs of $280,751 and $350,063 for 2017 and 2016)	325,532	113,764	439,296	-	-	-	-	-	-	-	-	325,532	113,764.00	-	439,296
Investment Activity	93,413	-	93,413	7,393	-	7,393	291	291	-	-	-	101,097	-	-	101,097
Net Assets Released from Restrictions	679,862	(679,862)	-	-	-	-	-	-	-	-	-	679,862	(679,862)	-	-
TOTAL REVENUE AND SUPPORT	174,557,300	(396,079)	174,161,221	6,820,997	-	6,820,997	16,152,963	16,152,963	34,200	34,200	(1,769,489)	195,795,971	(396,079)	-	195,399,892
EXPENSES:															
Program Services:															
Residential Services	82,154,021	-	82,154,021	4,034,438	-	4,034,438	-	-	-	-		86,188,459	-	-	86,188,459
Day and Community Services	60,741,770	-	60,741,770	787,154	-	787,154	-	-	-	-	-	61,528,924	-	-	61,528,924
Clinical Services	6,284,710	-	6,284,710	-	-	-	14,722,116	14,722,116	-	-	-	21,006,826	-	-	21,006,826
Employment Initative Services	919,655	-	919,655	767,997	-	767,997	-	-	54,240	54,240	-	1,741,892	-	-	1,741,892
Total Program Services	150,100,156	-	150,100,156	5,589,589	-	5,589,589	14,722,116	14,722,116	54,240	54,240	-	170,466,101	-	-	170,466,101
Supporting Services:															
Management and General	21,777,432	-	21,777,432	1,140,385	-	1,140,385	2,253,254	2,253,254	14,939	14,939	(1,647,151)	23,538,859	-	-	23,538,859
Fundraising	528,267	-	528,267	6,976	-	6,976	2,627	2,627	-	-	-	537,870	-	-	537,870
Total Supporting Services	22,305,699	-	22,305,699	1,147,361	-	1,147,361	2,255,881	2,255,881	14,939	14,939	(1,647,151)	24,076,729	-	-	24,076,729
TOTAL EXPENSES	172,405,855	-	172,405,855	6,736,950	-	6,736,950	16,977,997	16,977,997	69,179	69,179	(1,647,151)	194,542,830	-	-	194,542,830
CHANGE IN NET ASSETS	2,151,445	(396,079)	1,755,366	84,047	-	84,047	(825,034)	(825,034)	(34,979)	(34,979)	(122,338)	1,253,141	(396,079)	-	857,062
Net Assets - Beginning of Year	31,580,784	1,096,685	32,677,469	882,416	10,000	892,416	(8,694,045)	(8,694,045)	(553,398)	(553,398)	6,565,926	29,781,683	1,096,685	10,000	30,888,368
NET ASSETS - END OF YEAR	$ 33,732,229	$ 700,606	$ 34,432,835	$ 966,463	$ 10,000	$ 976,463	$ (9,519,079)	$ (9,519,079)	$ (588,377)	$ (588,377)	$ 6,443,588	$ 31,034,824	$ 700,606	$ 10,000	$ 31,745,430

See independent auditors' report.

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Young Adult Institute, Inc. and Affiliates

YAI

Seeing beyond disability.

Consolidated Financial Statements
(Together with Independent Auditors' Report)

Year Ended June 30, 2016

MARKS PANETH

ACCOUNTANTS & ADVISORS

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEAR ENDED JUNE 30, 2016

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Marks Paneth LLP
685 Third Avenue
New York, NY 10017
P 212.503.8800
F 212.370.3759
markspaneth.com

New York
New Jersey
Pennsylvania
Washington, DC

MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Directors of the
Young Adult Institute, Inc. and Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Young Adult Institute, Inc. ("YAI") ("YAI") and its Affiliates: Rockland County Association for the Learning Disabled ("RCALD"), Premier HealthCare, Inc. ("PHC") and the International Institute for People with Disabilities of Puerto Rico ("IIPD-PR") (YAI and its Affiliates are collectively referred to as the "Agency") which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Agency as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter- Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules (shown on pages 15-16) are presented for the purposes of additional analysis of the consolidated financial statements, rather than to present the financial position, change in net assets and cash flows of the individual affiliates, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Marks Paneth LLP

New York, NY
November 30, 2016

MARKS PANETH
ACCOUNTANTS & ADVISORS

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2016

ASSETS	
Cash and cash equivalents (Notes 2D and 11)	$ 16,228,595
Short-term Investments (Notes 2E and 4)	17,550,824
Accounts receivable, net (Notes 2F and 3)	29,782,322
Other receivables, net (Note 2F)	1,737,673
Prepaid expenses and other assets	4,611,533
Bond issuance costs, net (Note 2M)	1,712,382
Property and equipment, net (Notes 2H, 5, 6 and 7)	37,913,705
Debt service reserve (Notes 2N and 4)	3,113,580
Deferred charges	209,598
TOTAL ASSETS	$ 112,860,212
LIABILITIES	
Accounts payable and accrued expenses	$ 8,189,599
Accrued salary	5,727,660
Accrued vacation	3,039,649
Accrued pension (Note 12D)	2,305,401
Other liabilities	2,612,292
Due to funding sources (Note 8C)	14,335,552
Notes and mortgages payable (Note 7)	41,155,860
Capital lease obligations (Note 6)	1,035,936
Deferred rent (Note 2L)	3,569,895
TOTAL LIABILITIES	81,971,844
COMMITMENTS AND CONTINGENCIES (Note 8)	
NET ASSETS (Note 2C)	
Unrestricted	29,781,683
Temporarily restricted (Note 9)	1,096,685
Permanently restricted (Note 10)	10,000
TOTAL NET ASSETS	30,888,368
TOTAL LIABILITIES AND NET ASSETS	$ 112,860,212

The accompanying notes are an integral part of these financial statements.

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Medicaid (Notes 2G and 2K)	$ 162,975,440	$ -	$ -	$ 162,975,440
Government Grants (Note 2G)	20,203,646	-	-	20,203,646
Medicare and Client Fees (Note 2G)	10,586,148	-	-	10,586,148
Vocational Rehabilitation	204,867	-	-	204,867
Other Revenues	4,170,978	-	-	4,170,978
Contributions (Note 2I)	489,422	1,200,000	-	1,689,422
Special Events (net of direct costs of $350,063)	383,877	-	-	383,877
Investment Activity (Note 4)	108,896	-	-	108,896
Net Assets Released from Restrictions (Note 2B)	491,127	(491,127)	-	-
TOTAL REVENUE AND SUPPORT	199,614,401	708,873	-	200,323,274
EXPENSES:				
Program Services:				
Residential Services	80,907,533	-	-	80,907,533
Day and Community Services	59,174,405	-	-	59,174,405
Clinical Services	21,797,061	-	-	21,797,061
Employment Services	2,141,639	-	-	2,141,639
Total Program Services	164,020,638	-	-	164,020,638
Supporting Services:				
Management and General (Note 2J)	29,336,921	-	-	29,336,921
Fundraising	441,828	-	-	441,828
Total Supporting Services	29,778,749	-	-	29,778,749
TOTAL EXPENSES	193,799,387	-	-	193,799,387
CHANGE IN NET ASSETS	5,815,014	708,873	-	6,523,887
Net Assets - Beginning of Year	23,966,669	387,812	10,000	24,364,481
NET ASSETS - END OF YEAR	$ 29,781,683	$ 1,096,685	$ 10,000	$ 30,888,368

The accompanying notes are an integral part of these financial statements.

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services					Supporting Services			
	Residential	Day and Community Services	Clinical Services	Employment Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	$ 47,353,829	$ 27,768,917	$ 13,371,956	$ 1,280,606	$ 89,775,308	$ 11,077,236	$ 35,289	$ 11,112,525	$ 100,887,833
Payroll taxes and benefits (Note 12)	14,960,108	8,823,554	3,112,626	361,944	27,258,232	3,249,728	11,095	3,260,823	30,519,055
Total Personnel Costs	62,313,937	36,592,470	16,484,582	1,642,550	117,033,540	14,326,964	46,383	14,373,347	131,406,887
Contracted services	607,737	455,671	1,350,591	15,581	2,429,580	797,983	-	797,983	3,227,563
Professional fees	356,419	199,984	57,737	12,046	626,187	5,449,188	124,734	5,573,922	6,200,109
Program supplies	2,228,229	1,371,470	279,852	7,522	3,887,073	-	-	-	3,887,073
Food	1,806,145	182,753	971	881	1,990,750	-	73,712	73,712	2,064,462
Transportation (Note 8)	1,141,389	9,933,833	7,712	63,425	11,146,359	107,790	10,986	118,776	11,265,135
Office and equipment expense	769,904	378,774	212,714	17,177	1,378,569	651,770	37,650	689,420	2,067,990
Staff development and expenses	153,122	130,593	48,533	18,970	351,217	541,978	-	541,978	893,195
Occupancy (Note 8)	2,029,158	4,844,860	1,756,395	124,630	8,755,043	1,816,714	-	1,816,714	10,571,757
Utilities	1,225,657	582,521	118,469	35,184	1,961,831	244,210	-	244,210	2,206,041
Repairs and maintenance	1,720,713	1,060,808	340,433	10,548	3,132,503	353,911	-	353,911	3,486,414
Insurance	829,382	407,177	237,433	20,533	1,494,525	719,747	1,564	721,311	2,215,836
Telephone	575,539	303,398	98,787	37,050	1,014,774	542,535	-	542,535	1,557,309
Information technology	243,917	501,275	23,737	30,048	798,977	1,391,578	116,452	1,508,030	2,307,007
Depreciation and amortization (Notes 2H and 5)	2,787,268	593,545	547,423	33,759	3,961,996	884,216	-	884,216	4,846,212
Interest	1,163,275	153,088	21,793	12,537	1,350,693	463,067	-	463,067	1,813,760
Bad debts	856,481	1,473,456	200,028	58,849	2,588,814	913,551	-	913,551	3,502,365
Miscellaneous	99,261	8,727	9,871	349	118,208	131,719	30,346	162,065	280,273
TOTAL EXPENSES	$ 80,907,533	$ 59,174,405	$ 21,797,061	$ 2,141,639	$ 164,020,638	$ 29,336,921	$ 441,828	$ 29,778,749	$ 193,799,387

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YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 6,523,887
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	4,846,214
Amortization of bond issuance costs	178,561
Unrealized gains on investments	(31,720)
Bad debts	3,502,366
Subtotal	15,019,308
Changes in operating assets and liabilities:	
(Increase) or decrease in assets:	
Accounts receivable	(6,047,801)
Prepaid expenses and other assets	(896,722)
Deferred charges	3,200,938
Other receivables	1,661,056
Increase or (decrease) in liabilities:	
Accounts payable and accrued expenses	(1,316,137)
Accrued salary	1,271,393
Accrued vacation	(678,011)
Accrued pension	(558,914)
Due to funding sources	(9,596,697)
Deferred rent	335,540
Other liabilities	(2,502,427)
Net Cash Used in Operating Activities	(108,474)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(5,945,615)
Sale of securities	989,220
Increase in debt service reserve	(118,672)
Net Cash Used in Investing Activities	(5,075,067)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from notes and mortgages	13,651,824
Principal repayments of notes and mortgages	(12,185,311)
Principal repayments of capital lease obligations	(728,703)
Net Cash Provided by Financing Activities	737,810
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,445,731)
Cash and Cash Equivalents - Beginning of Year	20,674,326
CASH AND CASH EQUIVALENTS- END OF YEAR	$ 16,228,595
Supplemental Disclosure of Cash Flow Information:	
Cash paid for interest	$ 1,813,761

YOUNG ADULT INSTITUTE, INC AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The Young Adult Institute, Inc. ("YAI") is organized under the Not-for-Profit Corporation Law of New York State and was incorporated in 1957. YAI has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. YAI has an equivalent exemption at the state and local level.

YAI serves people of all ages with developmental and learning disabilities, from infants through the elderly, in a variety of community settings and at home through state-of-the-art programs that help to build skills, expand opportunities, and support community living. YAI's many programs and direct services benefit thousands of individuals and their families daily throughout the New York metropolitan area. YAI is funded primarily by Medicaid. YAI's 311 programs and direct services benefit over 10,400 individuals and their families daily in 10 counties throughout the New York metropolitan area. YAI is funded primarily by Medicaid.

YAI is part of a network of independent agencies, collectively known as the YAI Network. The network provides programs and support for people with intellectual and developmental disabilities throughout New York City, Westchester County, Rockland County, Long Island, New Jersey, and Puerto Rico. YAI is the sole corporate member of three of these agencies which have been included in the consolidated financial statements. Further descriptions follow:

- YAI is the sole corporate member of Premier Healthcare, Inc. ("PHC"). PHC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. PHC has an equivalent exemption at the state and local level. PHC is an outpatient diagnostic and treatment center offering health care services to the general public with a specialty in medical services for people with developmental and learning disabilities and their families in many sites throughout the New York area. PHC is a quality health care practice providing outpatient clinic services which include: primary health, pediatrics, internal medicine, dentistry (including desensitization), nutrition, gynecology, neurology, podiatry, psychiatry, physical therapy, occupational therapy, ophthalmology, speech pathology and psychology. PHC's primary source of revenue is patient service fees received from Medicaid, Medicare and other third-party payors.

- YAI is the sole corporate member of the Rockland County Association for the Learning Disabled ("RCALD"). RCALD has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. RCALD has an equivalent exemption at the state and local level. RCALD provides a wide variety of employment, residential, family support and social/recreational programs which promote essential social and vocational skills that enable people with learning and other developmental disabilities to lead independent, productive and dignified lives. RCALD provides extensive support and education to families and guidance and training to professionals who are assisting people with developmental and learning disabilities. RCALD is funded primarily by service fees paid by various New York State agencies and government grants.

- YAI is the sole corporate member of the International Institute for People with Disabilities of Puerto Rico, Inc. ("IIPD-PR"), which was incorporated in 1998 under the Not-for-Profit Corporation Law of the Commonwealth of Puerto Rico. IIPD-PR has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has a similar exemption at the state and local level. IIPD-PR creates employment opportunities for people with disabilities. The primary source of support is facilitated through long-term contracts with government and private industry and the development of affirmative businesses. By providing competitive employment opportunities for persons with disabilities, IIPD-PR demonstrates a commitment to independence, community inclusion and productivity for people with special needs. IIPD-PR is supported primarily by a government contract. IIPD-PR was dissolved subsequent to June 30, 2016 (see note 14B).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Accounting and Use of Estimates* - The Agency's consolidated financial statements have been prepared on the accrual basis of accounting. The Agency adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

B. Basis of Consolidation – The Agency's accompanying consolidated financial statements include the activities of: YAI; PHC; RCALD and IIPD-PR. YAI has consolidated these entities pursuant to U.S. GAAP due to its financial interest and control over them. All material intercompany transactions and balances have been eliminated upon consolidation.

C. *Basis of Net Asset Presentation* - The Agency maintains its net assets under the following three classes:

Unrestricted - This represents net assets not subject to donor-imposed stipulations and that have no time restrictions. Such resources are available for support of the Agency's operations over which the Board of Directors has discretionary control.

Temporarily Restricted - This represents net assets subject to donor-imposed stipulations that will be met by actions of the Agency or by the passage of time. When a stipulated time restriction ends or purpose restriction is accomplished, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Permanently Restricted - This represents net assets subject to donor-imposed stipulations that they be maintained permanently by the Agency. Generally, the donors of these assets permit the Agency to use all or part of the income earned for unrestricted or donor-specified purposes.

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D. *Cash and Cash Equivalents* - The Agency considers highly liquid debt instruments with maturities of three months or less, when acquired, to be cash and cash equivalents. Program participant funds included in cash and cash equivalents amounted to approximately $1,190,000 as of June 30, 2016. Such amounts are also included as a liability in the accompanying consolidated financial statements.

E. *Short-term Investments and Fair Value Measurements* – Short-term investments are carried at fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 4.

F. *Allowance for Uncollectible Receivables* - The Agency determines whether an allowance for uncollectible receivables should be provided for accounts receivable. Such estimate is based on management's assessment of the aged basis of its receivables, current economic conditions, historical experience, and collections subsequent to year end. As of June 30, 2016, the Agency determined an allowance of $2,629,043 was necessary for accounts receivable. In addition, the Agency has established an allowance for doubtful accounts for other receivables due from network agencies of approximately $1,244,800, representing nearly the entire balance due.

G. *Revenue Recognition* - The Agency records Medicaid revenue based on established rates multiplied by the number of units of service provided. Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, the Agency records a liability due to funding sources. Other revenue include management programmatic services provided to other network agencies. Such revenue is recorded based on the support service agreement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. *Property and Equipment* - Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the applicable lease. Property and equipment is capitalized by the Agency provided its cost is $5,000 or more and its useful life is greater than one year.

I. *Contributions* - Unconditional contributions, including promises to give cash and other assets, are reported at their fair value on the date the contribution is received. The Agency reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose of restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

***J. Functional Expenses* -** The costs of providing program and supporting services of the Agency have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and general supporting services benefited. Included in management and general are costs associated with providing management services for other agencies which reimburse YAI for services provided

***K. Prior Period Revenue* -** There are occasions when funding source reimbursements for prior years are adjusted in the current year. Such adjustments may be due to retroactive rate adjustments, funding source audit findings, additional monies available over and above original contract amounts, rate appeal results, etc. Included in Medicaid revenue for the year ended June 30, 2016 is an increase of approximately $600,000 of prior year revenues relating to such adjustments.

L. *Deferred Rent* - The Agency leases real property under various operating leases. The leases include rent escalations. Since the rent increases over time, the Agency records an adjustment to rent expense each year to reflect its straight-lining policy. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent in the accompanying consolidated statement of financial position.

M. *Bond Issuance Costs* - Bond issuance costs consist of financing costs which are amortized over the life of the bond. The amortization is on the straight line method which does not differ materially from the effective interest rate method.

N. *Debt Service Reserves* - Under the terms of the Industrial Development Agency ("IDA"), and Dormitory Authority State of new York ("DASNY"), the Agency is required to deposit with the bond trustee an amount to be held in a debt service reserve fund, which will be utilized to satisfy the last payment required on the mortgage, or can be used prior to that point under the direction of IDA or DASNY to make any loan payments due by reason of default or other causes spelled out in the loan agreement. The debt service reserve is carried at market value in the accompanying consolidated statement of financial position.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following as of June 30, 2016:

Due from Medicaid	$ 22,391,873
Due from the State of New York	7,077,504
Due from the City of New York	552,640
Due from other sources	2,389,348
	32,411,365
Less: allowance for doubtful accounts	(2,629,043)
	$ 29,782,322

NOTE 4 – SHORT-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS

Short-term investments consist of the following as of June 30, 2016:

Money market funds	$ 16,498,354
Corporate bonds	817,375
Government bonds	235,095
	$ 17,550,824

Investment activity consists of the following for the year ended June 30, 2016:

Interest	$ 77,176
Unrealized gains	31,720
	$ 108,896

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

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

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs. The Agency has no level 3 investments.

In determining fair value, the Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. Investments in money markets are valued using market prices in active markets (Level 1). Fair value of these investments are determined by management through the investment managers. Level 1 instrument valuations are obtained from real-time quotes in active exchange markets involving identical assets. Corporate bonds and U.S. Government bonds are designated as Level 2 instruments and valuations are obtained from similar market or model derived valuations in which all significant inputs are observable or can be derived primarily from or corroborated with observable market data (credit risk/grade, maturities, etc.).

Financial assets carried at fair value as of June 30, 2016 are classified in the table as follows:

	Level 1	Level 2	Total
Short-term Investments:			
Money market funds	$ 16,498,354	$ -	$ 16,498,354
Corporate bonds	-	817,375	817,375
Government bonds	-	235,095	235,095
Total Short-Term Investments	$ 16,498,354	1,052,470	17,550,824
Debt Service Reserve Fund:			
U.S. Treasury bills	3,113,580	-	3,113,580
	$ 19,611,934	$ 1,052,470	$ 20,664,404

YOUNG ADULT INSTITUTE, INC AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2016:

	Amount	Estimated Useful Lives
Land	$ 10,522,584	
Buildings and building improvements	55,639,346	15-25 years
Leasehold improvements	24,219,385	5-25 years
Furniture and equipment	15,813,187	3-10 years
Construction in progress (see below)	3,071,909	
	109,266,413	
Less: accumulated depreciation and amortization	(71,352,708)	
	$ 37,913,705	

Construction in progress consists of construction at a new location and various renovations with a combined additional estimated cost to complete of approximately $1.4 million and estimated completion dates in fiscal years 2017 and 2018.

NOTE 6 – CAPITAL LEASE OBLIGATIONS

YAI has capital lease agreements to fund the purchase of buildings, building improvements and equipment through two issuances in 2001 and 2002.

The New York City Industrial Development Agency ("NYCIDA"), a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York, issued and sold revenue bonds (Special Needs Pooled Program) carrying interest rates ranging from 6% to 7.25% per annum payable in semiannual installments with maturities in 2017. The proceeds of the loans were used to finance the purchase and renovation of various collateralized properties in New York. As part of the agreement with NYCIDA, YAI transferred the titles to all the facilities. NYCIDA has leased the facilities back to YAI for a term and at an amount concurrent with the bond repayment schedules. At the conclusion of the lease terms, YAI has the option to purchase each of the leased properties for $1.

The capital lease agreements require YAI to comply with certain terms and conditions. YAI was in compliance with all applicable financial covenants as of June 30, 2016.

Pursuant to the capital lease agreement, the debt service reserve fund was established with a balance of $482,116 as of June 30, 2016, included in the consolidated statement of financial position under debt service reserves.

In addition, YAI has capital leases for computer and electronic equipment with maturities in 2019.

As of June 30, 2016, future minimum principal lease payments are as follows:

2017	$ 903,801
2018	112,747
2019	19,388
	$ 1,035,936

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NOTE 7 – NOTES AND MORTGAGES PAYABLE

	Amount
A. YAI has available an $18 million working capital line of credit with a bank and carrying an interest rate of prime or 30-day LIBOR (at YAI's election) plus 2% per annum, which at June 30, 2016 was 2.75%. The loan is collateralized by YAI's accounts receivable and matures in December 2017. The outstanding balance as of November 30, 2016 amounted to $12,342,911.	$ 12,842,911
B. YAI has available an $8 million line of credit with a bank for the acquisition and renovation of program sites. Upon receipt of New York State prior property approvals, the funds drawn down on this line of credit are subsequently converted into notes. As of June 30, 2016, there were four notes executed. The notes bear an interest rate of prime or 30-day LIBOR (at YAI's election) plus 2% per annum, resulting in a rate of 2.75% at June 30, 2016. The notes are collateralized by related property and mature in December 2017. The outstanding balance as of November 30, 2016 amounted to $1,044,393.	745,393
C. YAI has entered into various loan agreements with the Dormitory Authority of the State of New York. The loans carry interest rates ranging from 1.5% to 7.82% per annum, payable in semi-annual installments and have maturity dates ranging from August 2018 through July 2040. The loans are collateralized by YAI's underlying real property.	23,981,184
D. PHC has a $3 million revolving line of credit with a bank. The line has an interest rate of one half percent above prime rate (amounting to an interest rate of 4.00% as of June 30, 2016). Borrowings are secured by PHC's accounts receivable. The outstanding balance as of November 30, 2016 amounted to 1,346,907.	1,497,527
E. PHC has a self-liquidating mortgage with a bank bearing an interest rate of 4.541% per annum that is secured by property. Monthly payments of principal and interest amount to $20,910. This loan matures in August 2017.	241,964
F. RCALD has a line of credit with a bank in the amount of $1 million that will expire in March 2017. The line of credit bears an interest rate at the lender's prime rate. The line of credit is guaranteed by YAI. The outstanding balance as of November 30, 2016 amounted to $609,754.	651,881
G. RCALD financed the purchase and renovation of certain properties through the issuance of Civic Facility Revenue Bonds Series 2006J by the County of Rockland Industrial Development Agency (Special Needs Facilities Pooled Program) carrying average interest rates of: 4.75%, 4.74%, 4.78% and 4.75% per annum maturing in July 2020. The proceeds of the loan were used to finance the purchase and renovation of collateralized properties located in Rockland County, New York.	1,195,000
	$ 41,155,860

Most of the loans have provisions for loan covenants. The Agency was in compliance with these covenants as of and during the year ended June 30, 2016.

NOTE 7 – NOTES AND MORTGAGES PAYABLE (Continued)

Required future annual principal payments are payable as follows for the years ending June 30:

2017	$ 5,389,093
2018	16,514,817
2019	2,798,006
2020	2,851,936
2021	1,761,820
Thereafter	11,840,188
	$ 41,155,860

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. The Agency has a number of operating lease agreements. Annual future minimum rentals payable for real and personal property principally under long-term noncancellable operating leases expiring at varying dates through 2038 follows:

	Real Property	Vehicles and Equipment	Total
2017	$ 7,673,341	$ 641,001	$ 8,314,342
2018	6,711,224	470,690	7,181,914
2019	6,296,143	279,405	6,575,548
2020	5,723,073	53,415	5,776,488
2021	3,977,179	-	3,977,179
Thereafter	23,037,212	-	23,037,212
	$ 53,418,172	$ 1,444,511	$ 54,862,683

Rent expense (shown as occupancy and transportation in the accompanying consolidated statement of functional expenses) amounted to the following for the year ended June 30, 2016:

Real property	$ 9,573,596
Vehicles and equipment	1,196,679
	$ 10,770,275

B. The Agency believes it has no uncertain tax positions as of June 30, 2016 in accordance with Accounting Standard Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

C. The Agency receives a significant portion of its revenue for services provided from third-party reimbursement through government agencies and Medicaid. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the government. The Agency, when appropriate, records an estimated liability to governmental agencies for any excess reimbursement over allowable costs and underspending of interim rates. As of June 30, 2016, due to funding source represents overpayments from the 2010-2016 fiscal years for the Agency's programs. Such amounts are expected to be recouped by the funding sources.

D. The Agency is subject to legal proceedings and claims which have arisen in the ordinary course of its business and which have not been fully adjudicated. Management does not believe there will be a material adverse effect upon the financial position of the Agency.

NOTE 9 –TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2016, temporarily restricted net assets consist of $1,096,685 restricted for the Community of Learners and Linking Individuals to Necessary Knowledge ("LINK") program.

NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of a $10,000 permanently restricted endowment fund maintained by RCALD.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (referred as "underwater"). When underwater endowment funds exist, the amount that is below the initial value is classified as a reduction of unrestricted net assets. As of June 30, 2016, there were no underwater funds.

NOTE 11 – CONCENTRATION

Cash and cash equivalents that potentially subject the Agency to a concentration of credit risk include cash and short-term investment accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Cash and short-term investment accounts are insured up to $250,000 per depositor. As of June 30, 2016, there was approximately $18.8 million of cash and cash equivalents and $16.5 million of short-term investments held by banks that exceeded FDIC limits.

NOTE 12 – RETIREMENT PLANS

On July 1, 2015, the Agency adopted the YAI Network Affiliates 401(a) Plan. Employees are eligible to participate in the plan upon completion of one year of service after July 1, 2015 and when the employee worked at least 1,000 hours. Contributions to this plan are based on amounts determined in accordance with the Internal Revenue Service Code Section 415. The liability and expense for the Agencies amounted to approximately $2,305,000 and $2,121,000, respectively as of and for the year ended June 30, 2016.

NOTE 13 – DUE TO MEDICAID

As required by statute, the New York State Department of Health ("DOH") has begun transitioning Medicaid payments to diagnostic and treatment centers licensed under Article 28 of the New York Public Health Law ("D&TCs") to the Ambulatory Patient Group ("APG") payment methodology. On February 25, 2013, PHC, along with other D&TCs, received notice from DOH that the capital component of PHC's Medicaid payment rate for the period September 1, 2009 through December 31, 2012 had been retroactively rebased, purportedly in accordance with annual D&TC cost reports submitted by PHC for successive years. In the same notice, DOH advised PHC that it intended to commence a take-back equal to 15 percent of PHC's Medicaid remittances to recoup payments received during that period in excess of PHC's recalculated rate.

