NEW ISSUE – BOOK-ENTRY ONLY

Moody's: Aa2 (negative outlook)
(See "RATING" herein)

DASNY

DAC Bond

$19,860,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
INTERAGENCY COUNCIL POOLED LOAN PROGRAM
REVENUE BONDS, SERIES 2020A

Consisting of:

$18,840,000 Subseries 2020A-1 **$1,020,000 Subseries 2020A-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 2020A consisting of Subseries 2020A-1 (the "Subseries 2020A-1 Bonds") and Subseries 2020A-2 (Federally Taxable) (the "Subseries 2020A-2 Bonds;" and together with the Subseries 2020A-1 Bonds, the "Series 2020 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 2020 Bonds are payable solely from and secured by a pledge of the Revenues (described below) and the funds and accounts (other than the Arbitrage Rebate Fund) authorized by DASNY's InterAgency Council Pooled Loan Program Revenue Bond Resolution adopted on March 31, 2010, as supplemented (the "Resolution") and established with respect to the Series 2020 Bonds by the Series 2020A Resolution Authorizing Up To $29,000,000 InterAgency Council Pooled Loan Program Revenue Bonds, Series 2020A, adopted March 4, 2020 (the "Series 2020 Resolution"), including a Debt Service Reserve Fund.

The Revenues pledged to the payment of the Series 2020 Bonds are comprised of certain payments to be made under separate Loan Agreements dated as of March 4, 2020 (each a "Series 2020 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: Eden II School for Autistic Children, Inc., Family Residences and Essential Enterprises, Inc., Services for the Developmentally Challenged Inc., Unique People Services, Inc. and Young Adult Institute, Inc. (each a "Series 2020 Participant" and collectively, the "Series 2020 Participants").

Each Series 2020 Loan Agreement is a general obligation of the respective Series 2020 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 2020 Bonds corresponding to such Series 2020 Participant's proportionate share of the proceeds of the Series 2020 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 2020 Loan Agreements are several and not joint obligations of the Series 2020 Participants. Each of the Series 2020 Participant's obligations under its respective Series 2020 Loan Agreement will be secured by a security interest in certain revenues of such Series 2020 Participant granted to DASNY and pledged and assigned to the Trustee.

A DEFAULT BY ANY ONE OR MORE OF THE SERIES 2020 PARTICIPANTS UNDER THEIR RESPECTIVE Series 2020 LOAN AGREEMENTS MAY RESULT IN A DEFAULT UNDER THE RESOLUTION AND THE SERIES 2020 ReSOLUTION WITH RESPECT TO SUCH SERIES 2020 PARTICIPANT'S ALLOCABLE PORTION OF THE SERIES 2020 BONDS; HOWEVER, ANY LIABILITY WITH RESPECT TO SUCH DEFAULT IS LIMITED SOLELY TO THE SERIES 2020 PARTICIPANT OR SERIES 2020 PARTICIPANTS THAT ARE IN DEFAULT, WITHOUT RIGHT OF CONTRIBUTION FROM THE NON-DEFAULTING SERIES 2020 PARTICIPANTS. ANY SUCH DEFAULT, HOWEVER, COULD RESULT IN A DEFAULT IN PAYMENT OF THE Series 2020 BONDS.

The Series 2020 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 2020 Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple in excess thereof. Interest (due July 1, 2020 and each January 1 and July 1 thereafter) on the Series 2020 Bonds will be payable by check mailed to the registered owners thereof and principal and Redemption Price of the Series 2020 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 2020 Bonds by wire transfer, as more fully described herein.

The Series 2020 Bonds will be issued as fully registered bonds and when issued initially will be issued in book-entry form, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). DTC will act as securities depository for the Series 2020 Bonds. Purchases of beneficial ownership interests in the Series 2020 Bonds may be made only through the DTC book-entry system. Beneficial Owners (as defined herein) of the Series 2020 Bonds will not receive certificates representing their interests in the Series 2020 Bonds. See "PART 3 - THE SERIES 2020 BONDS – Book-Entry-Only System" herein.

Redemption and Purchase in Lieu of Redemption: The Series 2020 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 to DASNY, under existing law and assuming compliance with certain covenants described herein and the accuracy and completeness of certain representations, certifications of fact and statements of reasonable expectations made by DASNY, the Series 2020 Participants, as applicable, and others, interest on the Subseries 2020A-1 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Subseries 2020A-1 Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed under the Code. In the opinion of Barclay Damon LLP, Co-Bond Counsel to DASNY, interest on the Subseries 2020A-2 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Barclay Damon LLP is further of the opinion that, under existing statutes, interest on the Series 2020 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York and the City of Yonkers). See "PART 10 – TAX MATTERS" herein regarding certain other tax considerations.

The Series 2020 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 2020 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 2020 Bonds in definitive form in Albany, New York on or about April 28, 2020.

MUNICIPAL CAPITAL MARKETS GROUP, INC.

April 16, 2020

$19,860,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
INTERAGENCY COUNCIL POOLED LOAN PROGRAM
REVENUE BONDS, SERIES 2020A

Consisting of:

$18,840,000 Subseries 2020A-1

Consisting of:

$4,905,000 Serial Bonds

Maturing July 1	Principal Amount	Coupon	Yield	CUSIP[(1)]
2021	$100,000	4.00%	1.34%	64990G B68
2022	90,000	4.00	1.35	64990G B76
2023	480,000	4.00	1.41	64990G B84
2024	500,000	4.00	1.41	64990G B92
2025	545,000	4.00	1.48	64990G C26
2026	565,000	4.00	1.49	64990G C34
2027	610,000	4.00	1.61	64990G C42
2028	650,000	4.00	1.70	64990G C59
2029	680,000	4.00	1.75	64990G C67
2030	685,000	4.00	1.83	64990G C75

$3,930,000 4.00% Term Bond due July 1, 2035 to Yield 2.57%† CUSIP[(1)] 64990G C83
$4,535,000 4.00% Term Bond due July 1, 2040 to Yield 2.81%† CUSIP[(1)] 64990G C91
$2,470,000 3.25% Term Bond due July 1, 2045 to Yield 3.435% CUSIP[(1)] 64990G D41
$3,000,000 4.00% Term Bond due July 1, 2045 to Yield 2.97%† CUSIP[(1)] 64990G D25

$1,020,000
Subseries 2020A-2
(Federally Taxable)

$1,020,000 2.10% Term Bond due July 1, 2026 to Yield 2.20% CUSIP[(1)] 64990G D33

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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 2020 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 2020 Bonds or as indicated above. CUSIP numbers are subject to being changed after the issuance of the Series 2020 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2020 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 2020 Bonds.

† Yield calculated to first optional redemption date of July 1, 2030.

No dealer, broker, salesman or other person has been authorized by DASNY, the Series 2020 Participants or the Underwriter to give any information or to make any representations with respect to the Series 2020 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 2020 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 2020 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 2020 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 2020 Participants or the Program Facilitator, (2) the sufficiency of the security for the Series 2020 Bonds, or (3) the value or the investment quality of the Series 2020 Bonds.

Each Series 2020 Participant has reviewed the portions of this Official Statement describing such Series 2020 Participant, its Series 2020 Facilities, its Mortgages, including "PART 1 – INTRODUCTION" (but solely with respect to the headings "The Series 2020 Participants," "Additional Security – Pledged Revenues and Standby Intercepts," and "The Mortgages"), "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2020 BONDS – Security for the Series 2020 Bonds - Pledged Revenues – Intercept Funds," and " – Security for the Series 2020 Bonds – Mortgages," "PART 3 – THE SERIES 2020 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2020 Bonds," "PART 4 - THE SERIES 2020 PARTICIPANTS," "PART 5 - SOURCES OF SERIES 2020 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 2020 Bonds that each Series 2020 Participant certify that, as of each such date, such parts and such information do not contain any untrue statement of a material fact and do not omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which the statements were made, not misleading. The Series 2020 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 2020 PARTICIPANT REVENUE" and "PART 11 - BONDHOLDERS' RISKS." It is a condition to the sale and delivery of the Series 2020 Bonds that the Program Facilitator certify that, as of each such date, such parts and such information do not contain any untrue statement of a material fact and do not omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which the statements were made, not misleading. The Program Facilitator makes no representations as to the accuracy or completeness of any other information included in this Official Statement.

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

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

References in this Official Statement to the Act, the Resolution, the Series 2020 Resolution and the Series 2020 Loan Agreements do not purport to be complete. Refer to the Act, the Resolution, the Series 2020 Resolution and the Series 2020 Loan Agreements for full and complete details of their provisions. Copies of the Resolution, the Series 2020 Resolution and the Series 2020 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 2020 Participants have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2020 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2020 BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

OFFICIAL STATEMENT
relating to
$19,860,000
INTERAGENCY COUNCIL POOLED LOAN PROGRAM
REVENUE BONDS, SERIES 2020A
Consisting of:

$18,840,000 Subseries 2020A-1 | **$1,020,000 Subseries 2020A-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"), Eden II School for Autistic Children, Inc. ("Eden II"), Family Residences and Essential Enterprises, Inc. ("FREE"), Services for the Developmentally Challenged Inc. ("Services for the Developmentally Challenged"), Unique People Services, Inc. ("Unique People") and Young Adult Institute, Inc. ("YAI") (collectively, the "Series 2020 Participants") in connection with the offering by DASNY of its $19,860,000 aggregate principal amount of InterAgency Council Pooled Loan Program Revenue Bonds, Series 2020A, consisting of $18,840,000 Subseries 2020A-1 Bonds and $1,020,000 Subseries 2020A-2 Bonds (Federally Taxable) (collectively, the "Series 2020 Bonds").

The following is a brief description of certain information concerning the Series 2020 Bonds, DASNY and the Series 2020 Participants. A more complete description of such information and additional information that may affect decisions to invest in the Series 2020 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 2020 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 2020 Facilities") of the Series 2020 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 2020 Facilities, (ii) making a deposit to each account of the Debt Service Reserve Fund securing the Series 2020 Bonds (the "Series 2020 Debt Service Reserve Fund") in an amount equal to the aggregate of each Series 2020 Participant's Allocable Portion of the Series 2020 Debt Service Reserve Fund Requirement (defined herein), and (iii) paying certain costs of issuance of the Series 2020 Bonds. The respective Loan Agreements entered into with DASNY by the Series 2020 Participants (the "Series 2020 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 2020 Bonds as the same become due. See "PART 6 – ESTIMATED SOURCES AND USES OF FUNDS." For a description of the Series 2020 Facilities being financed or refinanced with proceeds of the Series 2020 Bonds, see "Appendix A - Description of Series 2020 Participants."

Authorization of Issuance

The Act authorizes DASNY, among other things, to issue its bonds for the purpose of financing or refinancing the costs of the acquisition, construction, reconstruction, renovation, development, improvement, expansion and equipping of certain educational, administrative, clinical, day program, residential, and other attendant and related facilities of the not-for-profit members (each a "Participant") of the InterAgency Council of Developmental Disabilities Agencies, Inc., which members include the Series 2020 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 2020 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 2020 Bonds will be issued pursuant to the Act, the Resolution and the Series 2020 Resolution. The term "Resolutions" shall mean the Resolution and the Series 2020 Resolution. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2020 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 2020 Participants) that conduct business throughout the State, but primarily in The City of New York metropolitan area. See "PART 4 - THE SERIES 2020 PARTICIPANTS."

The Series 2020 Participants

Each of the Series 2020 Participants is a not-for-profit corporation organized and existing under the laws of the State. See "PART 4 - THE SERIES 2020 PARTICIPANTS," "PART 5 - SOURCES OF SERIES 2020 PARTICIPANT REVENUE," "Appendix A - Description of Series 2020 Participants," "Appendix B - Audited Financial Statements of Series 2020 Participants," and "Appendix C - Unaudited Financial Information of Series 2020 Participants."

Upon delivery of the Series 2020 Bonds, the Series 2020 Participants will receive loans from DASNY from the proceeds thereof in the following principal amounts, representing each Series 2020 Participant's Allocable Portion of each Subseries of the Series 2020 Bonds:

Series 2020 Participant	Subseries 2020A-1	Subseries 2020A-2	Total
Eden II School for Autistic Children, Inc.	$1,435,000	$ 65,000	$1,500,000
Family Residences and Essential Enterprises, Inc.	5,555,000	460,000	6,015,000
Services for the Developmentally Challenged Inc.	1,260,000	60,000	1,320,000
Unique People Services, Inc.	2,455,000	105,000	2,560,000
Young Adult Institute, Inc.	8,135,000	330,000	8,465,000

No Series 2020 Participant is responsible for the payment obligations of any other Series 2020 Participant. If a Series 2020 Participant fails to pay amounts due under its Series 2020 Loan Agreement in respect of its Allocable Portion of the Series 2020 Bonds, DASNY's sole remedy will be against the defaulting Series 2020 Participant and no other Series 2020 Participant.

See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2020 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 2020 BONDS - Redemption Provisions - Extraordinary Mandatory Redemption."

The Series 2020 Bonds

The Series 2020 Bonds are dated their date of delivery and bear interest from such date (payable July 1, 2020, and on each January 1 and July 1 thereafter) at the rates and will mature at the times set forth on the inside cover page of this Official Statement. See "PART 3 - THE SERIES 2020 BONDS - Description of the Series 2020 Bonds."

Payment of the Series 2020 Bonds

The Series 2020 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 2020 Participants pursuant to their respective Series 2020 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 2020 Bonds. The Revenues are pledged and assigned to the Trustee.

Pursuant to its Series 2020 Loan Agreement, each Series 2020 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 2020 Bonds, in each case corresponding to the proceeds of each maturity of each Subseries of the Series 2020 Bonds loaned to it by DASNY. The obligation of each Series 2020 Participant to make payments under its Series 2020 Loan Agreement constitutes a general obligation of such Series 2020 Participant. The payment obligations of the Series 2020 Participants under their respective Series 2020 Loan Agreements are several, not joint, and are not cross-collateralized with the obligations of any other Series 2020 Participant. For a listing of each Series 2020 Participant's Allocable Portion of the principal and Sinking Fund Installments of and interest on the Series 2020 Bonds, see "PART 3 – THE SERIES 2020 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2020 Bonds."

Security for the Series 2020 Bonds

The Series 2020 Bonds will be secured by the pledge and assignment to the Trustee of the Revenues, the proceeds from the sale of the Series 2020 Bonds (until disbursed as provided by the Resolution) and all funds and accounts authorized by the Resolution and established by the Series 2020 Resolution (with the exception of the Arbitrage Rebate Fund), including the Series 2020 Debt Service Reserve Fund, which will be funded at its requirement upon issuance of the Series 2020 Bonds with proceeds of the Series 2020 Bonds. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2020 BONDS - Security for the Series 2020 Bonds."

The Series 2020 Bonds are separately secured from all other Series of Bonds. The Holders of any Series of Bonds other than the Series 2020 Bonds are not entitled to the rights, benefits and security conferred upon the Holders of the Series 2020 Bonds.

The Series 2020 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 2020 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 2020 Participants to DASNY pursuant to its Series 2020 Loan Agreement, subject to Prior Pledges. Certain of the Series 2020 Participants have previously pledged their Public Funds (a portion of which consists of the Pledged Revenues) to DASNY, an industrial development agency or a bank or another financial institution as security for the respective obligations of such Series 2020 Participants in connection with bonds previously issued by DASNY or such industrial development agency or lines of credit or other borrowings from financial institutions. In addition, certain Series 2020 Participants may, with the prior written consent of DASNY (such consent not to be unreasonably withheld or delayed), hereafter secure a line of credit with a Prior Pledge pursuant to its Series 2020 Loan Agreement. The pledge of the Pledged Revenues granted by each such Series 2020 Participant is subject and subordinate to such Prior Pledges in all respects. See "PART 4 - THE SERIES 2020 PARTICIPANTS" and "Appendix A - Description of Series 2020 Participants" for a description of each of the Series 2020 Participants, including their respective Prior Pledges of their respective Pledged Revenues.

Pledged Revenues are all of a Series 2020 Participant's Public Funds attributable to (a) its Series 2020 Facilities, or (b) the administration, management, supervision or support at or from its Series 2020 Facilities of programs or activities at other locations. In the case of each Series 2020 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 2020 Participant's Series 2020 Facility or Facilities.

With the exception of approximately 50% of the acquisition costs for YAI for its Series 2020 Facility located at 40 Titus Road, Glen Cove, New York (the "Titus Road Facility"), as further described in Appendix A, OPWDD has pre-approved pursuant to separate Prior Property Approvals (each a "PPA") each Series 2020 Facility for reimbursement of amounts calculated to be approximately sufficient to pay the principal and interest costs incurred by the related Series 2020 Participant in connection with its financing or refinancing of the acquisition, renovation and furnishing, as applicable, of such Series 2020 Facility, in each case subject to annual appropriation by the State Legislature and so long as such Series 2020 Participant operates the applicable Series 2020 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 2020 Participant, it is expected that the amounts received by such Series 2020 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 2020 Bonds for such Series 2020 Facility; any difference between the two amounts is expected to be covered by the Pledged Revenues of such Series 2020 Participant expected to be received for operating and administrative expenses associated with such Series 2020 Facility. With respect to approximately 50% of the acquisition costs for YAI's Titus Road Facility that are not expected to be reimbursed by OPWDD through a PPA, YAI expects to pay such non-PPA supported portions of its principal and interest on its Allocable Portion of the Series 2020 Bonds from Public Funds paid by OPWDD and from its general operating revenues. See "PART 5 - SOURCES OF SERIES 2020 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities." For a description of the Series 2020 Facilities or portions thereof not supported by a PPA, see the description of YAI in Appendix A.

The Pledged Revenues will be paid directly to each Series 2020 Participant and may be disposed of by such Series 2020 Participant for any of its corporate purposes. However, pursuant to the Act, the respective Series 2020 Loan Agreements, and separate agreements entered into by DASNY, each Series 2020 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 2020 Participant pursuant to its PPA or PPAs (the "Intercept Funds"), directly to DASNY or the Trustee for application to the payment of such Series 2020 Participant's Allocable Portion of the Outstanding Series 2020 Bonds.

Pledged Revenues of one Series 2020 Participant will not be available to satisfy the obligations of any other Series 2020 Participant. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2020 BONDS - Security for the Series 2020 Bonds - Pledged Revenues - Intercept Funds" and "- Standby Intercepts." See also, "Appendix A - Description of Series 2020 Participants" and "Appendix E - Summary of Certain Provisions of the Series 2020 Loan Agreements."

The ability of each Series 2020 Participant to satisfy its payment obligations under its Loan Agreement with respect to its Allocable Portion of the Series 2020 Bonds and DASNY's ability to realize upon its security interests in the Pledged Revenues of each Series 2020 Participant are largely dependent upon the continued operation by each Series 2020 Participant of its Series 2020 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 2020 Participant and its ability to continue to generate sufficient revenues to support all of its facilities, including its Series 2020 Facilities, (ii) the continued compliance by the Series 2020 Participant with State and local operational standards with respect to its Series 2020 Facilities, and (iii) the continued commitment of Public Funds to support the programs and facilities operated by the Series 2020 Participant, particularly with respect to its Series 2020 Facilities, including continued appropriations by the State in amounts sufficient for OPWDD to make payments to the Series 2020 Participant pursuant to its PPA or PPAs. For a more detailed discussion of risk factors affecting the ability of the Series 2020 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 2020 Bonds, see "PART 11 - BONDHOLDERS' RISKS." See also, "PART 5 - SOURCES OF SERIES 2020 PARTICIPANT REVENUE."

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

A failure by a Series 2020 Participant to timely pay its obligations under its Series 2020 Loan Agreement might result in an event of default under the Resolutions if either (a) such Series 2020 Participant's loan is accelerated in accordance with the provisions of its Series 2020 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 2020 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 2020 Bonds that corresponds to a principal installment on the defaulting Series 2020 Participant's loan under the terms of its Series 2020 Loan Agreement (referred to as the "Defaulted Allocable Portion"). The funds available for the payment of a Defaulted Allocable Portion of the Series 2020 Bonds are limited by the Resolution to only those Revenues payable by or on behalf of such defaulting Series 2020 Participant pursuant to its Series 2020 Loan Agreement, funds on deposit with the Trustee attributable to such Series 2020 Participant and amounts recovered upon the realization on any collateral granted to DASNY as security for such Series 2020 Participant's obligations under its Series 2020 Loan Agreement and pledged to the payment of the Series 2020 Bonds.

After the application of all such amounts to the payment of the Defaulted Allocable Portion of the Series 2020 Bonds following the acceleration or extraordinary mandatory redemption thereof in accordance with the Resolutions, such Defaulted Allocable Portion of the Series 2020 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 2020 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 2020 BONDS - Redemption Provisions - Extraordinary Mandatory Redemption."

NO SERIES 2020 PARTICIPANT IS RESPONSIBLE FOR THE PAYMENT OBLIGATIONS OF ANY OTHER SERIES 2020 PARTICIPANT. IF A SERIES 2020 PARTICIPANT FAILS TO PAY AMOUNTS DUE UNDER ITS SERIES 2020 LOAN AGREEMENT IN RESPECT OF ITS ALLOCABLE PORTION OF THE SERIES 2020 BONDS, DASNY'S SOLE REMEDY WILL BE AGAINST THE DEFAULTING SERIES 2020 PARTICIPANT AND NO OTHER SERIES 2020 PARTICIPANT.

The Mortgages

Each Series 2020 Participant's obligations under its Series 2020 Loan Agreement will be additionally secured by one or more mortgages (each a "Mortgage"; collectively, the "Mortgages") from such Series 2020 Participant to DASNY, granting a mortgage lien on its Series 2020 Facilities, and by a security interest in the fixtures, furniture and equipment financed with the proceeds of the Series 2020 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 2020 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 2020 Loan Agreement provides that DASNY, without the consent of the Trustee or the Holders of the applicable Series 2020 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 2020 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 2020 BONDS - Security for the Series 2020 Bonds - Mortgages."

See "Appendix A - Description of Series 2020 Participants" for a description of the Series 2020 Participants and (a) their respective Series 2020 Facilities and (b) the nature of the mortgages on their respective Series 2020 Facilities.

PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2020 BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2020 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 2020 Resolution and the Series 2020 Loan Agreements, copies of which are on file with DASNY and the Trustee. See also "Appendix E- Summary of Certain Provisions of the Series 2020 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 2020 Bonds

The Series 2020 Bonds are special, limited obligations of DASNY. The principal, Sinking Fund Installments, and Redemption Price of and interest on the Series 2020 Bonds are payable solely from the Revenues. With respect to the Series 2020 Participants, the Revenues consist of the aggregate of the payments required to be made by each of the Series 2020 Participants under its respective Series 2020 Loan Agreement on account of such Series 2020 Participant's Allocable Portion of (i) the principal, Sinking Fund Installments, and Redemption Price of and interest due on the Series 2020 Bonds, and (ii) the Series 2020 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 2020 Bonds. The aggregate of payments due and payable to DASNY under all of the Series 2020 Loan Agreements will be sufficient to pay (i) the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2020 Bonds when due, (ii) amounts necessary to maintain the Series 2020 Debt Service Reserve Fund at its required level, and (iii) the annual fees of DASNY and the Trustee.