PHC immediately contested DOH's interpretation of applicable statutes and resulting retroactive reduction of PHC's Medicaid payments. DOH agreed to suspend the imposition of a Medicaid withhold while it considered PHC's position that the take-back violated these statutes.

PHC initiated negotiations with DOH seeking to invalidate the retroactive take-back in its entirety. During 2014, DOH began recoupments at 15% of cash receipts from February 2013 until May 2013, which amounted to $551,000. DOH returned approximately $409,000 of the recouped amount to PHC based on the negotiations.

The amount outstanding as of June 30, 2016 is $6,051,279. The start of the recoupment is still pending.

NOTE 14 – SUBSEQUENT EVENTS

A. Management has evaluated, for potential recognition or disclosure, events subsequent to the date of the statement of financial position through November 30, 2016, the date the financial statements were issued.

B. Subsequent to June 30, 2016, IIDP-PR ceased providing services and its operations are being closed down. IIPD-PR is supported by a single grant with the Commonwealth of Puerto Rico. IIDP-PR did not submit for an additional year of funding after the existing contract ended in September 2016. Subsequently, the Board of Trustees of IIDP-PR resigned and the Executive Director and staff ceased to be employed by IIDP-PR. YAI is the sole member of IIDP-PR and will cease operations of the business and dissolve the IIDP-PR nonstock corporation once the existing funding requirements have been satisfied.

YOUNG ADULT INSTITUTE, INC. AND AFFILIATE
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2016

	Young Adult Institute, Inc	RCLAD	Premier Healthcare	IIPR-PD	Consolidating Eliminations	Consolidated Total
ASSETS						
Cash and cash equivalents	$ 13,100,241	$ 377,315	$ 2,615,768	$ 135,271	$ -	$ 16,228,595
Short-term Investments	17,550,824	-	-	-	-	17,550,824
Accounts receivable, net	26,622,555	947,917	2,185,250	26,600	-	29,782,322
Other receivables, net	1,750,885	-	-	-	(13,212)	1,737,673
Prepaid expenses and other assets	3,975,463	251,704	363,263	21,103	-	4,611,533
Bond issuance costs, net	1,608,217	104,165	-	-	-	1,712,382
Property and equipment, net	34,535,025	1,388,011	1,990,669	-	-	37,913,705
Debt service reserve	2,806,580	307,000	-	-	-	3,113,580
Deferred charges	209,598	-	-	-	-	209,598
TOTAL ASSETS	$ 102,159,388	$ 3,376,112	$ 7,154,950	$ 182,974	$ (13,212)	$ 112,860,212
LIABILITIES						
Accounts payable and accrued expenses	$ 7,553,316	$ 129,264	$ 498,199	$ 8,820	$ -	$ 8,189,599
Accrued salary	5,104,892	185,615	428,196	8,957	-	5,727,660
Accrued vacation	2,573,169	131,731	331,523	3,226	-	3,039,649
Accrued pension	1,985,474	62,731	257,196	-	-	2,305,401
Other liabilities	2,612,292	-	-	-	-	2,612,292
Due to funding sources	7,753,135	92,016	6,490,401	-	-	14,335,552
Notes and mortgages payable	37,569,487	1,846,882	1,739,491	-	-	41,155,860
Capital lease obligations	1,035,936	-	-	-	-	1,035,936
Due to Related Party	-	13,212	5,850,557	715,369	(6,579,138)	-
Deferred rent	3,294,218	22,245	253,432	-	-	3,569,895
TOTAL LIABILITIES	69,481,919	2,483,696	15,848,995	736,372	(6,579,138)	81,971,844
COMMITMENTS AND CONTINGENCIES						
NET ASSETS						
Unrestricted	31,580,784	882,416	(8,694,045)	(553,398)	6,565,926	29,781,683
Temporarily restricted	1,096,685	-	-	-	-	1,096,685
Permanently restricted	-	10,000	-	-	-	10,000
TOTAL NET ASSETS	32,677,469	892,416	(8,694,045)	(553,398)	(13,212)	30,888,368
TOTAL LIABILITIES AND NET ASSETS	$ 102,159,388	$ 3,376,112	$ 7,154,950	$ 182,974	$ (13,212)	$ 112,860,212

See independent auditors' report.

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Young Adult Institute, Inc			Rockland County Association for the Learning Disable			Premier Healthcare, Inc.		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Permanent Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT									
Medicaid	$ 144,956,105	$ -	$ 144,956,105	$ 4,724,417	$ -	$ 4,724,417	$ 13,294,918	$ -	$ 13,294,918
New York Contractual Agreements	18,770,763	-	18,770,763	1,432,883	-	1,432,883	-	-	-
Medicare and Client fees	7,366,929	-	7,366,929	484,570	-	484,570	2,734,649	-	2,734,649
Vocational Rehabilitation	-	-	-	-	-	-	-	-	-
Other Revenues	5,882,982	-	5,882,982	-	-	-	-	-	-
Contributions	447,322	1,200,000	1,647,322	7,805	-	7,805	18,000	-	18,000
Special Events (net of direct costs of $350,063)	371,777	-	371,777	12,100	-	12,100	-	-	-
Investment Activity	93,427	-	93,427	14,266	-	14,266	1,203	-	1,203
Net Assets Released from Restrictions	491,127	(491,127)	-	-	-	-	-	-	-
TOTAL REVENUE AND SUPPORT	178,380,432	708,873	179,089,305	6,676,041	-	6,676,041	16,048,770	-	16,048,770
EXPENSES:									
Program Services:									
Residential Services	76,893,215	-	76,893,215	4,014,318	-	4,014,318	-	-	-
Day and Community Services	58,364,524	-	58,364,524	809,881	-	809,881	-	-	-
Clinical Services	7,363,688	-	7,363,688	-	-	-	14,433,373	-	14,433,373
Employment Initative Services	1,174,976	-	1,174,976	797,109	-	797,109	-	-	-
Total Program Services	143,796,403	-	143,796,403	5,621,308	-	5,621,308	14,433,373	-	14,433,373
Supporting Services:									
Management and General	27,175,714	-	27,175,714	1,161,143	-	1,161,143	2,678,955	-	-
Fundraising	437,218	-	437,218	3,739	-	3,739	-	-	-
Total Supporting Services	27,612,932	-	27,612,932	1,164,882	-	1,164,882	2,678,955	-	-
TOTAL EXPENSES	171,409,335	-	171,409,335	6,786,190	-	6,786,190	17,112,328	-	17,112,328
CHANGE IN NET ASSETS	6,971,097	708,873	7,679,970	(110,149)	-	(110,149)	(1,063,558)	-	(1,063,558)
Net Assets - Beginning of Year	24,609,687	387,812	24,997,499	992,565	10,000	1,002,565	(7,630,487)	-	(7,630,487)
NET ASSETS - END OF YEAR	$ 31,580,784	$ 1,096,685	$ 32,677,469	$ 882,416	$ 10,000	$ 892,416	$ (8,694,045)	$ -	$ (8,694,045)

	International Intitute for People With Disability of Puerto Rico				Consolidated Total			
	Unrestricted	Temporarily Restricted	Total	Consolidating Eliminations	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016
REVENUE AND SUPPORT								
Medicaid	$ -	$ -	$ -	$ -	$ 162,975,440	$ -	$ -	$ 162,975,440
New York Contractual Agreements	-	-	-	-	20,203,646	-	-	20,203,646
Medicare and Client fees	-	-	-	-	10,586,148	-	-	10,586,148
Vocational Rehabilitation	204,867	-	204,867	-	204,867	-	-	204,867
Other Revenues	-	-	-	(1,712,004)	4,170,978	-	-	4,170,978
Contributions	16,295	-	16,295	-	489,422	1,200,000	-	1,689,422
Special Events (net of direct costs of $350,063)	-	-	-	-	383,877	-	-	383,877
Investment Activity	-	-	-	-	108,896	-	-	108,896
Net Assets Released from Restrictions	-	-	-	-	491,127	(491,127)	-	-
TOTAL REVENUE AND SUPPORT	221,162	-	221,162	(1,712,004)	199,614,401	708,873	-	200,323,274
EXPENSES:								
Program Services:								
Residential Services	-	-	-	-	80,907,533	-	-	80,907,533
Day and Community Services	-	-	-	-	59,174,405	-	-	59,174,405
Clinical Services	-	-	-	-	21,797,061	-	-	21,797,061
Employment Initative Services	169,554	-	169,554	-	2,141,639	-	-	2,141,639
Total Program Services	169,554	-	169,554	-	164,020,638	-	-	164,020,638
Supporting Services:								
Management and General	33,113	-	33,113	(1,712,004)	29,336,921	-	-	29,336,921
Fundraising	871	-	871	-	441,828	-	-	441,828
Total Supporting Services	33,984	-	33,984	(1,712,004)	29,778,749	-	-	29,778,749
TOTAL EXPENSES	203,538	-	203,538	(1,712,004)	193,799,387	-	-	193,799,387
CHANGE IN NET ASSETS	17,624	-	17,624	-	5,815,014	708,873	-	6,523,887
Net Assets - Beginning of Year	(571,022)	-	(571,022)	6,565,926	23,966,669	387,812	10,000	24,364,481
NET ASSETS - END OF YEAR	$ (553,398)	$ -	$ (553,398)	$ 6,565,926	$ 29,781,683	$ 1,096,685	$ 10,000	$ 30,888,368

See independent auditors' report.

Young Adult Institute, Inc.

YAI
Seeing beyond disability.

Financial Statements
(Together with Independent Auditors' Report)

Year Ended June 30, 2015

MARKS PANETH
ACCOUNTANTS & ADVISORS

YOUNG ADULT INSTITUTE, INC.

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEAR ENDED JUNE 30, 2015

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Marks Paneth LLP
685 Third Avenue
New York, NY 10017
P 212.503.8800
F 212.370.3759
www.markspaneth.com

New York City
Washington, DC
New Jersey
Long Island
Westchester
Cayman Islands

MARKS PANETH
ACCOUNTANTS & ADVISORS

B-VI-24

INDEPENDENT AUDITORS' REPORT

The Board of Directors of the
Young Adult Institute, Inc.

We have audited the accompanying financial statements of the Young Adult Institute, Inc. ("YAI") which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Young Adult Institute, Inc. 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.

Marks Paneth LLP

New York, NY
September 29, 2015

YOUNG ADULT INSTITUTE, INC
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2015

ASSETS	
Current Assets	
Cash and cash equivalents (Notes 2C and 10)	$ 17,109,932
Short-term Investments (Notes 2D and 4)	18,508,324
Accounts receivable, net (Notes 2E, 3 and 7)	23,260,312
Prepaid expenses and other receivables	5,596,698
Total Current Assets	64,475,266
Non-Current Assets	
Bond issuance costs, net (Note 2M)	1,224,074
Property and equipment, net (Notes 2G, 5, 6 and 7)	32,833,234
Debt service reserve (Notes 2N and 4)	2,687,908
Deferred charges (Note 2O)	3,410,536
Accounts receivable and other assets, net (Note 2E)	1,372,324
TOTAL ASSETS	$ 106,003,342
LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	$ 17,986,516
Due to funding sources (Note 8C)	13,558,773
Notes and mortgages payable (Note 7)	20,427,409
Capital lease obligation (Note 6)	920,796
Other current liabilities (Note 2L)	1,339,029
Total Current Liabilities	54,232,523
Non-Current Liabilities	
Due to funding sources (Note 8C)	4,621,175
Notes and mortgages payable (Note 7)	14,826,205
Capital lease obligation (Note 6)	843,843
Other non current liabilities (Note 2L)	6,482,097
TOTAL LIABILITIES	81,005,843
COMMITMENTS AND CONTINGENCIES (Note 8)	
NET ASSETS (Note 2B)	
Unrestricted	24,609,687
Temporarily restricted (Note 9)	387,812
TOTAL NET ASSETS	24,997,499
TOTAL LIABILITIES AND NET ASSETS	$ 106,003,342

The accompanying notes are an integral part of these financial statements.

YOUNG ADULT INSTITUTE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Total
OPERATING REVENUE AND SUPPORT (Note 2K)			
Medicaid (Notes 2F and 2J)	$ 157,431,074	$ -	$ 157,431,074
New York State/New York City contractual agreements	8,350,169	-	8,350,169
Client fees	6,724,345	-	6,724,345
Grants and other revenues (Note 2F)	10,886,494	440,000	11,326,494
Net assets released from restrictions (Note 9)	431,511	(431,511)	-
TOTAL OPERATING REVENUE AND SUPPORT	183,823,593	8,489	183,832,082
OPERATING EXPENSES:			
Program Services:			
Residential services	91,434,246	-	91,434,246
Clinical services	65,139,131	-	65,139,131
Employment initative services	2,684,602	-	2,684,602
Total Program Services	159,257,979	-	159,257,979
Supporting Services:			
Management and general	21,670,742	-	21,670,742
Total Supporting Services	21,670,742	-	21,670,742
TOTAL OPERATING EXPENSES	180,928,721	-	180,928,721
CHANGE IN NET ASSETS FROM OPERATIONS	2,894,872	8,489	2,903,361
NON-OPERATING ACTIVITIES (Note 2K)			
Contributions	911,181	-	911,181
Special events (net of direct costs of $863,133)	440,124	-	440,124
Fundraising expenses	(1,388,604)	-	(1,388,604)
Interest income	396,347	-	396,347
TOTAL NON-OPERATING ACTIVITIES	359,048	-	359,048
CHANGE IN TOTAL NET ASSETS	3,253,920	8,489	3,262,409
Net Assets - beginning of year	21,355,767	379,323	21,735,090
NET ASSETS - END OF YEAR	$ 24,609,687	$ 387,812	$ 24,997,499

The accompanying notes are an integral part of these financial statements.

YOUNG ADULT INSTITUTE, INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 3,262,409
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	4,230,136
Amortization of bond issuance	812,743
Write off of deferred charges	852,633
Bad debts	4,994,007
Subtotal	14,151,928
Changes in operating assets and liabilities:	
(Increase) or decrease in assets:	
Accounts receivable, net of bad debt	130,063
Prepaid expenses and other receivables	(1,533,088)
Accounts receivable and other assets, net of bad debt	(646,562)
Deferred charges, net of write off	375,826
Increase or (decrease) in liabilities:	
Accounts payable and accrued expenses	1,674,366
Due to funding sources	3,264,703
Other liabilities	(1,029,252)
Net Cash Provided by Operating Activities	16,387,984
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(1,887,748)
Purchases of short-term investments	(7,353,890)
Decrease in debt service reserve	1,682,527
Net Cash Used in Investing Activities	(7,559,111)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from notes and mortgages	8,964,290
Principal repayments of notes and mortgages	(5,087,759)
Principal repayments of capital lease obligation	(9,529,126)
Net Cash Used in Financing Activities	(5,652,595)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,176,278
Cash and cash equivalents - beginning of the year	13,933,654
CASH AND CASH EQUIVALENTS- END OF YEAR	$ 17,109,932
Supplemental Disclosure of Cash Flow Information:	
Cash paid for interest	$ 1,584,475

The accompanying notes are an integral part of these financial statements.

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The Young Adult Institute, Inc. ("YAI") was organized and incorporated in 1957 under the Not-for-Profit Corporation Law of New York State. YAI has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. YAI has an equivalent exemption from income tax at the state and local level.

YAI serves people of all ages with developmental and learning disabilities, from infants through the elderly, in a variety of community settings and at home through state-of-the-art programs that help to build skills, expand opportunities, and support community living. YAI's 240 programs and direct services benefit over 9,200 individuals and their families daily in 10 counties throughout the New York metropolitan area. YAI is funded primarily by Medicaid.

YAI is part of a network of independent agencies, collectively known as the YAI Network. The network provides programs and services including residential and other facilities for adults with developmental disabilities throughout New York City, Westchester County, and Long Island.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Accounting and Use of Estimates -*** YAI's financial statements have been prepared on the accrual basis of accounting. YAI adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP"). 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 disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

B. ***Basis of Presentation -*** YAI maintains its net assets under the following three classes:

Unrestricted - This represents net assets not subject to donor-imposed stipulations and that have no time restrictions. Such resources are available for support of YAI's operations over which the Board of Directors has discretionary control.

Temporarily Restricted - This represents net assets subject to donor-imposed stipulations that will be met by actions of YAI or by the passage of time. When a stipulated time restriction ends or purpose restriction is accomplished, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted - This represents net assets subject to donor-imposed stipulations that they be maintained permanently by YAI. Generally, the donors of these assets permit YAI to use all or part of the income earned for unrestricted or donor-specified purposes. As of June 30, 2015, there were no permanently restricted net assets.

C. ***Cash and Cash Equivalents -*** YAI considers highly liquid debt instruments with maturities of three months or less, when acquired, to be cash and cash equivalents. Program participant funds included in the cash and cash equivalents amounted to approximately $668,000 as of June 30, 2015. Such amounts are also included as a liability in the accompanying financial statements.

D. ***Short-term Investments and Fair Value Measurements –*** Short-term Investments are carried at fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 4.

E. ***Allowance for Uncollectible Receivables -*** YAI determines whether an allowance for uncollectible receivables should be provided for accounts receivable. Such estimate is based on management's assessment of the aged basis of its receivables, current economic conditions, historical experience, and collections subsequent to year end. As of June 30, 2015, YAI determined an allowance of $633,176 was necessary for accounts receivable. In addition, YAI has established an allowance for doubtful accounts for other receivables due from network agencies of approximately $9,658,000, representing nearly the entire balance due.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. ***Revenue Recognition -*** YAI records fee for service revenue based on established rates multiplied by the number of units of service provided. Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, YAI records a liability due to funding sources.

G. ***Property and Equipment -*** Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the applicable lease. Property and equipment is capitalized by YAI provided its cost is $5,000 or more and its useful life is greater than one year.

H. ***Contributions -*** Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift.

I. ***Functional Expenses -*** The costs of providing program and supporting services of YAI have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and general supporting services benefited.

J. ***Prior Period Revenue -*** There are occasions when funding source reimbursements for prior years are adjusted in the current year. Such adjustments may be due to retroactive rate adjustments, funding source audit findings, additional monies available over and above original contract amounts, rate appeal results, etc. Included in Medicaid revenue for the year ended June 30, 2015 is a decrease of approximately ($700,000) of prior year revenues relating to such adjustments.

K. ***Operating and Non-Operating Activities -*** YAI includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Contributions, special events, cost of direct benefits of special events and interest income and fundraising expenses are considered non-operating.

L. ***Deferred Rent -*** YAI leases real property under various operating leases. The leases include rent escalations. Since the rent increases over time, YAI records an adjustment to rent expense each year to reflect its straight-lining policy. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent liability under the caption "Other Liabilities" in the accompanying statement of financial position. This amounted to approximately $3 million as of June 30, 2015.

M. ***Bond Issuance Costs -*** Bond issuance costs consist of financing costs, which are amortized over the life of the bond. The amortization is on the straight line method which does not differ materially from the effective interest rate method.

N. ***Debt Service Reserves -*** Under the terms of the Industrial Development Agency ("IDA"), and Dormitory Authority State of new York ("DASNY"), YAI is required to deposit with the bond trustee an amount to be held in a debt service reserve fund, which will be utilized to satisfy the last payment required on the mortgage, or can be used prior to that point under the direction of IDA or DASNY to make any loan payments due by reason of default or other causes spelled out in the loan agreement. The debt service reserve is carried at the original cost in the statement of financial position.

O. ***Deferred Charges -*** The New York State Office for People with Developmental Disabilities ("OPWDD") includes interest and principal amortization on loans from the Dormitory Authority of the State of New York in the reimbursement rate paid to service providers. As of June 30, 2015 deferred charges include unreimbursed bond issuance costs from OPWDD expected to be collected in the future.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following as of June 30, 2015:

Due from Medicaid	$ 18,699,150
Due from the State of New York	4,081,740
Due from the City of New York	285,128
Due from other sources	827,470
	23,893,488
Less: allowance for doubtful accounts	(633,176)
	$ 23,260,312

NOTE 4 – SHORT-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS

Short-term investments consist of the following as of June 30, 2015:

Money market funds	$ 17,529,554
Corporate bonds	328,097
Government bonds	650,673
	$ 18,508,324

The components of short-term investment return for the year ended June 30, 2015 consisted of $55,464 of interest and $7,443 of unrealized gains.

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

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

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

In determining fair value, YAI utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. Investments in money markets are valued using market prices in active markets (Level 1). Fair value of these investments are determined by management through the investment managers. Level 1 instrument valuations are obtained from real-time quotes in active exchange markets involving identical assets. Corporate bonds and U.S. Government bonds are designated as Level 2 instruments and valuations are obtained from similar market or model derived valuations in which all significant inputs are observable or can be derived primarily from or corroborated with observable market data (credit risk/grade, maturities, etc.).

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NOTE 4 – SHORT-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value as of June 30, 2015 are classified in the table as follows:

	Level 1	Level 2	Total
Short-term Investments:			
Money market funds	$ 17,529,554	$ -	$ 17,529,554
Corporate bonds	-	328,097	328,097
Government bonds	-	650,673	650,673
	17,529,554	978,770	18,508,324
Debt service reserve fund:			
U.S. Treasury bills	2,687,908	-	2,687,908
	$ 20,217,462	$ 978,770	$ 21,196,232

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2015:

		Estimated Useful Lives
Land	$ 9,802,584	
Building and building improvements	52,778,454	15-25 years
Leasehold improvements	17,890,704	5-25 years
Furniture and equipment	11,476,135	3-10 years
Construction in progress (see below)	1,822,639	
	93,770,516	
Less accumulated depreciation and amortization	(60,937,282)	
	$ 32,833,234	

Depreciation and amortization expense amounted to $4,230,136 for the year ended June 30, 2015. Construction in progress consists of new site construction, various renovations, and module upgrades with a combined additional estimated completion cost of approximately $1.3 million, and estimated completion dates between fiscal year 2016 and 2017.

NOTE 6 – CAPITAL LEASE OBLIGATION

YAI has entered into capital lease agreements to fund the purchase of buildings, building improvements and equipment through three issuances between 2001 and 2007.

The New York City Industrial Development Agency ("NYCIDA"), a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York, issued and sold revenue bonds (Special Needs Pooled Program) carrying interest rates ranging from 6% to 7.25% per annum payable in semiannual installments with maturities ranging from 2016 to 2018. The proceeds of the loans were used to finance the purchase and renovation of various collateralized properties in New York. As part of the agreement with NYCIDA, YAI transferred the titles to all the facilities. NYCIDA has leased the facilities back to YAI for a term and at an amount concurrent with the bond repayment schedules. At the conclusion of the lease terms, YAI has the option to purchase each of the leased properties for $1.

The capital lease agreements require YAI to comply with certain terms and conditions. YAI was in compliance with all applicable financial covenants as of June 30, 2015.

NOTE 6 – CAPITAL LEASE OBLIGATION (Continued)

Pursuant to the capital lease agreement, the debt service reserve fund was established with a balance of $706,250 as of June 30, 2015, included in the statement of financial position under debt service reserves.

As of June 30, 2015, future minimum principal lease payments are as follows:

2016	$ 920,796
2017	817,745
2018	26,100
	$ 1,764,641

NOTE 7 – NOTES AND MORTGAGES PAYABLE

YAI has available an $18 million working capital line of credit carrying an interest rate of prime or 30-day LIBOR (at YAI's determination) plus 2% per annum, which at June 30, 2015 was 2.2%. The loan is collateralized by YAI's accounts receivable and matures on December 29, 2015. Pursuant to the line of credit agreement, YAI is required to maintain certain financial, affirmative and negative covenants. The outstanding balance as of September 29, 2015, amounted to $13,172,428.	$ 13,516,797
YAI has available an $8 million line of credit for the acquisition and renovation of program sites. Upon receipt of New York State prior property approvals, the funds drawn down on the line of credit are subsequently converted into notes. As of June 30, 2015, there were thirteen notes executed. The notes bear an interest rate of prime or 30-day LIBOR (at YAI's determination) plus 2% per annum, resulting in rate of 2.2% at June 30, 2015. The notes are collateralized by related property and mature on December 29, 2015. Pursuant to the line of credit agreement, YAI is required to maintain certain financial, affirmative and negative covenants. The outstanding balance as of September 29, 2015, amounted to $5,725,522.	3,956,877
YAI has entered into various loan agreements with the Dormitory Authority of the State of New York (formerly the Facilities Development Corporation (FDC)), a body corporate and politic of the State of New York, constituting a public benefit corporation, acting by and through its agent, the Commissioner of the New York State Office for People with Developmental Disabilities. The loans carry interest rates ranging from 1.5% to 7.82% per annum, payable in semi-annual installments with maturity dates ranging from August 2014 through July 2030. The loans are collateralized by YAI's underlying real property.	17,779,940
	$ 35,253,614

Required future annual principal payments are payable as follows for the years ending June 30:

2016	$ 20,427,409
2017	2,332,721
2018	2,241,493
2019	2,108,006
2020	1,801,937
Thereafter	6,342,048
	$ 35,253,614

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NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. YAI has several operating lease agreements. Certain leases include rent escalations and periods of free rent. The difference between straight lining the rental charge and actual payments is reported as deferred rent within caption other liabilities in the accompanying statement of financial position. Annual future minimum rentals payable for real and personal property, principally under long-term noncancellable operating leases expiring at varying dates through 2038, are as follows:

	Real Property	Vehicles and Equipment	Total
2016	$ 6,826,000	$ 574,000	$ 7,400,000
2017	5,619,000	527,000	6,146,000
2018	4,992,000	327,000	5,319,000
2019	4,762,000	161,000	4,923,000
2020	4,126,000	16,000	4,142,000
Thereafter	18,046,000	-	18,046,000
	$ 44,371,000	$ 1,605,000	$ 45,976,000

Rent expense amounted to the following for the year ended June 30, 2015:

Real property	$ 7,370,311
Vehicles and equipment	891,458
	$ 8,261,769

B. YAI believes it has no uncertain tax positions as of June 30, 2015 in accordance with Accounting Standard Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions. YAI believes it is no longer subject to federal or state and local income tax examinations by tax authorities for the years prior to June 30, 2012.

C. YAI receives a significant portion of its revenue for services provided from third-party reimbursement through government agencies and Medicaid. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the government. YAI, when appropriate, records an estimated liability to governmental agencies for any excess reimbursement over allowable costs and underspending of interim rates. As of June 30, 2015, due to funding NYS represents overpayments from the 2010-2015 fiscal years for YAI programs, which is expected to be recouped by the funding sources.

D. YAI is subject to legal proceedings and claims which have arisen in the ordinary course of its business and which have not been fully adjudicated. Management does not believe there will be a material adverse effect upon the financial position of YAI.

NOTE 9 –TEMPORARILY RESTRICTED NET ASSETS

For the year ended June 30, 2015, $431,511 was released from restrictions satisfying the donor restrictions. As of June 30, 2015, temporarily restricted net assets consists of $387,812 restricted for the Linking Individuals to Necessary Knowledge (LINK) program.

NOTE 10 – CONCENTRATIONS

Cash and cash equivalents that potentially subject YAI to a concentration of credit risk include cash and short-term investment accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Cash and short-term investment accounts are insured up to $250,000 per depositor. As of June 30, 2015, there was approximately $17.1 million of cash and cash equivalents and $17.5 million of short-term investments held by banks that exceeded FDIC limits.

NOTE 11 – RETIREMENT PLAN

YAI has a discretionary defined contribution retirement plan covering substantially all its employees. To be eligible, employees must complete 12 months of service and 1,000 hours. Contributions and costs of these plans are based on amounts determined in accordance with Internal Revenue Service Code Section 415 on an annual basis. For the year ended June 30, 2015, the employer contribution was approved as 2.25%. The liability and expense for YAI amounted to $1,846,396, as of and for the year ended June 30, 2015.

NOTE 12 – RELATED PARTY TRANSACTIONS

YAI is the sole corporate member of the Rockland County Association for the Learning Disabled (the "Association"). For the year ended June 30, 2015, YAI provided certain management services to the Association, including but not limited to accounting and financial operations, administrative and program support, human resources, education and training, information technology and general management. The Association paid $432,000 for such services. As of June 30, 2015, there were no amounts owed to YAI by RCALD. The operations of RCALD are not consolidated in the accompanying financial statements due to immateriality. The net assets of RCALD as of June 30, 2015 were approximately $700,000.

NOTE 13 – FUNCTIONAL ALLOCATION OF EXPENSES

The functional allocation of expenses for the year ended June 30, 2015 follows:

Residential services	$ 91,434,246
Clinical services	65,139,131
Employment initiative services	2,684,602
Total program services	159,257,979
Management and general	21,670,742
Cost of direct benefit of special events	863,133
Fundraising expenses	1,388,604
Total expenses	$ 183,180,458

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated, for potential accrual or disclosure, events subsequent to the date of the statement of financial position through September 29, 2015, the date the financial statements were issued. No events have occurred subsequent to the statement of financial position date through September 29, 2015 that would require adjustment to or disclosure in the financial statements.

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APPENDIX C

UNAUDITED FINANCIAL STATEMENTS OF SERIES 2018 PARTICIPANTS

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APPENDIX C-I

ABILITY BEYOND DISABILITY

AND

ABILITY BEYOND DISABILITY, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF MARCH 31, 2018)

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ABILITY BEYOND DISABILITY - Consolidated

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE

Nine Months Ended March 31, 2018

	DDF AND DRI-CT	DRI NY	DHH	Growing Possibilities	Inter Company Accounts	Total Consolidated
CHANGES IN UNRESTRICTED NET ASSETS						
REVENUES						
Contracts / Fees for Service	33,373,042	12,803,307	-	548,807	-	46,725,157
Sales Rev. Client Based Programs	553,352	20,290	-	106,965	-	680,607
Support Revenue	584,512	-	-	11,228		595,740
Sale of Asset / Securities	1,200	-		-	-	1,200
Other Income	128,052	6,486.57	-	-	-	134,538
Net Assets Released from Restrictions	595,571	-	-	-	-	595,571
Management Services / Allocations	-	-	-		-	-
Fund Raising Services	-	-	-	-	-	-
Specified Contributions from DDF	-		-	-		-
Income from Investment - Net	-	-	-	-	-	-
Total Revenues from continuing operations	35,235,729	12,830,084	-	667,000	-	48,732,813
EXPENSES						
Payroll / Employee Benefits	30,613,465	7,470,357	-	508,070	-	38,591,892
Facilities / Equipment	2,418,410	1,181,591	-	91,969	-	3,691,971
Program Expenses other than						-
Payroll and Facilities	2,206,160	1,185,728	-	99,199	-	3,491,086
All Other Expenses	2,105,479	156,070	-	17,837		2,279,386
Interest Expense	423,766	191,441		-	-	615,208
Depreciation Expense	1,444,884	428,282		91,826		1,964,992
Management Services/Allocations	-	-	-	-	-	-
Specified Contribution	-	-	-	-		-
Total Expenses	39,212,164	10,613,469	-	808,901	-	50,634,534
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(3,976,435)	2,216,615	-	(141,900)	-	(1,901,721)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS						
CONTRIBUTIONS	67,765	-	-	-	-	67,765
EXPENSE						
All Other		-	-	-	-	-
Net Asset Transfer						-
Net Assets Released from Restriction	595,571	-	-	-	-	595,571
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(527,806)	-	-	-	-	(527,806)
CHANGES IN ENDOWMENT						
REVENUE						
Contributions	-	-	-	-	-	-
Interest/Dividends Income	128,663	-	-	-	-	128,663
Unrealized Gain (Loss) on Investment	117,808	-	-	-	-	117,808
Realized Gain (Loss) on Investment	133,306	-	-	-	-	133,306
						-
Total	379,777	-	-	-	-	379,777
EXPENSE						
All other Expenses	22,786	-	-	-		22,786
Net Assets Released from Restriction	-	-	-	-	-	-
INCREASE (DECREASE)	356,991	-	-	-	-	356,991
INVESTMENT EARNINGS	-	-	-	-	-	-
INCREASE (DECREASE) ENDOWMENT	356,991	-	-	-	-	356,991
INCREASE (DECREASE) IN NET ASSETS BEFORE EXTRAORDINAI	(4,147,250)	2,216,615	-	(141,900)	-	(2,072,534)
EXTRAORDINARY ITEMS:						
	-	-	-	-	-	-
INCREASE (DECREASE) IN NET ASSETS	(4,147,250)	2,216,615	-	(141,900)	-	(2,072,534)
NET ASSETS - July 1, 2016	14,023,564	3,438,951	(119,857)	(2,073,291)	-	14,669,375
Transfer of Assets						
NET ASSETS - Ending	9,876,314	5,655,566	(119,857)	(2,815,191)	-	12,596,841

ABILITY BEYOND DISABILITY - Consolidated

STATEMENT OF FINANCIAL POSITION
As of March 31, 2018

ASSETS	DRI CT	DRI NY	Growing Possibilities	DHH	Interco Adjustments	As of 3/31/2018	Total Summary	Summary Category
Current Assets:								
Cash and Cash Equivalents	39,946	116,872	(1,606)	0		155,212	155,212	Cash and cash equivalents
Accounts Receivable - Net	2,261,927	1,313,123	185,636	30,150		3,790,836	3,790,836	Accounts receivable, net
								Accounts receivable, net - reclassify Allowance for uncollectible pledges
Other Receivable	0	0	0	0	0	0	0	Pledges and other receivables, net
Pledges Receivable - Unrestricted	0	0	0	0		0	0	Pledges and other receivables, net
Pledges Receivable - Temporarily Restricted	1,642,348.94	0	0	0		1,642,349	1,642,349	Pledges and other receivables, net
								Pledges and other receivables, net - reclassify Allowance for uncollectible pledges
Prepaid Expenses	818,328	42,597	17,292	245,499		1,123,716	1,123,716	Prepaid Expenses
Deferred Expenses	21,603	0	0	0		21,603	21,603	Other Assets
Deferred Financing	10,558	21,426	0	0		31,984		Offset against Long Term Debt
Inventory	0		8,315			8,315	8,315	Other Assets
Due from DRI NY	(2,389,341)	0	0	0	2,389,341	0		
Due from DHH	119,530	28,820	0	0	(148,350)	0		
Due from Growing Possibilities	3,260,815	0	0	0	(3,260,815)	0		
Total Current Assets	5,785,714	1,522,838	209,637	275,649	(1,019,823)	6,774,015		
Property end Equipment:								
Land and Building	18,832,105	6,878,844	0	0		25,710,949		
Building Improvements	7,165,454	2,038,095	0	0		9,203,549		
Construction in Progress	611,085	1,759,628	0	0		2,370,713		
Transportation Vehicles	5,069,179	204,923	44,843	0		5,318,945		
Furniture, Fixtures and Equipment	9,136,988	1,238,885	248,011	737		10,624,621		
Plants			128,483			128,483		
Leasehold Improvements	508,834	1,510,143	737,242	0		2,756,219		
Assets Held Under Capital Lease	792,439	0	0	0		792,439		
Total	42,116,085	13,630,518	1,158,579	737	0	56,905,918		
Less: Accumulated Depreciation	(26,532,375)	(5,614,984)	(841,544)	(737)		(32,989,640)		
Total Property and Equipment	15,583,710	8,015,534	317,035	0	0	23,916,278	23,916,278	Property & Equipment
	0	0	0					
Assets Whose Use is Restricted:								
Endowment Fund	4,916,590	0	0	0		4,916,590		Endowment detail:
							2,869	Investment
							761,095	Beneficial interests in trusts
							4,062,192	Investments - Union Savings Acct
							90,435	Other Assets - Cash surrender values
							0	
Other Assets:								
Other Receivable - Unrestricted - Non Current	16,032	0	0	72,479		88,511	88,511	Other Assets
Pledges Receivable-Non Current	0	0	0	0		0	0	Pledges and other receivables, net
Unearned Income (38500-000)	189				0	189	189	Other Assets
Other Assets - Campaign - net (see 21570-000)	137,646					137,646	137,646	Other Assets
Due from State	23,414					23,414	23,414	Other Assets
Start-up Costs - Net	0	0	0	44,376		44,376	44,376	Other Assets
Security Deposits	50,823	78,528	0	0		129,351	129,351	Other Assets
Deferred Financing Costs	60,703	173,629	0	0		234,332		Offset against Long Term Debt
Total Other Assets	288,807	252,157	0	116,855	0	657,819		
Total Assets	26,574,821	9,790,529	526,672	392,504	(1,019,823)	36,264,703	35,998,387	Total Assets

	Assets:
155,212	Cash and Cash Equipvalents
3,790,836	Accounts receivable, net
1,642,349	Pledges and other receivables, net
1,123,716	Prepaid expenses
543,839.65	Other assets
4,065,061	Investments
761,095	Beneficial interests in trusts
23,916,278	Property & Equipment
35,998,387	Total Assets

ABILITY BEYOND DISABILITY - Consolidated

STATEMENT OF FINANCIAL POSITION
As of March 31, 2018

LIABILITIES AND NET ASSETS	DRI CT	DRI NY	Growing Possibilities	DHH	Interco Adjustments	As of 3/31/2018	Total Summary	Summary Category
Accounts Payable	1,405,532	388,619	42,431	0		1,836,577	1,836,577	Accounts Payable
Accrued Pension Expense	0	0	0	0		0	0	Accrued expense
Other Accrued Expenses	2,930,150	577,200	38,617	0		3,545,967	3,545,967	Accrued expense
Notes Payable - Current	0	0	0	0		0		
Notes Payable - Vehicles - Current	262,138	0	0	0		262,138	262,138	Long Term Debt
Term Loans Payable - Current	265,350	0	0	0		265,350	265,350	Long Term Debt
Mortgages Payable - Current	274,600	440,712	0	0		715,312	715,312	Long Term Debt
Capital Leases Payable - Current	20,082	0	0	0		20,082	20,082	Long Term Debt
Due to Endowment						0		
Deferred Income	470,913	0		364,011		834,924	834,924	Deferred Income
Due to DRI CT	0	(2,389,342)	3,260,815	119,606	(991,079)	0		
Due to DDF	0	0	0	0	0	0		
Due to DRI NY	0	0		28,820	(28,820)	0		
Due to MCHH	0	0	0	0	0	0		
Due to DHH	0	0	0	0	0	0		
						0		
Total Current Liabilities	5,628,765	(982,810)	3,341,863	512,437	(1,019,899)	7,480,351		
Other Liabilities:								
Other Liabilities - Presidio Prepaid Exp						0		
Other Liabilities - Presidio Cap Lease Payable						0		
Due to State Agencies	0	0				0	0	Other Liabilities
Due to Med Comp Tech	-	0	0	0		0	0	Other Liabilities
Total Other Liabilities	-	-	-	-	-	-		
Long Term Liabilities:								
Term Loan - Net of Current Portion	0	0	0	0		0	0	Long Term Debt
Revolving Lines of Credit	5,067,254					5,067,254	5,067,254	Revolving Promissory Note
Capital Line of Credit	0					0	0	Long Term Debt
Notes Payable - Vehicle - Net of Current Portion	616,956	0	0	0		616,956	616,956	Long Term Debt
Mortgages Payable - Net of Current Portion	4,039,137	4,908,651	0	0		8,947,788	8,947,788	Long Term Debt
Capital Leases Payable - net of Current Portion	1,044,568	0	0	0		1,044,568	1,044,568	Long Term Debt
Deferred Financing							(266,316)	Long Term Debt
Deferred Income	301,825	209,122	0	0		510,947	510,947	Deferred Income
Total Long Term Liabilities	11,069,739	5,117,773	0	0	0	16,187,512		
Net Assets:								
Unrestricted	5,549,312	5,655,566	(2,815,191)	(119,857)		8,269,834		
Temporarily Restricted	3,482,801	0	0	0		3,482,801		
Permanently Restricted	844,204	0	0	0		844,204		
Total Net Assets	9,876,317	5,655,566	(2,815,191)	(119,857)	0	12,596,839	12,596,839	Net Assets
Total Liabilities and Net Assets	26,574,821	9,790,529	526,672	392,580	(1,019,899)	36,264,703	35,998,386	
	0	0	0	76		(0)		

	LIABILITIES SUMMARY:
1,836,577	Accounts Payable
3,545,967	Accrued Expense
0	Other Liabilities
5,067,254	Revolving Promissory Note
11,605,878	Long Term Debt
1,345,871	Deferred Income
12,596,839	Net Assets
35,998,386	Total Liabilities & Net Assets

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APPENDIX C-IIA

CITIZENS OPTIONS UNLIMITED, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF MARCH 31, 2018)

AND

COMMUNITY SERVICES SUPPORT CORPORATION

UNAUDITED FINANCIAL INFORMATION

(AS OF MARCH 31, 2018)

AND

NASSAU COUNTY AHRC FOUNDATION, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF MARCH 31, 2018)

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Citizens Options Unlimited, Inc.

Statement of Financial Position

		March 31, 2018 (Unaudited)		December 31, 2017 (Audited)
Assets				
Current:				
Cash and cash equivalents	$	**2,656,014**	$	2,614,951
Investments, at fair value		**508,424**		511,511
Accounts receivable, net		**4,501,362**		4,448,270
Due from controlled affiliate		**1,743,019**		1,756,966
Prepaid expenses and other assets		**261,218**		165,201
Total Current Assets		**9,670,037**		9,496,899
Deferred Charges		**108,745**		112,981
Fixed Assets, net		**3,888,366**		3,919,859
Total Assets	$	**13,667,148**	$	13,529,739
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable and accrued expenses	$	**2,072,573**	$	1,693,769
Salaries payable		**1,131,818**		797,049
Accrued payroll taxes and benefits		**1,614,259**		1,300,972
Reserve for potential liabilities		**1,121,937**		971,188
Due to non-controlled affiliated organizations		**756,401**		1,246,062
Total Current Liabilities		**6,696,988**		6,009,040
Commitments and Contingencies				
Net Assets:				
Unrestricted		**5,120,137**		5,734,656
Temporarily restricted		**1,850,024**		1,786,043
Total Net Assets		**6,970,161**		7,520,699
Total Liabilities and Net Assets	$	**13,667,149**	$	13,529,739

Citizens Options Unlimited, Inc.

STATEMENT OF ACTIVITIES

YEAR TO DATE THROUGH MARCH 31, 2018

	Residential Citizens	Self Direction	Crisis Respite	MSC	Family Support	Camp Loyaltown	ICF	Admin	Total	Budget	Variance
INCOME											
PROGRAM INCOME	$ 3,183,419	$ 76,253	$ 215,713	$ 539,204	$ 84,186	$ 331,003	$ 4,466,101	$ -	$ 8,895,878	$ 8,941,597	$ (45,719)
OTHER INCOME	15,658	7,668	18	12,077	8	88	414	1,483	37,414	15,939	21,475
PRIOR YEAR INCOME									-		-
RRR (RESIDENTIAL RESERVE) INCOME	-	-	1,800	-	-	-	-	-	1,800	28,200	(26,400)
TOTAL INCOME	3,199,076	83,921	217,531	551,281	84,194	331,091	4,466,514	1,483	8,935,092	8,985,737	(50,644)
	35.8%	0.9%	2.4%	6.2%	0.9%	3.7%	50.0%	0.0%	100.0%		
EXPENSE											
SALARIES	1,818,159	25,939	124,430	303,613	36,439	174,177	2,669,247	-	5,152,004	4,872,174	279,830
FRINGE BENEFITS	595,087	8,560	40,586	100,291	12,035	57,736	881,765	-	1,696,060	1,607,817	88,242
PROFESSIONAL FEES	12,443	-	462	1,965	207	2,245	12,509	-	29,832	20,135	9,697
CONTRACT SERVICES	1,997	8,251	-	-	-	(327)	59,466	-	69,386	67,340	2,047
TELEPHONE & UTILITIES	54,561	528	4,168	8,298	6	21,420	45,463	-	134,444	95,014	39,430
TRANSPORTATION	24,698	1,285	1,191	381	22	2,645	8,891	-	39,114	38,766	347
STAFF TRAVEL	1,470	151	100	8,265	86	173	1,993	-	12,239	17,648	(5,409)
REPAIRS AND MAINTENANCE	49,267	3,066	11,634	12,546	7	18,908	51,689	-	147,118	158,227	(11,109)
SUPPLIES & INCIDENTALS	63,160	3,346	6,043	2,297	10,121	16,231	142,572	-	243,769	275,059	(31,290)
FOOD	59,737	-	2,922	233	1,924	911	54,596	-	120,323	150,722	(30,400)
RENTAL & LEASE EXPENSE	238,132	69,430	11,730	12,344	29	114,452	210,850	-	656,967	616,547	40,420
RECRUITING & STAFF DEVELOPMENT	8,084	-	357	1,492	141	11,521	7,411	-	29,006	21,769	7,237
FEES, ASSESSMENTS & OTHER	7,292	1,899	378	1,591	13,634	3,693	239,414	-	267,901	277,315	(9,414)
INSURANCE	36,352	-	2,161	8,851	919	10,467	46,326	-	105,076	102,997	2,079
RRR (RESIDENTIAL RESERVE) EXPENSE	-	-	-	-	-	-	-	-	-	-	-
CAMP RESIDENTIAL OFFSET	-	-	-	-	-	-	-	-	-	-	-
RESERVE FOR CONTINGENCIES	-	-	-	-	-	-	-	-	-	-	-
TOTAL	2,970,441	122,455	206,163	462,166	75,569	434,253	4,432,192	-	8,703,239	8,321,532	381,707
DEPRECIATION	22,104	-	4,307	1,595	20	11,578	41,915	-	81,519	79,120	2,399
MANAGEMENT FEE	165,936	-	10,520	44,759	4,703	51,131	228,700	-	505,749	505,750	(1)
QA & REG AFFAIRS ALLOCATION	14,907	-	945	4,021	423	4,593	20,545	-	45,434	51,454	(6,020)
TOTAL OTHER EXPENSE	202,947	-	15,771	50,375	5,146	67,303	291,160	-	632,702	636,324	(3,622)
TOTAL EXPENSES	3,173,388	122,455	221,934	512,541	80,715	501,556	4,723,352	-	9,335,941	8,957,856	378,085
SURPLUS (DEFICIT) FROM OPERATIONS BEFORE RESERVE FOR RATE ADJUSTMENTS	25,689	(38,533)	(4,404)	38,740	3,479	(170,465)	(256,838)	1,483	(400,849)	27,881	(428,730)
RESERVE/RATE ADJUSTMENT	(31,396)	-	(2,083)	-	-	-	(178,655)	-	(212,134)	(214,767)	2,633
SURPLUS (DEFICIT) FROM OPERATIONS	(5,707)	(38,533)	(6,487)	38,740	3,479	(170,465)	(435,493)	1,483	(612,983)	(186,887)	(426,096)
CONTRIBUTION INCOME	26,017	-	17	72	10,008	25,964	368	-	62,445	42,130	20,315
NET SURPLUS/(DEFICIT)	$ 20,310	$ (38,533)	$ (6,470)	$ 38,812	$ 13,486	$ (144,501)	$ (435,125)	$ 1,483	$ (550,538)	$ (144,757)	$ (405,781)

Statements of Financial Position

	March 31, 2018 Unaudited		December 31, 2017	
Assets				
Current Assets:				
Cash and cash equivalents	$	**239,203**	$	379,346
Investments		**1,270,323**		1,291,326
Accounts receivable		-		12,327
Prepaid expenses and other current assets		**93,277**		8,591
Receivable from other organizations		**252,282**		263,421
Total Current Assets		**1,855,085**		1,955,011
Receivable from other organizations		**2,000,275**		2,054,992
Assets held for specific purpose		**117,756**		117,756
Land, buildings and improvements, net		**34,798,589**		35,516,593
Total Assets	**$**	**38,771,705**	$	39,644,352
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable and accrued expenses	$	**41,360**	$	55,873
Bank lines of credit		**2,719,636**		2,623,439
Mortgages payable, current portion		**298,136**		314,923
Bonds payable, current portion		**3,548,543**		3,556,543
Total Current Liabilities		**6,607,675**		6,550,778
Deferred revenue		**223,002**		234,762
Mortgages payable, net of current portion		**843,672**		905,225
Bonds payable, net of current portion and deferred financing costs		**17,958,713**		18,815,848
Total Liabilities		**25,633,062**		26,506,613
Net Assets:				
Unrestricted		**13,138,643**		13,137,739
Total Liabilities and Net Assets	**$**	**38,771,705**	$	39,644,352

See notes to financial statements.

COMMUNITY SERVICES SUPPORT CORPORATION

Statements of Activities and Changes in Net Assets

For the Three Months ended March 31,	2018	2017
Revenues		
Rental income	$ **1,068,287**	$ 1,206,887
Investment (losses) gains	**(13,436)**	9,561
Total Revenue	**1,054,851**	1,216,448
Expenses		
Program services - rental activities:		
Interest	**205,336**	287,168
OPWDD administrative fees - bonds	**163**	697
Depreciation and amortization	**798,698**	852,210
Total Program Services	**1,004,197**	1,140,075
Supporting services:		
Management fee	**37,500**	37,500
Professional services	**12,250**	7,315
Total Supporting Services	**49,750**	44,815
Total Expenses	**1,053,947**	1,184,890
Changes in Net Assets	**904**	31,558
Net Assets, beginning of year	**13,137,739**	12,949,445
Net Assets, end of year	$ **13,138,643**	$ 12,981,003

See notes to financial statements.

COMMUNITY SERVICES SUPPORT CORPORATION

Statements of Cash Flows

For the Three Months ended March 31,

		2018
Cash Flows from Operating Activities:		
Changes in net assets	$	904
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization		798,698
Interest expenses related to deferred financing costs		46,864
Unrealized gains on investments		21,000
Deferred revenue		(11,760)
Decrease (increase) in operating assets:		
Accounts receivable		12,327
Prepaid expenses and other current assets		(84,686)
Receivable from other organizations		65,856
Decrease in operating liabilities:		
Accounts payable and accrued expenses		(14,513)
Net Cash Provided by Operating Activities		834,690
Cash Flows from Investing Activities:		
Land, buildings and improvements		(80,690)
Net Cash Used in Investing Activities		(80,690)
Cash Flows from Financing Activities:		
Proceeds from line of credit		96,197
Principal payments on mortgages payable		(78,340)
Principal payments on bonds payable		(912,000)
Net Cash Used in Financing Activities		(894,143)
Net (Decrease) Increase in Cash and Cash Equivalents		(140,143)
Cash and Cash Equivalents, beginning of year		379,346
Cash and Cash Equivalents, end of year	$	239,203
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$	165,635

See notes to financial statements.

NASSAU COUNTY AHRC FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
March 31, 2018

	March 31, 2018 Unaudited	December 31, 2017 Audited
ASSETS		
Cash and cash equivalents	$ 6,105,534	$ 5,574,108
Investments	24,054,775	24,825,880
Contributions receivable	286,575	31,825
Prepaid expenses and other assets	273,589	229,110
Due from other organizations	87,078	956
Real property - held for resale	-	153,363
Deferred Start Up Costs (211 and 348 Wheatley Road)	20,842	12,154
Equipment (net of accumulated depreciation)	1,025	2,050
Loan receivable - Advantage Care	842,305	862,689
Loan receivable from Managed Care Organization	2,051,684	2,051,684
Computer software - Managed Care Organization	746,480	746,480
Receivable from LCDX	352,518	176,218
TOTAL ASSETS	**$ 34,822,405**	**$ 34,666,517**
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued payroll and fringe benefits	$ 49,404	$ 66,421
Accrued expenses and other liabilities	48,654	46,763
Grants payable	-	5,000
Due to other organizations	60,244	32,182
Contributions held for BCCS	77,347	-
Contributions held for Citizens	1,000	8,332
Total Liabilities	236,649	158,698
NET ASSETS		
Unrestricted	34,137,282	34,059,345
Total Unrestricted	34,137,282	34,059,345
Temporarily restricted	448,474	448,474
TOTAL NET ASSETS	34,585,756	34,507,819
TOTAL LIABILITIES AND NET ASSETS	**$ 34,822,405**	**$ 34,666,517**

Nassau County AHRC Foundation, Inc.
Condensed Results of Operations
For the Three Months Ended March 31, 2018

		Actual
Revenue		
Contributions	$	37,703
Special event revenue		435,689
Bequests		-
Contracted services income		57,349
		530,741
Revenue generated for other companies		(78,394)
Total Revenue		**452,347**
Expense		
Grants		-
General and Administrative:		
Salaries		52,354
Fringe expense		21,835
Management fee paid to AHRC Nassau		23,112
Professional fees		15,046
Other		16,025
Total General and Administrative Expense		**128,372**
Fundraising:		
Event catering/food		30,381
Event exp es, other		14,620
Printing and graphic design		5,233
Other		2,481
Total Fundraising Expense		**52,715**
Total Expense		**181,087**
Income (Loss) from Operations		**271,260**
Other Income/(Loss):		
Investment income/(loss), net of fees		(193,323)
Change in Net Assets	**$**	**77,937**

NASSAU COUNTY AHRC FOUNDATION, INC. - STATEMENT OF ACTIVITIES

For the Three Months ended March 31, 2018

	Foundation	Walk	Roseball	Golf	Holiday Angels	Total	Contributions Received on Behalf of Others: Brookville Center Reach for the Stars	Citizens, Inc.	Three Months ended March 31, 2018	2017
REVENUE										
Contributions	$ 5,222				$ 32,481	$ 37,703			$ 37,703	$ 38,977
Special Event Revenue		$ 24,620	$ 258,750	$ 30,000		313,370	$ 121,319	$ 1,000	435,689	148,515
Bequests	-					-			-	-
Contracted Services Income	57,349					57,349			57,349	35,216
Gross operating income	62,571	24,620	258,750	30,000	32,481	408,422	121,319	1,000	530,741	222,708
Less: Contributions Raised for Others						-	(77,394)	(1,000)	(78,394)	(101,066)
TOTAL REVENUE	$ 62,571	$ 24,620	$ 258,750	$ 30,000	$ 32,481	$ 408,422	$ 43,925	$ -	$ 452,347	121,642
EXPENSES										
Program Services										
Guardianship Grant	-					-			-	-
Grant Expense	-					-			-	-
Total grant expense	-	-	-	-	-	-	-	-	-	-
Supporting Services - Management & General										
Salaries	52,354					52,354			52,354	55,858
Fringe Benefits	21,835					21,835			21,835	23,563
Management fee	23,112					23,112			23,112	15,000
Meetings, Subscriptions & Permits	8,536					8,536			8,536	184
Professional fees	15,046					15,046			15,046	11,265
Merchant/Bank Fees	2,427					2,427			2,427	1,265
Payroll Processing Fees	843					843			843	141
Insurance	3,194					3,194			3,194	3,288
Depreciation Expense	1,025					1,025			1,025	1,025
Sponsorship/Contrib/Bereavement	-					-			-	310
Total management & general	128,372	-	-	-	-	128,372	-	-	128,372	111,699
Fundraising										
Postage & Mailing	225		457			682	484		1,166	2,410
Printing / Graphic Design	530		1,356			1,886	3,347		5,233	4,407
Supplies & Stationary	58					58	104		162	754
Employee Travel & Meetings						-	31		31	33
Photo & Film			500			500	1,788		2,288	-
Event Catering/Food			5,289			5,289	25,092		30,381	26,669
Event Entertainment						-	9,595		9,595	10,890
Event Gratuities			375			375	1,170		1,545	1,290
Event Advertising & Promotion						-	2,095		2,095	-
Event Gifts & Awards						-			-	-
Event Rentals						-			-	-
Event Raffle Prizes						-	45		45	23
Event Flowers and Decorations						-	174		174	-
Total fundraising	813	-	7,977	-	-	8,790	43,925	-	52,715	46,476
TOTAL EXPENSES	$ 129,185	$ -	$ 7,977	$ -	$ -	$ 137,162	$ 43,925	$ -	$ 181,087	$ 158,375
INCOME (LOSS) FROM OPERATIONS	$ (66,614)	$ 24,620	$ 250,773	$ 30,000	$ 32,481	$ 271,260	$ -	-	$ 271,260	$ (36,733)
NON-OPERATING INCOME										
Interest and dividends	126,945					126,945			126,945	96,676
Realized gains (losses) on investments	239,549					239,549			239,549	67,847
Unrealized gains (losses) on investments	(561,814)					(561,814)			(561,814)	770,661
Investment Fees	(21,719)					(21,719)			(21,719)	(18,414)
Interest income (expense), net - MCO & Advantage	23,716					23,716			23,716	16,868
Investment income	(193,323)	-	-	-	-	(193,323)	-	-	(193,323)	933,638
Other Income	-					-			-	-
TOTAL NON-OPERATING INCOME	(193,323)	-	-	-	-	(193,323)	-	-	(193,323)	933,638
CHANGE IN NET ASSETS BEFORE CAPITAL CONTRIBUTION AND WRITEDOWNS	(259,937)	24,620	250,773	30,000	32,481	77,937	-	-	77,937	896,905
RESERVE FOR EWORKS RECEIVABLE						-			-	(62,500)
RESERVE FOR EWORKS INVESTMENT						-			-	(62,500)
CHANGE IN NET ASSETS	$ (259,937)	$ 24,620	$ 250,773	$ 30,000	$ 32,481	$ 77,937	$ -	$ -	$ 77,937	$ 771,905