Each Series 2020 Loan Agreement is a general obligation of the respective Series 2020 Participant, pursuant to which such Series 2020 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 2020 Bonds as reflected in the debt service table set forth in "PART 3 – THE SERIES 2020 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2020 Bonds." The payment obligations of the Series 2020 Participants with respect to their respective Allocable Portions of the Series 2020 Bonds are several, not joint. Each Series 2020 Participant is obligated to repay only its Allocable Portion of the Series 2020 Bonds. Each Series 2020 Participant's payments under its respective Series 2020 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 2020 Bonds.

Payments under each of the Series 2020 Loan Agreements are to be made monthly on the 10th day of each month. Each payment under the Series 2020 Loan Agreements is to be equal to one-sixth of the respective Series 2020 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 2020 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2020 Bonds." Each of the Series 2020 Loan Agreements also obligates the respective Series 2020 Participant to pay, at least 45 days prior to a redemption date of Series 2020 Bonds called for redemption, its Allocable Portion of the amount, if any, required to pay the Redemption Price of such Series 2020 Bonds. See "PART 3 – THE SERIES 2020 BONDS – Redemption Provisions."

Security for the Series 2020 Bonds

General

The Series 2020 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 2020 Participants" for a description of each of the Series 2020 Participants, including their respective Prior Pledges of their respective Pledged Revenues.

The Series 2020 Bonds will also be secured by the proceeds from the sale of such Series 2020 Bonds (until disbursed as provided in the Resolutions) and all funds and accounts authorized by the Resolution and established by the Series 2020 Resolution (with the exception of the Arbitrage Rebate Fund), including the Series 2020 Debt Service Reserve Fund.

Pursuant to the terms of the Resolution, the Series 2020 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 2020 Loan Agreements, each Series 2020 Participant has pledged and assigned to DASNY its Pledged Revenues in an amount sufficient to satisfy its payment obligations under its Series 2020 Loan Agreement, subject to any Prior Pledges. With respect to each Series 2020 Participant, the Pledged Revenues are all Public Funds attributable to (a) its respective Series 2020 Facilities, or (b) the administration, management, supervision, or support at or from its respective Series 2020 Facilities of programs or activities at other locations, including any Intercept Funds. Public Funds are all moneys payable to a Series 2020 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 approximately 50% of the acquisition costs for YAI's Titus Road Facility that are not expected to be reimbursed by OPWDD through a PPA, all of the Series 2020 Facilities are supported by an OPWDD PPA, which the applicable Series 2020 Participant has received. These PPAs represent OPWDD's pre-approval of the applicable Series 2020 Facilities for reimbursement of certain amounts approximately sufficient to pay the annual principal and interest costs incurred by the related Series 2020 Participant in connection with its financing or refinancing of the acquisition, renovation and furnishing, as applicable, of such Series 2020 Facility, in each case subject to annual appropriation by the State Legislature and so long as such Series 2020 Participant operates the applicable Series 2020 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 2020 Participant that the amounts received by such Series 2020 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 2020 Bonds related to such Series 2020 Facilities; any difference between the two amounts is expected to be covered by the Pledged Revenues of such Series 2020 Participant expected to be received for operating and administrative expenses associated with such Series 2020 Facility. With respect to approximately 50% of the acquisition costs for YAI's Titus Road Facility that are not expected to be reimbursed by OPWDD through a PPA, YAI expects to pay such non-PPA supported portions of its principal and interest on its Allocable Portion of the Series 2020 Bonds from Public Funds paid by OPWDD and from its general operating revenues. See "PART 5 - SOURCES OF SERIES 2020 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities." Certain of the Series 2020 Facilities may also be supported by additional OPWDD PPAs, but such other OPWDD PPAs were issued with respect to other projects at such Series 2020 Facilities and not those being financed with the Series 2020 Bonds and, therefore, payments under such other PPAs do not constitute Pledged Revenues.

Standby Intercepts

The Act and each Series 2020 Loan Agreement authorize an intercept mechanism whereby public entities responsible for the payment of Pledged Revenues are authorized and required to pay a Series 2020 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 2020 Loan Agreement, until the occurrence of an event with respect to a Series 2020 Participant described in clause (a) or (b) below, a Series 2020 Participant's Pledged Revenues subject to such an intercept will be paid directly to such Series 2020 Participant and will be available to be applied towards any of its corporate purposes. However, pursuant to the respective Series 2020 Loan Agreements and the respective Intercept Agreements, upon the occurrence of (a) an event of default under a Series 2020 Participant's Series 2020 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 2020 Participant's Series 2020 Loan Agreement, or (b) a drawing of funds from the Series 2020 Debt Service Reserve Fund for the benefit of such Series 2020 Participant that has not been repaid by such Series 2020 Participant as required by its Series 2020 Loan Agreement and the Resolutions, DASNY may, in addition to all other remedies available pursuant to such Series 2020 Participant's Series 2020 Loan Agreement, cause such Series 2020 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 2020 Participant pursuant to its Series 2020 Loan Agreement. See "PART 5 - SOURCES OF SERIES 2020 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities." Intercepted Pledged Revenues of one Series 2020 Participant will not be available to satisfy the payment obligations of any other Series 2020 Participant.

There can be no assurance that the amount of any Series 2020 Participant's intercepted Pledged Revenues will be sufficient to satisfy such Series 2020 Participant's payment obligations with respect to its Allocable Portion of the Series 2020 Bonds. In the event that amounts received upon the intercept of a Series 2020 Participant's Pledged Revenues are insufficient to pay all of a Series 2020 Participant's Allocable Portion of the principal of and interest on the Series 2020 Bonds when due, such amounts received will be applied pro rata to such Series 2020 Participant's Allocable Portion of each Subseries of the Series 2020 Bonds.

The ability of each Series 2020 Participant to satisfy its payment obligations under its Series 2020 Loan Agreement with respect to its Allocable Portion of the Series 2020 Bonds and DASNY's ability to realize upon its security interests in the Series 2020 Participant's Pledged Revenues are largely dependent upon the continued operation by the Series 2020 Participant of its Series 2020 Facilities, which may be adversely affected by a number of risk factors. Such risk factors, which may affect the Series 2020 Participants differently, include, but are not limited to, (i) the financial condition of the Series 2020

Participant and its ability to continue to generate sufficient revenues to support all of its facilities, including its Series 2020 Facilities, (ii) the continued compliance by the Series 2020 Participant with State and local operational standards with respect to its Series 2020 Facilities, (iii) the continued commitment of Public Funds to support the programs and facilities operated by the Series 2020 Participant, particularly with respect to the Series 2020 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 2020 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 2020 Participants to pay amounts owed under their respective Series 2020 Loan Agreements, as well as other risk factors affecting payment on the Series 2020 Bonds, see "PART 11 - BONDHOLDERS' RISKS." See also "PART 5 - SOURCES OF SERIES 2020 PARTICIPANT REVENUE" and "Appendix A - Descriptions of the Series 2020 Participants," which includes for each Series 2020 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 2020 Resolution establishes, the Series 2020 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 2020 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 2020 Bonds (the "Series 2020 Debt Service Reserve Fund Requirement").

Proceeds of the Series 2020 Bonds will be deposited in separate accounts established in the Series 2020 Debt Service Reserve Fund for each Series 2020 Participant in amounts equal to the respective Series 2020 Participant's Allocable Portion of the Series 2020 Debt Service Reserve Fund Requirement. If, on the fourth Business Day preceding an interest payment date for the Series 2020 Bonds, the amount on deposit in the account established for a Series 2020 Participant in the Debt Service Fund is less than the amount necessary to pay such Series 2020 Participant's Allocable Portion of the principal or Sinking Fund Installments of and interest on the Outstanding Series 2020 Bonds payable on such interest payment date, the Trustee is required to transfer moneys from the applicable account of the Series 2020 Debt Service Reserve Fund to the corresponding account of the Debt Service Fund in an amount sufficient to provide for such payment. Each Series 2020 Loan Agreement requires the respective Series 2020 Participant to restore in full any amount withdrawn from the Series 2020 Debt Service Reserve Fund for its benefit within five days after receiving notice of a withdrawal. Each Series 2020 Loan Agreement also requires the respective Series 2020 Participant to restore in full its Allocable Portion of the Series 2020 Debt Service Reserve Fund Requirement within five days after receiving notice of a deficiency in the Series 2020 Debt Service Reserve Fund resulting from a devaluation of the investments held therein. Each Series 2020 Participant is responsible for only its Allocable Portion of the Series 2020 Debt Service Reserve Fund Requirement. Any money in the Series 2020 Debt Service Reserve Fund in excess of the required amounts shall be applied in accordance with the Resolutions.

Reserve Fund Facilities

In lieu of or in substitution for moneys in the Series 2020 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 2020 Debt Service Reserve Fund Requirement or any Series 2020 Participant's Allocable Portion thereof. See "Appendix F - Summary of Certain Provisions of the Resolutions."

Mortgages

Each Series 2020 Participant's obligations under its Series 2020 Loan Agreement will be additionally secured by its Mortgage granting to DASNY a mortgage lien on its Series 2020 Facilities, and by a security interest granted to DASNY in the fixtures, furniture and equipment financed with the proceeds of the Series 2020 Bonds now or hereafter located on the mortgaged property, such mortgage liens and security interests subject to applicable Permitted Encumbrances. See "Appendix A - Description of Series 2020 Participants" for a description of the Series 2020 Participants and (a) their respective Series 2020 Facilities and (b) the nature of the mortgages on their respective Series 2020 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 2020 Debt Service Reserve Fund that has not been restored by the respective Series 2020 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 2020 Participant's Series 2020 Loan Agreement and the acceleration of the loan thereunder, DASNY is required to assign such Series 2020 Participant's Mortgage and the related security interest in the fixtures, furnishings and equipment financed with the proceeds of the Series 2020 Bonds to the Trustee for the benefit of the Holders of such Series 2020 Participant's Allocable Portion of the Outstanding Series 2020 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 2020 Bonds. **Each Mortgage secures only the obligations of the Series 2020 Participant granting the Mortgage, and, in the event of a default by a Series 2020 Participant that may lead to the assignment of its Mortgage, only the Mortgage of that defaulting Series 2020 Participant may be assigned**.

Prior to any assignment of a Mortgage to the Trustee, each Series 2020 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 2020 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 2020 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 2020 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 2020 Participant's Series 2020 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 2020 Participants."

Events of Default

Events of Default

The Resolutions provide that events of default thereunder constitute events of default with respect to the Series 2020 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 2020 Bonds of any Subseries; *provided, however,* if the failure to make any such payment is caused by a failure of a Series 2020 Participant to timely pay its Allocable Portion of the principal, Sinking Fund Installments or Redemption Price of or interest on the Series 2020 Bonds pursuant to the terms of its Series 2020 Loan Agreement, then it shall be an event of default under the Resolutions only with respect to the Defaulted Allocable Portion of the Outstanding Series 2020 Bonds, as identified by the Trustee using the method for selection of Bonds upon an extraordinary mandatory redemption thereof as set forth in the Resolution;

(ii) DASNY shall default in the due and punctual performance of its tax covenants contained in the Resolutions with the result that the interest on the Subseries 2020A-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 2020 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 2020 Bonds); or

(iv) an event of default under a Series 2020 Loan Agreement shall have occurred and is continuing and, as a result thereof, all sums payable by a Series 2020 Participant under such Series 2020 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 2020 Loan Agreement shall constitute an event of default under the Resolutions only with respect to the Defaulted Allocable Portion of the Series 2020 Bonds.

With respect to an event of default affecting only the Defaulted Allocable Portion of the Series 2020 Bonds and not any other portion of the Series 2020 Bonds, the Trustee will determine such Defaulted Allocable Portion in the manner described in "PART 3 - THE SERIES 2020 BONDS - Redemption Provisions - Extraordinary Mandatory Redemption."

The Series 2020 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 2020 Bonds, an event of default by a Series 2020 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 2020 Participant's Series 2020 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 2020 Participant's failure to timely pay its Allocable Portion of the Series 2020 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 2020 Bonds, by a notice in writing to DASNY, declare the principal of and interest on all of the Outstanding Series 2020 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 2020 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 2020 Participant to timely pay its Allocable Portion of the Series 2020 Bonds pursuant to its Series 2020 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 2020 Bonds then Outstanding, declare the principal of and interest on the Defaulted Allocable Portion of the Series 2020 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 2020 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 2020 Bonds, the Holders of not less than 25% in principal amount of the Outstanding Series 2020 Bonds or 25% in principal amount of Defaulted Allocable Portion of the Series 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 Participant's Series 2020 Loan Agreement, including such Series 2020 Participant's Pledged Revenues and other amounts derived from the exercise of any remedies under such Series 2020 Loan Agreement and the realization of any security or collateral granted by such defaulting Series 2020 Participant as security for its loan, and (ii) the moneys and securities on deposit in only those accounts established pursuant to the Series 2020 Resolution for the payment of such defaulting Series 2020 Participant's Allocable Portion of the Series 2020 Bonds. Holders of a Defaulted Allocable Portion of the Series 2020 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 2020 Participant for the payment of the Series 2020 Bonds or any other security pledged by such other non-defaulting Series 2020 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 2020 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 2020 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 2020 Bonds on a pro rata basis in accordance with the Resolution, (i) the remaining Defaulted Allocable Portion of the Series 2020 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 2020 Bonds shall be deemed to have been discharged and satisfied, and (iii) the Holders of the Defaulted Allocable Portion of the Series 2020 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 2020 Bonds. Upon such payment and/or cancellation of a Defaulted Allocable Portion of the Outstanding Series 2020 Bonds, DASNY shall execute and the Trustee shall authenticate a new Series 2020 Bond or Series 2020 Bonds in a principal amount equal to the Outstanding principal amount of the Series 2020 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 2020 Bonds of less than all of the principal of and interest on a Defaulted Allocable Portion of the Series 2020 Bonds then Outstanding following an acceleration or extraordinary mandatory redemption of such Defaulted Allocable Portion of the Series 2020 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 2020 Bonds under the Resolutions.

General

The Series 2020 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 2020 BONDS

Set forth below is a narrative description of certain provisions relating to the Series 2020 Bonds. These provisions have been summarized, and this description does not purport to be complete. Reference should be made to the Resolution, the Series 2020 Resolution and the Series 2020 Loan Agreements, copies of which are on file with DASNY and the Trustee. See also “Appendix E - Summary of Certain Provisions of the Series 2020 Loan Agreements” and “Appendix F - Summary of Certain Provisions of the Resolutions” for a more complete description of certain provisions of the Series 2020 Bonds.

General

The Series 2020 Bonds will be issued pursuant to the Resolutions. The Series 2020 Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), pursuant to DTC’s Book-Entry-Only System. Purchases of beneficial interests in the Series 2020 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 2020 Bonds, payments of principal, Sinking Fund Installments, Redemption Price and interest on the Series 2020 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 2020 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 2020 Bonds, the Series 2020 Bonds will be exchangeable for fully registered Series 2020 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 2020 Bonds

The Series 2020 Bonds will be dated their date of delivery and will bear interest from such date (payable on July 1, 2020, and on each January 1 and July 1 thereafter) at the rates per annum, and will mature on July 1 in each of the years set forth on the inside cover page of this Official Statement. The Series 2020 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 2020 Bonds may be exchanged for other Series 2020 Bonds of the same Subseries in any other authorized denominations upon payment of a charge sufficient to reimburse DASNY or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange and for the cost of preparing the new bond, and otherwise as provided in the Resolution.

Redemption Provisions

Optional Redemption

The Subseries 2020A-1 Bonds maturing on or after July 1, 2031 are subject to redemption, on or after July 1, 2030, 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.

The Subseries 2020A-2 Bonds are not subject to optional redemption.

Extraordinary Mandatory Redemption

Each Defaulted Allocable Portion of the Series 2020 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 2020 Participant as security for its loan upon an acceleration of such loan under its Series 2020 Loan Agreement. The Series 2020 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 2020 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 2020 Bonds on the redemption date less the amount of accrued interest to be paid on such Defaulted Allocable Portion of the Series 2020 Bonds on such date, by (B) the principal amount of the Defaulted Allocable Portion of the Series 2020 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 2020 Bonds to be redeemed based upon the schedule of amortization of the defaulting Series 2020 Participant's loan which has been accelerated. All Series 2020 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 2020 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 2020 Bond by the total principal scheduled to be paid in the year of maturity of such Series 2020 Bond on all loans made with the proceeds of the Series 2020 Bonds, including the defaulted loan.

The particular Series 2020 Bonds of each affected maturity to be redeemed will be selected in the manner described below under "- Selection of Series 2020 Bonds to be Redeemed."

Special Redemption

The Series 2020 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 2020 Facility of such Series 2020 Participant, (b) from unexpended proceeds of the Series 2020 Bonds upon abandonment of all or a portion of a Series 2020 Facility due to a legal or regulatory impediment and (c) the proceeds of the sale of a Series 2020 Facility.

Mandatory Sinking Fund Redemption

The Subseries 2020A-1 Bonds maturing on July 1, 2035, July 1, 2040, July 1, 2045 bearing interest at the rate of 3.25% and July 1, 2045 bearing interest at the rate of 4.00% 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 2020A-1 Bonds specified for each such year below:

Subseries 2020A-1 Bonds Maturing July 1, 2035		**Subseries 2020A-1 Bonds Maturing July 1, 2040**		**Subseries 2020A-1 Bonds Maturing July 1, 2045 (Interest Rate 3.25%)**		**Subseries 2020A-1 Bonds Maturing July 1, 2045 (Interest Rate 4.00%)**	
Year	Sinking Fund Installment	Year	Sinking Fund Installment	Year	Sinking Fund Installment	Year	Sinking Fund Installment
2031	$735,000	2036	$840,000	2041	$470,000	2041	$550,000
2032	755,000	2037	865,000	2042	475,000	2042	575,000
2033	780,000	2038	910,000	2043	495,000	2043	595,000
2034	810,000	2039	935,000	2044	510,000	2044	630,000
2035†	850,000	2040†	985,000	2045†	520,000	2045†	650,000

†Final maturity.

The Subseries 2020A-2 Bonds maturing on July 1, 2026 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 2020A-2 Bonds specified for each such year below:

Subseries 2020A-2
Bonds Maturing
July 1, 2026

Year	Sinking Fund Installment
2021	$395,000
2022	450,000
2023	60,000
2024	60,000
2025	30,000
2026†	25,000

†Final maturity.

The Series 2020 Participants may elect to have the Series 2020 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 2020 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 2020 Bonds of the Subseries and maturity so purchased will be reduced for such year.

Selection of Series 2020 Bonds to be Redeemed

In the case of redemptions of Subseries 2020A-1 Bonds described above under " - Optional Redemption," DASNY will select the maturities of the Allocable Portion of the Subseries 2020A-1 Bonds to be redeemed. In the case of redemption of Series 2020 Bonds described above under " - Special Redemption," Series 2020 Bonds will be redeemed to the extent practicable pro rata among maturities of the Allocable Portion of the Series 2020 Bonds, but only in integral multiples of $5,000 within each maturity. If less than all of the Series 2020 Bonds of a maturity are to be redeemed (pursuant to an optional, special, extraordinary mandatory or mandatory sinking fund redemption), the Series 2020 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 2020 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 2020 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 2020 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 2020 Bond to be redeemed to receive notice of redemption thereof will not affect the validity of the proceedings for the redemption of such Series 2020 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 2020 Bonds.

If, on the redemption date, moneys for the redemption of the Series 2020 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 2020 Bonds of such Subseries and maturity will cease to accrue from and after the redemption date and such Series 2020 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 2020 Bonds, see "Appendix F - Summary of Certain Provisions of the Resolutions."

Purchase in Lieu of Optional Redemption

The Subseries 2020A-1 Bonds maturing on or after July 1, 2031 are also subject to purchase prior to maturity, at the election of DASNY, on or after July 1, 2030, in any order, in whole or in part at any time, at the prices set forth under " - Optional Redemption" (the "Purchase Price"), plus accrued interest to the date set for purchase (the "Purchase Date") set forth in the notice of purchase to the registered owners of the Subseries 2020A-1 Bonds to be so purchased.

Notice of Purchase and its Effect

Notice of the purchase of Subseries 2020A-1 Bonds will be given by DASNY in the name of one or more of the Series 2020 Participants to the registered owners of the Subseries 2020A-1 Bonds to be purchased by first-class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the Purchase Date specified in such notice. The Subseries 2020A-1 Bonds to be purchased are required to be tendered on the applicable Purchase Date to the Trustee. Subseries 2020A-1 Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. Such purchase shall not operate to extinguish the indebtedness of DASNY evidenced thereby and such Subseries 2020A-1 Bonds need not be cancelled, but shall remain Outstanding under the Resolution and in such case shall continue to bear interest.

DASNY's obligation to purchase a Subseries 2020A-1 Bond to be purchased or cause it to be purchased is conditioned upon the availability of sufficient money to pay the Purchase Price for all of the Subseries 2020A-1 Bonds to be purchased on such Purchase Date. If sufficient money is available on the applicable Purchase Date to pay the applicable Purchase Price of the Subseries 2020A-1 Bonds to be purchased, the former registered owners of such Subseries 2020A-1 Bonds will have no claim thereunder or under the Resolution or otherwise for payment of any amount other than the applicable Purchase Price. If sufficient money is not available on the applicable Purchase Date for payment of the applicable Purchase Price, the Subseries 2020A-1 Bonds tendered or deemed tendered for purchase will continue to be registered in the name of the registered owners on the applicable Purchase Date, who will be entitled to the payment of the principal of and interest on such Subseries 2020A-1 Bonds in accordance with their terms.

In the event not all of the Outstanding Subseries 2020A-1 Bonds of a maturity are to be purchased, the Subseries 2020A-1 Bonds of such maturity to be purchased will be selected by lot in the same manner as Subseries 2020A-1 Bonds of a maturity to be redeemed in part are to be selected.

Book-Entry-Only System

DTC will act as securities depository for the Series 2020 Bonds. The Series 2020 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

2020 Bond certificate will be issued for each maturity of the respective Subseries of Series 2020 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 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2020 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 2020 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 2020 Bonds, except in the event that use of the book-entry system for the Series 2020 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020 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 2020 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 2020 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020 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 2020 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 2020 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 2020 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 2020 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 2020 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2020 Bonds, giving any notice permitted or required to be given to registered owners under the Resolutions, registering the transfer of the Series 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 Bonds may thereafter be exchanged for an equal aggregate principal amount of Series 2020 Bonds in any other authorized denominations and of the same Subseries and maturity as set forth in the Resolution, upon surrender thereof at the principal corporate trust office of the Trustee, who will then be responsible for maintaining the registration books of DASNY.

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

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Principal, Sinking Fund Installment and Interest Requirements for the Series 2020 Bonds

The following table sets forth the amounts required to be paid by each of the Series 2020 Participants during each twelve-month period ending June 30 of the Bond Years shown for the payment of the interest on the Series 2020 Bonds payable on January 1 of such year and the principal and Sinking Fund Installments of and interest on the Series 2020 Bonds payable on the succeeding July 1.