Note: Increase in net assets, excluding the effect of realized and unrealized gains (losses) on investments, eWorks reserve was:

2018 Total	2017 Total
$ 400,202	$ 58,397

APPENDIX C-IIB

MRCS V, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF MARCH 31, 2018)

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MRCS V, INC.
(Project No. 012-HD145)

Statement of Financial Position

March 31, 2018

		Unaudited 3/31/2018
Assets		
Current Assets:		
1120	Cash	$ 168,948
1135	Accounts receivable - HUD	-
1140	Accounts Receivable - HUD Capital Advance	203,013
1145	Due from affiliate	-
1200	Prepaid expenses	270
1100T	Total Current Assets	372,231
Restricted Deposits and Funded Reserves:		
1320	Replacement reserve	9,336
1300T	Total Deposits	9,336
Fixed Assets:		
1410	Land	600,000
1420	Buildings	2,329,026
1460	Furniture and equipment	26,106
1400T	Total Fixed Assets	2,955,132
1495	Less Accumulated Depreciation	(111,002)
1400N	Net Fixed Assets	2,844,130
1000T	Total Assets	3,225,697
Liabilities and Net Assets		
Current Liabilities:		
2110	Accounts payable	73,653
2190	Due to affiliate	157,848
2122T	Total Current Liabilities	231,501
2390	Due to affiliate - acquisition of property	1,588,335
2000T	Total Liabilities	1,819,836
Net Assets:		
3131	Unrestricted	9,461
3132	Temporarily Restricted	1,396,400
Total Net Assets:		1,405,861
2033T	Total Liabilities and Net Assets	3,225,697
		-

MRCS V, INC.
(Project No. 012-HD145)

Statement of Activities

For the three months ended March 31, 2018

Changes in Unrestricted Net Assets:

Revenue:		Unrestricted	Temporarily restricted	Total
5120	Rent revenue	8,382	-	$ 8,382
5121	Tenant assistance payments	13,920	-	13,920
5100T	Total Rent Revenue	22,302	-	22,302
5200	Vacancies	-	-	-
5152N	Net Rental Revenue	22,302	-	22,302
5410	Revenue from Operating Account	31	-	31
5435	Revenue from Construction Account	13		13
5440	Revenue from investments - replacement reserve	4	-	4
5470	Revenue from Security Account	38	-	38
5490	Revenue from investments - sponsorship account	4	-	4
5990	Other Revenue	16,719	-	16,719
5000T	Total Revenue	39,111	-	39,111
Expenses:				
5203	Conventions and meetings	-	-	-
6320	Management fees	2,196	-	2,196
6350	Audit expense	2,625	-	2,625
6351	Bookkeeping fees/accounting services	270	-	270
6450	Electricity	3,831	-	3,831
6451	Water	288	-	288
6510	Payroll	1,250	-	1,250
6590	Miscellaneous operating and maintenance expenses	5,692	-	5,692
6600	Depreciation	15,858	-	15,858
6711	Payroll Taxes	96	-	96
6720	Property and liability insurance	968	-	968
6720	Miscellaneous taxes and fees	-	-	-
	Total Expenses	33,074	-	33,074
5060N	Changes in Unrestricted Net Assets	6,037	-	6,037
	Net Assets, beginning of period	3,424	1,396,400	1,399,824
	Net Assets, end of period	$ 9,461	$ 1,396,400	$ 1,405,861

APPENDIX C-III

LIFESPIRE, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF MARCH 31, 2018)

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LIFESPIRE, INC.
PRO FORMA STATEMENT OF FINANCIAL POSITION
December 31, 2017March 31, 2018
(Unaudited)

Assets	
Cash and cash equivalents	24,379,603
Cash and cash equivalents designated for recoupments payable	9,664,397
Cash and cash equivalents designated for self funded insurance	1,721,141
Cash and cash equivalents designated for health reimbursement accounts	1,522,585
Cash and cash equivalents restricted to debt service escrow	2,656,832
Investments	4,743,958
Debt Service Reserve Fund due from New York State	302,553
Accounts Receivable - Net	59,070
Accrued Income Receivables	14,539,983
Due From Related Parties	617,846
Security Deposits and Prepaid Expenses	863,189
Property and Equipment	16,319,979
Deferred Charges - Bond Issue Costs-Net	3,248,084
Total Assets	**80,639,220**

Liabilities and Net Assets	
Liabilities	
Accounts Payable and Accrued Expenses	3,161,712
Accrued Payroll	2,700,166
Accrued Compensated Absences	3,503,151
Recoupments Payable and Deferred Income	6,618,883
Mortgages Payable - DASNY	134,725
Bonds Payable - DASNY	12,668,750
Bonds Payable IDA	442,501
Capital Lease Liability	692,359
Lines of Credit	1,282,759
Deferred Rent	2,475,711
Self Funded Insurance Liability	959,527
Pension Liability	4,746,764
Postretirement Health Insurance Liability	5,239,218
Total Liabilities	44,626,226
Net Assets:	
Unrestricted:	25,492,490
Residential reserve for replacement	1,030,056
Property and equipment	6,077,698
Board designated - program expansion	1,182,197
Board designated - anticipated pension contributions	1,250,000
Board designated - self funded Insurance	921,712
	35,954,153
Temporarily Restricted	58,841
Total Net Assets	36,012,994
Total Liabilities and Net Assets	**80,639,220.00**

LIFESPIRE, INC.
PRO FORMA STATEMENT OF ACTIVITIES
PERIOD ENDED3/31/2018
(Unaudited)

Support and Revenue - Program Operations:	
Program Service Fees	71,284,953
Participant's Share of Room and Board	2,446,881
Subcontract - Net	143,347
MCFAA and DASNY Bond Fees	297,842
Subtotal Support and Revenue - Program Operations	74,173,023
Expenses:	
Program Services	69,882,291
Management and Administration	5,287,631
Total Expenses	75,169,922
Change in unrestricted net assets before other revenue and prior year revenue	-996,899
Other Revenue	
Investment Return	17,493
Contributions and Fund Raising	1,724
Miscellaneous	52,990
Total other revenue	72,207
Changes in unrestricted net assets before prior period revenue	-924,692
Prior Period Revenue	60,746
Increase in unrestricted net assets	-863,946
Net Assets, Beginning of the Period	36,876,940
Net Assets, End of the Period	**36,012,994**

APPENDIX C-IV

SCO FAMILY OF SERVICES

UNAUDITED FINANCIAL INFORMATION

(AS OF MARCH 31, 2018)

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SCO FAMILY of SERVICES, INC.

Statements of Financial Position

As of March 31, 2018

(With Comparisons to March 31, 2017)

	UNAUDITED 3/31/2018	UNAUDITED 3/31/2017	AUDITED 6/30/2017	% Change Year Over Year
Assets				
Cash and cash equivalents	$ 4,072,680	$ 6,460,150	$ 5,004,730	(37%)
Investments in marketable securities	63,416,320	60,858,690	60,662,480	4%
Due from governmental agencies	46,805,130	41,142,950	40,914,170	14%
Prepaid expenses, pledges and other current assets	2,152,540	1,716,800	2,203,120	25%
Custodial accounts	304,690	303,090	304,690	1%
Property and Equipment	34,528,990	32,661,610	34,450,630	6%
Debt Service Reserve	1,599,120	1,716,040	1,665,960	(7%)
Total Assets	**$ 152,879,470**	**$ 144,859,330**	**$ 145,205,780**	**5.54%**
Liabilities & Net Assets				
Liabilities				
Lines of Credit	$ 10,000,000	$ 11,500,000	$ 11,000,000	(13%)
Capital Bridge Line	3,459,850	517,520	1,688,310	569%
Accounts payable and accrued expenses	7,156,090	7,756,620	9,153,600	(8%)
Accrued payroll, vacation and related withholdings	13,333,690	12,454,430	17,147,890	7%
Due to government agencies	5,733,470	10,303,670	8,665,470	(44%)
Accrued interest payable	-	-	4,600	0%
Custodial accounts	304,690	303,090	304,690	1%
Long Term & Short Term Debt	19,646,020	21,996,920	20,221,060	(11%)
Accrued Pension Liabilities	56,289,570	65,833,010	54,619,210	(14%)
Contract Advances	15,497,360	7,577,560	2,611,960	105%
Deferred Revenue	3,972,680	3,037,670	3,223,020	31%
Total Liabilities	**135,393,420**	**141,280,490**	**128,639,810**	**(4%)**
Net Assets				
Unrestricted - Operations	55,545,400	53,391,830	54,660,990	4%
Unrestricted - Pension Related	(46,295,070)	(58,577,860)	(46,295,070)	(21%)
Temporarily restricted	6,792,720	7,321,870	6,757,050	(7%)
Permanently restricted	1,443,000	1,443,000	1,443,000	0%
Total Net Assets	**17,486,050**	**3,578,840**	**16,565,970**	**389%**
Total Liabilities & Net Assets	**$ 152,879,470**	**$ 144,859,330**	**$ 145,205,780**	**5.54%**

SCO FAMILY OF SERVICES, INC.

Statements of Activities

For the Nine Month Period Ended March 31, 2018

(With Comparisons to the Nine Months Ended March 31, 2017)

	UNAUDITED 3/31/2018			UNAUDITED 3/31/2017
	Unrestricted	Temporarily Restricted	FY 2018 Total	Total
PROGRAM REVENUE AND SUPPORT				
Government revenues				
Foster Care Services	$ 47,354,140	$ -	$ 47,354,140	$ 48,465,560
Family Support Services	10,241,130	-	10,241,130	9,404,420
Early Childhood Services	9,597,890	-	9,597,890	8,752,570
Special Needs & Behavioral Health Services	57,238,340	-	57,238,340	59,458,090
Education & Youth Development Services	24,496,320	-	24,496,320	22,886,370
Shelters & Homeless Services	23,005,260	-	23,005,260	22,272,220
Managed Care Readiness	-	-	-	525,840
Total Government revenues	**171,933,080**	**-**	**171,933,080**	**171,765,070**
Foundations and Other Grants	4,566,270	22,650	4,588,920	5,231,380
Contributions	184,250	291,140	475,390	449,760
Special Event Income	432,960	16,600	449,560	570,820
Other Income	1,193,440	-	1,193,440	883,010
Endowment Draw	1,329,750	-	1,329,750	929,100
Net assets released from restrictions	294,690	(294,690)	-	-
TOTAL PROGRAM SUPPORT AND REVENUE	**179,934,440**	**35,700**	**179,970,140**	**179,829,140**
PROGRAM AND OTHER EXPENSES				
Direct program expenses				
Foster Care Services	43,483,280	-	43,483,280	44,987,620
Family Support Services	10,556,930	-	10,556,930	10,280,140
Early Childhood Services	10,402,060	-	10,402,060	10,671,790
Special Needs & Behavioral Health Services	54,180,300	-	54,180,300	54,781,200
Education & Youth Development Services	23,952,400	-	23,952,400	22,435,660
Shelters & Homeless Services	22,228,110	-	22,228,110	21,606,600
Total Direct program expenses	**164,803,080**	**-**	**164,803,080**	**164,763,010**
Supporting Services				
Management and other indirect costs	14,062,580	-	14,062,580	14,202,140
Fund Raising Expenses	1,038,000	-	1,038,000	1,001,880
Total Supporting Services	**15,100,580**	**-**	**15,100,580**	**15,204,020**
Provision for Additional Spending	1,538,850	-	1,538,850	754,040
TOTAL PROGRAM AND OTHER EXPENSES	**181,442,510**	**-**	**181,442,510**	**180,721,070**
CHANGE IN NET ASSETS FROM OPERATIONS BEFORE PRIOR YEAR REVENUE AND PROVISION FOR RATE RESERVE	**(1,508,070)**	**35,700**	**(1,472,370)**	**(891,930)**
Prior Year Revenue	1,231,390	-	1,231,390	966,410
CHANGE IN NET ASSETS FROM OPERATIONS AFTER PRIOR YEAR REVENUE AND BEFORE PROVISION FOR RATE RESERVE	**(276,680)**	**35,700**	**(240,980)**	**74,480**
INVESTMENT INCOME (LOSS)				
Interest and dividend income	1,598,510	-	1,598,510	5,235,880
Realized and unrealized gains (losses) on securities	(212,460)	-	(212,460)	(3,007,610)
TOTAL INVESTMENT INCOME (LOSS)	**1,386,050**	**-**	**1,386,050**	**2,228,270**
Provision for Rate Reserve	(225,000)	-	(225,000)	(457,110)
CHANGE IN TOTAL NET ASSETS	**$ 884,370**	**$ 35,700**	**$ 920,070**	**$ 1,845,640**

SCO FAMILY OF SERVICES, INC.

Statements of Cash Flows

For the Nine Month Period Ended March 31, 2018

(With Comparisons to the Nine Months Ended March 31, 2017)

	UNAUDITED 3/31/2018	UNAUDITED 3/31/17
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Decrease)/Increase in net assets	$ 920,070	$ 1,845,640
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,601,340	2,717,670
Amortization of deferred financing costs	427,630	378,440
Unrealized change in appreciation of investments	(1,386,050)	(1,671,950)
Donated Stock	(5,210)	(21,080)
Increase in Endowment Draw	(1,329,750)	(929,100)
Realized loss (gain) on sale of marketable securities	-	(556,320)
Change in operating assets and liabilities:		
Decrease/(Increase) in due from governmental agencies	(5,890,960)	3,662,970
Decrease/(Increase) in prepaid expenses, pledges and other receivables	50,580	(664,450)
Decrease/(Increase) in other assets	(360,790)	263,880
(Decrease)/Increase in accounts payable and accrued expenses	(1,997,440)	(3,806,700)
(Decrease)/Increase in accrued payroll, vacation and related withholdings	(3,814,200)	(5,333,210)
(Decrease)/Increase in accrued interest payable	(4,600)	(40,140)
(Decrease)/Increase in due to governmental agencies	(2,932,000)	3,851,100
(Decrease)/Increase in contract advances	12,885,400	5,704,940
(Decrease)/Increase in long-term liabilities and deferred revenue	2,420,020	3,382,400
Net cash (used) provided by operating activities	**1,584,040**	**8,784,090**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment, net	(2,679,700)	(1,628,170)
Transfers to Investment account(s): investment fees	(33,080)	(35,020)
Net cash used in investing activities	**(2,712,780)**	**(1,663,190)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of long-term liabilities & line of credit	(1,575,040)	(8,761,890)
Proceeds from bonds/loan agreements/line of credit	1,771,730	6,068,750
Net cash (used) provided by financing activities	**196,690**	**(2,693,140)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(932,050)**	**4,427,760**
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**5,004,730**	**2,032,390**
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 4,072,680**	**$ 6,460,150**

SCO Family of Services, Inc.

Statement of Unrestricted Functional Revenues and Expenses

For the Nine Month Period Ended March 31, 2018

Description	Foster Care Services	Family Support Services	Early Childhood Services	Special Needs & Behavioral Health Services	Education & Youth Development Services	Shelters & Homeless Services	Program Support	Total Program Services	Management & Other Indirect Costs	Fundraising & Development Costs	Total
REVENUE											
Government Revenues	$ 47,354,140	$ 10,241,130	$ 9,597,890	$ 57,238,340	$ 24,496,320	$ 23,005,260	$ -	$ 171,933,080	$ -	$ -	$ 171,933,080
Foundations and Other Grants	121,790	1,059,710	1,348,730	-	1,716,550	-	500	4,247,280	-	318,990	4,566,270
Contributions	1,580	14,550	-	420	45,260	950	-	62,760	-	121,490	184,250
Special Events	-	2,390	-	-	16,160	-	-	18,550	-	414,410	432,960
Other Income	22,760	1,330	80,630	709,280	1,690	14,930	1,930	832,550	360,820	70	1,193,440
Endowment Draw	-	-	-	-	-	-	-	-	1,329,750	-	1,329,750
Net Assets Released From Restrictions	85,040	68,900	-	51,390	75,560	6,530	4,170	291,590	-	3,100	294,690
Total Operating Revenues	**47,585,310**	**11,388,010**	**11,027,250**	**57,999,430**	**26,351,540**	**23,027,670**	**6,600**	**177,385,810**	**1,690,570**	**858,060**	**179,934,440**
EXPENSES											
Personnel Expenses											
Salaries	18,075,460	6,545,210	4,645,790	29,031,030	14,231,130	6,090,650	4,713,250	83,332,520	6,616,820	505,920	90,455,260
Employee Fringe Benefits	6,570,580	2,451,730	1,736,560	9,977,100	4,688,870	2,221,900	1,745,300	29,392,040	2,497,960	235,390	32,125,390
Sub - Total Personnel Expenses	**24,646,040**	**8,996,940**	**6,382,350**	**39,008,130**	**18,920,000**	**8,312,550**	**6,458,550**	**112,724,560**	**9,114,780**	**741,310**	**122,580,650**
OTPS											
Foster Care Pass Thru	7,627,370	-	-	1,390	-	-	-	7,628,760	-	-	7,628,760
Professional Fees	485,630	17,550	47,660	64,620	107,400	11,740	17,260	751,860	2,106,280	19,050	2,877,190
Contractual Services	349,400	156,550	2,059,820	1,884,720	848,740	2,268,400	39,920	7,607,550	49,700	-	7,657,250
Utilities	461,950	60,470	6,790	620,730	237,480	731,180	160,310	2,278,910	119,550	-	2,398,460
Telephone & Internet	175,130	45,920	53,480	251,870	115,270	86,670	89,930	818,270	145,190	7,210	970,670
Transportation & Staff Travel	414,710	101,570	16,950	573,210	117,300	44,610	55,410	1,323,760	53,320	2,900	1,379,980
Repairs & Maintenance	616,740	46,150	92,620	1,185,600	361,400	1,187,210	220,850	3,710,570	59,060	-	3,769,630
Postage & Supplies	644,240	87,240	185,810	652,020	305,940	432,820	209,230	2,517,300	659,360	40,420	3,217,080
Program Activities/Incidentals	856,350	108,740	112,130	2,247,980	410,670	103,170	4,330	3,843,370	140	4,580	3,848,090
Food	892,110	21,140	806,510	957,110	128,590	762,880	2,010	3,570,350	-	90	3,570,440
Rental & Lease Expense	809,210	383,680	170,310	1,065,840	325,670	7,291,470	289,200	10,335,380	54,340	1,790	10,391,510
Recruiting & Staff Development	56,440	16,100	56,270	38,960	99,030	8,700	103,540	379,040	90,890	69,890	539,820
Insurance	877,170	172,440	125,410	1,211,070	508,510	309,980	230,960	3,435,540	244,400	13,500	3,693,440
Fees, Assessments & Taxes	66,830	1,500	1,220	467,030	17,110	256,660	57,970	868,320	442,940	11,330	1,322,590
Interest	93,260	3,270	-	244,500	134,700	3,900	3,470	483,100	443,750	-	926,850
Depreciation & Amortization	556,560	135,960	1,910	947,830	638,430	52,870	266,650	2,600,210	428,320	440	3,028,970
Special Events	-	-	-	2,050	5,520	-	-	7,570	-	94,710	102,280
Program Support Allocations	3,854,140	201,710	282,820	2,755,640	670,640	363,300	(8,209,590)	(81,340)	50,560	30,780	-
Sub-Total OTPS	**18,837,240**	**1,559,990**	**4,019,710**	**15,172,170**	**5,032,400**	**13,915,560**	**(6,458,550)**	**52,078,520**	**4,947,800**	**296,690**	**57,323,010**
Management and General Allocation	3,866,710	927,590	944,120	4,784,420	2,106,130	1,338,160	-	13,967,130	(14,062,580)	95,450	-
Total Expenses	**47,349,990**	**11,484,520**	**11,346,180**	**58,964,720**	**26,058,530**	**23,566,270**	**-**	**178,770,210**	**-**	**1,133,450**	**179,903,660**
Surplus / Deficit) Before Prior Year Revenue and Provision for Additional Spending	**235,320**	**(96,510)**	**(318,930)**	**(965,290)**	**293,010**	**(538,600)**	**6,600**	**(1,384,400)**	**1,690,570**	**(275,390)**	**30,780**
Prior Year Revenue	166,240	(3,640)	3,200	324,220	(3,910)	257,550	-	743,660	487,730	-	1,231,390
Provision for Additional Spending	495,420	-	-	644,170	378,810	20,450	-	1,538,850	-	-	1,538,850
Net Surplus / (Deficit)	**$ (93,860)**	**$ (100,150)**	**$ (315,730)**	**$ (1,285,240)**	**$ (89,710)**	**$ (301,500)**	**$ 6,600**	**$ (2,179,590)**	**$ 2,178,300**	**$ (275,390)**	**$ (276,680)**

APPENDIX C-V

SINERGIA, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF MARCH 31, 2018)

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Sinergia, Inc.
Statement of Financial Position
(with comparative totals for 2016)

March 31,	*2,018*	March 31, 2017
Assets		
Current:		
Cash and cash equivalents	950,406	943,697
Consumer funds	47,433	27,844
Accounts receivable, net of allowance for doubtful respectively	1,484,431	1,296,884
Prepaid expenses and other current assets	260,997	57,128.25
Total Current Assets	2,743,268	2,325,553
Assets Whose Use is Limited	187,898	187,335
Security Deposits	103,346	109,340
Fixed Assets, Net	1,406,747	235,292
Total Assets	4,441,258	2,857,519
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	174,565	234,156
Accrued compensation	119,092	303,291
Due to Medicaid	-	0
Mortgage Payable	1,165,451	
Consumer funds	47,433	11,137
Deferred revenue	17,893	27,844
Total Current Liabilities	1,524,435	576,427
Deferred Rent	798,792	793,699
Total Liabilities	2,323,227	1,370,126
Commitments and Contigencies		
Net Assets		
Unrestricted	2,118,031	1,487,393
Total Liabilities and Net Assets	4,441,258	2,857,519

Sinergia, Inc.
Statement of Activities
(with comparative totals for 2017)

Period	MARCH 31, 2018	March 31, 2017
	(Unrestricted)	
Public Support and Revenue:		
Program service fees	7,849,176	7,633,253
Prior period revenue	68,814	61,553
Grant revenues	945,942	728,178
Contributions	5,387	4,415
Other	7,284	24,366
Total Public Support and Revenue	**8,876,603**	**8,451,765**
Expenses:		
Program services:		
Residential services	3,706,687	3,806,597
Day habilitation services	839,966	910,853
Family support services	356,586	377,759
Housing assistance	-	85,880
Case management	608,877	625,943
Parent training service	114,791	110,436
Division of Housing and Community Renewal	69,000	67,838
Autism	146,250	172,628
Supported employment	77,505	101,657
Community services	990,810	1,291,350
Total Program Services	**6,910,472**	**7,550,941**
Supporting service expenses:		
Management and general	1,333,759	1,014,380
Fundraising	1,733	191
Total Supporting Service Expenses	1,335,492	1,014,572
Total Expenses	8,245,964	8,565,512
Change in Net Assets	630,638	-113,747
Net Assets, Beginning of Year	1,487,393	1,601,140
Net Assets, End of Year	**2,118,031**	**1,487,393**

APPENDIX C-VI

YOUNG ADULT INSTITUTE, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF MARCH 31, 2018)

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YAI Seeing beyond disability.

Balance Sheet - Unaudited

	Unaudited 3/31/2018	Unaudited 3/31/2017	$ Change	% Change
ASSETS				
Current assets				
Cash and cash equivalents	15,599,984	22,985,660	(7,385,676)	-32.13%
Investments	15,975,759	18,409,437	(2,433,678)	-13.22%
Accounts Receivable	19,703,787	23,423,747	(3,719,960)	-15.88%
Other receivable	910,527	1,142,941	(232,414)	-20.33%
Prepaid expenses and other receivables	1,419,010	1,150,223	268,787	23.37%
Bond issuance costs net	1,242,869	1,449,135	(206,266)	-14.23%
Property and equipment	34,958,349	33,768,098	1,190,251	3.52%
Assets limited as to use	2,352,080	2,507,711	(155,631)	-6.21%
Deferred charges	52,190	119,187	(66,997)	-56.21%
Total assets	$ 92,214,556	$ 104,956,139	(12,741,584)	-12.14%
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	14,635,764	17,108,007	(2,472,243)	-14.45%
Other Liabilities	3,240,558	4,822,009	(1,581,450)	-32.80%
Due to Funding Sources	6,500,729	5,384,726	1,116,003	20.73%
Notes and mortgages payable	30,751,867	33,817,181	(3,065,314)	-9.06%
Capital lease obligations	33,831	347,493	(313,662)	-90.26%
Deferred Rent	3,393,140	3,375,218	17,922	0.53%
Total liabilities	58,555,889	64,854,634	6,298,744	9.71%
Net Assets				
Unrestricted	32,958,061	39,205,487	(6,247,426)	-15.94%
Temporarily restricted	700,606	896,019	(195,413)	-21.81%
Total Net Assets	33,658,667	40,101,506	(6,442,839)	-16.07%
Total liabilities and net asset	$ 92,214,556	104,956,140	(12,741,584)	-12.14%

YAI Seeing beyond disability.

Statement of Activities

	Unaudited 3/31/2018	Unaudited 3/31/2017	$ Change	% Change
Operating revenues	$ 127,497,462	$ 132,128,734	(4,631,272)	-3.51%
Operating expenses	128,547,910	124,997,954	3,549,956	2.84%
Change in unrestricted net assets from operations	(1,050,448)	7,130,780	(8,181,228)	-114.73%
Nonoperating net revenues (loss)	276,277	293,257	(16,980)	-5.79%
Change in unrestricted net assets	(774,171)	7,424,037	(8,198,208)	-110.43%
Net assets - beginning of year	34,432,838	32,677,469	1,755,369	5.37%
Net assets - end of year	$ 33,658,667	$ 40,101,506	(6,442,839)	-16.07%

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 2018A Resolution or the Loan Agreements and used in this Official Statement.

Account means each account created and established in any fund under the Resolution as created and established pursuant to the Applicable Series Resolution, including each Project Loan Account and each Debt Service Account.

Accounts Receivable means, with reference to a Participant, all of a Participant's accounts receivable derived from the use or operation of any of its properties, including the Project Property, but excluding Pledged Revenues.

Act means the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as amended, and constituting Title 4 of Article 8 of the Public Authorities Law), as amended from time to time, including, but not limited to, Chapter 471 of the Laws of 2009, 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 August 1, 2018, among DASNY, the Program Facilitator and the Series Participants.