Total Debt Service by Series 2020 Participant

	Eden II School for Autistic Children, Inc.		Family Residences and Essential Enterprises, Inc.		Services for the Developmentally Challenged Inc.	
FY Ending	Principal & Sinking Fund Installments	Interest	Principal & Sinking Fund Installments	Interest	Principal & Sinking Fund Installments	Interest
6/30/2020	$ 0	$10,027.94	$ 0	$39,571.45	$ 0	$8,817.38
6/30/2021	35,000	57,302.50	145,000	226,122.50	35,000	50,385.00
6/30/2022	40,000	56,472.50	170,000	222,792.50	35,000	49,555.00
6/30/2023	40,000	55,537.50	170,000	218,937.50	35,000	48,725.00
6/30/2024	40,000	53,937.50	170,000	213,277.50	35,000	47,325.00
6/30/2025	40,000	52,337.50	170,000	207,617.50	35,000	45,925.00
6/30/2026	45,000	50,737.50	170,000	201,387.50	40,000	44,525.00
6/30/2027	45,000	48,937.50	185,000	195,062.50	40,000	42,925.00
6/30/2028	45,000	47,137.50	195,000	187,662.50	40,000	41,325.00
6/30/2029	50,000	45,337.50	200,000	179,862.50	45,000	39,725.00
6/30/2030	50,000	43,337.50	200,000	171,862.50	45,000	37,925.00
6/30/2031	55,000	41,337.50	215,000	163,862.50	45,000	36,125.00
6/30/2032	55,000	39,137.50	220,000	155,262.50	50,000	34,325.00
6/30/2033	60,000	36,937.50	225,000	146,462.50	50,000	32,325.00
6/30/2034	60,000	34,537.50	235,000	137,462.50	55,000	30,325.00
6/30/2035	60,000	32,137.50	255,000	128,062.50	55,000	28,125.00
6/30/2036	65,000	29,737.50	260,000	117,862.50	55,000	25,925.00
6/30/2037	70,000	27,137.50	265,000	107,462.50	60,000	23,725.00
6/30/2038	70,000	24,337.50	280,000	96,862.50	60,000	21,325.00
6/30/2039	75,000	21,537.50	290,000	85,662.50	65,000	18,925.00
6/30/2040	75,000	18,537.50	300,000	74,062.50	65,000	16,325.00
6/30/2041	80,000	15,537.50	320,000	62,062.50	70,000	13,725.00
6/30/2042	80,000	12,637.50	325,000	50,387.50	70,000	11,187.50
6/30/2043	85,000	9,700.00	335,000	38,437.50	75,000	8,612.50
6/30/2044	90,000	6,600.00	355,000	26,162.50	75,000	5,875.00
6/30/2045	90,000	3,300.00	360,000	13,200.00	80,000	2,937.50

Total Debt Service by Series 2020 Participant (continued)

	Unique People Services, Inc.		Young Adult Institute, Inc.	
FY Ending	Principal & Sinking Fund Installments	Interest	Principal & Sinking Fund Installments	Interest
6/30/2020	$ 0	$17,131.19	$ 0	$56,838.73
6/30/2021	65,000	97,892.50	215,000	324,792.50
6/30/2022	65,000	96,242.50	230,000	319,137.50
6/30/2023	65,000	94,687.50	230,000	313,262.50
6/30/2024	65,000	92,087.50	250,000	304,062.50
6/30/2025	75,000	89,487.50	255,000	294,062.50
6/30/2026	75,000	86,487.50	260,000	283,862.50
6/30/2027	75,000	83,487.50	265,000	273,462.50
6/30/2028	85,000	80,487.50	285,000	262,862.50
6/30/2029	85,000	77,087.50	300,000	251,462.50
6/30/2030	85,000	73,687.50	305,000	239,462.50
6/30/2031	90,000	70,287.50	330,000	227,262.50
6/30/2032	95,000	66,687.50	335,000	214,062.50
6/30/2033	100,000	62,887.50	345,000	200,662.50
6/30/2034	105,000	58,887.50	355,000	186,862.50
6/30/2035	105,000	54,687.50	375,000	172,662.50
6/30/2036	110,000	50,487.50	350,000	157,662.50
6/30/2037	115,000	46,087.50	355,000	143,662.50
6/30/2038	120,000	41,487.50	380,000	129,462.50
6/30/2039	125,000	36,687.50	380,000	114,262.50
6/30/2040	130,000	31,687.50	415,000	99,062.50
6/30/2041	135,000	26,487.50	415,000	82,462.50
6/30/2042	140,000	21,537.50	435,000	67,250.00
6/30/2043	145,000	16,425.00	450,000	51,387.50
6/30/2044	150,000	11,150.00	465,000	34,887.50
6/30/2045	155,000	5,675.00	485,000	17,787.50

PART 4 - THE SERIES 2020 PARTICIPANTS

Descriptions of the Series 2020 Participants, their operations and the Series 2020 Facilities they will finance or refinance with the proceeds of the Series 2020 Bonds are set forth in Appendix A hereto. Copies of the most recent audited financial statements for each of the Series 2020 Participants are set forth in Appendix B hereto, and copies of recent unaudited financial information for each of the Series 2020 Participants are set forth in Appendix C hereto. Prospective purchasers of the Series 2020 Bonds should carefully review Appendix A, Appendix B and Appendix C.

Each of the Series 2020 Participants is a not-for-profit corporation, organized and existing under the laws of the State. All of the Series 2020 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 2020 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 2020 Participant's charitable purposes. When revenues are not sufficient to cover expenses, the Series 2020 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 2020 Participant typically serve without remuneration, though expenses associated with attendance at board meetings or other official board functions may be reimbursed.

Each of the Series 2020 Participants owns and/or leases and operates one or more facilities, including the Series 2020 Facilities as described in Appendix A, in the State, to provide services to individuals who are developmentally disabled or have other special needs. Each of the Series 2020 Participants has represented that it has the appropriate licenses and authority to provide its services under State statutes. The Series 2020 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 2020 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 2020 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 2020 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 2020 Participants**. See "PART 5 - SOURCES OF SERIES 2020 PARTICIPANT REVENUE."

The Series 2020 Participants have engaged the Program Facilitator to act as the facilitator for the InterAgency Council Pooled Loan Program. For its services, each Series 2020 Participant will pay the Program Facilitator a fee of .25% of the principal amount of its Allocable Portion of the Series 2020 Bonds at closing for new money loans and an annual fee of .125% of all of its outstanding Allocable Portion of Series 2020 Bonds. The Program Facilitator fee will not exceed $15,000 per year for any Series 2020 Participant. Each Series 2020 Participant is a member of the Program Facilitator.

Except for approximately 50% of the acquisition costs for YAI's Titus Road Facility that are not expected to be reimbursed by OPWDD through a PPA, all of the Series 2020 Facilities financed by the Series 2020 Bonds are supported by PPAs funded by OPWDD. With respect to approximately 50% of the acquisition costs for YAI's Titus Road Facility which are not expected to be reimbursed by OPWDD through a PPA, YAI expects to pay such non-PPA supported portions of its principal and interest on its Allocable Portion of the Series 2020 Bonds from Public Funds paid by OPWDD and from its general operating revenues.

All of the Series 2020 Participants have over 24 years of experience providing services. See "PART 5 - SOURCES OF SERIES 2020 PARTICIPANT REVENUE." Also see "Appendix A - Description of Series 2020 Participants" for descriptions of (i) which Series 2020 Participants have Prior Pledges of their respective Pledged Revenues and (ii) the Series 2020 Facilities and the nature of the mortgages on the Series 2020 Facilities.

PART 5 - SOURCES OF SERIES 2020 PARTICIPANT REVENUE

General

OPWDD and other State agencies provide a portion of the revenues of the Series 2020 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 2020 Participants. See "Appendix A - Description of Series 2020 Participants." Other government funding sources for one or more of the Series 2020 Participants are also described in Appendix A.

New York State Office for People with Developmental Disabilities

The following information concerning OPWDD and the PPA process included in this Part 5 has been provided by the Program Facilitator and is subject to change. The Program Facilitator obtained the information from publicly available information, including the New York State Annual Information Statement dated June 12, 2019 (the "2019 AIS"), the Update to New York State Annual Information dated December 11, 2019 (the "2019 AIS Update"), the New York State Statement of Updated Annual Information Pursuant To Continuing Disclosure Agreements For FY 2019 (Ended March 31, 2019) dated July 29, 2019 (the "2019 Updated CDA Information"), and the Enacted Budget Financial Plans of the State for State fiscal years 2016 through 2020 ("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 2020 Bonds described in this Official Statement. According to the State website on which the 2019 AIS, the 2019 AIS Update and the 2019 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 2019 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 2020 Bonds are being issued. While the Program Facilitator believes the information obtained from the 2019 Updated CDA Information provides material information for prospective investors in the Series 2020 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 2020 Bonds. Furthermore, none of the State, DASNY or any other State agency or official has any obligation to continue updating the information in the 2019 Updated CDA Information when the bonds for which the 2019 Updated CDA Information is provided are no longer outstanding.*

General

OPWDD is one of three autonomous offices within the State Department of Mental Hygiene ("DMH"), the other autonomous offices being the Office of Mental Health ("OMH") and the Office of Addiction Services and Supports ("OASAS"). These three offices function independently within DMH, each with complete responsibilities for planning and administration of their respective programs. Each office is headed by a commissioner appointed by the State Governor with the advice and consent of the State Senate. Also within DMH are the Developmental Disabilities Planning Council and the Justice Center for the Protection of People with Special Needs. OPWDD, OMH and OASAS all provide services directly to their clients through State-operated facilities and indirectly through community 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 2020 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 2020 Facilities financed with the proceeds of the Series 2020 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 nearly 140,000 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 650 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 2019-20 budget for OPWDD increased by 6.6% over the 2018-19 budget, including investments to leverage up to $120 million in additional OPWDD funding which will allow for the development of new certified housing supports in the community, support more independent living, provide more day program and employment options, and increase respite availability. Spending also reflects a 4% total increase over the next two years for direct care workers, and a 2% pay raise for clinical workers serving the mental hygiene community. Both are aimed at assisting not-for-profits in the recruitment and retention of employees. These investments, when fully annualized, will increase State share support for workers by

$107 million ($188 million on an all funds basis). Offsetting these cost increases is the deferral of the statutory COLA for mental hygiene agencies through FY 2021.

Funding for OPWDD is subject to appropriation by the State legislature, and there is no assurance that there will be continued appropriations by the State legislature in amounts sufficient for OPWDD to make payments to the Series 2020 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
2018	196	43,080
2019	189	43,193

Source: 2019 *Updated CDA Information*

Historical Total State Funding

The total State funding for OPWDD purposes for State Fiscal Years 2016, 2017, 2018 and 2019 are as follows:

Fiscal Year	OPWDD
2016	$3,223,358,000[1]
2017	2,974,349,000[2]
2018	2,935,355,000[3]
2019	1,937,655,000[4]

[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)
[4] Source: Enacted Budget Financial Plan for FY 2020 (page T-159)

State Fiscal Year 2019-20 Enacted Budget

The State Fiscal Year 2019-20 Enacted Budget (the "Enacted Budget") provides approximately $229 million in increased local assistance funding for DMH agencies. Roughly $63 million will be used to support the incremental pay standards and related fringe benefit increases associated with the transition to a $15 per hour minimum wage. Other increases include investments to leverage up to $120 million in additional OPWDD funding, which will allow for the development of new certified housing supports in the community, support more independent living, provide more day program and employment options, and increase respite availability. The Enacted Budget also includes additional OMH funding to support enhanced funding to existing residential programs. The spending increase is related to, among other things, support direct care professionals and clinical staff employed by not-for-profit organizations delivering services on behalf of OPWDD, OMH and OASAS. Mental hygiene activities funded under the Medicaid Global Cap will increase by $440 million. This has no impact on mental hygiene service delivery or operations.

State Fiscal Year 2020-21 Executive Budget

The State Fiscal Year 2020-2021 Executive Budget (the "Executive Budget") provides approximately $308 million in increased local assistance funding for DMH agencies. The main factors driving the increase are new or increased funding for not-for-profit providers for growth in employee wages related to minimum wage and salary increases for direct care and clinical workers, and enhancements in community-based employment and residential opportunities for individuals with disabilities. This additional funding increase will allow for the development of new certified housing supports in the community, support more independently living, provide more day program and employment options, and increase respite availability.

Prior Property Approval Process

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

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

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

PPA Regulatory Compliance Process

OPWDD imposes additional restrictions on certain projects under applicable regulations. These projects (the "New PPA Lien Projects") are fee-owned sites for which OPWDD funding is sought for (a) new acquisition, renovation and development, or (b) "substantial renovation" of an existing OPWDD-regulated site, with "substantial renovation" defined as renovation expenses that exceed 75% of the fair market value of the site as determined from the applicable municipal assessment rolls. All of the fee-owned Series 2020 Facilities that have PPAs are New PPA Lien Projects, except for YAI's Series 2020 Facility located at 101 Ridgeway Avenue, Setauket, New York (since the PPA for such Series 2020 Project states explicitly that a lien is not necessary because the site was previously owned by the State and is subject to a reverter clause); 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. See "PART 11 – BONDHOLDERS' RISK – Right of Reacquisition of the Ridgeway Avenue Facility." For a description of which Series 2020 Facilities include Renovation Projects, see "Appendix A - Description of Series 2020 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 and Lien Agreement grants OPWDD a first lien on the facility to which the PPA relates and the furniture, fixtures and equipment thereon, which lien also secures any amounts in the future paid by OPWDD to satisfy any mortgage, capital expenditures or operating and maintenance expenses, and professional services and other expenses, incurred by OPWDD.

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

Finally, for New PPA Lien Projects, OPWDD has approved a form of Subordination Agreement in which the rights of OPWDD under the Regulatory Compliance Contract and the Capital Component Security and Lien Agreement are subordinate to the lien of any Approved Mortgage. The Mortgages granted on the Series 2020 Facilities are Approved Mortgages.

<u>Commissioner's Ability to Appoint a Temporary Operating Receiver for a Facility; Security Interests</u>

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 2020 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 2020 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 2020 Facilities

In addition to the statutory receivership remedy described above, each Series 2020 Loan Agreement provides for a contractual remedy upon the failure of a Series 2020 Participant to operate its Series 2020 Facilities in accordance with regulatory standards. Each Series 2020 Participant has covenanted and agreed in its Series 2020 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 2020 Facilities in accordance with the valid operating certificate issued by OPWDD for such Series 2020 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 2020 Facility for the remaining term during which such Series 2020 Participant has agreed to operate such certified program at the Series 2020 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 2020 Participant under its Series 2020 Loan Agreement with respect to such Series 2020 Facility as they become due and owing. See "Appendix E - Summary of Certain Provisions of the Series 2020 Loan Agreements" for further details of OPWDD's rights with respect to the Series 2020 Facilities and DASNY's remedy upon an event of default by a Series 2020 Participant under its Series 2020 Loan Agreement to request OPWDD to exercise such rights.

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PART 6 – ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of proceeds of the Series 2020 Bonds:

	Subseries 2020A-1 Bonds	Subseries 2020A-2 Bonds
Estimated Sources of Funds		
Proceeds of Series 2020 Bonds	$18,840,000.00	$1,020,000.00
Net Original Issue Premium (Discount)	1,896,816.40	(5,875.20)
Total Sources of Funds	$20,736,816.40	$1,014,124.80
Estimated Uses of Funds		
Deposit to Project Loan Fund	$19,484,388.65	$192,450.44
Deposit to Series 2020 Debt Service Reserve Fund	627,206.98	22,070.52
Deposit to Series 2020 Account of Debt Service Fund	11,784.45	0.00
Underwriter's Discount	414,736.32	143,175.32
Costs of Issuance	198,700.00	656,428.52
Total Uses of Funds	$20,736,816.40	$1,014,124.80

PART 7 – DASNY

Background, Purposes and Powers

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

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

To carry out its programs, DASNY is authorized to issue and sell negotiable bonds and notes to finance the construction of facilities for such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions. At March 31, 2020, DASNY had approximately $58.2 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 536 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 47 field sites across the State.

Governance

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

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

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

JONATHAN H. GARDNER, ESQ., Buffalo.

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

WELLINGTON Z. CHEN, Queens.

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

JOAN M. SULLIVAN, Slingerlands.

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

GERARD ROMSKI, ESQ., Mount Kisco.

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

SHANNON TAHOE, *Acting Commissioner of Education of the State of New York*, Cohoes; ex-officio.

Shannon Tahoe assumed the role of Acting Commissioner of Education and Acting President of the University of the State of New York effective November 16, 2019. Since September 2006, Ms. Tahoe has served in various capacities within the Department, including Deputy Counsel and Assistant Counsel for Legislation. In October 2019, she was appointed Acting Counsel and Deputy Commissioner for Legal Affairs. This appointment will continue to remain in effect along with her appointment as Acting Commissioner of Education and Acting President of the University of the State of New York. Ms. Tahoe has provided legal advice and counsel on critical policy matters and key initiatives. She is familiar with all aspects of the work of the Department, having managed the day-to-day operations of the Office of Counsel as Deputy Counsel and now Acting Counsel. During her tenure, Ms. Tahoe has also assisted with the successful management of a broad array of critical Departmental functions and responsibilities. She holds a Juris Doctorate degree from Syracuse University and Bachelor of Science degree from the University of Rochester.

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

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

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

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

The principal staff of DASNY are as follows:

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

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

KIMBERLY 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.

There is not now pending any litigation against DASNY (i) restraining or enjoining the issuance or delivery of the Series 2020 Bonds or (ii) challenging the validity of the Series 2020 Bonds or the proceedings and authority under which DASNY will issue the Series 2020 Bonds.

Other Matters

New York State Public Authorities Control Board

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

Legislation

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

Environmental Quality Review

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

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of DASNY for the fiscal year ended March 31, 2019. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

PART 8 - LEGALITY OF THE SERIES 2020 BONDS FOR INVESTMENT AND DEPOSIT

Under State law, the Series 2020 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 2020 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 2020 Bonds are negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution, the Series 2020 Resolution and in the Series 2020 Bonds.

PART 10 - TAX MATTERS

Subseries 2020A-1 Bonds

Opinion of Co-Bond Counsel

In the opinion of Barclay Damon LLP, Co-Bond Counsel to DASNY, under existing law and assuming compliance with certain covenants described herein and the accuracy and completeness of certain representations, certifications of fact and statements of reasonable expectations made by DASNY, the Series 2020 Participants, as applicable, and others, interest on the Subseries 2020A-1 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Subseries 2020A-1 Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed under the Code. Barclay Damon LLP is further of the opinion that, under existing statutes, interest on the Subseries 2020A-1 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York and the City of Yonkers).

Barclay Damon LLP expresses no opinion regarding any other federal, state or local tax consequences with respect to the Subseries 2020A-1 Bonds. The opinion of Barclay Damon LLP speaks as of its issue date and does not contain or provide any opinion or assurance regarding the future activities of DASNY, any Series 2020 Participant or about the effect of future changes in the Code, the applicable regulations, rulings, judicial decisions, the interpretation thereof or the enforcement thereof by the IRS. In addition, Barclay Damon LLP expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, the exclusion of interest on the Subseries 2020A-1 Bonds from gross income for federal income tax purposes. See "Appendix H – Forms of Approving Opinions of Co-Bond Counsel."

General

The Code imposes various requirements that must be met in order that interest on the Subseries 2020A-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 2020A-1 Bonds and the rebate of certain earnings in respect of such investments to the United States. DASNY, each of the Series 2020 Participants, as applicable, and others have made certain representations, certifications of fact, and statements of reasonable expectations and DASNY and each of the Series 2020 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 2020A-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 addition, in rendering its opinion, Barclay Damon LLP has relied on the opinion of counsel to the Series 2020 Participants regarding, among other matters, the current status of the Series 2020 Participants as organizations described in Section 501(c)(3) of the Code.

In the event of the inaccuracy or incompleteness of any such representation, certification or statement, or of the failure by DASNY or any Series 2020 Participant to comply with any such covenant, the interest on the Subseries 2020A-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 2020A-1 Bonds, regardless of the date on which the event causing such inclusion occurs. Further, although the interest on the Subseries 2020A-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 2020A-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 2020A-1 Bond and such Beneficial Owner's other items of income, deduction or credit. Barclay Damon LLP expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition, or the accrual or receipt of interest on, the Subseries 2020A-1 Bonds.

Certain Collateral Federal Income Tax Consequences

Prospective purchasers of the Subseries 2020A-1 Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of the Subseries 2020A-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 2020A-1 Bonds. Barclay Damon LLP expresses no opinion regarding any such collateral federal income tax consequences.

Original Issue Discount

The excess of the principal amount of a maturity of a Subseries 2020A-1 Bond over the issue price of such maturity of a Subseries 2020A-1 Bond (a “Tax-Exempt Discount Bond”) constitutes “original issue discount,” the accrual of which, to the extent properly allocable to the Beneficial Owner thereof, constitutes “original issue discount” which is excluded from gross income for federal income tax purposes to the same extent as interest on such Tax-Exempt Discount Bond. For this purpose, the issue price of a maturity of Subseries 2020A-1 Bonds is the first price at which a substantial amount of such maturity of Subseries 2020A-1 Bonds is sold to the public. Further, such original issue discount accrues actuarially on a constant yield basis over the term of each Tax-Exempt Discount Bond and the basis of such Tax-Exempt Discount Bond acquired at such initial offering price by an initial purchaser of each Tax-Exempt Discount Bond will be increased by the amount of such accrued discount. Beneficial Owners of Tax-Exempt Discount Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Tax-Exempt Discount Bonds.

Premium Bonds

The Subseries 2020A-1 Bonds purchased, whether at original issuance or otherwise, at prices greater than the stated principal amount thereof are “Tax-Exempt Premium Bonds.” Tax-Exempt Premium Bonds will be subject to requirements under the Code relating to tax cost reduction associated with the amortization of bond premium and, under certain circumstances, the Beneficial Owner of Tax-Exempt Premium Bonds may realize taxable gain upon disposition of such Tax-Exempt Premium Bonds even though sold or redeemed for an amount less than or equal to such owner’s original cost of acquiring Tax-Exempt Premium Bonds. The amortization requirements may also result in the reduction of the amount of stated interest that a Beneficial Owner of Tax-Exempt Premium Bonds is treated as having received for federal tax purposes (and an adjustment to basis). Beneficial Owners of Tax-Exempt Premium Bonds are advised to consult with their own tax advisors with respect to the tax consequences of ownership of Tax-Exempt Premium Bonds.

Backup Withholding and Information Reporting

Interest paid on tax-exempt obligations is subject to information reporting to the Internal Revenue Service ("IRS") in a manner similar to interest paid on taxable obligations. Interest on the Subseries 2020A-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 2020A-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 2020A-1 Bonds, if other than the registered owner).