Allocable Portion means with respect to a Series of Bonds, an Applicable Participant's proportionate share of certain obligations arising under such Series of Bonds from time to time and under the Applicable Loan Agreement, particularly with respect to the Debt Service Reserve Fund Requirement, if any, the Arbitrage Rebate Fund and Costs of Issuance, in each case corresponding to the principal amount of the Applicable Loan made to such Participant by DASNY with proceeds of such Series of Bonds and determined by the Applicable Series Resolution or Applicable Bond Series Certificate; provided, however, that with respect to the payment of principal, Sinking Fund Installments and Redemption Price, if any, of and interest on such Series of Bonds, Allocable Portion shall mean that portion of each such payment designated in Exhibit D attached to the Applicable Loan Agreement as being allocable to such Participant, as the same may be adjusted from time to time to reflect any prepayments of the Applicable Loan by or on behalf of such Participant.

Annual Administrative Fee means the annual fee for the general administrative expenses of DASNY in the amount or percentage stated in each of the Loan Agreements relating to the Loans made thereunder.

Applicable means:

(i) with respect to a particular Loan or Project referred to in the Resolution, the Loan and the Project established and undertaken with respect to a particular Participant and particular Project as described in a particular Loan Agreement;

(ii) with respect to any Account, the Account established with respect to a particular Participant in connection with such Participant's Allocable Portion of a particular Series of Bonds;

(iii) with respect to any Series Resolution, the Series Resolution relating to a particular Projects or Projects and/or a particular Series of Bonds;

(iv) with respect to any Series of Bonds, the Series of Bonds issued under a Series Resolution for a particular Project or Projects for the particular Participant or Participants;

(v) with respect to any Loan Agreement, the Loan Agreement entered into by and between a particular Participant and DASNY, relating to a particular Project or Projects for such Participant financed or refinanced with such Participant's Allocable Portion of a particular Series of Bonds;

(vi) with respect to a Bond Series Certificate, such certificate authorized pursuant to a particular Series Resolution;

(vii) with respect to any Supplemental Resolution, any such Resolution supplementing a particular Series Resolution;

(viii) with respect to a Participant, the Participant undertaking the obligations set forth in the Applicable Loan Agreement;

(ix) with respect to a Paying Agent, the Paying Agent accepting the responsibility to perform the obligations set forth therefor with respect to a particular Series of Bonds;

(x) with respect to Revenues, the Revenues pledged to the payment of a particular Series of Bonds pursuant to the Resolution and an Applicable Series Resolution;

(xi) with respect to Pledged Revenues, the Pledged Revenues pledged by the Participants as security for their respective obligations under the Applicable Loan Agreements; and

(xii) with respect to a Facility Provider, the Facility Provider that has provided a Reserve Fund Facility with respect to a particular Series of Bonds.

Applicable State Agency means OPWDD, OMH, OASAS or any other division, department, office or agency of the State that is a source of Pledged Revenues of a Participant whether as PPA Revenues or Non-PPA Revenues.

Arbitrage Rebate Fund means the fund so designated and established by a Series Resolution pursuant to the Resolution.

Authority Fee means a fee payable to DASNY upon the issuance of any Series of Bonds authorized under the Resolution in an amount set forth in the Applicable Series Resolution, unless otherwise provided in the Applicable Series Resolution or Applicable Bond Series Certificate.

Authorized Newspaper means The Bond Buyer or any other newspaper of general circulation printed in the English language and customarily published at least once a day for at least five (5) days (other than legal holidays) in each calendar week in the Borough of Manhattan, City and State of New York, designated by DASNY.

Authorized Officer means (i) in the case of DASNY, the Chair, the Vice Chair, the Executive Director, the Deputy Executive Director, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Managing Director of Public Finance and Portfolio Monitoring, the Managing Director of Construction, the General Counsel, the Secretary and any Assistant Secretary, and when used with reference to any act or document also means any other person authorized by a resolution or the by-laws of

DASNY to perform such act or execute such document; (ii) in the case of any Participant, the person or persons authorized by a resolution or the by-laws of such Participant to perform any act or execute any document; (iii) in the case of the Trustee, the President, a Vice President, an Assistant Vice President, a Corporate Trust Officer, a Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of such Trustee or the by-laws of such Trustee; and (iv) in the case of any Insurer, the person or persons authorized by a resolution or bylaws of the Insurer to perform any act or execute any document.

Balloon Indebtedness means, with reference to any Participant, (i) long-term Indebtedness, or short-term Indebtedness which is intended to be refinanced upon or prior to its maturity (and which short-term Indebtedness is subject to a commercially reasonable binding commitment for such refinancing) so that such short-term Indebtedness will be outstanding, in the aggregate, for more than one year as certified in a certificate of an Authorized Officer of such Participant delivered to DASNY and the Trustee, twenty-five percent (25%) or more of the initial principal amount of which matures (or is payable at the option of the holder) in any twelve month period, or (ii) long-term Indebtedness, or short-term Indebtedness which is intended to be refinanced upon or prior to its maturity (and which short-term Indebtedness is subject to a commercially reasonable binding commitment for such refinancing) so that such short-term Indebtedness will be outstanding, in the aggregate, for more than one year as certified in a certificate of an Authorized Officer of such Participant delivered to DASNY and the Trustee, twenty-five percent (25%) or more of the initial principal amount of which is payable at the option of the holder in any twelve month period, if such twenty-five percent (25%) or more is not to be amortized to below twenty-five percent (25%) by mandatory redemption prior to such twelve month period, or (iii) any portion of an issue of long-term Indebtedness which, if treated as a separate issue of Indebtedness would meet the test set forth in clause (i) of this definition and which Indebtedness is designated as Balloon Indebtedness in a certificate of an Authorized Officer of such Participant delivered to DASNY and the Trustee stating that such portion shall be deemed to constitute a separate issue of Balloon Indebtedness.

Bond or **Bonds** means the InterAgency Council Pooled Loan Program Revenue Bonds and any of the bonds of DASNY authorized pursuant to the Resolution and issued pursuant to an Applicable Series Resolution.

Bond Counsel means an attorney or a law firm, appointed by DASNY with respect to a particular Series of Bonds, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

Bond Series Certificate means a certificate of an Authorized Officer of DASNY fixing terms, conditions and other details of Bonds of a Series in accordance with the delegation of power to do so under a Series Resolution.

Bond Year means, unless otherwise provided in an Applicable Series Resolution or Applicable Bond Series Certificate, a period of twelve (12) consecutive months beginning July 1 in any calendar year and ending on June 30 of the succeeding calendar year.

Bondholder, Holder of Bonds, Owner or **Holder** or any similar term, when used with reference to a Bond or Bonds of a Series, means the registered owner of any Outstanding Bonds of such Series.

Book Entry Bond means any Bond issued hereunder in book entry form pursuant to the Resolution.

Business Day means, unless otherwise defined with respect to Bonds of a Series in an Applicable Series Resolution or Applicable Bond Series Certificate, any day other than a Saturday, Sunday or a day on which the Trustee is authorized by law to remain closed.

Code means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

Comptroller means the Comptroller of the State of New York.

Contract Documents means any general contract or agreement for the construction of a Project Property, notice to bidders, information for bidders, form of bid, general conditions, supplemental general conditions, general requirements, supplemental general requirements, bonds, plans and specifications, addenda, change orders, and any other documents entered into or prepared by or on behalf of a Participant relating to the construction of a Project Property, and any amendments to the foregoing.

Contribution Amounts means amounts received by a Participant and deposited in the Applicable Project Loan Account of the Project Loan Fund or the Applicable Debt Service Account of the Debt Service Fund pursuant to the Applicable Loan Agreement, which amounts shall constitute Revenues.

Cost or Costs of Issuance means the item or items of expense incurred in connection with the authorization, sale and issuance of Bonds authorized under the Resolution, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee, legal fees and charges, professional consultants' fees, fees and charges for execution, transportation and safekeeping of such Bonds, premiums, fees and charges for Municipal Bond Insurance Policies for such Bonds or for Mortgage Insurance Policies, costs and expenses of refunding such Bonds and other costs, charges and fees, including those of DASNY, in connection with the foregoing.

Cost or Costs of the Project means, with respect to an Applicable Project or any portion thereof, costs and expenses or the refinancing of costs and expenses determined by DASNY to be necessary in connection therewith, including, but not limited to, (i) costs and expenses of the acquisition of the title to (including premiums and other charges in connection with obtaining title insurance) or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses incurred for labor and materials and payments to contractors, builders and materialmen for the acquisition, construction, reconstruction, rehabilitation, renovation, repair and improvement of such Project, (iii) the cost of surety bonds and insurance of all kinds that may be required or necessary prior to completion of such Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction of such Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs which the Applicable Participant shall be required to pay for the acquisition, construction, reconstruction, rehabilitation, renovation, repair, improvement and equipping of such Project, (vii) any sums required to reimburse the Applicable Participant or DASNY for advances made by either of them for any of the above items or for other costs incurred and for work done by either of them in connection with such Project (including interest on moneys borrowed from parties other than such Applicable Participant), (viii) interest on the Bonds of a Series prior to, during and for a reasonable period after completion of the acquisition, construction, reconstruction, rehabilitation, renovation, repair, improvement or equipping of such Project, and (ix) fees, expenses and liabilities of DASNY incurred in connection with such Project or pursuant to the Resolution, to the Applicable Series Resolution or to any Applicable Loan or Applicable Loan Agreement.

DASNY means the Dormitory Authority of the State of New York, a body corporate and politic constituting a public benefit corporation of the State created by the Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the rights, powers, duties and functions of DASNY.

Debt Service Account means each of the respective accounts so designated, created and established in the Applicable Debt Service Fund pursuant to the Applicable Series Resolution.

Debt Service Fund means the fund so designated, created and established for a Series of Bonds by an Applicable Series Resolution pursuant to the Resolution.

Debt Service Reserve Fund means a reserve fund, if any, for the payment of the principal and Sinking Fund Installments of and interest on a Series of Bonds, so designated, created and established by DASNY by or pursuant to an Applicable Series Resolution.

Debt Service Reserve Fund Requirement means the amount of moneys required to be deposited in the Debt Service Reserve Fund, if any, established with respect to a Series of Bonds as determined in accordance with the Applicable Series Resolution or Applicable Bond Series Certificate.

Defaulted Allocable Portion means with respect to an event of default on a particular Series of Bonds pursuant to the Resolution, that portion of each maturity of such Series of Bonds then Outstanding that corresponds to a principal installment on a defaulting Participant's Applicable Loan under the terms of the Applicable Loan Agreement, in each case as determined by the Trustee in the manner set forth in the Resolution.

Defeasance Security means:

(i) a Government Obligation of the type described in clauses (i), (ii) or (iii) of the definition of Government Obligation;

(ii) a Federal Agency Obligation described in clauses (i) or (ii) of the definition of Federal Agency Obligation; and

(iii) an Exempt Obligation, provided such Exempt Obligation (a) is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (b) is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (a) above, (c) as to which the principal of and interest on the direct obligations of the United States of America which have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (a) above, and (d) is rated by at least two nationally recognized statistical rating services in the highest rating category for such Exempt Obligation;

provided, however, that (1) such term shall not include any interest in a unit investment trust or mutual fund or (2) any obligation that is subject to redemption prior to maturity other than at the option of the holder thereof.

Excess Earnings means, with respect to an Applicable Series of Bonds, the amount equal to the rebatable arbitrage and any income attributable to the rebatable arbitrage as required by the Code.

Exempt Obligation means:

(i) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which is excludable from gross income under Section 103 of the Code, which is not a "specified private activity bond" within the meaning of Section 57(a)(5) of the Code and which, at the time an investment therein is made or such obligation is deposited in any fund or account under the Resolution, is rated, no lower than the second highest rating category for such obligation by at least two Rating Services; and

(ii) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1940, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, whose objective is to maintain a constant share value of $1.00 and which, at the time such investment is rated, no lower than the second highest rating category for such obligation by at least two Rating Services.

Facility Provider means the issuer of a Reserve Fund Facility.

Federal Agency Obligation means:

(i) an obligation issued by any federal agency or instrumentality rated no lower than the second highest rating category for such obligation by at least two Rating Services;

(ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by a federal agency or instrumentality, and which is rated no lower than the second highest rating category for such obligation by at least two Rating Services;

(iii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, any of the foregoing; and

(iv) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations and whose objective is to maintain a constant share value of $1.00.

Fiscal Year means, with reference to a Participant, the duly adopted fiscal year of the Participant.

Fitch means Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns.

Government Obligation means:

(i) a direct obligation of the United States of America;

(ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by the United States of America;

(iii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, any of the foregoing; and

(iv) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations and whose objective is to maintain a constant share value of $1.00.

Governmental Requirements means any present and future laws, rules, orders, ordinances, regulations, statutes, requirements and executive orders applicable to any Project or any Project Property, of the United States, the State and any political subdivision thereof, and any agency, department, commission, board, bureau or instrumentality of any of them, now existing or hereafter created, and having or asserting jurisdiction over any Project or any Project Property or any part of either.

Gross Proceeds means, with respect to an Applicable Series of Bonds, unless inconsistent with the provisions of the Code, (i) amounts received by DASNY from the sale of such Series of Bonds (other than amounts used to pay underwriters' fees and other expenses of issuing such Series of Bonds), (ii) amounts treated as transferred proceeds of such Series of Bonds in accordance with the Code, (iii) amounts treated as proceeds under the provisions of the Code relating to invested sinking funds, including any necessary allocation between two or more Series of Bonds in the manner required by the Code, (iv) amounts in the Debt Service Reserve Fund, if any, established with respect to such Series of Bonds, (v) securities or obligations pledged by DASNY or the Participant as security for payment of debt service on such Bonds, (vi) amounts received with respect to obligations acquired with Gross Proceeds, (vii) amounts used to pay debt service on such Series of Bonds, and (viii) amounts received as a result of the investment of Gross Proceeds at a yield equal to or less than the yield on such Series of Bonds as such yield is determined in accordance with the Code.

Indebtedness means, with respect to a Participant, without duplication, (i) all obligations of such Participant recorded or required to be recorded as liabilities on the balance sheets thereof for the payment of moneys incurred or assumed by such Participant as determined in accordance with generally accepted accounting principles consistently applied (exclusive of reserves such as those established for deferred taxes) and (ii) all contingent obligations in respect of, or to purchase or otherwise acquire or service, indebtedness of other persons, including but not limited to guarantees and endorsements (other than for purposes of collection in the ordinary course of business) of indebtedness of other persons, obligations to reimburse issuers of letters of credit or equivalent instruments for the benefit of any person, and contingent obligations to repurchase property theretofore sold by such contingent obligor. For the purposes of calculating Indebtedness for any period with respect to any Balloon Indebtedness, the Participant may, at its option, by a certificate of an Authorized Officer of such Participant delivered to DASNY and the Trustee at the end of each Fiscal Year, direct that such Indebtedness may be calculated assuming that (i) the principal of such Indebtedness that is not amortized is amortized on a level debt service basis from the date of calculation thereof over a term not to exceed thirty (30) years, and (ii) interest is calculated at (A) the actual rate (if such rate is not variable or undeterminable) or (B) if such rate is variable or undeterminable, an assumed rate derived from The Bond Buyer Thirty-year Revenue

Bond Index published immediately prior to the date of calculation, as certified in a certificate of an Authorized Officer of such Participant delivered to DASNY and the Trustee; provided that if such index is at such time not being published a comparable index reasonably acceptable to DASNY and the Trustee may be used.

Insurance Consultant means, with reference to a Participant, a person or firm which is qualified to survey risks and to recommend insurance coverage for a Participant's facilities and services and organizations engaged in like operations and which is selected by the Applicable Participant.

Intercept Agreement means, when used with respect to a Participant, any agreement or agreements between the Participant and an Applicable State Agency or Agencies or a letter or letters from the Participant to an Applicable State Agency, as acknowledged by the Applicable State Agency, dated or effective the date of the issuance of the Series 2018A 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 the Participants pursuant to the provisions of the Resolution, the Applicable Series Resolution and the Applicable Loan Agreement relating thereto in an amount equal to the Participant's Allocable Portion of the principal amount of a Series of Bonds. Each Loan shall relate to a particular Project or Projects for a particular Participant including amounts required to pay such Participant's Allocable Portion of the Costs of Issuance, Costs of the Project related to such Loan and the Debt Service Reserve Fund Requirement, if any, established for such Series of Bonds.

Loan Agreement or **Loan Agreements** mean each of the Loan Agreements or other agreement, between DASNY and the Applicable Participant in connection with each Loan made under the Resolution, as the same may from time to time be amended, supplemented or otherwise modified as permitted by the Resolution and by the Loan Agreement.

Loan Repayments means the scheduled monthly payments of principal of and interest on the Loan paid by a Participant pursuant to the Applicable Loan Agreement.

Management Consultant means, with reference to a Participant, a nationally recognized accounting or management consulting firm or other similar firm, experienced in reviewing and assessing operations of organizations similar to the Participants, acceptable to DASNY.

Moody's means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns.

Mortgage means, collectively, any fee or leasehold mortgage or mortgages granted by any of the Participants, or a party related to any Participant, to DASNY in connection with the granting of a particular Loan under the Resolution, in form and substance satisfactory to DASNY, on the Mortgaged Property mortgaged in connection therewith, as security for the performance of said Participants' obligations under the Applicable Loan Agreement, as such Mortgage may be amended or modified as provided in such Loan Agreement.

Mortgaged Property means the land or interest therein described in any Mortgage and the buildings and improvements thereon or thereafter erected thereon and the fixtures, furnishings and equipment owned by the Applicable Participant and now or hereafter located therein or thereon.

Non-PPA Expenses means, with reference to a Participant, all operating and nonoperating expenses of such Participant other than PPA Expenses.

Non-PPA Facility means, with reference to a Participant, any Project Property of such Participant or portion thereof which is, or was, not subject to the Prior Property Approval process incorporated in New York State Codes, Rules and Regulations, Title 14, Parts 681, 686 and 690, as amended from time to time.

Non-PPA Indebtedness means, with reference to a Participant, any Indebtedness incurred by such Participant to finance, in whole or in part, a Non-PPA Facility. Indebtedness incurred by such Participant with respect to a Project Property only a portion of which constitutes a Non-PPA Facility shall constitute Non-PPA Indebtedness to the extent such Indebtedness financed the Non-PPA Facility portion of such Project Property.

Non-PPA Revenues means, with reference to a Participant, all operating and nonoperating revenues of such Participant other than PPA Revenues.

OASAS means the New York State Office of Alcoholism and Substance Abuse Services, any successor or assign.

Official Statement means an official statement or other offering document relating to and in connection with the sale of any Bonds of a Series.

OMH means the New York State Office of Mental Health, any successor or assign.

OPWDD means the New York State Office for People with Developmental Disabilities (formerly known as the New York State Office of Mental Retardation and Developmental Disabilities), any successor or assign.

Outstanding, when used in reference to an Applicable Series of Bonds means, as of a particular date, all Bonds of such Series authenticated and delivered under the Resolution and under the Applicable Series Resolution except: (i) any such Bond cancelled by the Trustee at or before such date; (ii) any such Bond or Bonds deemed to have been paid in accordance with the Resolution; and (iii) any such Bond or Bonds in lieu of or in substitution for which another such Bond shall have been authenticated and delivered pursuant to the Resolution.

Participant or **Participants** collectively means each or all of the not-for-profit members of the Program Facilitator for whose benefit DASNY shall have issued Bonds under the Resolution and with whom DASNY shall have executed one or more Loan Agreements as particularly defined in the Applicable Series Resolution.

Paying Agent means, with respect to a Series of Bonds, the Trustee and any other bank or trust company and its successor or successors, appointed pursuant to the provisions of the Resolution or of the Applicable Series Resolution, the Applicable Bond Series Certificate or any other resolution of DASNY adopted prior to authentication and delivery of such Bonds for which such Paying Agent or Paying Agents shall be so appointed.

Permitted Collateral means:

(i) Government Obligations described in clauses (i) or (ii) of the definition of Government Obligations;

(ii) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations;

(iii) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) is rated in the highest short term rating category by at least one Rating Service and (c) is issued by a domestic corporation whose unsecured senior debt is rated by at least one nationally recognized statistical rating service no lower than in the second highest rating category;

(iv) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company (a) that has an equity capital of at least $125,000,000, (b) is rated by Bests Insurance Guide or a nationally recognized statistical rating service in the highest rating category, and (c) which regularly deals in such agreements, bonds or instruments; and

(v) bankers' acceptances that (a) mature within three hundred sixty-five (365) days after its date of issuance, and (b) are issued by a bank rated in the highest short term rating category by at least one Rating Service.

Permitted Encumbrances means with respect to a Participant, (i) the Applicable Loan Agreement; (ii) the Resolutions; (iii) the Mortgage, if any; (iv) any instrument recorded pursuant to the Loan Agreement; (v) any encumbrances or matters set forth in the Applicable Loan Agreement, including matters referred to in any title insurance policy described in the Loan Agreement and accepted by DASNY; (vi) any mortgage or other lien or encumbrance in connection with any additional Bonds issued under the Resolution approved in writing by DASNY; (vii) liens for real estate taxes, assessments, levies and other governmental charges, the payment of which is not in default; (viii) with respect to each Participant, utility, access and other easements and rights-of-way, restrictions and exceptions that will not interfere with or impair the Participant's use of its Project Property; (ix) as to any Project Property, such minor defects, irregularities, encumbrances, easements, rights-of-way (including agreements with any railroad the purpose of which is to service a railroad siding) and clouds on title as normally exist with respect to property similar in character to the Project Property and as do not, in the opinion of counsel acceptable to DASNY, either singly or in the aggregate, materially impair the property affected thereby for the purpose for which it was acquired and operated under this Loan Agreement; (x) any mechanics', workmen's, repairmen's, materialmen's, contractors', warehousemen's, carriers', suppliers' or vendors' lien or right in respect thereof if payment is not yet due and payable, all if and to the extent permitted by the Mortgage, if any; (xi) with respect to each Participant, any subordinate mortgage granted as security for bonds issued by DASNY or another issuer of bonds after the date of issuance of the Bonds, up to an amount approved by OPWDD, OMH or OASAS, as applicable, for the purpose of financing the cost of renovating, constructing, equipping or completing a Project or a Project Property, and any loan agreement, or any related company lease and installment sale agreement between the Participant and the issuer of such bonds leasing or selling such Project Property, any indenture of trust between such issuer and a trustee with respect to such bonds, or any building loan agreement among the Issuer of such bonds, the Participant and a trustee, in each case in connection with such financing; and (xii) any other encumbrances or matters approved in writing by DASNY after the date of delivery of the Bonds.

Permitted Investments means:

(i) Government Obligations;

(ii) Federal Agency Obligations;

(iii) Exempt Obligations;

(iv) uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State;

(v) collateralized certificates of deposit that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than $125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, are rated by at least one nationally recognized statistical rating service in at least the second highest rating category, and (b) fully collateralized by Permitted Collateral;

(vi) Investment Agreements that are fully collateralized by Permitted Collateral; and

(vii) Permitted Collateral of the type described in clauses (iii) and (v) of the definition of Permitted Collateral.

Person means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

Pledged Revenues means, with reference to a Participant, the revenues of the Participant constituting the Public Funds attributable to the Applicable Project or the Project Property.

PPA Expenses means, with reference to a Participant, all operating and nonoperating expenses properly incurred by such Participant with respect to a PPA Facility in accordance with the Prior Property Approval received by such Participant with respect to such PPA Facility.

PPA Facility means, with reference to a Participant, any facility of such Participant which was, or will be, approved by OPWDD pursuant to the Prior Property Approval process incorporated in New York State Codes, Rules and Regulations, Title 14, Parts 681, 686 and 690, as amended from time to time.

PPA Revenues means, with reference to a Participant, revenues received by such Participant with respect to a PPA Facility intended to amortize the PPA Expenses incurred with respect to such PPA Facility.

Prior Pledges means, with reference to the Pledged Revenue of a Participant, any liens, pledges, charges, encumbrances and security interests made and given by a Participant to secure prior obligations of such Participant as described in such Loan Agreement.

Prior Property Approval or **PPA** means the pre-approval by OPWDD of a Project Property of a Participant for reimbursement of amounts calculated to be sufficient to pay the principal and interest costs incurred by the Participant in connection with its financing or refinancing of the acquisition, renovation and furnishing, as applicable, of such Project Property, in each case subject to annual appropriation by the

State Legislature and so long as the Participant operates the Project Property in accordance with certain defined standards.

Program Facilitator means Interagency Council of Developmental Disabilities Agencies, Inc., as program facilitator under the Administration Agreement, and its successors in such capacity.

Project or **Projects** means, with respect to each Participant and each Loan under the Resolution, the acquisition, financing, refinancing, construction, reconstruction, renovation, development, improvement, expansion and equipping of certain educational, administrative, 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 2018A Facility** means the administrative, educational, day program and residential facilities and other attendant and related facilities owned or leased by a Participant and used in furtherance of the Participant's corporate purposes, including real property constituting the sites of such facilities and personal property located thereat, that are the subject of a Project described in the Applicable Loan Agreement. In the event that such Applicable Loan Agreement describes two or more Projects, depending on the context, the property that is the subject of one of the Projects or the properties that are the subject of all of the Projects (also referred to herein as the "Project Properties").

Public Funds means, with reference to a Participant, all moneys appropriated, apportioned or otherwise payable to a Participant by the Federal government, any agency thereof, the State, any agency of the State, a political subdivision, as defined in Section 100 of the General Municipal Law, any social services district in the State or any other governmental entity, including any Applicable State Agency.

Purchased Bonds means Bonds of a Series purchased by or at the direction of an Applicable Participant pursuant to the provisions of the Applicable Series Resolution or Applicable Bond Series Certificate as authorized by the Resolution.

Qualified Financial Institution means any of the following entities that has an equity capital of at least $125,000,000 or whose obligations are unconditionally guaranteed by an affiliate or parent having an equity capital of at least $125,000,000:

(i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (a) that is on the Federal Reserve Bank of New York list of primary government securities dealers and (b) whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt;

(ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the

International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of the United States of America, any state of the United States of America, whose unsecured long term debt or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, is, at the time an investment with it is made, rated by at least one Rating Service no lower than in the second highest rating category;

(iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity or which is a subsidiary of a foreign insurance company, whose senior unsecured long term debt or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, is, at the time an investment with it is made, rated by at least one Rating Service no lower than in the second highest rating category;

(iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, the Student Loan Marketing Association or any successor thereto, or any other federal agency or instrumentality approved by DASNY; or

(v) a corporation whose obligations, including any investments of any moneys held hereunder purchased from such corporation, are insured by an insurer that meets the applicable rating requirements set forth above.

Rating Service means each of Fitch, Moody's and S&P, in each case, which has assigned a rating to Outstanding Bonds of the Applicable Series at the request of DASNY, or their respective successors and assigns.

Record Date means, unless otherwise defined with respect to Bonds of a Series in an Applicable Series Resolution or Applicable Bond Series Certificate, the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding an interest payment date.

Redemption Price means, when used with respect to a Series of Bonds, the principal amount of such Bonds plus the applicable premium, if any, payable upon redemption thereof pursuant to the Resolution or to the Applicable Series Resolution or Applicable Bond Series Certificate; provided, however, when used with respect to an extraordinary mandatory redemption of a Defaulted Allocable Portion of a Series of Bonds, Redemption Price shall have the meaning set forth in the Resolution.

Refunding Bonds means all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered on original issuance pursuant to the Resolution, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds.

Reserve Fund Facility means a surety bond, insurance policy or Letter of Credit authorized by or pursuant to a Series Resolution establishing a Debt Service Reserve Fund to be delivered in lieu of or substitution of all or a portion of the moneys otherwise required to be held in such Debt Service Reserve Fund.

Resolution means 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 Participants means the Participants and each other member of the Program Facilitator which borrows from DASNY a portion of the proceeds of the Bonds.

Series Resolution means a resolution of the members of DASNY authorizing the issuance of a Series of Bonds, adopted by DASNY pursuant to the Resolution.

Series 2018A Resolution means DASNY's Series 2018A Resolution Authorizing Up to $22,000,000 InterAgency Council Pooled Loan Program Revenue Bonds, Series 2018A, adopted by DASNY on June 20, 2018, as the same may be amended, supplemented or otherwise modified pursuant to the terms thereof.

Sinking Fund Installment means, with respect to any Series or Subseries of Bonds, as of any date of calculation and with respect to any Bonds of such Series or Subseries, so long as any such Bonds are Outstanding, the amount of money required by the Applicable Series Resolution or the Applicable Bond Series Certificate to be paid on a single future July 1 for the retirement of any Outstanding Bonds of such Series which mature after such future July 1, but does not include any amount payable by DASNY by reason only of the maturity of such Bond, and such future July 1 is deemed to be the date when such Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be Bonds entitled to such Sinking Fund Installment.

State means the State of New York.

Subseries means the grouping of Bonds of a Series established by DASNY pursuant to the Applicable Series Resolution or the Applicable Bond Series Certificate.

Supplemental Resolution means any resolution of the members of DASNY amending or supplementing the Resolution, any Series Resolution or any Supplemental Resolution adopted and becoming effective in accordance with the terms of the Resolution.

Term Bonds means, with respect to Bonds of a Series, the Bonds so designated in an Applicable Series Resolution or an Applicable Bond Series Certificate and payable from Sinking Fund Installments.

Total Debt Service Coverage Ratio means, with reference to a Participant, the ratio for the applicable Fiscal Year of Total Net Revenues Available for Debt Service of the Participant to its Total Maximum Annual Debt Service.

Total Maximum Annual Debt Service means, with reference to a Participant, the greatest amount required in the then current or any future Fiscal Year to pay the debt service on any outstanding Indebtedness of such Participant; *provided, however*, that any short-term Indebtedness for the Participant's working capital purposes secured solely by a security interest in up to 90% of the Participant's Accounts Receivable shall not be included in "Indebtedness" for the purposes of this definition; *provided further* that the debt service for the final year of amortization of any Indebtedness shall not be included for purposes of this definition to the extent that such debt service is payable from any funded reserve(s) established with and held by a Person other than such Participant.

Total Net Revenues Available for Debt Service means, with reference to a Participant, for any Fiscal Year, the excess of Revenues, including the proceeds of business interruption insurance, over the Expenses accrued or paid by such Participant for such Fiscal Year as determined and reported by the independent certified public accountants of such Participant in its most recently audited financial statements. For purposes of this definition, as determined in accordance with generally accepted accounting principles, consistently applied, (i) extraordinary items shall be excluded from Revenues and Expenses, (ii) depreciation, amortization and current interest expenses shall be excluded from Expenses, and (iii) if the Indebtedness to be incurred or guaranteed is with respect to the refinancing of a Project Property, then "current interest expenses" for purposes of clause (ii) above and such Participant's additional Indebtedness covenant set forth in the Applicable Loan Agreement shall include the bona fide loan payments made by such Participant with respect to such Project Property in the Fiscal Year for which the determination is made.

Trustee means a bank or trust company appointed as Trustee for a Series of Bonds pursuant to an Applicable Series Resolution or an Applicable Bond Series Certificate delivered hereunder and having the duties, responsibilities and rights provided for herein with respect to such Series, and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant hereto.

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APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2018 LOAN AGREEMENTS

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SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2018 LOAN AGREEMENTS

The following is a brief summary of certain provisions of one Series 2018 Loan Agreement (or "Loan Agreement"), and the summarized provisions are identical to each Loan Agreement. This summary does not purport to be complete and reference is made to the Loan Agreements for full and complete statements of such and all provisions. Defined terms used herein shall have the meaning ascribed to them in Appendix D.

Duration of the Loan Agreement

The Loan Agreement shall remain in full force and effect until the Participants' Allocable Portion of the Bonds is no longer Outstanding, the Applicable Loan made under the Loan Agreement is no longer outstanding and until all other payments, expenses and fees payable under the Loan Agreement by the Participants shall have been made or provision made for the payment thereof; provided, however, that the liabilities and the obligations of the Participants under the Loan Agreement shall nevertheless survive any such termination. Upon such termination, DASNY shall promptly deliver such documents as may be reasonably requested by the Participants to evidence such termination and the discharge of each Participant's duties under the Loan Agreement, including the release or surrender of any security interests granted by any Participant to DASNY pursuant to the Loan Agreement.

(Section 48)

Construction of the Project Property

Each Participant agrees that, if the Project Property has not been completed, whether or not there are sufficient moneys available to it under the provisions of the Resolution and the Series Resolution and under the Loan Agreement, the Participant shall complete or cause the completion of the acquisition, design, construction, reconstruction, rehabilitation, renovation and improving or otherwise providing and furnishing and equipping of the Project Property, substantially in accordance with the Contract Documents related to such Project Property. Subject to the conditions of the Loan Agreement, DASNY will, to the extent of moneys available in the Applicable Project Loan Account of the Project Loan Fund, cause a Participant to be reimbursed for, or pay, any costs and expenses incurred by the Participant which constitute Costs of the Project, provided such costs and expenses are approved by DASNY, which approval shall not be unreasonably withheld.

(Section 5)

Amendment of Project; Sale or Conveyance of Project Property; Assignment of Loan Agreement; Cost Increases; Additional Bonds

The Project may be amended by agreements supplementing the Loan Agreement by and between DASNY and the Participants, to decrease, increase or otherwise modify the scope thereof. Any such increase may provide for the addition of any further acquisition, design, construction, reconstruction, rehabilitation, renovation, improving, or otherwise providing, furnishing and equipping of the Project Property which DASNY is authorized to undertake.

Except for Permitted Encumbrances, each Participant covenants that it shall not (nor permit any other Person to) transfer, sell, encumber or convey any interest in the Project or the Project Property or any part thereof or interest therein, including development rights, without the prior written consent of DASNY, which consent shall be accompanied by (i) an agreement by the Participants to comply with all terms and conditions of such consent and (ii) an opinion of Bond Counsel stating that the change will not have an effect on the tax-exempt status with respect to interest on the Subseries 2018A-1 Bonds or any portion thereof the proceeds of which have been applied to make the Applicable Loan under the Loan Agreement for federal income taxation purposes. As a condition to such approval, DASNY may require that the Participants pay to the Trustee for deposit in the Applicable Debt Service Account of the Debt Service Fund an amount not to exceed the principal amount of the Applicable Loan outstanding relating to a Project Property at the date of such transfer, sale or conveyance, as such amount is determined by DASNY based upon the applicable amortization schedule set forth in the Loan Agreement. Notwithstanding the foregoing, the Participants may remove equipment, furniture or fixtures in the Project Property or which comprise a part of the Project Property provided that the Participants substitute equipment, furniture or fixtures having a value and utility at least equal to the equipment, furniture or fixtures removed or replaced.

Each Participant covenants that it shall not sell, assign or transfer, nor shall it be released from, any of its obligations under the Loan Agreement without the prior written consent of DASNY, which consent shall be accompanied by (i) an agreement by the Participant and the assignee to comply with all terms and conditions of such consent and (ii) an opinion of Bond Counsel stating that the assignment will not have an effect on the tax-exempt status with respect to interest on the Subseries 2018A-1 Bonds or any portion thereof the proceeds of which have been applied to make the Applicable Loan under the Loan Agreement for federal income taxation purposes. In connection with any such assignment and assumption, such Participant and assignee shall execute and deliver such documents, certificates and agreements as may be required by DASNY, including but not limited to documents, certificates and agreements regarding the deduction, withholding and/or payment of Pledged Revenues in the amount required by the Loan Agreement.

Notwithstanding any other provision of the Loan Agreement, so long as there exists no Event of Default under the Loan Agreement, nor any event which upon the giving of notice or the passage of time or both, would constitute an Event of Default, in the event that the Project Property consists of two or more separate and distinct facilities, a Participant may, upon written notice to DASNY and the Trustee and compliance with the following, effect the release of a Project Property from the Loan Agreement and, if a Mortgaged Property, the lien of the Mortgage. Upon receipt of such notice, DASNY and the Trustee shall, at the sole cost and expense of the Participants, execute and deliver any and all instruments necessary or appropriate to so release and remove such Project Property from the Loan Agreement and if a Mortgaged Property, the lien of the Mortgage; provided, that, no such release shall be effected unless (i) the Participants shall cause Bonds allocable to such Project Property to cease to be Outstanding (either through the redemption or the defeasance provisions of the Resolution) and (ii) there shall be delivered to DASNY an opinion of Bond Counsel stating that such release will not have an effect on the tax-exempt status with respect to interest on the Subseries 2018A-1 Bonds or any portion thereof the proceeds of which have been applied to make the Applicable Loan under the Loan Agreement for federal income taxation purposes.

Notwithstanding any other provision of the Loan Agreement, so long as there exists no Event of Default under the Loan Agreement, nor any event which upon the giving of notice or the passage of time or both, would constitute an Event of Default, in the event that (y) the Project Property consists of two or more separate and distinct facilities, and (z) the Participants shall have paid in full the Bonds allocable to a Project Property according to the applicable amortization schedule attached to the Loan Agreement, a Participant may, upon written notice to DASNY and the Trustee, effect the release of such fully amortized Project Property from the Loan Agreement and, if a Mortgaged Property, the lien of the Mortgage. Upon receipt of such notice, DASNY and the Trustee shall, at the sole cost and expense of the Participants, execute and deliver any and all instruments necessary or appropriate to so release and remove such Project Property from the Loan Agreement and if a Mortgaged Property, the lien of the Mortgage.

The Participants shall provide such moneys or an irrevocable letter of credit or other security in such form as may be acceptable to DASNY as in the reasonable judgment of DASNY may be required to pay the cost of completing the Project in excess of the moneys, letter of credit or other security in the Applicable Project Loan Account of the Project Loan Fund established for such Project. Such moneys, letter of credit or other security shall be paid or be available to the Trustee for deposit in the Applicable Project Loan Account of the Project Loan Fund within thirty (30) days of receipt of notice from DASNY that such moneys or other security are required.

No Contract Documents shall be entered into after the date of execution and delivery of the Loan Agreement and no material modification, addition or amendment to the Contract Documents shall be made after the date of the execution and delivery of the Loan Agreement, including without limitation change orders materially affecting the scope or nature of the Project Property or where the cost of implementing the change exceeds $50,000, without the prior written approval of DASNY, which approval shall not be unreasonably withheld. The Participants agree to furnish or cause to be furnished to DASNY copies of all change orders regardless of amount, upon the request of DASNY therefor.

DASNY, upon request of the Participants, may, but shall not be required to, issue Bonds to provide moneys required for the cost of completing the Project in excess of the moneys in the Applicable Project Loan Account of the Project Loan Fund. Nothing contained in the Loan Agreement or in the Resolutions shall be construed as creating any obligation upon DASNY to issue Bonds for such purpose, it being the intent to reserve to DASNY full and complete discretion to decline to issue such Bonds. The proceeds of any additional Bonds shall be deposited and applied as specified in the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to such Bonds.

(Section 6)

Financial Obligations of the Participants; General and Unconditional Obligation; Voluntary Payments

Except to the extent that moneys are available therefor under the Resolution or the Series Resolution or under the Loan Agreement, including, without limitation, moneys in the Applicable Debt Service Account of the Debt Service Fund, but excluding moneys from the Participants' Allocable Portion of the Debt Service Reserve Fund (except as set forth in the Loan Agreement) and excluding interest accrued but unpaid on investments held in the Applicable Debt Service Account of the Debt Service Fund, each Participant unconditionally agrees to pay, or cause to be paid, so long as the Loan is outstanding, to or upon the order of DASNY or, with respect to paragraph (d) below, the Program Facilitator from its general funds or any other moneys legally available to it:

(a) On or before the date of delivery of the Bonds, DASNY Fee in the amount set forth in the Loan Agreement;

(b) On or before the date of delivery of the Bonds, such amount, if any, as in the reasonable judgment of DASNY is necessary to pay the Participants' Allocable Portion of the Costs of Issuance of such Bonds, and the Participants' Allocable Portion of the other costs in connection with the issuance of such Bonds;

(c) The Participants shall make Loan Repayments on the dates and in the amounts as set forth in the Loan Agreement; provided, however, if moneys on deposit in the Participants' Applicable Debt Service Account of the Debt Service Fund and in the Participant's Allocable Portion of the Debt Service Reserve Fund are in an amount sufficient to pay the principal of and interest on the Participants' Allocable Portion of the Bonds Outstanding, no further Loan Repayments need be made by the Participants;

(d) The fees of the Program Facilitator to be paid by the Participants pursuant to the Administration Agreement;

(e) At least forty-five (45) days prior to any date on which the Redemption Price or purchase price of Bonds previously called for redemption or contracted to be purchased is to be paid exclusive of Bonds to be redeemed or purchased pursuant to Sinking Fund Installments, the Participants' Allocable Portion of the amount required to pay the Redemption Price or purchase price of such Bonds;

(f) The Annual Administrative Fee, through the final maturity date of the Bonds or until such Bonds are no longer Outstanding, as set forth in the Loan Agreement;

(g) Promptly after notice from DASNY, but in any event not later than fifteen (15) days after such notice is given, the amount set forth in such notice as payable to DASNY (i) for the Participants' Allocable Portion of DASNY Fee then unpaid, (ii) to reimburse DASNY for payments made by it pursuant to the penultimate paragraph under this heading and any expenses or liabilities incurred by DASNY pursuant to provisions of the Loan Agreement as described under the headings "Covenant as to Insurance" and "Taxes and Assessments" below and other provisions of the Loan Agreement relating to indemnity by the Participant, (iii) to reimburse DASNY for the Participants' Allocable Portion of any external costs or expenses incurred by it attributable to the issuance of the Bonds of a Series, (iv) to reimburse DASNY for any external costs or expenses incurred by it attributable to the financing or construction of the Project Property, including, but not limited to, costs and expenses of insurance and auditing, (v) for the costs and expenses incurred by DASNY to compel full and punctual performance by the Participants of all the provisions of the Loan Agreement, of an Intercept Agreement, of the Resolution or of the Series Resolution in accordance with the terms of the Loan Agreement and thereof, and (vi) for the Participants' Allocable Portion of the fees and expenses of the Trustee and any Paying Agent in connection with performance of their duties under the Resolution or the Series Resolution;

(h) Promptly upon demand by DASNY (a copy of which demand shall be furnished to the Trustee), all amounts required to be paid by the Participants as a result of an acceleration pursuant to the Loan Agreement; and

(i) Promptly upon demand by DASNY, the difference between the amount on deposit in the Participants' Allocable Portion of the Arbitrage Rebate Fund or otherwise available therefor under the Resolution for the payment of any rebate required by the Code to be made and the Participants' Allocable Portion of the amount required to be rebated to the Department of the Treasury of the United States of America in accordance with the Code in connection with the Bonds, and any fees or expenses incurred by DASNY in connection therewith including those of any rebate analyst or consultant engaged by DASNY.

Subject to the provisions of the Loan Agreement and of the Resolution or the Series Resolution, the Participants shall receive a credit against the amount required to be paid by the Participants during a Bond Year pursuant to paragraph (c) above on account of a Sinking Fund Installment if, prior to the date notice of redemption is given pursuant to the Resolution with respect to Bonds to be redeemed through a Sinking Fund Installment payable on the next succeeding July 1, a Participant delivers to the Trustee for cancellation one or more Bonds of the Series and maturity to be so redeemed on such July 1. The amount of the credit shall be equal to the principal amount of the Bonds so delivered.

DASNY directs the Participants, and each Participant agrees, to make or cause to be made the payments required by paragraphs (c), (e) and (h) above directly to the Trustee for deposit in the

Applicable Debt Service Account of the Debt Service Fund and application in accordance with the Resolution or the Series Resolution, the payments required by paragraph (b) above directly to the Trustee for deposit in the Applicable Project Loan Account of the Project Loan Fund or other fund established under the Resolution or the Series Resolution, as directed by DASNY, the payments required by paragraph (i) above directly to the Trustee for deposit in the Arbitrage Rebate Fund, and the payments required by paragraphs (a), (f) and (g) above directly to DASNY.

Notwithstanding the foregoing, to the extent DASNY shall have received payment of Pledged Revenues of a Participant on account of the payments required by paragraphs (c), (e), (h) and (i) above, such amounts received shall be credited against any payments due from the Participants with respect to its obligations under the Loan Agreement and are Revenues which shall be paid by DASNY to the Trustee. To the extent DASNY shall have received Pledged Revenues on account of the payments required by paragraphs (a), (f) and (g) above, such amounts received shall be credited against any payments due from the Participants with respect to its obligations under the Loan Agreement, and shall be retained by DASNY.

Notwithstanding any provision in the Loan Agreement or in the Resolution or the Series Resolution to the contrary (except as otherwise specifically provided for in provisions described under this heading), (i) all moneys paid by the Participants to the Trustee pursuant to paragraphs (c), (e) and (h) above (other than moneys received by the Trustee pursuant to the Resolution which shall be retained and applied by the Trustee for its own account) shall be received by the Trustee as agent for DASNY in satisfaction of the Participants' indebtedness to DASNY with respect to the interest on and principal or Redemption Price of the Bonds to the extent of such payment and (ii) the transfer by the Trustee of any moneys (other than moneys described in clause (i) of this subdivision) held by it in the Applicable Project Loan Account of the Project Loan Fund to the Applicable Debt Service Account of the Debt Service Fund in accordance with the applicable provisions of the Loan Agreement or of the Resolution shall be deemed, upon such transfer, receipt by DASNY from the Participants of a payment in satisfaction of the Participants' indebtedness to DASNY with respect to the Participants' Applicable Portion of the Redemption Price of the Bonds to the extent of the amount of moneys transferred. Immediately after receipt or transfer of such moneys, as the case may be, by the Trustee, the Trustee shall hold such moneys in trust in accordance with the applicable provisions of the Resolution for the sole and exclusive benefit of the Bondholders, regardless of the actual due date or payment date of any payment to the Bondholders, except in respect to the payment to the Participants by the Trustee as provided for in the Resolution.

The obligations of each Participant to make payments or cause the same to be made under the Loan Agreement shall be absolute and unconditional and the amount, manner and time of making such payments shall not be decreased, abated, postponed or delayed for any cause or by reason of the happening or non-happening of any event, irrespective of any defense or any right of set-off, recoupment or counterclaim which the Participant may otherwise have against DASNY, the Trustee or any Bondholder for any cause whatsoever including, without limiting the generality of the foregoing, failure of the Participants to complete the Project Property or the completion thereof with defects, failure of the Participants to occupy or use the Project Property, any declaration or finding that the Bonds of any Series are or the Resolution or the Series Resolution is invalid or unenforceable or any other failure or default by DASNY or the Trustee; provided, however, that nothing in the Loan Agreement shall be construed to release DASNY from the performance of any agreements on its part therein contained or any of its other duties or obligations, and in the event DASNY shall fail to perform any such agreement, duty or obligation, any Participant may institute such action as it may deem necessary to compel performance or recover damages for nonperformance.

If there is more than one Participant, each Participant shall be jointly and severally liable under the Loan Agreement.

Notwithstanding the foregoing, DASNY shall have no obligation to perform its obligations under the Loan Agreement to cause advances to be made to reimburse any Participant for, or to pay, the Costs of the Project beyond the extent of moneys in the Applicable Project Loan Account of the Project Loan Fund established for such Project.

The Loan Agreement and the obligation of the Participants to make payments thereunder are general obligations of the Participants.

DASNY, for the convenience of the Participants, shall furnish to the Participants statements of the due date, purpose and amount of payments to be made pursuant to the Loan Agreement. The failure to furnish such statements shall not excuse non-payment of the amounts payable under the Loan Agreement at the time and in the manner provided thereby.

DASNY shall have the right in its sole discretion to make on behalf of the Participants any payment required pursuant to the provisions of the Loan Agreement as described under this heading which has not been made by the Participants when due; provided, that notice of such payment is immediately made to the Participants. No such payment by DASNY shall limit, impair or otherwise affect the rights of DASNY under the provisions of the Loan Agreement described under the heading "Defaults and Remedies" below arising out of the Participants' failure to make such payment and no payment by DASNY shall be construed to be a waiver of any such right or of the obligation of the Participants to make such payment.

The Participants, if there is not then an Event of Default under the Loan Agreement, shall have the right to make voluntary payments in any amount to the Trustee. In the event of a voluntary payment, the amount so paid shall be deposited in accordance with the written directions of DASNY in the Applicable Debt Service Account of the Debt Service Fund or held by the Trustee for the payment of Bonds or portions thereof in accordance with the Resolution. Upon any voluntary payment by the Participants or any deposit in the Applicable Debt Service Account of the Debt Service Fund made as described in the fifth paragraph above, DASNY agrees to direct the Trustee in writing to purchase or redeem Bonds or portions thereof in accordance with the Resolution or to give the Trustee irrevocable written instructions in accordance with defeasance provisions of the Resolution; provided, however, that in the event such voluntary payment is in the sole judgment of DASNY sufficient to prepay the Loan under the Loan Agreement and to pay all other amounts then due thereunder, and to purchase or redeem the Participants' Allocable Portion of the Bonds Outstanding, or to pay or provide for the payment of the Participants' Allocable Portion of the Bonds Outstanding in accordance with defeasance provisions of the Resolution, DASNY agrees, in accordance with the instructions of the Participants, to direct the Trustee in writing to purchase or redeem the Participants' Allocable Portion of the Bonds Outstanding, or to cause the Participants' Allocable Portion of the Bonds Outstanding to be paid or to be deemed paid in accordance with defeasance provisions of the Resolution.

Notwithstanding anything in the Loan Agreement or in the Resolution to the contrary, the Participant's Loan Repayment schedule set forth in the Loan Agreement may be amended from time to time by the Participant and DASNY to reflect changes in the Participants' Allocable Portion of the Bonds Outstanding caused by voluntary payments by the Participants, early redemptions, legal defeasances or otherwise. At the time of any such amendment, the Participants' Loan Repayments set forth in the amended schedule will be recalculated in the same manner as when the Bonds were originally issued while accounting for the change to the Participants' Allocable Portion of the Bonds Outstanding.

(Section 9)

Debt Service Reserve Fund

The Participants agree to maintain on deposit in the Debt Service Reserve Fund an amount at least equal to the Participants' Allocable Portion of the Debt Service Reserve Fund Requirement as set forth in the Loan Agreement, provided that the Participants shall be required to deliver moneys or Permitted Investments to the Trustee for deposit in the Debt Service Reserve Fund as a result of a deficiency in such Fund within (5) days after the notice required by the Series Resolution is received.

Any Participant may deliver to the Trustee a Reserve Fund Facility for all or any part of the Participants' Allocable Portion of the Debt Service Reserve Fund Requirement in accordance with and to the extent permitted by the Series Resolution. Whenever a Reserve Fund Facility has been delivered to the Trustee and the Participants are required to restore the Participants' Allocable Portion of the Debt Service Reserve Fund Requirement, the Participants shall reimburse directly, or pay to DASNY an amount sufficient to reimburse, the Facility Provider in order to cause the Reserve Fund Facility provided by the Participants or Participants' Allocable Portion of the Reserve Fund Facility to be restored to the amount of the Participants' Allocable Portion of the Debt Service Reserve Fund Requirement or shall then deliver additional moneys or Permitted Investments necessary to restore the Debt Service Reserve Fund to the Participants' Allocable Portion of the Debt Service Reserve Fund Requirement.

The delivery to the Trustee of Permitted Investments or Reserve Fund Facility from time to time made by the Participants pursuant to the Loan Agreement as described under this heading shall constitute a pledge thereof, and shall create a security interest therein, for the benefit of DASNY to secure performance of the Participants' obligations under the Loan Agreement and for the benefit of the Trustee to secure the performance of the obligations of DASNY under the Resolution. The Participants authorize DASNY pursuant to the Resolution to pledge such Permitted Investments or Reserve Fund Facility to secure payment of the principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on, the Bonds, whether at maturity, upon acceleration or otherwise, and the fees and expenses of the Trustee, and to make provision for and give directions with respect to the custody, reinvestment and disposition thereof in any manner not inconsistent with the terms of the Loan Agreement and of the Resolution or the Series Resolution.

All Permitted Investments deposited with the Trustee pursuant to the Loan Agreement as described under this heading, other than United States Treasury Certificates of Indebtedness State and Local Government Series ("SLGs") (subject to provisions for registration thereof), and the principal thereof and the interest, dividends or other income payable with respect thereto shall be payable to bearer or to the registered owner. All such Permitted Investments in registered form shall be registered in the name of the Trustee (in its fiduciary capacity) or its nominee. Record ownership of all such Permitted Investments shall be transferred promptly following their delivery to the Trustee into the name of the Trustee (in its fiduciary capacity) or its nominee. The Participants appoint the Trustee its lawful attorney-in-fact for the purpose of effecting such registrations and transfers.

Each Participant agrees that upon each delivery by it to the Trustee of Permitted Investments, whether initially or upon later delivery or substitution, the Participant shall deliver to DASNY and the Trustee a certificate of an Authorized Officer of the Participant to the effect that the Participant warrants and represents that the Permitted Investments delivered by the Participant (i) are on the date of delivery thereof free and clear of any lien, pledge, charge, security interest or other encumbrance or any statutory, contractual or other restriction that would be inconsistent with or interfere with or prohibit the pledge, application or disposition thereof as contemplated by the Loan Agreement, by the Series Resolution or by the Resolution and (ii) are pledged under the Loan Agreement pursuant to appropriate corporate action of the Participant duly had and taken.

Prior to the initial delivery of Permitted Investments (other than moneys) to the Trustee pursuant to the Loan Agreement as described under this heading, and upon any later delivery or substitution, the Participants will, at their cost and expense, provide to DASNY and the Trustee a written opinion of counsel satisfactory to DASNY to the effect that the delivering Participant has full corporate power and authority to pledge such Permitted Investments as security in accordance with the Loan Agreement, such Permitted Investments have been duly delivered by such Participant to the Trustee, such delivery creates a valid and binding pledge and security interest therein in accordance with the terms thereof and of the Resolution, and nothing has come to the attention of such counsel that would lead it to believe that the Permitted Investments delivered by the Participant are not free and clear of all liens, pledges, encumbrances and security interests or are subject to any statutory, contractual or other restriction which would invalidate or render unenforceable the pledge and security interest therein, or the application or disposition thereof, contemplated by the Loan Agreement or by the Resolution.

(Section 10)

Security Interest in Pledged Revenues

As security for the payment of all liabilities and the performance of all obligations of the Participants pursuant to the Loan Agreement, each Participant does continuously pledge, grant a security interest in, and assign to DASNY the Pledged Revenues, together with the Participant's right to receive and collect the Pledged Revenues and the proceeds of the Pledged Revenues. This pledge, grant of a security interest in and assignment of the Pledged Revenues shall be subordinate only to the Prior Pledges.

Each Participant represents and warrants that no part of the Pledged Revenues or any right to receive or collect the same or the proceeds thereof is subject to any lien, pledge, security interest or assignment, other than the Prior Pledges, and that the Pledged Revenues assigned pursuant to the Loan Agreement are legally available to provide security for the Participant's performance thereunder. Each Participant agrees that it shall not hereafter create or permit the creation of any pledge, assignment, encumbrance, restriction, security interest in or other commitment of or with respect to the Pledged Revenues which is prior or equal to the pledge made by the Loan Agreement as described under this heading.

(Section 11)

Collection of Pledged Revenues

Commencing on the date on which the Bonds are first issued and continuing until the Loan is no longer outstanding, each Participant shall deliver (or cause to be delivered) to the Trustee for deposit in the Applicable Debt Service Account of the Debt Service Fund all Pledged Revenues (other than the amounts subject to the Prior Pledges) within ten (10) days following the Participant's receipt thereof unless and until there is on deposit in the Applicable Debt Service Account of the Debt Service Fund an amount at least equal to the Participants' Loan Repayment in the amount and on the date set forth in the Loan Agreement. In the event that, pursuant to remedies provision of the Loan Agreement, DASNY notifies the Participants that account debtors are to make payments directly to DASNY or to the Trustee, such payments shall be so made notwithstanding anything contained in the Loan Agreement as described in this paragraph, but each Participant shall continue to deliver to the Trustee for deposit in the Applicable Debt Service Account of the Debt Service Fund any payments received by the Participant with respect to the Pledged Revenues (other than such amounts as are subject to the Prior Pledges).