Legislation

Current and future legislative proposals, if enacted into law, administrative actions or court decisions, at either the federal or state level, may cause interest on the Subseries 2020A-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 2020A-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 2020A-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 2020A-1 Bonds may occur. Prospective purchasers of the Subseries 2020A-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. 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 2020A-1 Bonds for federal income tax purposes. It is not binding on the IRS or the courts.

Post Issuance Events

Barclay Damon LLP's engagement with respect to the Subseries 2020A-1 Bonds ends with the issuance of the Subseries 2020A-1 Bonds and, unless separately engaged, Barclay Damon LLP is not obligated to defend DASNY or the Beneficial Owners regarding the tax-exempt status of interest on the Subseries 2020A-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 Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which DASNY legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Subseries 2020A-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 2020A-1 Bonds, and may cause DASNY, the Series 2020 Participants, as applicable, or the Beneficial Owners to incur significant expense.

Prospective purchasers of the Subseries 2020A-1 Bonds should consult their own tax advisors regarding the foregoing matters.

Subseries 2020A-2 Bonds

Opinion of Co-Bond Counsel

In the opinion of Barclay Damon LLP, Co-Bond Counsel to DASNY, interest on the Subseries 2020A-2 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code, and is exempt, under existing statutes, from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York and the City of Yonkers).

Barclay Damon LLP expresses no opinion regarding any other federal, state or local tax consequences with respect to the Subseries 2020A-2 Bonds. The opinion of Barclay Damon LLP speaks as of its issue date and does not contain or provide any opinion or assurance regarding the future activities of DASNY, any Series 2020 Participant or about the effect of future changes in the Code, the applicable regulations, rulings, judicial decisions, the interpretation thereof or the enforcement thereof by the IRS. See "Appendix H – Forms of Approving Opinions of Co-Bond Counsel."

General

The following discussion is a brief summary of certain United States federal income tax consequences of the acquisition, ownership and disposition of Subseries 2020A-2 Bonds by original purchasers of the Subseries 2020A-2 Bonds who are "U.S. Holders", as defined herein. This summary (i) is based on the Code, Treasury regulations, revenue rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect; (ii) assumes that the Subseries 2020A-2 Bonds will be held as "capital assets;" and (iii) does not discuss all of the United States federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Subseries 2020A-2 Bonds as a position in a "hedge" or "straddle," holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, holders who acquire Subseries 2020A-2 Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code.

Holders of Subseries 2020A-2 Bonds should consult with their own tax advisors concerning the United States federal income tax and other consequences with respect to the acquisition, ownership and disposition of the Subseries 2020A-2 Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Certain taxpayers that are required to prepare certified financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Subseries 2020A-2 Bonds at the time that such income, gain or loss is taken into account on such financial statements instead of under the rules described below.

As used herein, the term "U.S. Holder" means a Beneficial Owner of a Subseries 2020A-2 Bond that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

Interest on the Subseries 2020A-2 Bonds

Interest on the Subseries 2020A-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 2020A-2 Bonds.

Original issue discount with respect to a Subseries 2020A-2 Bond is equal to the excess of the stated redemption price at maturity of a Subseries 2020A-2 Bond over the initial offering price thereof to the public at which price a substantial amount of all Subseries 2020A-2 Bonds with the same maturity were sold, provided that such excess equals or exceeds a de minimis amount (generally ¼% of the product of the stated redemption price of a bond at maturity and the number of complete years from its issue date to its maturity) (a "Taxable Discount Bond"). The stated redemption price at maturity of a Taxable Discount Bond is the sum of all scheduled amounts payable on the Taxable Discount Bond (other than qualified stated interest). A U.S. Holder of Taxable Discount Bonds must include the discount in income as ordinary interest for federal income tax purposes as it accrues in advance of receipt of cash payments attributable to such income, regardless of the U.S. Holder's regular method of tax accounting. Original issue discount accrues actuarially on a constant yield basis over the term of each Taxable Discount Bond and the basis of such Taxable Discount Bond acquired at such initial offering price by an initial purchaser of each Taxable Discount Bond will be increased by the amount of such accrued discount. U.S. Holders of any Taxable Discount Bonds should consult with their own tax advisors with respect to the tax consequences of ownership of such Taxable Discount Bond.

In general, if a U.S. Holder purchases a Subseries 2020A-2 Bond at a price greater than the principal amount payable at maturity, such U.S. Holder will be considered to have purchased the Subseries 2020A-2 Bond at a premium (the "Taxable Premium Bond"), and generally may elect to amortize the premium as an offset to interest income otherwise required to be included in respect of a Taxable Premium Bond during a taxable year, using a constant-yield method, over the remaining term of the Taxable Premium Bond. If a U.S. Holder makes the election to amortize the premium, it generally will apply to all taxable debt instruments held by such U.S. Holder at the beginning of the first taxable year to which the election applies, as well as any debt instruments that are subsequently acquired by such U.S. Holder. In addition, a U.S. Holder may not revoke the election without the consent of the IRS. If such U.S. Holder elects to amortize the premium, such U.S. Holder will be required to reduce its tax basis in the Taxable Premium Bond by the amount of the premium amortized during the holding period of the U.S. Holder. If a U.S. Holder does not elect to amortize the premium and holds the Taxable Premium Bond to maturity, the premium will decrease the amount of gain or increase the amount of loss otherwise recognized on the disposition of such Taxable Premium Bond. If a Taxable Premium Bond is optionally callable before maturity at a price in excess of its stated redemption price at maturity, special rules for determining the amount of amortizable bond premium may apply. U.S. Holders of any Taxable Premium Bonds should consult with their own tax advisors with respect to the tax consequences of ownership of Taxable Premium Bonds.

Certain non-corporate U.S. Holders will be subject to a 3.8% tax, in addition to regular tax on income and gains, on some or all of their net investment income, which generally will include interest on the Subseries 2020A-2 Bonds and any net gain recognized upon a disposition of a Subseries 2020A-2 Bond. U.S. Holders should consult with their tax advisors regarding the applicability of this tax.

Disposition and Defeasance

Upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Subseries 2020A-2 Bond, a U.S. Holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such U.S. Holder's adjusted tax basis in the Subseries 2020A-2 Bond.

U.S. Holders should be aware that, for federal income tax purposes, DASNY may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Subseries 2020A-2 Bonds to be deemed to be no longer outstanding under the General Resolution (a "defeasance"). (See "Appendix F - Summary of Certain Provisions of the Resolutions"). For federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, for federal income tax purposes, the character and timing of receipt of payments on the Subseries 2020A-2 Bonds subsequent to any such defeasance could also be affected. U.S. Holders of the Subseries 2020A-2 Bonds are advised to consult with their own tax advisors regarding the consequences of a defeasance for federal income tax purposes and for state and local purposes.

Backup Withholding and Information Reporting

In general, interest paid on taxable obligations is subject to information reporting to the IRS. Interest on the Subseries 2020A-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 2020A-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 2020A-2 Bonds, if other than the registered owner).

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

Legislation

Legislation considered by the Federal government, or the New York State Legislature, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Subseries 2020A-2 Bonds under state law and could affect the market value or marketability of the Subseries 2020A-2 Bonds.

Prospective purchasers of the Subseries 2020A-2 Bonds should consult their own tax advisors regarding the foregoing matters.

PART 11 - BONDHOLDERS' RISKS

General

The Series 2020 Bonds involve a certain degree of risk. Prospective investors in the Series 2020 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 2020 Bonds. This Official Statement contains only summaries of the Resolution, the Series 2020 Resolution, the Series 2020 Loan Agreements and the related documents. Prospective investors are urged to read such documents in their entirety prior to investing in the Series 2020 Bonds. Copies of such documents may be obtained from the Underwriter prior to the issuance of the Series 2020 Bonds. See Appendix A for a discussion of the financial condition and results of operations of the Series 2020 Participants, Appendix B for copies of the audited financial statements of the Series 2020 Participants, and Appendix C for copies of recent unaudited financial information for each of the Series 2020 Participants.

Set forth below are certain risk factors affecting an investment in the Series 2020 Bonds, including, among others, risk factors that could adversely affect a Series 2020 Participant's operations, revenues and expenses, including those relating to its Series 2020 Facilities, to an extent which cannot be determined at this time. Such risk factors should be considered before any investment in the Series 2020 Bonds is made. These risk factors should not be considered definitive or exhaustive.

Special, Limited Obligations of DASNY

The Series 2020 Bonds are special, limited obligations of DASNY payable solely from revenues expected to be received by DASNY from the Series 2020 Participants pursuant to their respective Series 2020 Loan Agreement and from amounts held in the funds established pursuant to the Resolutions (other than the Arbitrage Rebate Fund). The Series 2020 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 2020 Participants

The obligations of each Series 2020 Participant under its Series 2020 Loan Agreement are independent of the obligations of each other Series 2020 Participant under their respective Series 2020 Loan Agreements. A failure by a Series 2020 Participant to timely pay its obligations under its Series 2020 Loan Agreement might result in an event of default under the Resolutions with respect to such Series 2020 Participant's Allocable Portion of the Series 2020 Bonds. Upon the happening and continuance of an event of default affecting only a Defaulted Allocable Portion of the Series 2020 Bonds, payment on such Defaulted Allocable Portion of Series 2020 Bonds will be limited to amounts received from or payable by or on behalf of such Series 2020 Participant and amounts derived upon the realization of any security or collateral granted by such defaulting Series 2020 Participant. With respect to Series 2020 Bonds comprising part of a Defaulted Allocable Portion of the Series 2020 Bonds, Holders of such Series 2020 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 2020 Participant for the payment of other Series 2020 Bonds or any other security pledged by such other non-defaulting Series 2020 Participants as security for their loans. The Series 2020 Bonds that comprise a Defaulted Allocable Portion of the Series 2020 Bonds will be selected by the Trustee in the same manner as Series 2020 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 2020 BONDS - Events of Default - Special Provisions Relating to Defaults," "PART 3 - THE SERIES 2020 BONDS - Redemption Provisions" and "Appendix F - Summary of Certain Provisions of the Resolutions."

Reliance on Credit of the Series 2020 Participants

The Series 2020 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 2020 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 2020 Facilities supported by such PPA or PPAs except for approximately 50% of the acquisition costs for YAI's Titus Road Facility (with any difference between the two amounts covered by the Pledged Revenues of such Series 2020 Participant expected to be received for operating and administrative expenses associated with such Series 2020 Facility), there can be no assurance that the funds received by a particular Series 2020 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 2020 Participant's Allocable Portion of the Series 2020 Bonds attributable to the Series 2020 Facilities to which the PPA or PPAs relate (whether because of non-appropriation of funds by the State, failure of a Series 2020 Participant to operate its Series 2020 Facility or Facilities in accordance with operational standards, a prior pledge of such PPA or otherwise). Additionally, in connection with YAI's Titus Road Facility for which approximately 50% of the project costs will not be reimbursed by OPWDD through a PPA, there can be no assurance that YAI's operating revenues will be sufficient for the repayment of YAI's Allocable Portion of the Series 2020 Bonds related to that Series 2020 Facility.

The payment obligations of the Series 2020 Participants are several, not joint. The Holders of the Series 2020 Bonds must therefore rely upon the credit of each Series 2020 Participant for the payment of the Series 2020 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 2020 BONDS - Security for the Series 2020 Bonds," and "PART 5 - SOURCES OF SERIES 2020 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities."

Each Series 2020 Participant covenants in its Series 2020 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 2020 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 2020 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 2020 Loan Agreement if such Series 2020 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 2020 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 2020 Participant is unable to demonstrate compliance.

Revenues of Series 2020 Participants

Future revenues of each Series 2020 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 2020 Bonds depends upon the receipt by the Trustee of the Loan Repayments under the Series 2020 Loan Agreements. Some of the risks that could affect the ability of one or more of the Series 2020 Participants to pay such amounts are failure of (i) the legislature of the State, or any of the counties or cities in which Series 2020 Participants operate, to approve sufficient appropriations for the purchase of services from the Series 2020 Participants; (ii) the State or various county and city departments to make timely payments to the Series 2020 Participants of appropriated amounts caused by revenue short falls or other State or local fiscal considerations; (iii) the Series 2020 Participants to fulfill their obligations which entitle them to receive payments, including payments under their respective PPAs; (iv) the Series 2020 Participants to maintain the appropriate certifications from the required licensing or certifying entity(ies) to provide services as required; and (v) the Series 2020 Participants to obtain the renewal of their contracts to provide services.

In addition, a Series 2020 Participant's license and/or certification may be revoked for failure to comply with standards of operation applicable to such Series 2020 Participant, or a Series 2020 Participant may cease operations of its respective Series 2020 Facility due to insolvency. In such events, OPWDD may not be able to timely identify and install a replacement operator to assume the operation of the applicable Series 2020 Facility, and thus there may be insufficient revenues to pay principal and interest on the Series 2020 Bonds. See generally "PART 5—SOURCES OF SERIES 2020 PARTICIPANT REVENUE—New York State Office for People with Developmental Disabilities - Commissioner's Ability to Appoint a Temporary Operating Receiver for a Facility; Security Interests" and "- OPWDD Rights with Respect to Series 2020 Facilities."

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 2020 Participants. Any one of such adverse events may result in insufficient revenues to pay the principal and interest on the Series 2020 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 2020 Participants, the applicable Series 2020 Participant and DASNY shall enter into one or more separate loan agreements. The Series 2020 Bonds are separately secured from all other Series of Bonds and the Holders of any Series of Bonds other than the Series 2020 Bonds are not entitled to the rights, benefits and security conferred upon the Holders of the Series 2020 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 2020 Bonds, an event of default by a Series 2020 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 2020 Participant's Series 2020 Loan Agreement. See "PART 1 - INTRODUCTION - Authorization of Issuance" and "- Security for the Series 2020 Bonds" and "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2020 BONDS."

Enforceability of Remedies; Effect of Bankruptcy of a Series 2020 Participant

The Series 2020 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 2020 Bonds described herein upon any default will depend upon the exercise of various remedies specified by the Resolutions, the respective Series 2020 Loan Agreements, the respective Mortgages, 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 2020 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 2020 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 2020 Bonds are subject to various provisions of Title 11 of the United States Code (the "Bankruptcy Code"). If a Series 2020 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 2020 Participant and its property, including the commencement of foreclosure proceedings under its Mortgage, if applicable. Such Series 2020 Participant would not be permitted or required to make payments of principal or interest under its Series 2020 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 2020 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 2020 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 2020 Participant's Allocable Portion of the Series 2020 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 2020 Participant, which could affect the likelihood or timing of obtaining such relief. In addition, if the Mortgage of such defaulting Series 2020 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 2020 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 2020 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 2020 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

<u>Mortgages Not Currently Security for Series 2020 Bonds</u>

The Mortgages do not presently provide any security for the Series 2020 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 2020 Loan Agreement provides that (a) DASNY, without the consent of the Trustee or the Holders of the Series 2020 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 2020 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 2020 BONDS - Security for the Series 2020 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 2020 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 2020 Loan Agreements or the applicable Mortgages and (viii) claims by creditors that the mortgaged indebtedness in excess of the then-fair market value of the Mortgaged Property is unsecured to the extent of such excess.

Insufficiency of Mortgage Foreclosure; Environmental Impairment of Property

One of the options under each applicable Series 2020 Participant's Series 2020 Loan Agreement, and one of the options under the Resolution, is to institute foreclosure proceedings to enforce the lien on and sell such Series 2020 Participant's Mortgaged Property, if any, in the event of a default under its Series 2020 Loan Agreement, its Mortgage(s) or the Resolutions. However, due to the limited uses for which a Series 2020 Participant's Mortgaged Property may be utilized, none of DASNY, the Program Facilitator, the Trustee, the applicable Series 2020 Participant, or the Underwriter makes any assurance or representation that DASNY or the Trustee will be able to effect a sale of a Series 2020 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 2020 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 2020 Bonds attributable to such defaulting Series 2020 Participant.

In exercising the rights of foreclosure under a Mortgage, DASNY or the Trustee, as the case may be, in accordance with current commercial lending practices, may perform a Phase I Environmental Audit to determine the presence or likely presence of a release or a substantial threat of a release of any hazardous materials at, on, to, or from the Mortgaged Property. If the audit indicates the existence of hazardous materials with respect to the Mortgaged Property, the Trustee or DASNY, as applicable, may conclude that it is not in the best interests of the Bondholders to foreclose on such property due to liability for removal of hazardous materials. In such an event, the Trustee or DASNY may decline to exercise foreclosure with respect to Mortgaged Property under a Mortgage without specific instructions from Bondholders and receipt of funds, security and/or indemnity from the Bondholders reasonably satisfactory to such party to pay the costs, expenses, and liabilities which might be incurred by its compliance with such instructions. Consequently, the existence, post-acquisition, of hazardous materials with respect to any Mortgaged Property could severely limit the ability, due to the economic liability associated with removal of such materials, to foreclose on such property and/or obtain the market value for such property in security for the Series 2020 Bonds that would otherwise have been available absent the existence of such hazardous materials.

Another option under a Series 2020 Participant's Series 2020 Loan Agreement is to institute proceedings to enforce the lien on and sell the Series 2020 Participant's Equipment (as defined in each

Mortgage) in the event of a default under its Series 2020 Loan Agreement, its Mortgage(s) or the Resolutions. However, due to the limited uses for which a Series 2020 Participant's Equipment may be utilized, none of DASNY, the Program Facilitator, the Trustee, the applicable Series 2020 Participant, or the Underwriter makes any assurances or representations that DASNY or the Trustee will be able to sell a Series 2020 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 2020 Participant established under the Resolution, would be sufficient to pay in full the principal of, or interest on, the Series 2020 Bonds attributable to such defaulting Series 2020 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 2020 Participants. Such approval was not sought in connection with the execution, delivery and performance by the Series 2020 Participants of the Mortgages or the pledges of assets and revenues that are contemplated by the Resolutions and the Series 2020 Loan Agreements. It is the opinion of counsel to the Series 2020 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 2020 Facilities from Lien of Mortgages

Each Series 2020 Loan Agreement, each Mortgage and the Resolutions provide a Series 2020 Participant the ability to prepay a portion of its loan attributable to a Series 2020 Facility and, upon the redemption or defeasance of the related Series 2020 Bonds, to have such Series 2020 Facility released from the lien of the applicable Mortgage. There is no assurance that the security, if any, provided by the remaining Series 2020 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 2020 Participant's Allocable Portion of the Series 2020 Bonds. In the event of a default by a Series 2020 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 2020 Participant.

In view of the foregoing, investors should rely on their own examination of the creditworthiness and financial condition of each of the Series 2020 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 2020 Participants are subject to Federal, State and local actions, including, among others, actions by the various State, county and city departments. The Series 2020 Bonds are payable from operating revenues of the Series 2020 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 2020 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 2020 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 2020 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 2020 Bonds, will materially adversely affect a Series 2020 Participant's ability to make its Loan Repayments and, consequently, the repayment of the Series 2020 Bonds attributable to such Series 2020 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 2020 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 2020 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 2020 Participants and therefore, their ability to pay debt service on their Allocable Portion of the Series 2020 Bonds.

Completion of the Projects; Zoning; Certificate of Occupancy

The acquisition of all of the Series 2020 Facilities are complete. Each of the Series 2020 Facilities has received a certificate of occupancy from the applicable local jurisdiction. Updated certificates of occupancy, certificates of compliance or letters of completion are required for the Eden II Series 2020 Facility located at 107 Dewey Avenue, Staten Island, New York, the FREE Series 2020 Facilities located at 215 Atlantic Avenue, Hempstead (Town of Hempstead), New York, 43 Cayuga Avenue, South Setauket a/k/a Centereach (Town of Brookhaven), New York, 179 Hickory Street, Mt. Sinai (Town of Brookhaven), New York, 10 Royal Way, Shoreham (Town of Brookhaven), New York, 805 Karshick Street, Bohemia (Town of Islip), New York, the Services for the Developmentally Challenged Series 2020 Facility located at 904 Quincy Avenue, Bronx, New York, the Unique People Series 2020 Facility located at 115-29 Marsden Street, Jamaica, New York, and the YAI Series 2020 Facilities located at 2346 Vista Court, Yorktown Heights (Town of Yorktown), New York, 5 Halsey Place, Valhalla (Town of Mount Pleasant), New York, 14 Lady Godiva Way, New City (Town of Clarkstown), New York, 101 Ridgeway Avenue, East Setauket (Town of Brookhaven), New York, 102 Poplar Street, Central Islip (Town of Islip), New York, 40 Titus Road, Glen Cove (City of Glen Cove), New York, 1271 Carlls Straight Path, Dix Hills (Town of Huntington), New York, and 51 Hearthstone Drive, Dix Hills (Town of Huntington), New York.

Each Series 2020 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 2020 Participant to obtain an appropriate Certificate where the same is required could materially adversely affect the financial position of such Series 2020 Participant. Moreover, the failure of a Series 2020

Participant's Series 2020 Facilities to receive a Certificate when required could materially adversely impact either the Series 2020 Participant's, the Trustee's or another party's right to use or occupy the Series 2020 Facility, before or after the exercise of default remedies.

OPWDD operating certificates, which permit the Series 2020 Participants to operate their Series 2020 Facilities for their intended purposes, have been issued by OPWDD for each of the Series 2020 Facilities except for Eden II Series 2020 Facility located at 107 Dewey Avenue, Staten Island, New York, the FREE Series 2020 Facilities located at 215 Atlantic Avenue, Hempstead (Town of Hempstead), New York, 179 Hickory Street, Mt. Sinai (Town of Brookhaven), New York, 10 Royal Way, Shoreham (Town of Brookhaven), New York, the Unique People Series 2020 Facility located at 115-29 Marsden Street, Jamaica, New York and the YAI Series 2020 Facilities located at 2346 Vista Court, Yorktown Heights (Town of Yorktown), New York, 5 Halsey Place, Valhalla (Town of Mount Pleasant), New York, 14 Lady Godiva Way, New City (Town of Clarkstown), New York, 102 Poplar Street, Central Islip (Town of Islip), New York, 40 Titus Road, Glen Cove (City of Glen Cove), New York, 1271 Carlls Straight Path, Dix Hills (Town of Huntington), New York, and 51 Hearthstone Drive, Dix Hills (Town of Huntington), New York.

Additional Indebtedness

Under its Series 2020 Loan Agreement, each Series 2020 Participant has the ability to incur additional debt. An event of default by a Series 2020 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 2020 Participant's Series 2020 Loan Agreement. See "Appendix E - Summary of Certain Provisions of the Series 2020 Loan Agreements."

Prior Pledges of Pledged Revenues

The Series 2020 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 2020 Participants to DASNY pursuant to its Series 2020 Loan Agreement, subject to Prior Pledges. Certain of the Series 2020 Participants have previously pledged their Public Funds (a portion of which consists of the Pledged Revenues) to DASNY or an industrial development agency to secure other obligations. Certain of the Series 2020 Participants have pledged their accounts receivable, including Public Funds, to banks or other financial institutions as security for their obligations in connection with lines of credit. Additionally, certain Series 2020 Participants may, with the prior written consent of DASNY (such consent not to be unreasonably withheld or delayed), hereafter secure a line of credit with a Prior Pledge. The pledge of the Pledged Revenues securing such Series 2020 Participant's Allocable Portion of the Series 2020 Bonds is subject, and subordinate, to such Prior Pledges in all respects. See "Appendix A - Description of Series 2020 Participants" for a description of each of the Series 2020 Participants, including a description of outstanding indebtedness and credit facilities secured by security interests which include Prior Pledges of their respective Pledged Revenues.