Notwithstanding anything to the contrary in the paragraph above, in the event that, on or prior to the tenth (10th) day of any month, any Participant makes a payment to or upon the order of the Trustee, from its general funds or from any other money legally available to it for such purpose, for deposit in Applicable Debt Service Account of the Debt Service Fund in the amount which the Participants are required to pay to the Trustee pursuant to the Loan Agreement regarding Loan Repayments, no Participant shall not be required solely by virtue of the Loan Agreement as described in the paragraph above, to deliver Pledged Revenues to the Trustee for deposit in the Applicable Debt Service Account of the Debt Service Fund with respect to the amount due to be paid on the tenth (10th) day of such month; provided that, nothing contained in this paragraph shall abrogate the obligations of the Participants under the Loan Agreement as described in the last two paragraphs under this heading.

Any Pledged Revenues collected by a Participant that are not required to be paid to the Trustee pursuant to the Loan Agreement as described under this heading or under the remedies provisions of the Loan Agreement, including any amounts to make up any deficiencies in any funds or accounts established pursuant to the Resolution or the Series Resolution, shall be free and clear of the security interest granted by the Loan Agreement and may be disposed of by the Participant for any of its corporate purposes provided that (a) no Event of Default, or event which with the passage of time or giving of notice, or both, would become an Event of Default, has occurred and is continuing or (b) there has not occurred a drawing of funds from the Debt Service Reserve Fund that has not been repaid by the Participants as required by the Loan Agreement or the Series Resolution.

Each Participant agrees to direct the payment of Pledged Revenues, otherwise payable to the Participant, to DASNY for deposit in the Debt Service Fund. Pursuant to the Act and an Intercept Agreement, each Participant has assigned and pledged to DASNY such Pledged Revenues subject to the Prior Pledges. In addition to an Intercept Agreement, each Participant agrees to execute and deliver, from time to time, such additional documents, if any, as may be required by DASNY, the Trustee, any Applicable State Agency, the Comptroller, the State, a political subdivision (as defined in Section 100 of the General Municipal Law), or any social services district in the State, to authorize or implement such payment of Pledged Revenues to DASNY or the Trustee in an amount sufficient to pay all amounts required to be paid under the Loan Agreement. Each Participant further acknowledges that all State and local officers are authorized and required to pay any such Pledged Revenues so assigned and pledged to DASNY in accordance with the Loan Agreement. DASNY may periodically file a certificate with any Applicable State Agency, the Comptroller, the State, a political subdivision (as defined in Section 100 of the General Municipal Law), or any social services district in the State setting forth the amount of Pledged Revenues required to be paid to satisfy the obligations of the Participants under the Loan Agreement, which certificate may be amended by DASNY from time to time. Copies of said certificate and any amendments thereto filed pursuant to this paragraph shall be delivered to the Trustee and the Participants.

Unless and until an Event of Default described in the Loan Agreement or an event which with the passage of time or giving of notice, or both, would become an Event of Default shall have occurred or there shall have occurred a drawing of funds from the Debt Service Reserve Fund that has not been repaid by the Participants as required by the Loan Agreement or the Series Resolution, shall have occurred, DASNY waives its right to collect those amounts payable to DASNY pursuant to the Loan Agreement as described in the paragraph above. Upon the occurrence of an event described in the preceding sentence, DASNY may, in addition to all other remedies available to it pursuant to the Loan Agreement, cause the Pledged Revenues (subject to the Prior Pledges) to be deducted, withheld or paid directly to DASNY or the Trustee, as appropriate, in an amount sufficient to make all payments required to be made by the Participants under the Loan Agreement.

(Section 12)

Mortgage; Lien on Fixtures and Equipment

With respect to each Project Property which is owned by a Participant, at or before the delivery by DASNY of the Bonds, such Participant shall execute and deliver to DASNY the Mortgage, in recordable form, mortgaging the Mortgaged Property to DASNY, subject only to Permitted Encumbrances. As further security for the obligations and liabilities of such Participant under the Loan Agreement, the Participant shall grant DASNY a security interest in such fixtures, furnishings and equipment owned by the Participant which then are or thereafter will be located in or on any Mortgaged Property, together with all proceeds thereof and substitutions therefor. Such security interest in such fixtures, furnishings and equipment shall be subject only to Permitted Encumbrances.

With respect to each Project Property which is leased by a Participant, such Participant grants by the Loan Agreement DASNY a security interest in all furnishings and equipment located in or on or used or to be used in connection with the Project Property, excepting and excluding therefrom any furnishings and equipment held or used by the Participant as a lessee and any furnishings and equipment during the time when such furnishings and equipment are covered by perfected purchase money security interests in third parties. With respect to such furnishings and equipment in which a security interest is granted by the Loan Agreement, the Loan Agreement constitutes a “security agreement” within the meaning of the Uniform Commercial Code. Upon the occurrence of an Event of Default under the Loan Agreement, DASNY, in addition to any other rights and remedies which it may have, shall have and may exercise immediately and without demand, any and all rights and remedies granted to a secured party upon default under the Uniform Commercial Code.

Prior to any assignment of a Mortgage to the Trustee in accordance with the terms of the Resolution, DASNY, without the consent of the Trustee or the Holders of Bonds, may consent to the amendment, modification, termination, subordination or satisfaction of the Mortgage and of any security interest in fixtures or equipment located in or on or used in connection with the Mortgaged Property and the property subject to the Mortgage or security interest may be released from the lien thereof, all upon such terms and conditions as DASNY may reasonably require. Notwithstanding the foregoing, a Participant that granted a Mortgage may remove fixtures or equipment from the Mortgaged Property provided that such Participant shall replace such fixtures or equipment with fixtures or equipment having equivalent value and utility.

(Section 13)

Warranty as to Title; Encumbrances; Title Insurance

Each Participant that owns one or more of the Project Properties warrants and represents to DASNY that (i) the Participant has good and marketable title to all such Project Properties, free and clear of liens and encumbrances, except Permitted Encumbrances, so as to permit it to have quiet enjoyment and use thereof for purposes of the Loan Agreement and the Participant’s programs and (ii) the Participant has such rights of way, easements or other rights in land as may be reasonably necessary for ingress and egress to and from all such Project Properties, for proper operation and utilization of such Project Properties and for utilities required to serve such Project Properties, together with such rights of way, easements or other rights in, to and over land as may be necessary for construction by the Participants of each such Project Property.

The Participants covenant that title to all Project Properties shall be kept free from any encumbrances, liens or commitments of any kind, other than Permitted Encumbrances.

The Participants warrant, represent and covenant that (i) the Project and all Project Properties are and shall be serviced by all necessary utilities (including, to the extent applicable, without limitation, electricity, gas, water, sewer, steam, heating, air-conditioning and ventilation), and (ii) to the extent applicable, such Project and each Project Property shall have its own separate and independent means of access, apart from any other property owned by any Participant or others. Such access, however, may be through common roads or walks owned by a Participant used also for other parcels owned by such Participant.

(Section 14)

Consent to Pledge and Assignment by DASNY

Each Participant consents to and authorizes the assignment, transfer or pledge by DASNY to the Trustee of DASNY's rights to receive the payments required to be made pursuant to the Loan Agreement as described in paragraphs (c), (e), and (h) under the heading "Financial Obligations of the Participant; General and Unconditional Obligations; Voluntary Payments" above, any or all security interests granted by the Participant under the Loan Agreement, including without limitation the security interest in the Pledged Revenues and the Permitted Investments delivered pursuant to the Loan Agreement and all funds and accounts established by the Resolution (other than the Arbitrage Rebate Fund) and pledged under the Resolution in each case to secure any payment or the performance of any obligation of the Participants under the Loan Agreement or arising out of the transactions contemplated by the Loan Agreement whether or not the right to enforce such payment or performance shall be specifically assigned by DASNY to the Trustee. Each Participant further agrees that DASNY may pledge and assign to the Trustee any and all of DASNY's rights and remedies under the Loan Agreement. Upon any pledge and assignment by DASNY to the Trustee authorized by the Loan Agreement, the Trustee shall be fully vested with all of the rights of DASNY so assigned and pledged and may thereafter exercise or enforce, by any remedy provided therefor thereby or by law, any of such rights directly in its own name. Any such pledge and assignment shall be limited to securing the Participants' obligations to make all payments required by the Loan Agreement and to performing all other obligations required to be performed by the Participants thereunder. Any realization upon any pledge made or security interest granted by the Loan Agreement shall not, by operation of law or otherwise, result in cancellation or termination thereof or the obligations of the Participants thereunder.

Each Participant covenants, warrants and represents that it is duly authorized by all applicable laws, its charter or certificate of incorporation and by-laws to enter into the Loan Agreement, to incur the indebtedness contemplated by the Loan Agreement, to pledge, grant a security interest in and assign to DASNY and the Trustee, for the benefit of the Bondholders, the Pledged Revenues and the Permitted Investments delivered by it pursuant to the Loan Agreement in the manner and to the extent provided therein and in the Resolution. Each Participant further covenants, warrants and represents that any and all pledges, security interests in and assignments to DASNY and the Trustee for the benefit of the Bondholders, granted or made by it pursuant to the Loan Agreement are and shall be free and clear of any pledge, lien, charge, security interest or encumbrance prior thereto, or of equal rank therewith, other than the Prior Pledges and the Permitted Encumbrances, and that all corporate action on the part of the Participant and any parties related thereto, to that end has been duly and validly taken. Each Participant further covenants that the provisions of the Loan Agreement are and shall be valid and legally enforceable obligations of the Participant in accordance with their terms. Each Participant further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge, security interest in and assignment of the Pledged Revenues, Permitted Investments and Reserve Fund Facility delivered by it pursuant to the Loan Agreement and all of the rights of DASNY and Trustee for the benefit of the Bondholders under the Loan Agreement, under the Series Resolution, under the Resolution and under the Intercept Agreement against all claims and demands of all persons whomsoever. Each Participant further covenants, warrants and represents that its execution and delivery of the Loan Agreement and of the Intercept Agreement, and the consummation of the transactions contemplated and compliance with the provisions thereof, including, but not limited to, the assignment as security or the granting of a security interest in the Permitted Investments delivered by it to the Trustee pursuant to the Loan Agreement, do not violate, conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the charter or certificate of incorporation or by-laws of the Participant (or any party related thereto) or any indenture or mortgage, or any trusts, endowments or other commitments or agreements to which the Participant (or any party related thereto) is party or by which it or any of its or their properties are bound, or any existing law, rule, regulation, judgment, order, writ, injunction or decree of any governmental authority, body, agency or other instrumentality or court having jurisdiction over the Participant, any party related thereto or any of its or their properties.

(Section 15)

Tax-Exempt Status

Each Participant represents that (i) it is an organization described in Section 501(c)(3) of the Code, or corresponding provisions of prior law, and is not a "private foundation," as such term is defined under Section 509(a) of the Code, (ii) it has received a letter or other notification from the Internal Revenue Service to that effect, (iii) such letter or other notification has not been modified, limited or revoked, (iv) it is in compliance with all terms, conditions and limitations, if any, contained in such letter or other notification, (v) the facts and circumstances which form the basis of such letter or other notification as represented to the Internal Revenue Service continue to exist, and (vi) it is exempt from federal income taxes under Section 501(a) of the Code. Each Participant agrees that (a) it shall not perform any act or enter into any agreement which shall adversely affect such federal income tax status and shall conduct its operations in the manner which will conform to the standards necessary to qualify the Participant as an organization within the meaning of Section 501(c)(3) of the Code or any successor provision of federal income tax law and (b) it shall not perform any act, enter into any agreement or use or permit the Project and the Project Property it owns or leases to be used in any manner, or for any trade or business or other non-exempt use unrelated to the purposes of the Participant, which could adversely affect the exclusion of interest on the Subseries 2018A-1 Bonds from federal gross income pursuant to Section 103 of the Code.

(Section 16)

Use of the Project Property; Restrictions on Religious Use

Each Participant agrees that, unless in the opinion of Bond Counsel a Project Property may be occupied or used other than as required by the Loan Agreement as described under this heading, at least ninety-five percent (95%) of each Project Property shall be occupied or used primarily by a Participant or members of the staff of a Participant or residents of the Project Property or clients of a Participant, as applicable, for activities related to the tax-exempt purposes of a Participant, or, on a temporary basis, persons connected with activities incidental to the operations of a Participant, subject to and consistent with the requirements of the Loan Agreement as described under this heading.

Subject to the rights, duties and remedies of DASNY under the Loan Agreement, the Participants shall have sole and exclusive control of, possession of and responsibility for (i) the Project and all Project Property, (ii) the operation of the Project and all Project Property and supervision of the activities conducted therein or in connection with any part thereof, and (iii) the maintenance, repair and replacement of all Project Property.

Each Participant agrees that with respect to the Project Property or any portion thereof, so long as such Project Property or portion thereof exists and unless and until such Project Property or portion thereof is sold for the fair market value thereof, such Project Property or any portion thereof shall not be used for sectarian religious instruction or as a place of religious worship or in connection with any part of a program of a school or department of divinity for any religious denomination; provided, however, that the foregoing restriction shall not prohibit the free exercise of any religion; and, further provided, however, that if at any time hereafter, in the opinion of Bond Counsel, the then applicable law would permit the Project Property or a portion thereof to be used without regard to the above stated restriction, said restriction shall not apply to such Project Property and each portion thereof. DASNY and its agents may conduct such inspections as DASNY deems necessary to determine whether the Project Property or any portion of real property thereof financed by Bonds is being used for any purpose proscribed by the Loan Agreement. Each Participant further agrees that prior to any disposition of any portion of the Project Property for less than fair market value, it shall execute and record (or cause to be executed and recorded) in the appropriate real property records an instrument subjecting, to the satisfaction of DASNY, the use of such portion of such Project Property to the restriction that (i) so long as such portion of such Project Property (and, if included in such Project, the real property on or in which such portion of such Project Property is situated) shall exist and the Bonds allocable to such Project Property remain Outstanding and (ii) until such portion of such Project Property is sold or otherwise transferred to a Person who purchases the same for the fair market value thereof at the time of such sale or transfer, such portion of such Project Property shall not be used for sectarian religious instruction or as a place of religious worship or used in connection with any part of the program of a school or department of divinity of any religious denomination. The instrument containing such restriction shall further provide that such restriction may be enforced at the instance of DASNY or the Attorney General of the State, by a proceeding in any court of competent jurisdiction, by injunction, mandamus or by other appropriate remedy. The instrument containing such restriction shall also provide that if at any time thereafter, in the opinion of Bond Counsel, the then applicable law would permit such portion of such Project Property, or, if included in such Project Property, the real property on or in which such portion is situated, to be used without regard to the above stated restriction, then said restriction shall be without any force or effect. For the purposes of this heading an involuntary transfer or disposition of the Project Property or a portion thereof, upon foreclosure or otherwise, shall be considered a sale for the fair market value thereof.

(Sections 20 and 21)

Covenant as to Insurance

Each Participant agrees to maintain or cause to be maintained insurance with insurance companies or by means of self-insurance, insurance of such type, against such risks and in such amounts as are customarily carried by organizations located in the State of a nature similar to that of the Participant, which insurance shall include property damage, fire and extended coverage, public liability and property damage liability insurance in amounts estimated to indemnify the reasonably anticipated damage, loss or liability, subject to reasonable deductible provisions. Each Participant shall at all times also maintain worker's compensation coverage and disability benefits insurance coverage as required by the laws of the State.

(Section 23)

Damage or Condemnation

In the event of a taking of the Project or the Project Property or any portion thereof by eminent domain or of condemnation, damage or destruction affecting all or part of the Project or the Project Property, then and in such event the entire proceeds of any insurance, condemnation or eminent domain award shall be paid upon receipt thereof by any Participant or DASNY to the Trustee for deposit in the Applicable Project Loan Account of the Project Loan Fund, and

(a) if within 120 days from the receipt by DASNY of actual notice or knowledge of such occurrence, the Participants and DASNY agree in writing that the Project, the Project Property or the affected portion thereof shall be repaired, replaced or restored, the Participants shall proceed to repair, replace or restore the Project, the Project Property or the affected portion thereof, including all fixtures, furniture, equipment and effects, to its original condition insofar as possible with such changes and additions as shall be appropriate to the needs of the Participants and approved in writing by DASNY. The funds required for such repair, replacement or restoration shall be paid from time to time as the work progresses, subject to such conditions and limitations as DASNY may reasonably impose, from the proceeds of insurance, condemnation or eminent domain awards received by reason of such occurrence or from funds to be provided by the Participants; or

(b) if no agreement for the repair, restoration or replacement of the Project Property or the affected portion thereof shall be reached by DASNY and the Participants within such 120 day period, all respective proceeds (other than the proceeds of builders' risk insurance which shall be deposited pursuant to the Resolution and the Series Resolution) shall be transferred from the Applicable Project Loan Account of the Project Loan Fund in which such proceeds were deposited to the Applicable Debt Service Account of the Debt Service Fund for the redemption at par, at the option of DASNY, of Bonds on any future interest payment date.

(Section 24)

Taxes and Assessments

Each Participant shall pay or cause to be paid when due at its own expense, and hold DASNY harmless from, all taxes, assessments, water and sewer charges and other impositions, if any, which may be levied or assessed upon the Project or the Project Property or any part thereof, and upon all ordinary costs of operating, maintaining, renovating, repairing and replacing the Project and the Project Property and its equipment. The Participants shall file or cause to be filed exemption certificates as required by Governmental Requirements. The Participants agree to exhibit to DASNY within ten (10) days after written demand by DASNY, certificates or receipts issued by the appropriate authority showing full payment of all taxes, assessments, water and sewer charges and other impositions; provided, however, that the good faith contest of such impositions shall be deemed to be complete compliance with the requirements of the Loan Agreement if the Participants deposit with DASNY the full amount of such contested impositions. Notwithstanding the foregoing, DASNY, in its sole discretion, after notice in writing to the Participants, may pay (such payment shall be made under protest if so requested by a Participant) any such charges, taxes and assessments if, in the reasonable judgment of DASNY, the Project or the Project Property, or any part thereof, would be in substantial danger by reason of the Participants' failure to pay such charges, taxes and assessments of being sold, attached, forfeited, foreclosed, transferred, conveyed, assigned or otherwise subjected to any proceeding, equitable remedy, lien, charge, fee or penalty that would impair (i) the interests or security of DASNY under the Loan Agreement, under the Series Resolution, under the Resolution or under the Mortgage; (ii) the ability of DASNY to enforce its rights under the Loan Agreement or thereunder; (iii) the ability of DASNY to fulfill the terms of any covenants or perform any of its obligations under the Loan Agreement, under the Series Resolution or under the Resolution; or (iv) the ability of any Participant to fulfill the terms of the covenants or perform any of its obligations under the Loan Agreement, under the Series Resolution, and the Participants agree to reimburse DASNY for any such payment, with interest thereon from the date payment was made by DASNY at a rate equal to the highest rate of interest payable on any investment held for the Debt Service Fund on the date such payment was made by DASNY.

(Section 25)

Reports Relating to the Project or the Project Property, Financial Information and Financial Covenants

If and when requested by DASNY, the Participants shall render or cause to be rendered to DASNY and the Trustee reports with respect to all repairs, replacements, renovations, and maintenance made to the Project or the Project Property. In addition, if and when requested by DASNY, the Participants shall render or cause to be rendered such other reports concerning the condition of the Project or the Project Property as DASNY may request.

Each Participant shall also furnish annually, not later than one hundred and eighty (180) days after the end of the Participant's Fiscal Year, to the Trustee, the Program Facilitator, the Underwriter, DASNY and to such other parties as DASNY may reasonably designate, including rating services, copies of its financial statements audited by an independent public accountant selected by the Participant and acceptable to DASNY and prepared in conformity with generally accepted accounting principles applied on a consistent basis, except that such audited financial statements may contain such changes as are concurred in by such accountants, and such other statements, reports and schedules describing the finances, operation and management of the Participant and such other information as may be reasonably required by DASNY. Notwithstanding the preceding sentence, if any Participant does not have audited financial statements solely with respect to its affairs but is part of a group of related entities with respect to which audited financial statements as described above are prepared on a consolidated or combined basis in conformity with generally accepted accounting principles applied on a consistent basis, such Participant shall be deemed to be in compliance with the preceding sentence so long as it shall furnish annually to the parties and within the times described above, in addition to the consolidated or combined statements, consolidating or combining schedules of financial position and activities separately stating the financial position and activities of the Participant (and the other entities covered by the consolidated or combined financial statements), which schedules shall have been subjected to (i) auditing procedures applied in the audit of the consolidated or combined financial statements and (ii) other procedures in accordance with generally accepted auditing standards.

The Trustee shall have no obligation or duty to review any financial statements (audited or otherwise) filed with it and shall not be deemed to have notice of the content of such statements or a default based on such content and shall have no obligation or duty to verify the accuracy of such statements.

Furthermore, each Participant shall also furnish annually, not later than one hundred and eighty (180) days after the end of the Participant's Fiscal Year, to DASNY, the Underwriter and the Trustee a certificate of an Authorized Officer of the Participant stating whether the Participant is in compliance with the provisions the Loan Agreement.

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

No Participant may incur any additional Indebtedness (including, but not limited to, guarantees or derivatives in the form of credit default swaps or total-rate-of-return swaps or similar instruments), without the prior written consent of DASNY, except for the following:

(a) Indebtedness (other than for working capital, other than installment purchase payments payable under installment sale agreements and other than rents payable under lease agreements) incurred in the ordinary course of the Participant's business for its current operations including the maintenance and repair of its property, advances from third party payors and obligations under reasonably necessary employment contracts,

(b) Indebtedness in the form of rentals under leases which are not required to be capitalized in accordance with generally accepted accounting principles in effect on the date of issuance of the Bonds,

(c) Indebtedness in which recourse to the Participant for repayment is expressly limited to proceeds from the sale, lease or foreclosure of any tangible property of the Participant other than the Project Property,

(d) Non-PPA Indebtedness to the extent that the Participant has delivered to DASNY and the Trustee a certificate signed by the Participant's chief executive officer or chief financial officer demonstrating a Total Debt Service Coverage Ratio of not less than 1.25 to 1.00 for the most recent Fiscal Year for which audited financial statements exist. In preparing its calculations of the required ratios, the Participant's representative or the independent certified public accountant, as applicable, shall include the proposed debt service requirements with respect to the Non-PPA Indebtedness to be issued,

(e) Indebtedness to finance a PPA Facility, and

(f) short-term Indebtedness for working capital purposes, provided, however, that such Indebtedness may, to the extent secured by the Participant's Accounts Receivable, be secured by no more than ninety percent (90%) of the Participant's Accounts Receivable.

(Section 26)

Defaults and Remedies

As used in the Loan Agreement, the term "Event of Default" shall mean:

(a) the Participants shall default in the timely payment of any amount payable pursuant to the Loan Agreement as described under the heading "Financial Obligations of the Participant; General and Unconditional Obligation; Voluntary Payments" or in the payment of any other amounts required to be delivered or paid in accordance with the Loan Agreement, the Series Resolution or the Resolution or in the timely payment of any amount payable pursuant to any loan agreement with DASNY or any agreement with any lender with respect to the Project Property or Public Funds, and such default continues for a period in excess of seven (7) days;

(b) any Participant shall default in the due and punctual performance of any other covenant contained in the Loan Agreement (except as set forth in paragraph (d) below) and such default continues for thirty (30) days after written notice requiring the same to be remedied shall have been given to the defaulting Participant by DASNY or the Trustee;

(c) as a result of any default in payment or performance required of the Participants under the Loan Agreement or any Event of Default under the Loan Agreement, whether or not declared, continuing or cured, DASNY shall be in default in the payment or performance of any of its obligations under the Resolution or an "event of default" (as defined in the Resolution) shall have been declared under the Resolution so long as such default or event of default shall remain uncured or the Trustee or Holders of the Bonds shall be seeking the enforcement of any remedy under the Resolution as a result thereof;

(d) any Participant shall have violated the applicable provisions of regulations or the covenants set forth in the Loan Agreement with respect to compliance with all Government Requirements or shall fail to continue to operate the Project Property as a certified program for the developmentally disabled or others with special needs in accordance with a valid operating certificate duly issued by OPWDD, OMH or OASAS, as applicable, and the Participant, subsequent to 15 days after written notice shall have been given to the Participant by OPWDD, OMH, OASAS or DASNY requiring the same to be remedied, fails to remedy such violation or such failure to operate such certified program;

(e) any Participant shall (i) be generally not paying its debts as they become due, (ii) file, or consent by answer or otherwise to the filing against it of, a petition under the United States Bankruptcy Code or under any other bankruptcy or insolvency law of any jurisdiction, (iii) make a general assignment for the benefit of its creditors, (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property, (v) be adjudicated insolvent or be liquidated or (vi) take corporate action for the purpose of any of the foregoing;

(f) a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by the affected Participant, a custodian, receiver, trustee or other officer with similar powers with respect to such Participant or with respect to any substantial part of its property, or an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of such Participant, or any petition for any such relief shall be filed against such Participant and such petition shall not be dismissed within ninety (90) days;

(g) the charter or certificate of incorporation of a Participant shall be suspended or revoked;

(h) a petition to dissolve itself shall be filed by any Participant with the legislature of the State or other governmental authority having jurisdiction over such Participant;

(i) an order of dissolution of any Participant shall be made by the legislature of the State or other governmental authority having jurisdiction over such Participant, which order shall remain undismissed or unstayed for an aggregate of thirty (30) days;

(j) a petition shall be filed with a court having jurisdiction for an order directing the sale, disposition or distribution of all or substantially all of the property belonging to any Participant which petition shall remain undismissed or unstayed for an aggregate of ninety (90) days;

(k) an order of a court having jurisdiction shall be made directing the sale, disposition or distribution of all or substantially all of the property belonging to any Participant, which order shall remain undismissed or unstayed for an aggregate of thirty (30) days;

(l) a final judgment for the payment of money, which in the judgment of DASNY will adversely affect the rights of the Bondholders, shall be rendered against any Participant and at any time after forty-five (45) days from the entry thereof, (i) such judgment shall not have been discharged or (ii) such Participant shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, and shall not have caused, within thirty (30) days, the execution of or levy under such judgment, order, decree or process for the enforcement thereof, to have been stayed pending determination of such appeal;

(m) such Participant shall default in the payment of any indebtedness or guaranty aggregating at least $500,000 when due, or shall default in the performance of any other obligations in connection with any indebtedness or guaranty aggregating at least $500,000 which default entitles the holder of such indebtedness or guaranty to accelerate such Participant's obligations thereunder; or

(n) any Participant is in default under the Mortgage, if any.