Grant of Additional Security Interests

Subject to the limitations set forth in its Series 2020 Loan Agreement, a Series 2020 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 2020 Participant and its ability to satisfy its Loan Repayment obligations. See “Appendix E - Summary of Certain Provisions of the Series 2020 Loan Agreements.”

A Series 2020 Participant may also grant a subordinate mortgage as security for bonds issued by DASNY after the date of issuance of the Series 2020 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 2020 Facility, and any loan agreement, or amendment to the applicable Series 2020 Loan Agreement, between DASNY and such Series 2020 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 2020 Participant is subject to various requirements affecting its operation. The failure of a Series 2020 Participant to maintain its tax-exempt status may affect the Series 2020 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 2020 Loan Agreement. Further, a loss of a Series 2020 Participant’s status as a Section 501(c)(3) organization, failure of a Series 2020 Participant to comply with certain legal requirements of the Code, or adoption of amendments to the Code applicable to such Series 2020 Participant that restrict the use of tax-exempt bonds for facilities, such as one or more of its Series 2020 Facilities, could cause interest on the Subseries 2020A-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 2020A-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 2020A-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 2020A-1 Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Subseries 2020A-1 Bonds. See “PART 10 - TAX MATTERS.” The Subseries 2020A-1 Bonds are not subject to redemption, nor will the interest rate on the Subseries 2020A-1 Bonds be changed, if interest on the Subseries 2020A-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 2020A-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 2020 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 2020 Participant and the effect of any such review on such Series 2020 Participant's ability to make its payments under its Series 2020 Loan Agreement.

Specific Risks Related to YAI's Halsey Place Facility

YAI is currently in litigation with the Town of Mount Pleasant related to its Series 2020 Facility located at 5 Halsey Place, Valhalla (Town of Mount Pleasant), New York (the "Halsey Place Facility") whereby the Town appealed the March 4, 2019 determination by the Commissioner that YAI may establish a community based Individualized Residential Alternative ("IRA") for six developmentally disabled women at the Halsey Place Facility. YAI has received letters from its attorney dated May 1, 2019 and March 17, 2020 stating that it is their considered opinion that the Town is unlikely to prevail in its challenge to the Commissioner's determination and as such, YAI will be permitted to establish the IRA at the Halsey Place Facility. See "Appendix A - Description of Series 2020 Participants – Young Adult Institute, Inc." for a further description of such litigation. In the unlikely event that the Town is successful in its challenge to the Commissioner's determination, YAI may elect to sell the Halsey Place Facility in which event YAI's Allocable Portion of the Series 2020 Bonds related to the Halsey Place Facility will be subject to special redemption. See "PART 3 - THE SERIES 2020 BONDS - Redemption Provisions – Special Redemption" and "Appendix A - Description of Series 2020 Participants – Young Adult Institute, Inc." with respect to YAI's Allocable Portion of the Series 2020 Bonds related to the Halsey Place Facility."

Right of Reacquisition of the Ridgeway Avenue Facility

YAI acquired title to the Series 2020 Facilities located at 101 Ridgeway Avenue, Setauket, New York (the "Ridgeway Avenue Facility") by deed dated August 14, 2003 subject to the terms of a Disposition Agreement dated November 15, 1996 between Mini Travelers, Inc. and the State of New York, acting by and through the Office of Mental Retardation and Developmental Disabilities, as predecessor to OPWDD, and DASNY (the "Disposition Agreement"). The Disposition Agreement contained a right of reacquisition by the State of New York, acting by and through the Office of Mental Retardation and Developmental Disabilities and DASNY, in the event that YAI, its successors and assigns fail to utilize the Ridgeway Avenue Facility as authorized not-for-profit community mental hygiene services facility for persons with mental retardation and developmental disabilities or, in the event that there is no longer a need for community mental hygiene services for persons with mental retardation and development disabilities, another legally authorized not-for-profit mental hygiene program purpose. YAI has requested and received from the State of New York, acting by and through the Office of Mental Retardation and Developmental Disabilities and DASNY, a subordination agreement in order to subordinate the right of reacquisition to the lien granted by YAI's Mortgage on the Ridgeway Avenue Facility. There is no guarantee that YAI's title to the Ridgeway Avenue Facility will not continue to be subject to the right of reacquisition.

Potential Impact of Coronavirus

An outbreak of the infectious disease COVID-19 (Coronavirus), a respiratory disease caused by a new strain of coronavirus that was first detected in China and has since spread to other countries, including the United States and the State of New York, has been declared a Public Health Emergency of International Concern by the World Health Organization and a global pandemic. The outbreak of COVID-19 has affected travel, commerce, and financial markets globally and is widely expected to affect the economic growth locally and worldwide. There can be no assurances that COVID-19 will not materially adversely impact state and national economies, including the State's economy and the services it currently funds, and the financial and business operations of the Series 2020 Participants. The potential impact that COVID-19 may have on the finances and operations of the Series 2020 Participants and/or the

State cannot be predicted at this time. The continued spread of the outbreak could have a material adverse effect on the State, the Series 2020 Participants and their respective financial and operational performance.

Cautionary Statements Regarding Forward-Looking Statements in this Official Statement

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "anticipate," "budget," "intend," "projection" or other similar words. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those presently anticipated or projected. Readers are cautioned not to place undue reliance on any such forward-looking statements. SUCH RISKS AND UNCERTAINTIES INCLUDE, AMONG OTHERS, GENERAL ECONOMIC AND BUSINESS CONDITIONS, CHANGES IN POLITICAL, SOCIAL AND ECONOMIC CONDITIONS, REGULATORY INITIATIVES AND COMPLIANCE WITH GOVERNMENTAL REGULATIONS, LITIGATION AND VARIOUS OTHER EVENTS, CONDITIONS AND CIRCUMSTANCES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE SERIES 2020 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 2020 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 2020 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 2020 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 2020 Bonds; provided, however, that certain legal matters with respect to the tax status of interest on the Series 2020A-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 2020 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 2020 Bonds or questioning or affecting the validity of the Series 2020 Bonds or the proceedings and authority under which they are to be issued.

See "Appendix A - Description of Series 2020 Participants" for a description of any litigation which may have a material adverse effect on the Series 2020 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 2020 Participant will enter into a written agreement (collectively, the "Continuing Disclosure Agreements") for the benefit of the Holders of the Series 2020 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 2020 Participants' compliance with their continuing disclosure undertakings made pursuant to Rule 15c2-12, see "Appendix A - Description of Series 2020 Participants."

PART 16 - UNDERWRITING

The Series 2020 Bonds are being purchased by Municipal Capital Markets Group, Inc. (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Series 2020 Bonds from DASNY at a purchase price of $21,193,029.56 and to make a public offering of the Series 2020 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 2020 Bonds if any Series 2020 Bonds are purchased. The Series 2020 Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2020 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 2020 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 2020 Bonds have been rated "Aa2 (negative outlook)" by Moody's. The rating on the Series 2020 Bonds is based upon the obligation of the Series 2020 Participants under the Series 2020 Loan Agreements to make certain payments from the Revenues, and on the security interest in the Pledged Revenues granted by such Series 2020 Participants to DASNY under the Series 2020 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 2020 Bonds.

PART 18 - INDEPENDENT PUBLIC ACCOUNTANTS

FREE has provided its financial statements as of and for the years ended December 31, 2018, December 31, 2017 and December 31, 2016 and the other Series 2020 Participants (other than Eden II) have provided their respective financial statements as of and for the years ended June 30, 2019, June 30, 2018 and June 30, 2017. Eden II has provided its financial statements as of and for the years ended June 30, 2019 and June 30, 2018. The financial statements for Eden II as of and for the year ended June 30, 2017 are available in Appendix B to the Official Statement related to DASNY's Interagency Council Pooled Loan Program Revenue Bonds, Series 2019A (CUSIP number 64990G LA8) on the MSRB's Electronic Municipal Market Access system (https://emma.msrb.org/ER1227940-ES983647-ES1384882.pdf). The financial statements included in Appendix B to this Official Statement have been audited by independent certified public accounting firms as stated in their respective reports appearing therein. Notwithstanding the receipt of any consents to append the financial statements to this Official Statement, none of the auditors performed any procedures relating to any of the information contained in this Official Statement.

PART 19 - MISCELLANEOUS

References in this Official Statement to the Act, the Resolutions, the Series 2020 Loan Agreements and the Mortgages do not purport to be complete. Refer to the Act, the Resolutions, the Series 2020 Loan Agreements and the Mortgages for full and complete details of their provisions. Copies of the Resolutions, the Series 2020 Loan Agreements and the Mortgages are on file with DASNY and the Trustee.

The agreements of DASNY with Holders of the Series 2020 Bonds are fully set forth in the Resolutions. Neither any advertisement of the Series 2020 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2020 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 2020 Participants and their respective Series 2020 Facilities contained in this Official Statement has, in each case, been furnished by the Series 2020 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 2020 Participants," "Appendix B - Audited Financial Statements of Series 2020 Participants" and "Appendix C - Unaudited Financial Information of Series 2020 Participants" were supplied by the Series 2020 Participants.

"Appendix D - Certain Definitions," "Appendix E - Summary of Certain Provisions of the Series 2020 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 2020 Participant has reviewed the parts of this Official Statement describing such Series 2020 Participant, its Series 2020 Facilities, its Mortgages, including, without limitation, "PART 1 – INTRODUCTION" (but solely with respect to the headings "The Series 2020 Participants," "Additional Security – Pledged Revenues and Standby Intercepts," and "The Mortgages," "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2020 BONDS – Security for the Series 2020 Bonds - Pledged Revenues – Intercept Funds," and "– Security for the Series 2020 Bonds – Mortgages," "PART 3 – THE SERIES 2020 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2020 Bonds," "PART 4 - THE SERIES 2020 PARTICIPANTS," "PART 5 - SOURCES OF SERIES 2020 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 2020 Bonds that each Series 2020 Participant certify as of the dates of sale and delivery of the Series 2020 Bonds that such parts and such information do not contain any untrue statement of a material fact and do not omit any material fact necessary to make the statements made therein, in light of the circumstances under which the statements are made, not misleading.

Each Series 2020 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 2020 Participant.

The Program Facilitator has reviewed the parts of this Official Statement describing itself and the information contained in "PART 5 - SOURCES OF SERIES 2020 PARTICIPANT REVENUE," and "PART 11 - BONDHOLDERS' RISKS." It is a condition to the sale and delivery of the Series 2020 Bonds that the Program Facilitator certify as of the dates of sale and delivery of the Series 2020 Bonds that such parts and such information do not contain any untrue statement of a material fact and do not omit to state any material fact necessary to make the statements made therein, in light of the circumstances under which the statements were made, not misleading.

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

DORMITORY AUTHORITY OF THE STATE OF NEW YORK

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

APPENDIX A

DESCRIPTION OF SERIES 2020 PARTICIPANTS

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EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.

General Operations. Eden II School for Autistic Children, Inc. ("Eden") was founded in 1976. Operating out of 17 facilities, Eden provides a wide range of services to individuals with autism spectrum disorders or individuals with autistic-like communication and behavior disorders, as defined by the Autism Society of America. Eden students and adult consumers reside in New York City and the counties of Long Island. Eden provides the following range of services:

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

Eden's success in providing quality services lies in its commitment to state of the art programming. Applied Behavior Analysis, the only empirically validated intervention for individuals with autism, provides the framework for all Eden programs. Treatment programs are tailored to fit the individual and are implemented within a community-based context, designed to facilitate community living. The goal for all consumers of Eden is independence and community integration. Eden is a not-for-profit organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and comparable New York State Law.

Eden's funding sources for its 2019 Fiscal Year were: OPWDD (approximately 57%), State Department of Education (approximately 30%) and miscellaneous other sources (approximately 13%).

Description of Facilities and Financing Plan. DASNY will lend Eden $1,500,000 from the proceeds of the Series 2020 Bonds ("Eden'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 2,094 square-foot, 2-story building located at 107 Dewey Avenue, Staten Island, New York. The Project consists of the acquisition and 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 Eden 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 2020 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process" for further information concerning New PPA Lien Projects.

Eden has received a Certificate of Occupancy for the Facility but an updated Certificate of Occupancy, Certificate of Compliance or Letter of Completion from the City of New York will be required. Eden has not yet 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."

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

Other Properties. Eden also owns and operates 10 other properties and leases another 7 properties throughout New York City and Long Island.

Employees. Eden employs 469 full-time and 202 part-time employees. Eden expects that the operation of the Facility will require it to employ 22 to 28 additional personnel.

Debt Service Coverage.

Calculated in accordance with the definition set forth in the Loan Agreement between DASNY and Eden, the Actual Debt Service Coverage Ratio of Eden for Fiscal Year 2019 and the Pro Forma Debt Service Coverage Ratio (which includes Eden's Allocable Portion of the Series 2020 Bonds) are as follows:

	2019 Actual	2019 Pro Forma
Revenues	$36,824,142	$36,824,142
Expenses	34,137, 624	34,137, 624
Net Income (after adj.)	2,686,518	2,686,518
Less Extraordinary Revenue Items	(2,969,192)	(2,969,192)
Plus Extraordinary Expense Items	0	0
Plus Depreciation and Amortization	1,340,978	1,340,978
Plus Current Interest Expense	432,521	432,521
New PPA Revenues (unaudited)		96,472
Cash Flow for Debt Service	1,490,825	1,587,297
Maximum Annual Debt Service (unaudited)	1,167,521	1,255,239
Debt Service Coverage Ratio (DSCR)	1.28	1.26

Financials. Audited financial statements for Eden for fiscal years ended June 30, 2018 and June 30, 2019 were audited by Marks Paneth, LLP and are attached as Appendix B-I. Audited financial statements for Eden as of and for the year ended June 30, 2017 are available in Appendix B to the Official Statement related to DASNY's Interagency Council Pooled Loan Program Revenue Bonds, Series 2019A (CUSIP number 64990G LA8) on the MSRB's Electronic Municipal Market Access system (https://emma.msrb.org/ER1227940-ES983647-ES1384882.pdf). Interim unaudited financial information for Eden prepared by Eden's Management covering the period from July 1, 2019 through December 31, 2019 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 Eden for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by Eden's Management and derived from Eden'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, 2017, June 30, 2016 and June 30, 2015 are available upon request.

	Fiscal Year Ended June 30,				
	2015	2016	2017	2018	2019
Current Assets	$7,129,661	$8,699,864	$7,584,564	$8,505,943	$7,391,542
Net Fixed Assets	18,802,219	18,769,983	17,409,194	16,531,725	17,540,367
Other	2,350,504	2,669,771	1,489,890	1,492,034	2,238,447
Total	28,282,384	30,139,618	26,483,648	26,529,702	27,170,356
Current Liabilities	4,700,693	6,169,791	5,661,243	9,823,103	6,867,712
Other Liabilities	14,900,687	15,630,672	12,816,648	9,019,541	9,929,068
Net Assets	8,681,004	8,339,155	8,005,757	7,687,058	10,373,576
Total	28,282,384	30,139,618	26,483,648	26,529,702	27,170,356
Operating Revenue:					
Program Revenue	27,322,332	30,090,725	31,042,869	32,713,102	33,854,950
Nonprogram Revenue	792,735	404,447	99,251	4,975	2,969,192
Total	28,115,067	30,495,172	31,142,120	32,718,077	36,824,142
Operating Expenses	27,397,593	30,836,991	31,475,518	33,036,776	34,137,624
Change in Net Assets	717,474	(341,819)	(333,398)	(318,699)	2,686,518
Net Assets, Beginning of Year	7,963,530	8,680,974	8,339,155	8,005,757	7,687,058
Net Assets, End of Year	8,681,004	8,339,155	8,005,757	7,687,058	10,373,576
Cash & Equivalents	510,390	796,109	279,906	437,699	965,682

Management Discussion of Results of Operations.

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

(2) Sources of Liquidity: (a) Internal - Eden had current assets of $7,391,542 and $8,505,943 at the end of fiscal years 2019 and 2018, respectively, (b) External - Eden has available a $2.5 million revolving line of credit with Northfield Bank for operating expenses and a revolving line of credit for up to $1 million with the Foundation for the Advancement of Autistic Persons, Inc. ("Foundation").

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

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund-raising, and interest for fiscal years 2019 and 2018 were $356,279 and $438,057, respectively. See Appendix C-I for interim unaudited financial information through December 31, 2019.

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

Liquidity and Capital Resources. As of June 30, 2019 and June 30, 2018, Eden had $965,682 and $437,699 in unrestricted cash and cash equivalents and $5,956,853 and $7,525,683 in net accounts receivable, respectively.

As of December 31, 2019, Eden had an available revolving line of credit of $2.5 million with Northfield Bank. The proceeds of the line of credit are to be used for operating expenses. The line of credit is secured by a lien on all of Eden's assets, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. The outstanding balance on such line of credit as of December 31, 2019 was $762,000.

As of December 31, 2019, Eden had an available revolving line of credit of $1 million with the Foundation. The proceeds of the line of credit are to be used for operating expenses. The line of credit is unsecured. The outstanding balance on such line of credit as of December 31, 2019 was $900,000.

Long-Term Debt. As of June 30, 2019 and June 30, 2018, Eden had $8,542,751 and $10,913,810, respectively, in outstanding long-term indebtedness including mortgages, bonds and loans, some of which debt is secured by a security interest in Eden's Public Funds. See Notes 8, 9, 10 and 11 of Eden's Audited Financial Statement for fiscal year ending June 30, 2019 under the titles of "Bonds Payable, Net," "Mortgages and Notes Payable, Net," "Line of Credit" and "Loan Payable." Eden has incurred $230,382 in additional long-term debt subsequent to June 30, 2019.

Prior Pledges. Eden's line of credit for $2.5 million with Northfield Bank is secured by a lien on all of Eden's assets, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. Of Eden's total outstanding long-term debt as of June 30, 2019 and June 30, 2018, $8,542,751 and $9,340,682 is secured by a security interest in certain receivables of and real properties owned by Eden, which may include Eden's Public Funds, and thus constitutes a Prior Pledge as to such funds. Eden's total Prior Pledges (including short term and long term debt) as of December 31, 2019 amount to $7,570,000.

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

Management.

Directors and Officers: The affairs of Eden are governed by a Board of Trustees of no less than seven and no more than twenty-five. The officers are comprised of: Ralph Scamardella, Chairman, Michael Giangregorio, Vice Chairman, Shanx Ravisankar, Treasurer, and David Glick, Secretary. Other members of the Board are: James Caldarella, Michele Carr, Anthony Citarrella, Jeanette Collins, James Cronin, Lou Anne Haley, Grace Han, Denise Holzka, William Juliano, Steve Kirschbaum, Barbara Maxwell, Nicole Memoli, Angela Natale, Bernardo Pace, Donald Russo and Theresa Tarangelo. The Board of Trustees meets at least four times a year. A majority of the Trustees in office constitutes a quorum. The members of the Board serve without compensation.

Executive and Administrative Officers: Joanne Gerenser, Ph.D., has been employed at Eden since 1982, and has served as its Executive Director since 1996. Dr. Gerenser is a distinguished professional, having been credited with over 50 presentations and publications. She has won numerous awards for contributions in the field of autism. Dr. Gerenser earned a doctorate in Speech and Hearing Science at the City University of New York Graduate Center; a master's degree in Speech and Hearing Sciences at The Ohio State University; and a B.A. in Speech Pathology and Audiology from SUNY-Geneseo. Other key employees include Daniel Rauch, CPA, Chief Financial Officer. Mr. Rauch joined Eden in 2014 as the Chief Financial Officer. Prior to joining Eden, he served as the chief financial officer at several not-for-profit organizations including acute care hospitals and a continuing care retirement community. He also has over 10 years of experience at the national accounting firm of Deloitte & Touche. Besides being a Certified Public Accountant, he is also a Certified Internal Auditor. He received a Bachelor of Business Administration from the University of Notre Dame.

Continuing Disclosure.

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

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FAMILY RESIDENCES AND ESSENTIAL ENTERPRISES, INC.

General Operations. Family Residences and Essential Enterprises, Inc. ("FREE") was founded in 1977. FREE provides a wide range of day and residential services to the developmentally disabled in New York City and on Long Island. The mission of FREE is to help individuals of all abilities realize their full potential. FREE provides a diverse array of services including housing, recovery services, transition to work, employment, day, community and family service, respite, crisis services, education and after-school support, primary and specialty health care and advocacy. FREE 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 FREE are prepared on a consolidated basis among FREE and its subsidiaries. However, the financial information in this Appendix is limited to the operations of FREE, as the subsidiaries of FREE will not have any obligation to make payments under the Loan Agreement. The Series 2020 Participant is only FREE.

FREE's funding sources for its 2019 Fiscal Year were: OPWDD (approximately 83%), OMH (approximately 13%) and miscellaneous other sources (approximately 4%).

Description of Facilities and Financing Plan. DASNY will lend FREE $6,015,000 from the proceeds of the Series 2020 Bonds ("FREE'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 "215 Atlantic Avenue Facility" is a 4,296 square-foot, 1-story building located at 215 Atlantic Avenue, Hempstead (Town of Hempstead), New York. Approximately $1,665,000 will be used to finance the "215 Atlantic Avenue Project," which consists of the acquisition and rehabilitation of the 215 Atlantic Avenue Facility for use as a residence for eight adults with developmental disabilities.

- The "805 Karshick Street Facility" is a 2,872 square-foot, 1-story building located at 805 Karshick Street, Bohemia (Town of Islip), New York. Approximately $924,000 will be used to finance the "805 Karshick Street Project," which consists of the acquisition and rehabilitation of the 805 Karshick Street Facility for use as a residence for six adults with developmental disabilities.

- The "43 Cayuga Avenue Facility" is a 1,896 square-foot, 1-story building located at 43 Cayuga Avenue, South Setauket (a/k/a Centereach) (Town of Brookhaven), New York. Approximately $700,000 will be used to finance the "43 Cayuga Avenue Project," which consists of the acquisition and rehabilitation of the 43 Cayuga Avenue Facility for use as a residence for four adults with developmental disabilities.

- The "179 Hickory Street Facility" is a 2,985 square-foot, 2-story building located at 179 Hickory Street, Mt. Sinai (Town of Brookhaven), New York. Approximately $1,068,000 will be used to finance the "179 Hickory Street Project," which consists of the acquisition and rehabilitation of the 179 Hickory Street Facility for use as a residence for six adults with developmental disabilities.

- The "10 Royal Way Facility" is a 2,178 square-foot, 1-story building located at 10 Royal Way, Shoreham (Town of Brookhaven), New York. Approximately $675,000 will be used to finance the "10 Royal Way Project," which consists of the acquisition and rehabilitation of the 10 Royal Way Facility for use as a residence for four adults with developmental disabilities.

- The "8 Clark Street Facility" (together with the 215 Atlantic Avenue Facility, 805 Karshick Street Facility, 43 Cayuga Avenue Facility, 179 Hickory Street Facility and 10 Royal Way Facility, the "Facilities") is a 2,960 square-foot, 2-story building located at 8 Clark Street, Selden (Town of Brookhaven), New York. Approximately $902,000 will be used to finance the "8 Clark Street Project" (together with the 215 Atlantic Avenue Project, 805 Karshick Street Project, 43 Cayuga Avenue Project, 179 Hickory Street Project and 10 Royal Way Project, the "Projects"), which consists of the acquisition and rehabilitation of the 8 Clark Street Facility for use as a residence for six adults with developmental disabilities.

The remainder of FREE's Allocable Portion in the amount of approximately $81,000 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 FREE 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 2020 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process" for further information concerning New PPA Lien Projects.

Each of the Facilities has a received a Certificates of Occupancy from the applicable local jurisdiction, but updated Certificates of Occupancy, Certificates of Compliance or Letters of Completion will be required from the Town of Hempstead for the 215 Atlantic Avenue Facility, from the Town of Islip for the 805 Karshick Street Facility and from the Town of Brookhaven for the 43 Cayuga Avenue Facility, 179 Hickory Street Facility and 10 Royal Way Facility. Free has received an updated Certificate of Occupancy from the Town of Brookhaven for the 8 Clark Street Facility. Free has received Operating Certificates from OPWDD for the 805 Karshick Street Facility, 43 Cayuga Avenue Facility and the 8 Clark Street Facility. Free has not received Operating Certificates from OPWDD for the 215 Atlantic Avenue Facility, 179 Hickory Street Facility or 10 Royal Way Facility. See the information in this Official Statement entitled "PART 11 - BONDHOLDERS' RISKS - Completion of the Projects; Zoning; Certificate of Occupancy."

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

Other Properties. FREE also owns and operates 72 other properties and leases another 165 properties throughout New York City and Long Island.

Employees. FREE employs 1,127 full-time and 756 part-time employees. FREE expects that the operation of the Facilities will require it to employ approximately 20 additional personnel.

Debt Service Coverage.

Calculated in accordance with the definition set forth in the Loan Agreement between DASNY and FREE, the Actual Debt Service Coverage Ratio of FREE for Fiscal Year 2018 and the Pro Forma Debt Service Coverage Ratio (which includes FREE's Allocable Portion of the Series 2020 Bonds) are as follows:

	2018 Actual	**2018 Pro Forma**
Revenues	$109,871,011	$109,871,011
Expenses	109,673,813	109,673,813
Net Income (after adj.)	197,198	197,198
Less Extraordinary Revenue Items	0	0
Plus Extraordinary Expense Items	0	0
Plus Depreciation and Amortization	4,109,972	4,109,972
Plus Current Interest Expense	1,390,011	1,390,011
New PPA Revenues (unaudited)	0	392,792
Cash Flow for Debt Service	5,697,181	6,089,973
Maximum Annual Debt Service (unaudited)	5,001,011	5,393,803
Debt Service Coverage Ratio (DSCR)	1.14	1.13

Financials. Audited financial statements for FREE and its subsidiaries for the fiscal years ended December 31, 2016, December 31, 2017 and December 31, 2018 were prepared by Baker Tilly Virchow Krause, LLP and are attached as Appendix B-II. Interim unaudited financial information for FREE prepared by FREE's Management covering the period from January 1, 2019 through December 31, 2019 is attached as Appendix C-II. Significant accounting policies are contained in the notes to the audited financial statements, as well as Consolidating Statements for FREE and its subsidiaries.

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 FREE for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by FREE's Management and derived from FREE's audited financial statements. The data contained in the following table should be read in conjunction with the audited financial statements and related notes presented in Appendix B-II; audited financial statements for the fiscal years ended December 31, 2015 and December 31, 2014 are available upon request. Note that only the operations of FREE are presented below, which results may differ from the reported figures in the audited financial statements respecting FREE and all its subsidiaries.

	Fiscal Year Ended December 31,				
	2014	**2015**	**2016**	**2017**	**2018**
Current Assets	$18,459,583	$23,803,510	$19,551,476	$22,807,410	$22,692,383
Net Fixed Assets	36,193,401	37,875,190	37,860,979	38,463,327	41,301,354
Other	5,904,965	5,065,905	4,050,572	4,237,276	4,375,903
Total	60,557,949	66,744,605	61,473,027	65,508,013	68,369,640
Current Liabilities	23,770,462	27,953,716	21,268,757	20,032,876	19,579,257
Other Liabilities	29,291,533	31,175,892	30,156,963	31,126,551	34,170,553
Net Assets	7,495,954	7,614,997	10,047,307	14,348,586	14,619,830
Total	60,557,949	66,744,605	61,473,027	65,508,013	68,369,640
Operating Revenue:					
Program Revenue	88,451,405	95,527,263	105,857,581	104,159,386	109,675,094
Nonprogram Revenue	157,892	251,874	361,529	8,406,349	195,917
Total	88,609,297	95,779,137	106,219,110	112,565,735	109,871,011
Operating Expenses	87,802,003	95,593,458	105,541,164	108,318,522	109,673,813
Change in Net Assets	807,294	185,679	677,946	4,247,213	197,198
Non-Operating Changes	(376,159)	(66,636)	1,754,364	54,066	74,046
Net Assets, Beginning of Year	7,064,819	7,495,954	7,614,997	10,047,307	14,348,586
Net Assets, End of Year	7,495,954	7,614,997	10,047,307	14,348,586	14,619,830
Cash & Equivalents	909,738	1,658,491	1,702,627	5,161,171	1,514,071

Management Discussion of Results of Operations.

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

(2) Sources of Liquidity: (a) Internal - FREE had current assets of $22,692,383 and $22,807,410 at the end of fiscal years 2018 and 2017, respectively, (b) External - FREE has available revolving lines of credit in the aggregate amounts of $10 million shared by TD Bank and Valley National Bank for operating expenses.

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

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund-raising, and interest for fiscal years 2018 and 2017 were $109,660 and $215,774, respectively. See Appendix C-II for interim unaudited financial information through December 31, 2019.

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

Liquidity and Capital Resources. As of December 31, 2018 and December 31, 2017, FREE had $1,514,071 and $5,161,171 in unrestricted cash and cash equivalents and $13,958,152 and $14,536,682 in net accounts receivable, respectively.

As of December 31, 2019, FREE had available revolving lines of credit in the aggregate amount of $10 million shared by TD Bank and Valley National Bank. The proceeds of the lines of credit are to be used for operating expenses. The lines of credit are secured by a lien on FREE's accounts receivable, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. The outstanding aggregate balance on such lines of credit as of December 31, 2019 was $4,800,000.

Long-Term Debt. As of December 31, 2018 and December 31, 2017, FREE had $32,002,399 and $28,948,109, respectively, in outstanding long-term indebtedness including mortgages, bonds and loans, some of which debt is secured by a security interest in FREE's Public Funds. See Note 9 of FREE's Audited Financial Statement for fiscal year ending December 31, 2018 under the title of "Long-Term Debt." FREE has incurred $2,880,657 in additional long-term debt subsequent to December 31, 2018.

Prior Pledges. FREE's lines of credit in the aggregate amount of $10 million shared by TD Bank and Valley National Bank are secured by a lien on FREE's accounts receivable, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. Of FREE's total outstanding long-term debt as of December 31, 2018 and December 31, 2017, $32,002,399 and $28,948,109 is secured by a security interest in certain receivables of and real properties owned by FREE, which may include FREE's Public Funds, and thus constitutes a Prior Pledge as to such funds. FREE's total Prior Pledges (including short term and long term debt) as of December 31, 2019 amount to $30,069,891.

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

Management.

Directors and Officers: The affairs of FREE are governed by a Board of Directors of no less than three and no more than fifteen. The officers are comprised of: Michael Leahy, President, Ellen Paige Nelson, Vice President, Alan Polacek, Secretary, John Baldante, Treasurer and Mark Preiser, Immediate Past President. Other members of the Board are: Uma Ashok, Mary Ellen Freeley, David Sanders and Mark Simms. The Board of Directors meets at least five times a year. A majority of the directors in office constitutes a quorum. The members of the Board serve without compensation.

Executive and Administrative Officers: Robert S. Budd is the Chief Executive officer of FREE. Mr. Budd has held key operations positions at FREE since 1985. Mr. Budd is actively involved with many human service agencies that support people with developmental and other disabilities. He continues to serve and take leadership roles on many advocacy boards, both regionally and nationally. Mr. Budd has served as the Vice President of the Board for American Network of Community Options and Resources (ANCOR) and assumed the role of President in October 2018, and he was recently inducted into the 2018 ANCOR Foundation Legacy Leaders Circle. The Legacy Leaders Circle recognizes ANCOR members who have made significant contributions to ANCOR and the broader disability and provider community during their tenure as an ANCOR member. Mr. Budd also serves on the boards of New York Alliance for Inclusion and Innovation (New York Alliance), Interagency Council of Developmental Disabilities Agencies, Inc. (IAC), Long Island Select Healthcare, Inc. (LISH) and Alliance of Long Island Agencies, Inc. (ALIA). Mr. Budd holds a Bachelor of Arts degree in psychology from the State University of New York at Potsdam and a Master of Professional Studies in psychology from Long Island University, C.W. Post. Other key officers of FREE include Christopher Long, Ed.D., Chief Operations Officer, and Susan Dickinson, Chief Financial Officer.

Continuing Disclosure.

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

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SERVICES FOR THE DEVELOPMENTALLY CHALLENGED INC.

General Operations. Services for the Developmentally Challenged Inc. ("SDC") was founded in 1996 to provide personalized support services to individuals with intellectual and development disabilities and their family members. SDC is a small, progressive agency which began by providing Medicaid Service Coordination to twenty-five families in the Bronx. During that same year, SDC started a monthly family support meeting to provide education to families. SDC opened its first two residences for individuals with intellectual and developmental disabilities in 2001 and opened a third residence in 2005. To date, all of SDC's residences are located in Riverdale and the Throggs Neck neighborhood in the Bronx. In 2012, SDC opened a Day Habilitation and Prevocational Program that provides an academic and prevocational program to individuals who see a future in the work force. SDC 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.

SDC's services include Residential Services, Day and Community Habilitation and Respite and Family Support. The intention of SDC is to provide a continuum of care through the agency's services and service contracts with local hospitals, clinics and other community agencies who service the developmentally disabled. SDC develops its goals for these individuals by collaborating with individuals, parents, guardians, and service coordinators in shared decision making and problem-solving to create a productive and inspiring environment.

SDC's funding source for its 2019 Fiscal Year was OPWDD (approximately 100%).

Description of Facilities and Financing Plan. DASNY will lend SDC $1,320,000 from the proceeds of the Series 2020 Bonds ("SDC'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 2,860 square-foot, 2.5-story building located at 904 Quincy Avenue, Bronx, New York. The Project consists of the acquisition and 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 SDC 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 2020 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process" for further information concerning New PPA Lien Projects.

SDC has received a Certificate of Occupancy for the Facility but an updated Certificate of Occupancy, Certificate of Compliance or Letter of Completion from the City of New York will be required. SDC 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."

SDC owns the Facility. SDC 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. SDC also owns and operates 1 other property and leases another 3 properties in New York City.

Employees. SDC employs 49 full-time and 60 part-time employees. SDC expects that the operation of the Facility will require it to employ 5 additional personnel.

Debt Service Coverage.

Calculated in accordance with the definition set forth in the Loan Agreement between DASNY and SDC, the Actual Debt Service Coverage Ratio of SDC for Fiscal Year 2019 and the Pro Forma Debt Service Coverage Ratio (which includes SDC's Allocable Portion of the Series 2020 Bonds) are as follows:

	2019 Actual	**2019 Pro Forma**
Revenues	$4,233,483	$4,233,483
Expenses	4,242,981	4,242,981
Net Income (after adj.)	(9,498)	(9,498)
Less Extraordinary Revenue Items	0	0
Plus Extraordinary Expense Items	0	0
Plus Depreciation and Amortization	80,273	80,273
Plus Current Interest Expense	38,253	38,253
New PPA Revenues (unaudited)	0	85,875
Cash Flow for Debt Service	109,028	194,903
Maximum Annual Debt Service (unaudited)	102,342	188,217
Debt Service Coverage Ratio (DSCR)	1.065	1.036

Financials. Audited financial statements for SDC for the fiscal year ended June 30, 2017, June 30, 2018 and June 30, 2019 were prepared by Sobel & Co. LLC and are attached as Appendix B-III. Interim unaudited financial information for SDC prepared by SDC's Management covering the period from July 1, 2019 through December 31, 2019 is attached as Appendix C-III. Significant accounting policies are contained in the notes to the audited financial statements.

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

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

The following is a summary of financial information for SDC for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by SDC's Management and derived from SDC'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, 2016 and June 30, 2015 are available upon request.

	Fiscal Year Ended June 30,				
	2015	**2016**	**2017**	**2018**	**2019**
Current Assets	$1,622,689	$1,672,715	$1,700,009	$1,706,920	$1,531,942
Net Fixed Assets	463,672	400,098	360,693	288,387	269,251
Other	1,575	6,775	6,775	6,775	866,430
Total	2,087,936	$2,079,588	2,067,477	2,002,082	2,667,623
Current Liabilities	230,305	251,398	282,907	273,777	267,608
Other Liabilities	341,624	295,346	184,284	127,636	808,844
Net Assets	1,516,007	1,532,844	1,600,286	1,600,668	1,591,171
Total	2,087,936	$2,079,588	2,067,477	2,002,081	2,667,623
Operating Revenue:					
Program Revenue	3,447,882	3,685,043	3,850,834	4,097,148	4,135,896
Nonprogram Revenue	9,506	2,523	26,266	3,032	97,587
Total	3,457,388	3,687,566	3,877,100	4,100,180	4,233,483
Operating Expenses	3,219,912	3,670,729	3,809,658	4,099,798	4,242,981
Change in Net Assets	237,476	16,837	67,442	382	(9,498)
Net Assets, Beginning of Year	1,278,531	1,516,007	1,532,844	1,600,286	1,600,669
Net Assets, End of Year	1,516,007	1,532,844	1,600,286	1,600,668	1,591,171
Cash & Equivalents	963,739	1,020,906	935,388	971,576	1,155,661

Management Discussion of Results of Operations.

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

(2) Sources of Liquidity: (a) Internal - SDC had current assets of $1,531,942 and $1,706,920 at the end of fiscal years 2019 and 2018, respectively, (b) External – None.

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

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund-raising, and interest for fiscal years 2019 and 2018 were $20,355 and $5,095, respectively. See Appendix C-III for interim unaudited financial information through December 31, 2019.

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

Liquidity and Capital Resources. As of June 30, 2019 and June 30, 2018, SDC had $1,155,661 and $971,576 in unrestricted cash and cash equivalents and $343,306 and $702,567 in net accounts receivable, respectively.

Long-Term Debt. As of June 30, 2019 and June 30, 2018, SDC had $803,999 and $76,987, respectively, in outstanding long-term indebtedness including mortgages, some of which debt is secured by a security interest in SDC's Public Funds. See Note 5 of SDC's Audited Financial Statement for fiscal year ending June 30, 2019 under the title of "Mortgage Payable." SDC has incurred $363,000 in additional long-term debt subsequent to June 30, 2019.

Prior Pledges. Of SDC's total outstanding long-term debt as of June 30, 2019 and June 30, 2018, $803,999 and $76,987 is secured by a security interest in certain receivables of and real properties owned by SDC, which may include SDC's Public Funds, and thus constitutes a Prior Pledge as to such funds. SDC's total Prior Pledges (including short term and long term debt) as of December 31, 2019 amount to $904,499.

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

Management.

Directors and Officers: The affairs of SDC are governed by a Board of Directors of six members. The officers are comprised of: Steve Kaufman, President, William Marek, Vice President, Matthew Bavoso, Secretary and Gerald Garvey, Treasurer. Other members of the Board are: Nelida Velez and

Patricia Clancy. The Board of Directors meets at least five times a year. A majority of the Directors in office constitutes a quorum. The members of the Board serve without compensation.

Executive and Administrative Officers: Peter Dolan, MPA, has been employed at SDC since 2002 and currently serves as Executive Director. Mr. Dolan started at SDC as a Medicaid Service Coordinator and then served as an Medicaid Service Coordinator Supervisor and later Program Director before being appointed Executive Director in 2014. Mr. Dolan earned a Bachelors of Science degree in Psychology from SUNY Stony Brook and a Masters in Public Administration from Baruch College. Other key employees include Antonio Gianfrancesco, Chief Financial Officer, Luis Torres, Director of Human Resources, Sarah Andrew-Madison, Special Project and Clinical Coordinator, Karen Romero, Director of Quality Assurance, and Annunziata Santini, Director of Programs.

Continuing Disclosure.

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

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UNIQUE PEOPLE SERVICES, INC.

General Operations. Unique People Services, Inc. ("Unique") was founded in 1991. Unique's mission is to serve, holistically and without judgment, those who may have been denied compassionate and considerate treatment elsewhere due to their race, religion, gender, sexual orientation, developmental level, health status or criminal or substance use history. Unique currently operates 31 supportive housing programs in the Bronx, Manhattan, Brooklyn, Queens and Westchester County, New York. Each year, Unique provides housing to more than 700 persons within its various residences. Residents receive meals and other support services that include case management and treatment focused on achieving the highest possible level of independent living. Unique offers both transitional and permanent housing for formerly homeless persons with HIV/AIDS, long-term and permanent housing for formerly homeless persons with a mental illness, and permanent housing for adults with developmental disabilities. Unique is a not-for-profit organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and comparable New York State Law.

The financial statements of Unique are prepared on a consolidated basis among Unique and its affiliates. However, the financial information in this Appendix is limited to the operations of Unique, as the affiliates of Unique will not have any obligation to make payments under the Loan Agreement. The Series 2020 Participant is only Unique.

Unique's funding sources for its 2019 Fiscal Year were: OPWDD (approximately 35%), OMH (approximately 25%), HIV/AIDS Services Administration (approximately 28%), Public Health Solutions (approximately 6%), DOH (approximately 4%) and miscellaneous other sources (approximately 4%).

Description of Facilities and Financing Plan. DASNY will lend Unique $2,560,000 from the proceeds of the Series 2020 Bonds ("Unique'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 "160-18 121st Avenue Facility" is a 2,120 square-foot, 2-story building located at 160-18 121st Avenue (1st and 2nd Floors), Jamaica (Borough of Queens), New York. Approximately $1,177,697 will be used to finance the "160-18 121st Avenue Project," which consists of the acquisition and rehabilitation of the 160-18 121st Avenue Facility for use as a residence for six adults with developmental disabilities.

- The "115-29 Marsden Street Facility" (together with the 160-18 121st Avenue Facility, the "Facilities") is a 2,250 square-foot, 2-story building located at 115-29 Marsden Street (1st and 2nd Floors), Jamaica (Borough of Queens), New York. Approximately $1,358,589 will be used to finance the "115-29 Marsden Street Project" (together with the 160-18 121st Avenue Project, the "Projects "), which consists of the acquisition and rehabilitation of the 115-29 Marsden Street Facility for use as a residence for six adults with developmental disabilities.

The remainder of Unique's Allocable Portion in the amount of approximately $23,714 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 Unique has received. This means the Facilities are pre-approved by OPWDD for reimbursement by OPWDD for principal and interest costs incurred in connection with the acquisition and/or renovation and furnishing of the Facilities and financing or refinancing costs incurred in connection therewith.

The Facilities are New PPA Lien Projects. See the information in this Official Statement entitled "PART 5 - SOURCES OF SERIES 2020 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process" for further information concerning New PPA Lien Projects.

Unique has received a Certificate of Occupancy for each of the Facilities but an updated Certificate of Occupancy, Certificate of Compliance or Letter of Completion from the City of New York will be required for the 115-29 Marsden Street Facility. Unique has received an updated Certificate of Occupancy for the 160-18 121st Avenue Facility. Unique has received an Operating Certificate for the 160-18 121st Avenue Facility from OPWDD but has not received an Operating Certificate for the 115-29 Marsden Street Facility. See the information in this Official Statement entitled "PART 11 - BONDHOLDERS' RISKS - Completion of the Projects; Zoning; Certificate of Occupancy."

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

Other Properties. Unique also owns and operates 10 other properties and leases 402 other residential and day program properties in the Boroughs of New York City and Westchester County.

Employees. Unique employs 261 full-time and 17 part-time employees. Unique does not expect that the operation of the Facilities will require it to employ additional personnel.

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Debt Service Coverage.

Calculated in accordance with the definition set forth in the Loan Agreement between DASNY and Unique, the Actual Debt Service Coverage Ratio of Unique for Fiscal Year 2019 and the Pro Forma Debt Service Coverage Ratio (which includes Unique's Allocable Portion of the Series 2020 Bonds) are as follows:

	2019 Actual	**2019 Pro Forma**
Revenues	$29,061,784	$29,061,784
Expenses	28,702,285	28,702,285
Net Income (after adj.)	359,499	359,499
Less Extraordinary Revenue Items	0	0
Plus Extraordinary Expense Items	0	0
Plus Depreciation and Amortization	1,468,218	1,468,218
Plus Current Interest Expense	567,192	567,192
New PPA Revenues (unaudited)	0	162,892
Cash Flow for Debt Service	2,394,909	2,557,801
Maximum Annual Debt Service (unaudited)	1,142,583	1,305,475
Debt Service Coverage Ratio (DSCR)	2.096	1.959

NOTE: On December 18, 2019, Unique refinanced a mortgage loan with Corporation for Supportive Housing for which Unique served as guarantor, in support of an affiliate. Maximum Annual Debt Service as presented above is net of this refinancing.

Financials. Audited financial statements for Unique for the fiscal year ended June 30, 2017, June 30, 2018 and June 30, 2019 were audited by Marks Paneth, LLP and are attached as Appendix B-IV. Interim unaudited financial information for Unique prepared by Unique's Management covering the period from July 1, 2019 through December 31, 2019 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 Unique for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by Unique's Management and derived from Unique's audited financial statements. The data contained in the following table should be read in conjunction with the audited financial statements and related notes presented in Appendix B-IV; audited financial statements for the fiscal years ended June 30, 2016 and June 30, 2015 are available upon request. Note that only the operations of Unique are presented below, which results may differ from the reported figures in the audited financial statements respecting Unique and all its affiliates.