Upon the occurrence of an Event of Default DASNY may take any one or more of the following actions:

(a) declare all sums payable by the Participants under the Loan Agreement immediately due and payable;

(b) direct the Trustee to withhold any and all payments, advances and reimbursements from the proceeds of the Loan or the Applicable Project Loan Account of the Project Loan Fund or otherwise to which any Participant may otherwise be entitled under the Loan Agreement and in DASNY's sole discretion, apply any such proceeds or moneys for such purposes as are authorized by the Resolution;

(c) withhold any or all further performance under the Loan Agreement;

(d) maintain an action against any Participant under the Loan Agreement to recover any sums payable by the Participants or to require its compliance with the terms of the Loan Agreement;

(e) permit, direct or request the Trustee to liquidate all or any portion of the assets comprising the Participants' Allocable Portion of the Debt Service Reserve Fund by selling the same at public or private sale in any commercially reasonable manner and apply the proceeds thereof and any dividends or interest received on investments thereof to the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Participants' Allocable Portion of the Bonds, or any other obligation or liability of the Participants or DASNY arising herefrom, from the Series Resolution or from the Resolution;

(f) realize upon any security interest which DASNY may then have in the pledge and assignment of the Pledged Revenues and the rights to receive the same, whether pursuant to the Intercept Agreement or otherwise, all to the extent provided in the Loan Agreement as described under the headings "Security Interest in Pledged Revenues" and "Collection of Pledged

Revenues" above, by any one or more of the following actions: (i) enter the Project Property or the property of any Participant and examine and make copies of the financial books and records of any Participant relating to the Pledged Revenues and, to the extent of the assigned Pledged Revenues, take possession of all checks or other orders for payment of money and moneys in the possession of a Participant representing Pledged Revenues or proceeds thereof; (ii) [Reserved]; (iii) [Reserved]; (iv) require the Participants to deposit all moneys, checks or other orders for the payment of money which represent Pledged Revenues in an amount equal to the Pledged Revenues assigned under the Loan Agreement within five (5) Business Days after receipt of written notice of such requirement, and thereafter as received, into a fund or account to be established for such purpose by DASNY, provided that the moneys in such fund or account shall be applied by DASNY to the payment of any of the obligations of the Participants under the Loan Agreement including the fees and expenses of DASNY; and provided further that DASNY in its sole discretion may authorize any Participant to make withdrawals from such fund or account for its corporate purposes; and provided further that the requirement to make such deposits shall cease and the balance of such fund or account shall be paid to the Participants when all Events of Default under the Loan Agreement by the Participants have been cured; (v) forbid the Participants to extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid assigned Pledged Revenues, or release, wholly or partly, any Person liable for the payment thereof (except upon receipt of the full amount due) or allow any credit or discount thereon; (vi) endorse in the name of any Participant any checks or other orders for the payment of money representing any unpaid assigned Pledged Revenues or the proceeds thereof; and (vii) follow the procedures for the collection of Pledged Revenues as provided in the Act and in the Loan Agreement as described under the heading "Collection of Pledged Revenues" above;

(g) if applicable and to the extent permitted by law, (i) enter upon the Project Property and complete the construction of such Project Property in accordance with the plans and specifications with such changes therein as DASNY may deem appropriate and employ watchmen to protect such Project Property, all at the risk, cost and expense of the Participants, consent to such entry being given by the Participants; (ii) at any time discontinue any work commenced in respect of the construction of the Project Property or change any course of action undertaken by any Participant and not be bound by any limitations or requirements of time whether set forth in the Loan Agreement or otherwise; (iii) assume any construction contract made by any Participant in any way relating to the construction of the Project Property and take over and use all or any part of the labor, materials, supplies and equipment contracted for by any Participant, whether or not previously incorporated into the construction of the Project Property; and (iv) in connection with the construction of the Project Property undertaken by DASNY pursuant to the provisions of this paragraph (g), (x) engage builders, contractors, architects, engineers and others for the purpose of furnishing labor, materials and equipment in connection with the construction of the Project Property, (y) pay, settle or compromise all bills or claims which may become liens against the Project or against any moneys of DASNY applicable to the construction of the Project Property, or which have been or may be incurred in any manner in connection with completing the construction of the Project Property or for the discharge of liens, encumbrances or defects in the title to the Project Property or against any moneys of DASNY applicable to the construction of the Project Property , and (z) take or refrain from taking such action under the Loan Agreement as DASNY may from time to time determine. The Participants shall be liable to DASNY for all sums paid or incurred for construction of the Project Property whether the same shall be paid or incurred pursuant to the provisions of this paragraph (g) or otherwise, and all payments made or liabilities incurred by DASNY under the Loan Agreement of any kind whatsoever shall be paid by the Participants to DASNY upon demand. Each Participant irrevocably constitutes and appoints DASNY its true and lawful attorney-in-fact to execute, acknowledge and deliver any instruments and to do and perform any acts in the name and on behalf of the Participant for the purpose of exercising the rights granted to DASNY by this subparagraph during the term of the Loan Agreement;

(h) request OPWDD, OMH or OASAS, as applicable, in accordance with applicable statutes and regulations, to enter the Project Property , or replace a Participant with another operator, to take possession without judicial action of all real property contained in such Project Property and all personal property located in or on or used in connection with the Project Property, including furnishings and equipment thereon, and further including Pledged Revenues and cause to be operated thereon a certified program for the developmentally disabled or other person with special needs within the Project Property in accordance with a valid operating certificate duly issued by OPWDD, OMH or OASAS, as applicable;

(i) require any Participant to engage, at the Participant's expense, a Management Consultant to review the rates, operations and management of the Participant and any other matter deemed appropriate by DASNY and make recommendations with respect to such rates, operations, management and other matters; and

(j) take any legal or equitable action necessary to enable DASNY to realize on its liens under the Loan Agreement, under the Mortgage, or by law, including foreclosure of the Mortgage, and any other action or proceeding permitted by the terms of the Loan Agreement, by the Mortgage or by law.

All rights and remedies in the Loan Agreement given or granted to DASNY are, to the extent permitted by law, cumulative, non-exclusive and in addition to any and all rights and remedies that DASNY may have or may be given by reason of any law, statute, ordinance or otherwise, and no failure to exercise or delay in exercising any remedy shall effect a waiver of DASNY's right to exercise such remedy thereafter.

At any time before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of any Event of Default or before the completion of the enforcement of any other remedies under the Loan Agreement, DASNY may annul any declaration made pursuant to paragraph (a) above and its consequences if such Events of Default shall be cured. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereto.

In the event of an Event of Default under the Loan Agreement as described in paragraph (d), (e), (f), (g), (h), (i), (j), (k) or (l) above shall have occurred and be continuing with respect to any Participant, or in the event that OPWDD, OMH or OASAS, as applicable, shall have revoked any Participant's license to operate as a qualified operator, the affected Participant shall exercise best efforts in accordance with all applicable laws and regulations, to facilitate the continued availability of its respective facilities for the benefit of its clients and patients including but not limited to cooperating with any OPWDD, OMH or OASAS qualified service provider, as applicable, in order to permit such service provider to assume the affected Participant's liabilities and obligations to provide benefits to such clients and patients. In furtherance of such purposes the Participants agree to cooperate with all State regulatory agencies and 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

Each Participant covenants that it shall take no action, nor shall it consent to the taking of any action, nor shall it fail to take any action or consent to the failure to take any action, the making of any investment or the use of the Loan, which would cause the Subseries 2018A-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 2018A-1 Bonds at the time of such action, investment or use. No Participant (or any related person, as defined for purposes of Section 148 of the Code) shall, pursuant to an arrangement, formal or informal, purchase Subseries 2018A-1 Bonds in an amount related to the amount of any obligation to be acquired from a Participant by DASNY, unless DASNY and the Trustee shall receive an opinion of Bond Counsel to the effect that the purchase by a Participant or by a related person of Subseries 2018A-1 Bonds will not cause interest on the Subseries 2018A-1 Bonds to be included in the gross income of the owners of such Subseries 2018A-1 Bonds for purposes of federal income taxation. Each Participant will, on a timely basis, provide DASNY with all necessary information and funds not in DASNY's possession, to enable DASNY to comply with the arbitrage and rebate requirements of the Code as identified in the Resolution. The Participants shall be required to pay for any consultant or report necessary to satisfy any such arbitrage and rebate requirement. Each Participant covenants that it will not take any action or fail to take any action which would cause any representation or warranty of any Participant contained in the tax certificate then to be untrue and that it shall comply with all covenants and agreements of the Participant contained in the tax certificate, in each case to the extent required by and otherwise in compliance with such tax certificate. In the event that DASNY is notified in writing that the Subseries 2018A-1 Bonds or any transaction pertaining thereto is the subject of any Internal Revenue Service or Securities and Exchange Commission investigation, suit or order, it shall promptly give notice thereof to the Participants. In the event that any Participant is notified in writing that the Subseries 2018A-1 Bonds or any transaction pertaining thereto is the subject of any Internal Revenue Service or Securities and Exchange Commission investigation, suit or order, the Participant shall promptly give notice thereof to DASNY. Upon the occurrence of such an event, the Participants and DASNY shall fully cooperate with one another and participate in all aspects of the conduct of the response thereto.

(Section 40)

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APPENDIX F

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS

The following is a brief summary of certain provisions of the Resolution and the Series 2018A 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 2018A Resolution establishes a Debt Service Reserve Fund to be held and maintained by the Trustee with respect to the Series 2018A 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 2018A 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 2018A Bonds or Permitted Investments in an amount sufficient to satisfy each Applicable Series 2018A Participant's Allocable Portion of the Debt Service Reserve Fund Requirement as set forth in the Applicable Bond Series Certificate. An Applicable Series 2018A 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 2018A Bonds for all or any part of the Debt Service Reserve Fund Requirement or any Applicable Series 2018A 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 2018A are not rated by Moody's and S&P by whichever of said rating services that then rates the Outstanding Series 2018A 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 2018A Participant's Allocable Portion of a Debt Service Reserve Fund is less than such Applicable Series 2018A 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 2018A Participant of such deficiency. Such Applicable Series 2018A 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 2018A 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 2018A Participant's Allocable Portion of, respectively, interest on the Outstanding Series 2018A 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 2018A 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 2018A Bonds upon the acceleration of such Series 2018A Participant's Loan pursuant to the Applicable Loan Agreement.

Upon the exercise by a Series 2018A 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 2018A 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 2018A 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 2018A 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 2018A 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 2018A 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 2018A 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 2018A

PARTICIPANT: [Participant]

This **AGREEMENT TO PROVIDE CONTINUING DISCLOSURE** (the "Disclosure Agreement"), dated as of [   ], 2018 is executed and delivered by the Participant identified above (the "Obligated Person"), The Bank of New York Mellon, as Trustee (the "Trustee") and Digital Assurance Certification, L.L.C. ("DAC"), as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) issued by the Dormitory Authority of the State of New York (the "Issuer" or "DASNY") and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the parties hereto through use of the DAC system and are not intended to constitute "advice" within the meaning of the United States Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). DAC is not obligated hereunder to provide any advice or recommendation to the 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) of this Disclosure Agreement, by which the Annual Report is to be filed with the MSRB.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"Annual Report" means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

"Audited Financial Statements" means the financial statements (if any) of the Obligated Person for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Bonds" means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial

Statements, Voluntary Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure required to be or voluntarily submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Obligated Person and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Dissemination Agent" means Digital Assurance Certification, L.L.C., acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Obligated Person pursuant to Section 9 hereof.

"Disclosure Representative" means the chief financial officer of the Obligated Person or his or her designee, or such other person as the Obligated Person shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"Failure to File Event" means the Obligated Person's failure to file an Annual Report on or before the Annual Filing Date.

"Force Majeure Event" means: (i) acts of God, war or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access System maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

"Holder" means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

"Information" means collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

"Issuer" means the Dormitory Authority of the State of New York, as conduit issuer of the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the United States Securities Exchange Act of 1934, as amended.

"Notice Event" means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

"Obligated Person" means any person who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

"Official Statement" means that Official Statement prepared by the Issuer and the Obligated Person in connection with the Bonds, as listed on Exhibit A.

"Program Facilitator" means the InterAgency Council of Developmental Disabilities Agencies, Inc.

"Resolution" means DASNY's bond resolution(s) pursuant to which the Bonds were issued.

"Trustee" means The Bank of New York Mellon and its successors and assigns.

"Voluntary Event Disclosure" means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

"Voluntary Financial Disclosure" means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. 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 for the Trustee, not later than 180 days after the end of each fiscal year of the Obligated Person (or any time thereafter following a Failure to File Event as described in this Section), commencing with the fiscal year ending __________, such date and each anniversary thereof, the "Annual Filing Date." Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide the Annual Report to the MSRB through its Electronic Municipal Market Access ("EMMA") System for municipal securities disclosures. The Annual Financial Information and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail), with a copy to the Program Facilitator, to remind the Obligated Person of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Obligated Person shall, not later than two (2) business days prior to the Annual Filing Date, either: (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Financial Information, Audited Financial Statements, if available, and unaudited financial statements, if Audited Financial Statements are not available in accordance with subsection (d) below and the Certification, or (ii) instruct the Disclosure Dissemination Agent in writing, with a copy to the Trustee, that a Failure to File Event may occur, state the date by which the Annual Financial Information and Audited Financial Statements for such year are expected to be provided, and, at the election of the Obligated Person, instruct the Disclosure Dissemination Agent to send a notice to the MSRB in substantially the form attached as Exhibit B on the Annual Filing Date, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Obligated Person hereby irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Obligated Person are prepared but not available prior to the Annual Filing Date, the Obligated Person shall provide unaudited financial statements for filing prior to the Annual Filing Date in accordance with Section 3(b) hereof and, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy for the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

(i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Section 2(a) and 2(b) with the MSRB;

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;

(iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to 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-exempt status of the securities;
7. Modifications to rights of securities holders, if material;
8. Bond calls, if material;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities, if material;
11. Ratings changes;
12. Tender offers;

13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

14. Merger, consolidation, or acquisition of the Obligated Person, if material; 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 Obligated Person pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. "amendment to continuing disclosure undertaking;"

2. "change in obligated person;"

3. "notice to investors pursuant to bond documents;"

4. "certain communications from the Internal Revenue Service;"

5. "secondary market purchases;"

6. "bid for auction rate or other securities;"

7. "capital or other financing plan;"

8. "litigation/enforcement action;"

9. "change of tender agent, remarketing agent, or other on-going party;"

10. "derivative or other similar transaction;" and

11. "other event-based disclosures;"

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Obligated Person pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. "quarterly/monthly financial information;"

2. "change in fiscal year/timing of annual disclosure;"

3. “change in accounting standard;”

4. “interim/additional financial information/operating data;”

5. “budget;”

6. “investment/debt/financial policy;”

7. “information provided to rating agency, credit/liquidity provider or other third party;”

8. “consultant reports;” and

9. “other financial/operating data;”

(viii) provide the Obligated Person and the Program Facilitator evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Obligated Person may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, the Trustee and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

Each Annual Report shall contain:

(a) Annual Financial Information with respect to the Obligated Person which shall contain the information set forth in Exhibit D hereto, together with a narrative explanation as may be necessary to avoid misunderstanding regarding the presentation of such Annual Financial Information concerning the Obligated Person; and

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles (“GAAP”) or alternate accounting principles as described in the Official Statement will be included in the Annual Report. If Audited Financial Statements are not available, the Obligated Person shall be in compliance under this Disclosure Agreement if unaudited financial statements, prepared in accordance with GAAP or alternate accounting principles as described in the Official Statement, are included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Obligated Person is an "obligated person" (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or are available from the MSRB Internet Website. If the document incorporated by reference is a Final Official Statement, it must be available from the MSRB. The Obligated Person will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information shall include an explanation, in narrative form, of such modifications.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices and determinations with respect to the tax status of the securities or other material events affecting the tax status of the securities;

7. Modifications to rights of the security holders, if material;

8. Bond calls, if material;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds, if material;

11. Rating changes;

12. Tender offers;

13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (a)(13) of this Section 4: For the purposes of the event described in subsection (a)(13) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

14. The consummation of a merger, consolidation or acquisition involving the Obligated Person, or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

15. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Obligated Person shall, in a timely manner not in excess of ten business days after its occurrence, notify the Trustee, the Program Facilitator and the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Upon actual knowledge of the occurrence of a Notice Event, the Trustee shall promptly notify the Obligated Person and also shall notify the Disclosure Dissemination Agent in writing of the occurrence of such Notice Event. Each such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the desired text of the disclosure, the written authorization for the Disclosure Dissemination Agent to disseminate such information, and identify the desired date for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Obligated Person or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Obligated Person or the Disclosure Representative, such notified party will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Obligated Person determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Obligated Person desires to make, contain the written authorization of the Issuer or the Obligated Person for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed as prescribed in subsection (a) or as prescribed in subsection (b) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with 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 Event Disclosure, the Obligated Person shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations.

The Obligated Person acknowledges and understands that other state and federal laws, including but not limited to the United States Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the United States Securities Exchange Act of 1934, as amended, may apply to the Obligated Person, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Obligated Person acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Obligated Person may instruct the Disclosure Dissemination Agent to file Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Obligated Person desires to make and identify the date the Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Obligated Person as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Obligated Person may instruct the Disclosure Dissemination Agent to file Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the desired text of the disclosure, contain the written authorization for the Disclosure Dissemination Agent to disseminate such information, if applicable, and identify the desired date for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Obligated Person as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that 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 to file any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Person from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Section 7, or including any other information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement. If the Obligated Person chooses to include any information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement or to file Voluntary Event Disclosure or Voluntary Financial Disclosure, the Obligated Person shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Voluntary Financial Disclosure, Voluntary Event Disclosure, Failure to File Event Notice or Notice Event notice.

SECTION 8. Termination of Reporting Obligation.

The obligations of the Obligated Person and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Obligated Person is no longer an Obligated Person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent.

The Obligated Person hereby appoints DAC as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Obligated Person may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Obligated Person or DAC, the Obligated Person agrees to appoint a successor Disclosure Dissemination Agent or, alternatively, agrees to assume all responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Obligated Person shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the 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 Disclosure Agreement, the Holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Obligated Person has provided such information to the Disclosure Dissemination Agent as provided in this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information, or any other information, disclosures or notices provided to it by the Obligated Person and shall not be deemed to be acting in any fiduciary capacity for the 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 Obligated Person has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Obligated Person at all times.

THE OBLIGATED PERSON AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT, 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 LOSSES, EXPENSES AND LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AND THE TRUSTEE'S (AND ITS OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS') NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Obligated Person under this Section shall survive 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. <u>No Issuer or Trustee Responsibility</u>.

The Obligated Person and the Disclosure Dissemination Agent acknowledge that neither the Issuer nor the Trustee have undertaken any responsibility, and shall not be required to undertake any responsibility, with respect to any reports, notices or disclosures required by or provided pursuant to this Disclosure Agreement other than those notices required under Section 4 hereof and shall have no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures other than those notices required under Section 4 hereof. DASNY (as conduit issuer) is not, for purposes of and within the meaning of the Rule, (i) committed by contract or other arrangement to support payment of all, or part of, the obligations on the Bonds, or (ii) a person for whom annual financial information and notices of material events will be provided. The Trustee shall be indemnified and held harmless in connection with this Disclosure Agreement to the same extent provided in the Resolution for matters arising thereunder.

SECTION 13. <u>Amendment; Waiver</u>.

Notwithstanding any other provision of this Disclosure Agreement, the Obligated Person, the Trustee and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to each of the Obligated Person, the 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, the Obligated Person, the Trustee and the Disclosure Dissemination Agent shall have the right to amend this Disclosure Agreement for any of the following purposes:

(i) to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time;

(ii) to add or change a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(iii) to evidence the succession of another person to the Obligated Person, 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 or the Disclosure Dissemination Agent for the benefit of the Holders, or to surrender any right or power herein conferred upon the Obligated Person or the Disclosure Dissemination Agent;

(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 its conflicts of laws provisions).

SECTION 16. Counterparts.

This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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The Disclosure Dissemination Agent, the Trustee and the Obligated Person have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Disclosure Dissemination Agent

By:_______________________________________
Name:_____________________________________
Title:______________________________________

[PARTICIPANT],
Obligated Person

By:_______________________________________
Name:_____________________________________
Title:______________________________________

THE BANK OF NEW YORK MELLON,
as Trustee

By: ______________________________________
Name: ____________________________________
Title: _____________________________________

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer:	Dormitory Authority of the State of New York
Obligated Person(s):	[Participant]
Name of Bond Issue:	InterAgency Council Pooled Loan Program Revenue Bonds, Series 2018A
Date of Issuance:	August 15, 2018
Date of Official Statement:	July 25, 2018

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 2018A
Date of Issuance:	August 15, 2018

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 [ ], 2018, by and among the Obligated Person, The Bank of New York Mellon, as Trustee, and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Obligated Person has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____________[if known].

Dated:_____________________________

Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent, on behalf of the Obligated Person

____

cc: Obligated Person
Program Facilitator

EXHIBIT C-1

EVENT NOTICE COVER SHEET

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and Obligated Person's Names:

____

Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

____

Number of pages attached: _____

Description of Notice Events (Check One):

1.______"Principal and interest payment delinquencies;"
2.______"Non-Payment related defaults, if material;"
3.______"Unscheduled draws on debt service reserves reflecting financial difficulties;"
4.______"Unscheduled draws on credit enhancements reflecting financial difficulties;"
5.______"Substitution of credit or liquidity providers, or their failure to perform;"
6.______"Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7.______"Modifications to rights of securities holders, if material;"
8.______"Bond calls, if material;"
9.______"Defeasances;"
10._____"Release, substitution, or sale of property securing repayment of the securities, if material;"
11._____"Rating changes;"
12._____"Tender offers;"
13._____"Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14._____"Merger, consolidation, or acquisition of the obligated person, if material;" and
15._____"Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the obligated person or its agent to distribute this information publicly:

Signature:

____

Name: ____________________________________Title: ____________________________________

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-2

VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the 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:

____

Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

____

Number of pages attached: _____

Description of Voluntary Event Disclosure (Check One):

1.______"amendment to continuing disclosure undertaking;"
2.______"change in obligated person;"
3.______"notice to investors pursuant to bond documents;"
4.______"certain communications from the Internal Revenue Service;"
5.______"secondary market purchases;"
6.______"bid for auction rate or other securities;"
7.______"capital or other financing plan;"
8.______"litigation/enforcement action;"
9.______"change of tender agent, remarketing agent, or other on-going party;"
10._____"derivative or other similar transaction;" and
11._____"other event-based disclosures."

I hereby represent that I am authorized by the obligated person or its agent to distribute this information publicly:

Signature:

____

Name: ____________________________________Title: ____________________________________

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-3

VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB, pursuant to the 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:

____

Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

____

Number of pages attached: _____

Description of Voluntary Financial Disclosure (Check One):

1.______"quarterly/monthly financial information;"
2.______"change in fiscal year/timing of annual disclosure;"
3.______"change in accounting standard;"
4.______"interim/additional financial information/operating data;"
5.______"budget;"
6.______"investment/debt/financial policy;"
7.______"information provided to rating agency, credit/liquidity provider or other third party;"
8.______"consultant reports;" and
9.______"other financial/operating data."

I hereby represent that I am authorized by the obligated person or its agent to distribute this information publicly:

Signature:

____

Name: ____________________________________Title: ____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT D

FORM OF ANNUAL FINANCIAL INFORMATION

Name of Issuer:	Dormitory Authority of the State of New York
Obligated Person(s):	[Participant]
Name of Bond Issue:	InterAgency Council Pooled Loan Program Revenue Bonds, Series 2018A
Date of Issuance:	August 15, 2018
Date of Official Statement:	July 25, 2018
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 2018A Bonds, Barclay Damon LLP, Albany, New York, Co-Bond Counsel to DASNY, proposes to issue its legal opinion in substantially the following form:

[___________], 2018

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 $14,250,000 aggregate principal amount of InterAgency Council Pooled Loan Program Revenue Bonds, Series 2018A (the "Series 2018A Bonds"), consisting of $11,705,000 Subseries 2018A-1 Bonds and $2,545,000 Subseries 2018A-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 2018A 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 2018A Resolution Authorizing Up To $22,000,000 InterAgency Council Pooled Loan Program Revenue Bonds, Series 2018A adopted June 20, 2018 (the "Series 2018A Resolution" and, together with the Resolution, the "Resolutions"). The Series 2018A Bonds are being issued for the purposes set forth in the Resolutions.

DASNY has entered into separate Loan Agreements with each of Ability Beyond Disability and Ability Beyond Disability, Inc. (which together shall be considered a single Series 2018 Participant), Citizens Options Unlimited, Inc., Community Services Support Corporation and Nassau County AHRC Foundation, Inc. (which together shall be considered a single Series 2018 Participant), Citizens Options Unlimited, Inc., MRCS V, Inc. and Nassau County AHRC Foundation, Inc. (which together shall be considered a single Series 2018 Participant), Lifespire, Inc., SCO Family of Services, Sinergia, Inc. and Young Adult Institute, Inc. (collectively, the "Series 2018A Participants"), each dated as of June 20, 2018 (collectively, the "Loan Agreements"), providing, among other things, for loans to the Series 2018A Participants from the proceeds of the Series 2018A Bonds for the purposes permitted by the respective Loan Agreements and by the Resolutions.

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 2018A Bonds thereunder.

(2) The Resolution has been duly and lawfully adopted by DASNY. The Series 2018A 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 2018A 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 2018A 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 2018A 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 2018A Bonds are not a debt of the State of New York, and the State of New York is not liable thereon. The Series 2018A Bonds are not payable out of the funds of DASNY other than those pledged for the payment of the Series 2018A 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 2018A Participants, constitute legal, valid and binding obligations of DASNY enforceable in accordance with their terms.

(6) Under existing law:

(a) interest on the Subseries 2018A-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 2018A-1 Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed under the Code; provided, however, that such interest on the Subseries 2018A-1 Bonds is taken into account in determining adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018;

(c) interest on the Series 2018A 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 2018A-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 2018A Participants, as applicable, and others, and we have assumed compliance by DASNY and each of the Series 2018A Participants, as applicable, with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Subseries 2018A-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 2018A Participants, or of the failure by DASNY or the Series 2018A Participants to comply with any such covenant, the interest on the Subseries 2018A-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 2018A Participants regarding, among other matters, the status of the Series 2018A Participants as organizations described in Section 501(c)(3) of the Code.

Further, although the interest on the Subseries 2018A-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 2018A-1 Bond. The tax effect of receipt or accrual of the interest will depend upon the tax status of a holder of a Subseries 2018A-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 2018A-1 Bond and a fully executed Subseries 2018A-2 Bond and, in our opinion, the form of said Series 2018A 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 2018A 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 2018A 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:

[__________], 2018

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 $14,250,000 aggregate principal amount of InterAgency Council Pooled Loan Program Revenue Bonds, Series 2018A (the "Series 2018A Bonds"), consisting of $11,705,000 Subseries 2018A-1 Bonds and $2,545,000 Subseries 2018A-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 2018A 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 2018A Resolution Authorizing Up To $22,000,000 InterAgency Council Pooled Loan Program Revenue Bonds, Series 2018A adopted June 20, 2018 (the "Series 2018A Resolution" and, together with the Resolution, the "Resolutions"). The Series 2018A Bonds are being issued for the purposes set forth in the Resolutions.

DASNY has entered into separate Loan Agreements with each of Ability Beyond Disability and Ability Beyond Disability, Inc. (which together shall be considered a single Series 2018 Participant), Citizens Options Unlimited, Inc., Community Services Support Corporation and Nassau County AHRC Foundation, Inc. (which together shall be considered a single Series 2018 Participant), Citizens Options Unlimited, Inc., MRCS V, Inc. and Nassau County AHRC Foundation, Inc. (which together shall be considered a single Series 2018 Participant), Lifespire, Inc., SCO Family of Services, Sinergia, Inc. and Young Adult Institute, Inc. (collectively, the "Series 2018A Participants"), each dated as of June 20, 2018 (collectively, the "Loan Agreements"), providing, among other things, for loans to the Series 2018A Participants from the proceeds of the Series 2018A Bonds for the purposes permitted by the respective Loan Agreements and by the Resolutions.

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 2018A Bonds thereunder.

(2) The Resolution has been duly and lawfully adopted by DASNY. The Series 2018A 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 2018A 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 2018A 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 2018A 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 2018A Bonds are not a debt of the State of New York, and the State of New York is not liable thereon. The Series 2018A Bonds are not payable out of the funds of DASNY other than those pledged for the payment of the Series 2018A 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 2018A Participants, constitute legal, valid and binding obligations of DASNY enforceable in accordance with their terms.

We have examined a fully executed Subseries 2018A-1 Bond and a fully executed Subseries 2018A-2 Bond and, in our opinion, the form of said Series 2018A 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 2018A 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,

DORMITORY AUTHORITY OF THE STATE OF NEW YORK • INTERAGENCY COUNCIL POOLED LOAN PROGRAM REVENUE BONDS, SERIES 2018A

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