	Fiscal Year Ended June 30,				
	2015	**2016**	**2017**	**2018**	**2019**
Current Assets	$5,929,831	$5,774,007	$6,452,851	$7,383,184	$6,742,044
Net Fixed Assets	6,598,738	7,619,521	8,794,112	8,410,279	7,826,711
Other	662,257	744,172	1,243,202	812,487	915,121
Total	13,190,826	14,137,700	16,490,165	16,605,950	15,483,876
Current Liabilities	2,449,897	2,571,262	3,056,023	3,267,510	2,352,510
Other Liabilities	6,798,733	7,691,789	9,478,290	9,392,213	8,824,650
Net Assets	3,942,196	3,874,649	3,955,852	3,946,227	4,306,716
Total	13,190,826	14,137,700	16,490,165	16,605,950	15,483,876
Operating Revenue:					
Program Revenue	11,851,414	11,822,342	13,908,063	17,491,885	19,140,960
Nonprogram Revenue	280,711	481,632	448,635	359,717	1,078,292
Total	12,132,125	12,303,974	14,356,698	17,851,602	20,219,252
Operating Expenses	12,062,020	12,413,078	14,298,608	17,865,342	20,228,254
Change in Net Assets	70,105	(109,104)	58,090	(13,740)	(9,002)
Non Operating Changes	64,200	41,557	23,113	4,115	369,491
Net Assets, Beginning of Year	3,807,891	3,942,196	3,874,649	3,955,852	3,946,227
Net Assets, End of Year	3,942,196	3,874,649	3,955,852	3,946,227	4,306,716
Cash & Equivalents	4,705,549	4,388,429	3,179,254	2,433,517	498,382

Management Discussion of Results of Operations.

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

(2) Sources of Liquidity: (a) Internal - Unique had current assets of $6,742,044 and $7,383,184 at the end of fiscal years 2019 and 2018, respectively, (b) External - None.

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

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund-raising, and interest for fiscal years 2019 and 2018 were $184,681 and $192,105, respectively. See Appendix C-IV for interim unaudited financial information through December 31, 2019.

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

Liquidity and Capital Resources. As of June 30, 2019 and June 30, 2018, Unique had $498,382 and $2,433,517 in unrestricted cash and cash equivalents and $4,832,563 and $3,703,682 in net accounts receivable, respectively.

Long-Term Debt. As of June 30, 2019 and June 30, 2018, Unique had $15,596,424 and $15,884,090, respectively, in outstanding long-term indebtedness including mortgages, bonds and loans, and loan guarantees some of which debt is secured by a security interest in Unique's Public Funds. See Note 7 of Unique's Audited Financial Statement for fiscal year ending June 30, 2019 under the title of "Long Term Debt." Subsequent to June 30, 2019, Unique incurred $1,100,000 in long term debt that will be paid off in full with Unique's Allocable Portion. Additionally, on December 18, 2019, Unique refinanced an affiliate's mortgage loan for $6,872,267 for which Unique was a guarantor; Unique is not a guarantor on the new loan.

Prior Pledges. Of Unique's total outstanding long-term debt as of June 30, 2019 and June 30, 2018, $15,596,424 and $15,884,090 is secured by a security interest in certain receivables of and real properties owned by Unique, which may include Unique's Public Funds, and thus constitutes a Prior Pledge as to such funds. Unique's total Prior Pledges (including short term and long term debt) as of December 31, 2019 amount to $9,662,122.

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

Management.

Directors and Officers: The affairs of Unique are governed by a Board of Directors of no less than four and no more than twenty. The officers are comprised of: Crystal Ward, Chairman, Desiree Thomas, Treasurer, and Paul Gregory, Secretary. Other members of the Board are: Mohamed Abdelrahman, Deborah Downing, Justine Goeke, Stephen Lynch, Nathaniel Montgomery and Joana Ryan. The Board of Directors meets at least four times a year. A majority of the Directors in office constitutes a quorum. The members of the Board serve without compensation.

Executive and Administrative Officers: Yvette Brissett-Andre is the Executive Director and Chief Executive Officer of Unique. She holds a Master's degree in Public Administration from CUNY/Baruch and a Bachelor's of Science from SUNY/Plattsburgh. Her expertise includes over 20 years of experience in the areas of finance and budgeting, program development, contract negotiation, low-income housing development and proposal writing. Ms. Brissett-Andre is a member of the executive team of The Fortune Society, serving as the Treausurer of the board, and is the past treasurer of Adolescent and Family Comprehensive Services in the Bronx. She is also a National Urban Fellow and was one of the first participants in their American's Leaders of Change program. Unique has several other key employees including Lorna Thompson, Associate Executive Director, and Rosemarie Gooden, Chief Financial Officer.

Continuing Disclosure.

Unique is in compliance with all of its continuing disclosure undertakings made pursuant to 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**.** The Series 2020 Participant is only YAI.

YAI's funding sources for its 2019 Fiscal Year were: OPWDD (approximately 99.5%) and miscellaneous other sources (approximately 0.5%).

Description of Facilities and Financing Plan. DASNY will lend YAI $8,465,000 from the proceeds of the Series 2020 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 "2346 Vista Court Facility" is a 3,450 square-foot, 2-story building located at 2346 Vista Court, Yorktown Heights (Town of Yorktown), New York. Approximately $1,041,612 will be used to finance the "2346 Vista Court Project," which consists of the acquisition and rehabilitation of the 2346 Vista Court Facility for use as a residence for six adults with developmental disabilities.

- The "5 Halsey Place Facility" is a 2,612 square-foot, 2-story building located at 5 Halsey Place, Valhalla (Town of Mount Pleasant), New York. Approximately $1,257,489 will be used to finance the "5 Halsey Place Project," which consists of the acquisition and rehabilitation of the 5 Halsey Place Facility for use as a residence for six adults with developmental disabilities.

- The "14 Lady Godiva Way Facility" is a 4,224 square-foot, 2-story building located at 14 Lady Godiva Way, New City (Town of Clarkstown), New York. Approximately $1,041,149 will be used to finance the "14 Lady Godiva Way Project," which consists of the acquisition and rehabilitation of the 14 Lady Godiva Way Facility for use as a residence for six adults with developmental disabilities.

- The "101 Ridgeway Avenue Facility" is a 2,912 square-foot, 2-story building located at 101 Ridgeway Avenue, East Setauket (Town of Brookhaven), New York. Approximately $483,285 will be used to finance the "101 Ridgeway Avenue Project," which consists of the rehabilitation of the 101 Ridgeway Avenue Facility for use as a residence for six adults with developmental disabilities.

- The "102 Poplar Street Facility" is a 3,056 square-foot, 1-story building located at 102 Poplar Street, Central Islip (Town of Islip), New York. Approximately $1,050,839 will be used to finance the "102 Poplar Street Project," which consists of the acquisition and rehabilitation of the 102 Poplar Street Facility for use as a residence for six adults with developmental disabilities.

- The "1271 Carlls Straight Path Facility" is a 3,130 square-foot, 1-story building located at 1271 Carlls Straight Path, Dix Hills (Town of Huntington), New York. Approximately $1,353,435 will be used to finance the "1271 Carlls Straight Path Project," which consists of the acquisition and rehabilitation of the 1271 Carlls Straight Path Facility for use as a residence for seven adults with developmental disabilities.

- The "51 Hearthstone Drive Facility" is a 2,618 square-foot, 1-story building located at 51 Hearthstone Drive, Dix Hills (Town of Huntington), New York. Approximately $1,337,892 will be used to finance the "51 Hearthstone Drive Project," which consists of the acquisition and rehabilitation of the 51 Hearthstone Drive Facility for use as a residence for seven adults with developmental disabilities.

- The "40 Titus Road Facility" (together with the 2346 Vista Court Facility, 5 Halsey Place Facility, 14 Lady Godiva Way Facility, 101 Ridgeway Avenue Facility, 102 Poplar Street Facility, 1271 Carlls Straight Path Facility and 51 Hearthstone Drive Facility, the "Facilities") is a 3,216 square-foot, 2-story building located at 40 Titus Road, Glen Cove (City of Glen Cove), New York. Approximately $861,134 will be used to finance the "40 Titus Road Project" (together with the 2346 Vista Court Project, 5 Halsey Place Project, 14 Lady Godiva Way Project, 101 Ridgeway Avenue Project, 102 Poplar Street Project, 1271 Carlls Straight Path Project and 51 Hearthstone Drive Project, the "Projects"), which consists of the acquisition and rehabilitation of the 40 Titus Road Facility for use as a residence for seven adults with developmental disabilities.

The remainder of YAI's Allocable Portion in the amount of approximately $38,165 will be used for legal fees, costs of issuance and debt service reserve requirements.

The governmental funding source for the Facilities is OPWDD and the Facilities are supported by PPAs, which YAI has received. This means the Facilities are pre-approved by OPWDD for reimbursement by OPWDD for principal and interest costs incurred in connection with the acquisition, lease and/or renovation and furnishing of the Facilities and financing or refinancing costs incurred in connection therewith. Approximately half of the acquisition costs, totaling approximately $355,000, for the 40 Titus Road Facility, are not expected to be reimbursed by OPWDD through the PPA; with respect to these acquisition costs, YAI expects to pay its Allocable Portion of the Series 2020 Bonds from Public Funds paid by OPWDD and from its general operating revenues. All payment obligations including non-OPWDD reimbursed costs continue to be covered by the OPWDD stand-by intercept agreement.

The 2346 Vista Court Facility, 5 Halsey Place Facility, 14 Lady Godiva Way Facility, 102 Poplar Street Facility, 1271 Carlls Straight Path Facility, 51 Hearthstone Drive Facility and 40 Titus Road Facility are New PPA Lien Projects. The 101 Ridgeway Avenue Facility is supported by a PPA, but it is not a New PPA Lien Project because the PPA for such facility states explicitly that a lien is not necessary because the site was previously owned by the State of New York and is subject to a reverter clause. The 51 Hearthstone Drive Project is a Renovation Project because it will require additional renovations the costs of which have not yet been approved by OPWDD. See the information in this Official Statement entitled "PART 5 - SOURCES OF SERIES 2020 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process" for further information concerning New PPA Lien Projects and Renovation Projects and "PART 11 – BONDHOLDERS' RISKS – Right of Reacquisition of the Ridgeway Avenue Facility" for further information concerning the 101 Ridgeway Avenue Facility.

Each of the Facilities has a received a Certificate of Occupancy from the applicable local jurisdiction, but updated Certificates of Occupancy, Certificates of Compliance or Letters of Completion will be required from the Town of Yorktown for the 2346 Vista Court Facility, from the Town of Mount Pleasant for the 5 Halsey Place Facility, from the Town of Clarkstown for the 14 Lady Godiva Way Facility, from the Town of Brookhaven for the 101 Ridgeway Avenue Facility, from the Town of Islip for the 102 Poplar Street Facility, from the Town of Huntington for the 1271 Carlls Straight Path Facility and the 51 Hearthstone Drive Facility and from the City of Glen Cove for the 40 Titus Road Facility. YAI has received an Operating Certificate from OPWDD for the 101 Ridgeway Avenue Facility. See the information in this Official Statement entitled "PART 11 - BONDHOLDERS' RISKS - Completion of the Projects; Zoning; Certificate of Occupancy."

YAI owns each of 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 Mortgaged Facilities. The 101 Ridgeway Avenue Facility was acquired by YAI subject to a right of reacquisition by the State of New York, acting by and through the Office of Mental Retardation and Developmental Disabilities and DASNY, in the event that YAI, its successors and assigns fail to utilize the 101 Ridgeway Avenue Facility as an authorized not-for-profit community mental hygiene services facility for persons with mental retardation and developmental disabilities or, in the event that there is no longer a need for community mental hygiene services for persons with mental retardation and developmental disabilities, another legally authorized not-for-profit mental hygiene program purpose. YAI has requested and received from the State of New York, acting by and through the Office of Mental Retardation and Developmental Disabilities and DASNY, a subordination agreement in order to subordinate the right of reacquisition to the lien granted by YAI's Mortgage on the 101 Ridgeway Avenue Facility. There is no guarantee that YAI's title to the 101 Ridgeway Avenue Facility will not continue to be subject to the right of reacquisition.

Other Properties. YAI also owns approximately 81 and leases approximately 102 other properties in the Boroughs of New York City and Nassau, Rockland, Suffolk and Westchester Counties.

Employees. YAI employs approximately 1,990 full-time and 1,468 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 2019 and the Pro Forma Debt Service Coverage Ratio (which includes YAI's Allocable Portion of the Series 2020 Bonds) are as follows:

	2019 Actual	**2019 Pro Forma**
Revenues	196,898,858	196,898,858
Expenses	196,818,353	196,818,353
Net Income (after adj.)	80,505	80,505
Less Nonoperating Revenue Items	8,407,333	8,407,333
Plus Nonoperating Expense Items	8,514,266	8,514,266
Plus Depreciation and Amortization	4,552,643	4,552,643
Plus Current Interest Expense	1,779,951	1,779,951
New PPA Revenues (unaudited)	0	557,262
Cash Flow for Debt Service	6,520,032	7,077,294
Maximum Annual Debt Service (unaudited)	4,323,592	4,880,854
Debt Service Coverage Ratio (DSCR)	1.5080	1.4500

Financials. Audited financial statements for YAI and its affiliates for the fiscal years ended June 30, 2017, June 30, 2018 and June 30, 2019 were audited by Marks Paneth, LLP and are attached as Appendix B-V. Interim unaudited financial information for YAI only prepared by YAI's Management covering the period from July 1, 2019 through December 31, 2019 is attached as Appendix C-V. Significant accounting policies are contained in the notes to the audited financial statements, as well as Consolidating Statements for YAI and its affiliates.

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

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

The following is a summary of financial information for YAI for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by YAI's Management and derived from YAI's audited financial statements. The data contained in the following table should be read in conjunction with the audited financial statements and related notes presented in Appendix B-VI; audited financial statements for the fiscal years ended June 30, 2016 and June 30, 2015 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,

	2015	**2016**	**2017**	**2018**	**2019**
Current Assets	$64,475,266	$62,999,968	$65,618,161	$58,845,012	$70,255,198
Net Fixed Assets	32,833,234	34,535,025	34,881,726	35,493,589	41,829,121
Other	8,694,842	4,624,395	2,352,081	2,651,718	2,632,962
Total	106,003,342	102,159,388	102,851,968	96,990,319	114,717,281
Current Liabilities	54,232,523	30,876,496	37,201,430	32,461,954	40,124,908
Other Liabilities	26,773,320	38,605,423	31,217,703	30,083,752	40,067,255
Net Assets	24,997,499	32,677,469	34,432,835	34,444,613	34,525,118
Total	106,003,342	102,159,388	102,851,968	96,990,319	114,717,281
Operating Revenue:					
Program Revenue	183,823,593	176,976,779	172,888,534	176,651,218	186,377,766
Nonprogram Revenue	0	2,112,526	1,272687	1,577,624	2,113,759
Total	183,823,593	179,089,305	174,161,221	178,228,842	188,491,525
Operating Expenses	180,928,721	171,409,335	172,405,855	178,217,064	188,304,087
Change in Net Assets from Operations	2,903,361	7,679,970	1,755,366	11,778	187,438
Non-Operating Changes	359,048	0	0	0	(106,933)
Net Assets, Beginning of Year	21,735,090	24,997,499	32,677,469	34,432,835	34,444,613
Net Assets, End of Year	24,997,499	32,677,469	34,432,835	34,444,613	34,525,118
Cash & Equivalents	17,109,932	13,100,241	18,585,550	14,315,782	9,068,076

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 $70,255,198 and $58,845,012 at the end of fiscal years 2019 and 2018, 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 a $14 million line of credit with Bank of America, N.A. and Israel Discount Bank of New York for acquisition and renovation of program sites.

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

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund-raising, and interest for fiscal years 2019 and 2018 were $1,332,438 and $1,510,498, respectively. See Appendix C-V for interim unaudited financial information through December 31, 2019.

(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, 2019 and June 30, 2018, YAI had $9,068,076 and $14,315,782 in unrestricted cash and cash equivalents and $26,537,970 and $23,330,764 in net accounts receivable, respectively.

As of December 31, 2019, 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 $16,633,259 as of December 31, 2019.

As of December 31, 2019, YAI has available a $14 million line of credit with Bank of America, N.A. and Israel Discount Bank of New York for the acquisition and renovation of program sites. Upon receipt of PPAs from New York State, the funds drawn down on this line are converted into notes secured by related real property and accounts, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. There was a collective balance of $10,801,714 on 12 outstanding notes as of December 31, 2019.

Long-Term Debt. As of June 30, 2019 and June 30, 2018, YAI had $39,108,803 and $30,083,752, respectively, in outstanding long-term indebtedness including mortgages, bonds and capital leases payable, some of which debt is secured by a security interest in YAI's Public Funds**.** See Note 7 of YAI's Audited Financial Statement for fiscal year ending June 30, 2019 under the title "Notes and Mortgages Payable." YAI has not incurred any additional long-term debt subsequent to June 30, 2019.

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 $14 million with Bank of America, N.A. and Israel Discount Bank of New York are secured by a lien on YAI's investment accounts, accounts receivable and real property, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. Of YAI's total outstanding long-term debt as of June 30, 2019 and June 30, 2018, \$39,108,803 and \$30,083,752 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 December 31, 2019 amount to \$49,403,717.

Contingencies; Pending or Potential Litigation. YAI is currently a defendant in civil litigation relating to the 5 Halsey Place Project pursuant to which the Town of Mount Pleasant, as plaintiff, seeks to vacate and overturn the determination by the Acting Commissioner of OPWDD permitting YAI to establish a community based residential facility at the 5 Halsey Place Facility. The attorney defending YAI in the suit has provided YAI with letters dated May 1, 2019 and March 17, 2020 advising YAI that the plaintiff's claims are without merit. According to YAI Management, besides the forgoing, 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 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 Trustees of not less than five and up to fifty persons. The officers are comprised of: Jeffery Mordos, Chairman, David Stafford, Vice Chairman, and Kevin Hogan, Treasurer. Other members of the Board are Jeffrey Lieberman, Lee Alexander, Eliot Green, Richard Rosenbaum, John Rufer and Lewis Lindenberg. A presence of at least seven members of the Board constitutes a quorum. The members of the Board serve without compensation.

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

Continuing Disclosure.

As described in this paragraph, during the past five years, YAI failed to provide certain secondary market disclosure pursuant to Rule 15c2-12 in connection with its previous continuing disclosure undertakings. Such failures include (i) late filings of its audited financial statements with respect to its fiscal year ended December 31, 2018 and (ii) late filing of its Annual Information with respect to its fiscal year ended December 31, 2018. YAI has adopted procedures to ensure the timely filing of required information pursuant to its continuing disclosure undertakings in the future.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF SERIES 2020 PARTICIPANTS

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APPENDIX B-I

EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018)

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EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.
d/b/a EDEN II PROGRAMS

Eden II Programs

• SERVICE • SCIENCE • PASSION

Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2019 and 2018

MARKS PANETH

ACCOUNTANTS & ADVISORS

EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.
(D/B/A EDEN II PROGRAMS)

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2019 AND 2018

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Marks Paneth LLP
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MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Eden II School for Autistic Children, Inc.
d/b/a Eden II Programs

We have audited the accompanying financial statements of Eden II School for Autistic Children, Inc. d/b/a Eden II Programs ("Eden II" or the "Agency"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses 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 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 the Agency as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2019, the Agency adopted Accounting Standards Update 2016-14: *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*; Accounting Standards Update 2014-09: *Revenue from Contracts with Customers (Topic 606)* and Accounting Standards Update 2018-08: *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Marks Paneth LLP

New York, NY
November 25, 2019

Morison KSi
Independent member

EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.
(D/B/A EDEN II PROGRAMS)
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND 2018

		2019		2018
ASSETS				
Cash and cash equivalents (Notes 2D and 17)	$	965,682	$	437,699
Program services receivable, net (Notes 2I, 2K and 4)		4,755,135		4,346,156
Grants and contributions receivable, net (Notes 2J and 5)		1,201,718		3,179,527
Prepaid expenses and other assets (Note 14)		469,007		542,561
Assets whose use is limited (Notes 2F, 7 and 18)		2,238,447		1,492,034
Property and equipment, net (Notes 2G, 2H and 6)		17,540,367		16,531,725
TOTAL ASSETS	$	27,170,356	$	26,529,702
LIABILITIES				
Accounts payable and accrued expenses	$	1,440,897	$	988,222
Accrued compensation and benefits		2,927,296		2,857,650
Due to state and local agencies (Notes 2M and 16A)		1,739,519		1,688,108
Due to related party, net (Note 15)		2,146,317		1,419,854
Bonds payable, net (Notes 2L and 8)		7,792,751		6,871,567
Loan payable (Note 11)		750,000		2,548,128
Mortgages and notes payable, net (Notes 2L and 9)		-		1,494,115
Line of credit (Note 10)		-		975,000
TOTAL LIABILITIES		16,796,780		18,842,644
COMMITMENTS AND CONTINGENCIES (Note 16)				
NET ASSETS (Notes 2B and 13):				
Without donor restrictions		9,491,425		6,877,505
With donor restrictions		882,151		809,553
TOTAL NET ASSETS		10,373,576		7,687,058
TOTAL LIABILITIES AND NET ASSETS	$	27,170,356	$	26,529,702

The accompanying notes are an integral part of these financial statements.

EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.
(D/B/A EDEN II PROGRAMS)
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	Year Ended June 30: Without Donor Restrictions	With Donor Restrictions	2019 Total	Year Ended June 30: Without Donor Restrictions	With Donor Restrictions	2018 Total
REVENUE AND SUPPORT:						
Program and public support services revenue (Notes 2I and 12)	$ 32,374,091	$ -	$ 32,374,091	$ 30,983,437	$ -	$ 30,983,437
Grants and contract services (Note 2I)	665,104	-	665,104	676,303	-	676,303
Contributions (Note 2J)	56,102	300,177	356,279	80,624	357,433	438,057
Other revenue (Note 15)	459,476	-	459,476	615,305	-	615,305
Net assets released from restrictions (Notes 2B and 13)	227,579	(227,579)	-	221,078	(221,078)	-
TOTAL REVENUE AND SUPPORT	33,782,352	72,598	33,854,950	32,576,747	136,355	32,713,102
EXPENSES: (Note 2L)						
Program Services:						
Educational services	10,385,217	-	10,385,217	10,309,680	-	10,309,680
Residential services	9,206,634	-	9,206,634	8,979,390	-	8,979,390
Adult habilitation services	5,638,168	-	5,638,168	4,815,418	-	4,815,418
Family Support	1,957,940	-	1,957,940	1,800,305	-	1,800,305
Community outreach	2,193,759	-	2,193,759	2,215,389	-	2,215,389
Total Program Services	29,381,718	-	29,381,718	28,120,182	-	28,120,182
Supporting Services:						
Management and general	4,244,262	-	4,244,262	4,389,076	-	4,389,076
Fundraising	511,644	-	511,644	527,518	-	527,518
Total Supporting Services	4,755,906	-	4,755,906	4,916,594	-	4,916,594
Total Expenses	34,137,624	-	34,137,624	33,036,776	-	33,036,776
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITIES	(355,272)	72,598	(282,674)	(460,029)	136,355	(323,674)
NON-OPERATING ACTIVITIES:						
Unrealized gain on debt service reserve funds	921	-	921	4,975	-	4,975
Gain on sale of fixed assets (Note 6)	2,968,271	-	2,968,271	-	-	-
Total Non-operating activities	2,969,192	-	2,969,192	4,975	-	4,975
CHANGE IN NET ASSETS	2,613,920	72,598	2,686,518	(455,054)	136,355	(318,699)
Net assets - beginning of year	6,877,505	809,553	7,687,058	7,332,559	673,198	8,005,757
NET ASSETS - END OF YEAR	$ 9,491,425	$ 882,151	$ 10,373,576	$ 6,877,505	$ 809,553	$ 7,687,058

The accompanying notes are an integral part of these financial statements.

EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.
(D/B/A EDEN II PROGRAMS)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(with comparative totals for 2018)

	Year Ended June 30, 2019										
	Program Services						Supporting Services				
	Educational	Residential	Adult Habilitation	Family Support	Community Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2019	Total 2018
Salaries	$ 6,980,792	$ 6,012,901	$ 3,594,051	$ 1,440,164	$ 1,597,605	$ 19,625,513	$ 2,227,210	$ 306,388	$ 2,533,598	$ 22,159,111	$ 20,970,285
Fringe benefits (Note 14)	1,659,009	1,536,989	891,188	300,734	421,551	4,809,471	606,603	72,332	678,935	5,488,406	5,419,535
Total Salaries, Wages, and Fringe Benefits	8,639,801	7,549,890	4,485,239	1,740,898	2,019,156	24,434,984	2,833,813	378,720	3,212,533	27,647,517	26,389,820
Food	-	223,437	58	1,263	-	224,758	692	55	747	225,505	225,511
Repairs and maintenance	210,463	231,496	217,452	22,051	19,907	701,369	46,644	5,832	52,476	753,845	803,257
Utilities	104,554	127,820	75,147	11,728	5,712	324,961	60,796	7,471	68,267	393,228	450,741
Travel	5,663	4,651	14,118	40,050	1,597	66,079	13,626	1,025	14,651	80,730	75,243
Staff training and development	10,669	6,460	9,356	2,504	5,708	34,697	47,471	468	47,939	82,636	87,432
Consultants and contractual services	45,830	22,240	-	1,889	3,672	73,631	175,111	12,690	187,801	261,432	278,593
Consumable supplies	178,942	335,999	170,773	30,542	33,854	750,110	105,005	41,977	146,982	897,092	908,419
Insurance	67,283	69,302	40,534	8,532	401	186,052	162,391	1,953	164,344	350,396	397,554
Professional Fees	12,104	7,383	9,546	943	3,761	33,737	113,034	224	113,258	146,995	185,877
Rent (Note 16)	284,870	112,603	436,145	7,218	84,463	925,299	238,164	2,829	240,993	1,166,292	919,117
Interest	218,647	98,655	4,616	21,472	1,006	344,396	87,845	8,045	95,890	440,286	585,046
Facility tax	-	96,182	-	-	-	96,182	-	-	-	96,182	93,730
Miscellaneous	5,316	3,411	820	1,655	6,519	17,721	80,045	28,029	108,074	125,795	133,355
Bad debt expense	-	-	-	-	-	-	128,715	-	128,715	128,715	12,509
Depreciation (Note 2G)	601,075	317,105	174,364	67,195	8,003	1,167,742	150,910	22,326	173,236	1,340,978	1,490,572
Total expenses	$ 10,385,217	$ 9,206,634	$ 5,638,168	$ 1,957,940	$ 2,193,759	$ 29,381,718	$ 4,244,262	$ 511,644	$ 4,755,906	$ 34,137,624	$ 33,036,776

The accompanying notes are an integral part of these financial statements.

EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.
(D/B/A EDEN II PROGRAMS)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services						Supporting Services			
	Educational	Residential	Adult Habilitation	Family Support	Community Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2018
Salaries	$ 6,792,389	$ 5,632,647	$ 3,090,961	$ 1,293,913	$ 1,593,096	$ 18,403,006	$ 2,213,942	$ 353,337	$ 2,567,279	$ 20,970,285
Fringe benefits (Note 14)	1,692,781	1,583,928	772,180	277,156	406,408	4,732,453	600,038	87,044	687,082	5,419,535
Total Salaries, Wages, and Fringe Benefits	8,485,170	7,216,575	3,863,141	1,571,069	1,999,504	23,135,459	2,813,980	440,381	3,254,361	26,389,820
Food	530	222,881	109	905	-	224,425	1,086	-	1,086	225,511
Repairs and maintenance	220,753	231,634	197,381	20,119	23,421	693,308	108,224	1,725	109,949	803,257
Utilities	115,740	133,814	63,952	12,145	20,543	346,194	99,161	5,386	104,547	450,741
Travel	10,159	8,908	17,479	19,776	5,336	61,658	12,544	1,041	13,585	75,243
Staff training and development	15,595	9,398	7,415	3,914	9,423	45,745	40,549	1,138	41,687	87,432
Consultants and contractual services	68,808	25,020	-	-	1,300	95,128	171,020	12,445	183,465	278,593
Consumable supplies	149,228	351,801	179,408	64,021	27,047	771,505	105,770	31,144	136,914	908,419
Insurance	58,921	76,674	38,350	7,110	1,087	182,142	215,412	-	215,412	397,554
Professional Fees	20,754	13,950	8,002	1,287	9,496	53,489	132,253	135	132,388	185,877
Rent (Note 16)	298,188	114,717	219,716	1,737	88,380	722,738	196,144	235	196,379	919,117
Interest	257,720	131,920	30,273	27,088	5,841	452,842	132,204	-	132,204	585,046
Facility tax	-	93,730	-	-	-	93,730	-	-	-	93,730
Miscellaneous	3,253	510	425	140	6,713	11,041	88,426	33,888	122,314	133,355
Bad debt expense	-	-	-	-	-	-	12,509	-	12,509	12,509
Depreciation (Note 2G)	604,861	347,858	189,767	70,994	17,298	1,230,778	259,794	-	259,794	1,490,572
Total expenses	$ 10,309,680	$ 8,979,390	$ 4,815,418	$ 1,800,305	$ 2,215,389	$ 28,120,182	$ 4,389,076	$ 527,518	$ 4,916,594	$ 33,036,776

The accompanying notes are an integral part of these financials statements.

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EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.
(D/B/A EDEN II PROGRAMS)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 2,686,518	$ (318,699)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,340,978	1,490,572
Bad debt expense	128,715	12,509
Unrealized gain on debt service reserve funds	(921)	(4,975)
Amortization of bond premium	(34,123)	(34,123)
Amortization of deferred bond issuance costs	62,146	41,457
Amortization of deferred mortgage issuance costs	80,440	1,392
Gain of sale of fixed assets	(2,968,271)	-
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Program services receivable	(537,694)	(769,410)
Grants and contracts receivable	1,977,809	40,908
Prepaid expenses and other assets	73,554	(151,379)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	452,675	135,471
Accrued compensation and benefits	69,646	59,557
Due to state and local agencies	51,411	426,269
Due to related party	726,463	(315,036)
Net Cash Provided by Operating Activities	4,109,346	614,513
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of fixed assets	3,502,731	-
Purchases of property and equipment	(2,884,080)	(613,103)
Net Cash Provided by (Used in) Investing Activities	618,651	(613,103)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	-	9,474,194
Repayment of line of credit	(975,000)	(8,499,194)
Cost of bond issuance	(98,079)	-
Bond premium	1,240	-
Payments on mortgages and notes payable	(1,574,555)	(65,234)
Proceeds from loan payable	750,000	-
Repayment of loan payable	(2,548,128)	(200,000)
Proceeds from bonds payable	1,675,000	-
Payments on bonds payable	(685,000)	(660,000)
Assets whose use is limited	(745,492)	2,831
Net Cash (Used in) Provided by Financing Activities	(4,200,014)	52,597
INCREASE IN CASH AND CASH EQUIVALENTS	527,983	54,007
Cash and Cash Equivalents - beginning of year	437,699	383,692
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 965,682	$ 437,699
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 432,521	$ 576,320
Capitalized interest expense	$ 36,382	$ -

The accompanying notes are an integral part of these financial statements.

EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.
(D/B/A EDEN II PROGRAMS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Eden II School for Autistic Children, Inc. (d/b/a Eden II Programs) (the "Agency") is a not-for-profit organization serving over 500 participants in New York City and Long Island. The mission of Eden II Programs is to support people with autism throughout their lives to achieve their full potential through service, science, and passion. The Agency provides a variety of services using the evidence-based principles of applied behavior analysis ("ABA") to treat the delays and challenges associated with autism spectrum disorder ("ASD"). Programs and services include preschool, school, special education itinerant teacher program ("SEIT"), special education teacher support services ("SETSS"), adult services, residential services, community habilitation, respite, afterschool recreation, consultation support, and various other supports and programs for children and adults with ASD. The Agency is recognized nationally and internationally as a leader in working with individuals with ASD, including those with the most significant challenges. For more information, visit eden2.org.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. **Basis of Accounting –** The Agency's financial statements have been prepared using the accrual basis of accounting. The Agency adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP").

B. **Net Assets –** The Agency accounts and reports its net assets based upon the existence or absence of donor-imposed restrictions. The net assets are categorized into the following two classes:

Without donor restrictions – represents resources available for support the Agency's operations over which the Board of Trustees has discretionary control as well as the Agency's investment in property and equipment.

With donor restrictions – represents assets that are subject to donor-imposed stipulations resulting from contributions, grants, pledges, and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of Eden II pursuant to those stipulations. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

C. **Use of Estimates –** The preparation of the 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 at the date of the financial statements. Actual results could differ from those estimates.

D. **Cash and Cash Equivalents –** Cash and cash equivalents consist of highly liquid investments with maturities of three months or less at the time of purchase.

E. **Functional Allocation of Expenses –** The costs of program and supporting services activities have been summarized on a functional basis in the statements of functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, which is allocated on a square footage basis, as well as salaries, wages and benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other expenses, which are allocated mainly on the basis of estimates of time and effort. Expenses that can be identified with a specific program or support service are charged directly to that program or support service.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. **Investments and Fair Value Measurements –** Investments are stated 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 18.

G. **Property and Equipment –** Property and equipment are capitalized by the Agency, provided the cost is $5,000 or more and the useful life is one year or more. Property and equipment purchased using government support are capitalized in accordance with the requirements of the funding source. Depreciation is provided for amounts sufficient to relate the cost of depreciable assets to operations using the straight-line method over the estimated useful lives. Leasehold improvements are amortized over the shorter of the useful life of the asset or remaining term of the lease.

H. **Impairment of Long-Lived Assets –** The Agency reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to aggregate future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value. No impairment loss has been recognized during the years ended June 30, 2019 and 2018.

I. **Revenue Recognition** – Principal support for the programs operated by Eden II is derived directly from various New York State governmental sources and indirectly from the federal governmental sources. Laws and regulations governing Medicaid programs are subject to interpretation. Noncompliance with such laws and regulations could result in fines, penalties and exclusion from Medicaid programs. There are occasions when funding source reimbursements for prior years are adjusted in the current period. The Agency records receivables and revenue when earned based on established rates or contracts for services provided. Revenue is reported at the amount that reflects the consideration to which the Agency expect to be entitled in exchange for providing the contracted services. Generally, the Agency bills the government entities, third-party payors and individuals after the services are performed or when the Agency has completed its portion of the contract.

Performance obligations and Transaction Price Allocated to Remaining Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Agency in accordance with the contract. Revenue for performance obligations are satisfied at a point in time at which services are provided. The Agency believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Agency measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the government agencies' stipulations.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Agency has elected to apply the optional exemption provided in FASB ASC 606-10-50-l 4(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed when the service is completed and upon submission of required documentation.

The Agency determines the transaction price based on established rates and contracts for services provided. The initial estimate of the transaction price is determined by reducing the established rates for services provided by any implicit price concessions based on historical collection experience with each government agency and school district. The Agency has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the payors and service lines. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financing Component

The Agency has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from customers and third parties for the effects of a significant financing component due to the Agency's expectation that the period between the time the service is provided to a customer and the time the customer or a third-party payor pays for that service will be one year or less.

Contract Costs

The Agency has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Agency otherwise would have recognized is one year or less in duration.

J. **Contributions and Pledges –** Contributions and unconditional promises to give are recorded as support when pledges are made and are classified as support without donor restrictions or with donor restrictions. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates applicable to the years in which the promises are received and consider market and credit risk as applicable. Amortization of the discounts are included in contribution revenue in the statements of activities. Funds contributed for purchase or renovation of long-lived assets are held as restricted by donor until the asset is placed in service.

Contributed goods and long-lived assets are recorded at their fair value on the date of receipt. The Agency records as support without donor restrictions the gifts of long-lived assets (such as property and equipment), or of cash and other assets restricted to the purchase of long-lived assets, for which donors have not expressly stipulated how or how long the long-lived asset must be used by the Agency.

K. **Allowance for Doubtful Accounts –** The management determines whether an allowance for uncollectible accounts receivable should be provided. Such estimates are based on management's assessment of the aged basis of the receivables, current economic conditions, creditworthiness of the sources and historical information. As of June 30, 2019 and 2018, the Agency determined that an allowance of $430,582 and $293,330, respectively, was necessary.

L. **Debt Issuance Costs –** Debt issuance costs are deferred and amortized on a straight-line basis over the life of the related debt. Amortization expense for the year ended June 30, 2019 and 2018 was $142,586 and $42,849, respectively.

M. **Due to State and Local Agencies –** Represents advances received from various funding sources under contracts for which the Agency has not yet met the grant conditions or provided the services. Such amounts were $1,739,519 and $1,688,108 as of June 30, 2019 and 2018, respectively, and represent advance payments that are to be paid back to the funding sources which will be recouped in a future fiscal year.

N. **Reclassification** – Certain line items in the 2018 financial statements were reclassified to conform to the 2019 presentation. Such reclassification did not have an impact on net assets.

O. **Recent Accounting Pronouncements** – FASB Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities Topic 958 Presentation of Financial Statements of Not-for-Profit Entities,* was adopted for the year ended June 30, 2019. ASU 2016-14 provides for a number of changes, including the presentation of two classes of net assets and enhanced disclosure on liquidity resources and functional expense allocation. These changes had no impact on the change in net assets for the year ended June 30, 2019. As a result of implementing ASU 2016-14, the Agency reports net assets in two classes (see Note 2B), enhanced disclosures on methodologies used to allocate expenses by function (see Note 2E) and provides additional information about liquidity (see Note 3).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* was adopted for the year ended June 30, 2019. ASU 2014-09 and subsequently issued ASUs provide guidance on costs to obtain or fulfill a contract with a customer; specifically related to incremental costs of obtaining a contract and costs to fulfill a contract. It also requires disclosures to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Agency has analyzed the provisions of ASC Topic 606 and has concluded that no changes to the revenue recognition policies are necessary to conform with the new standard and therefore there were no changes to net assets as previously reported.

FASB ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made was adopted for the year ended June 30, 2019. ASU 2018-08 provides updates on 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and 2) determining whether a contribution is conditional. These changes had no impact on the change in net assets for the year ended June 30, 2019.

NOTE 3 – LIQUIDITY AND AVAILABILITY

The Agency regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Agency has various sources of liquidity at its disposal, including cash and cash equivalents, receivables and lines of credit that provides funding for operations and capital expenditures as needed.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Agency considers all expenditures related to its ongoing activities. In addition to financial assets available to meet general expenditures over the next 12 months, the agency expects and anticipates collecting sufficient revenue to cover general expenditures.

As of June 30, 2019, financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, included the following:

Cash and cash equivalents	$ 965,682
Program service receivable, net	4,755,135
Grants and contributions receivable, net	1,201,718
Less – net assets with donor restrictions	(882,151)
	$ 6,040,384

In addition, the Agency has a line of credit totaling $2.5 million with a financial institution, which can be drawn upon if needed (Note 10). The Agency also has a line of credit with Foundation for the Advancement of Autistic Persons, Inc. in the amount of $1 million (Note 15).

NOTE 4 - PROGRAM SERVICES RECEIVABLE, NET

Program services receivable, net consisted of the following as of June 30:

	2019	2018
Medicaid	$ 2,834,813	$ 2,632,060
New York City Board of Education	1,027,295	837,384
Long Island School Districts	441,587	323,733
Other receivables	879,761	846,309
	5,183,456	4,639,486
Less: allowance for doubtful accounts	(428,321)	(293,330)
Total program services receivable, net	$ 4,755,135	$ 4,346,156

NOTE 5 – GRANTS AND CONTRIBUTIONS RECEIVABLE, NET

Grants and contributions receivable, net consisted of the following as of June 30:

	2019	2018
Legislative grants	$ 1,075,307	$ 3,050,409
Individuals with Disabilities Act	51,174	62,425
Other	77,498	66,693
	1,203,979	3,179,527
Less: allowance for doubtful accounts	(2,261)	-
Total grants and contributions receivable	$ 1,201,718	$ 3,179,527

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	2019	2018	Estimated Useful Lives
Land	$ 3,000,276	$ 3,000,276	
Building and improvements	22,123,245	21,981,183	5-25 years
Vehicles	234,802	310,810	5 years
Furniture and equipment	1,995,575	2,412,043	5 years
Building held for sale	-	2,871,212	
Construction in progress	3,247,011	513,994	
Total cost	30,600,909	31,089,518	
Less: accumulated depreciation	(13,060,542)	(14,557,793)	
Net book value	$ 17,540,367	$ 16,531,725	

Depreciation and amortization expense amounted to $1,340,978 and $1,490,572 for the years ended June 30, 2019 and 2018, respectively.

In March 2018, the Board of Trustees approved the sale of a property located in Staten Island, New York. Accordingly, the property was classified as held-for-sale as of June 30, 2018 with a book value of $2,871,212 and accumulated depreciation of $2,338,251. During the year ended June 30, 2019, the Agency sold the property with a total sale price of $3,750,000 and recognized gain on sale of $2,989,828. In connection with the sale, the Agency recognized expenses amounting to $227,211.

In addition, during the year ended June 30, 2019, the Agency disposed of certain fully depreciated other assets amounting to $501,477, and recognized a loss on disposal of $21,577.

Construction in progress includes $1,375,275 of capitalized renovation and start-up costs for the relocation of the Little Miracles early childhood learning center to 309 St. Pauls Avenue. These costs are to be transferred to the building category in July 2019 when the school starts operation at the new location (Note 20).

Construction in progress also includes the purchase and renovation costs for two new residential program sites purchased in fiscal year 2019 (205 Eltingville Boulevard and 107 Dewey Avenue). The purchase of these properties will be funded by the Office for People with Developmental Disabilities ("OPWDD") over the life of the asset. The properties are being renovated to become Individualized Residential Alternatives with a total of 13 beds. The estimated completion cost for the Eltingville Boulevard property is $728,000 and is expected to be completed in February 2020. The estimated completion cost for the Dewey Avenue property is $715,000 and is expected to be completed in April 2020.

NOTE 7 – ASSETS WHOSE USE IS LIMITED

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

The funds as of June 30, 2019 were as follows:

	Debt Service Reserve Funds	Principal & Interest and Other	Total
Build NYC – 2013A	$ 252,677	$ 172,219	$ 424,896
DASNY – 2015A	317,807	616,783	934,590
DASNY – 2016B	49,289	71,237	120,526
DASNY – 2019A	64,530	693,905	758,435
	$ 684,303	$ 1,554,144	$ 2,238,447

The funds as of June 30, 2018 were as follows:

	Debt Service Reserve Funds	Principal & Interest and Other	Total
IDA – 2004C	$ -	$ 32,282	$ 32,282
Build NYC – 2013A	248,096	167,595	415,691
DASNY – 2015A	320,337	603,979	924,316
DASNY – 2016B	48,223	71,522	119,745
	$ 616,656	$ 875,378	$ 1,492,034

NOTE 8 – BONDS PAYABLE, NET

Bonds payable, net consisted of the following as of June 30:

Description	2019	2018
In April 2013, the Agency and the Build NYC Resource Corporation issued Series 2013A-1 2013A-2 revenue bonds through the Special Needs Facilities Pooled Program in the amount of $3,305,000. The proceeds of the bonds were to finance the cost of acquiring, equipping and renovating a purchased building located in Staten Island, NY. The 2013 bonds have a term of 25 years and bear an annual interest rate ranging from 5%-5.875%. The bonds are collateralized by the Agency's buildings located on Staten Island	$ 2,925,000	$ 3,005,000
In March 2015, DASNY issued $4,000,000 of bonds on behalf of the Agency. The transaction generated a premium of $213,616. The proceeds of the 2015 bonds were used to refinance the Agency's outstanding 2005A, 2006D and 2007C bonds along with an adjustable rate mortgage on a property owned by Eden II. The 2015 bonds have a term of 10 years and bear an annual interest rate ranging from 1.2%-4%. The bonds are collateralized by the Agency's buildings located on Staten Island and on Long Island.	2,195,000	2,755,000
In November 2016, DASNY issued $1,535,000 of bonds on behalf of the Agency. The transactions generated a premium of $16,000. The proceeds of the 2016 bonds were used to refinance the Agency's outstanding loans related to IRA located in Sherwood Avenue of Staten Island. The 2016 bonds have a term of 25 years and bear an annual interest rate ranging from 2%-4%. The bonds are collateralized by the Agency's location at Sherwood.	1,475,000	1,520,000

NOTE 8 – BONDS PAYABLE, NET (CONTINUED)

	2019	2018
In March 2019, DASNY issued $1,675,000 of bonds on behalf of the Agency. The transactions generated a premium of $1,240. The proceeds of the 2019 bonds were used to refinance the Agency's outstanding loans related to IRA located on Eltingville Blvd of Staten Island. The 2019 bonds have a term of 25 years and bear an annual interest rate ranging from 3.125%-3.5%. The bonds are collateralized by the Agency's assets.	$ 1,675,000	$ -
Plus: Premiums on DASNY bonds	84,139	117,022
	8,354,139	7,397,022
Less: Deferred bond issuance costs	561,388	525,455
Total bonds payable, net	$ 7,792,751	$ 6,871,567

Future annual principal payments of the Agency's bonds payable during each of the five years following June 30, 2019 and thereafter are as follows:

2020	$ 735,000
2021	700,000
2022	395,000
2023	455,000
2024	375,000
Thereafter	5,610,000
	8,270,000
Bond premium	84,139
Total bonds payable, net	$ 8,354,139

As of June 30, 2019 and 2018, the Agency was in compliance with debt covenants on its bonds payable.

NOTE 9 – MORTGAGES AND NOTES PAYABLE, NET

Mortgages payable consisted of the following as of June 30:

Description	2019	2018
In November 2016, the Agency secured permanent financing under two mortgage notes payable with a bank for the building on Staten Island. These notes included a twenty-five-year mortgage and a ten-year mortgage in the cumulative amount of $1,665,000 maturing in November 2042 and 2026, respectively. Both notes bore interest at the rate of 3.75% per annum. The mortgage loan has been repaid during FY 19.	$ -	$ 1,574,555
Less: deferred issuance costs	-	80,440
Total mortgages payable, net	$ -	$ 1,494,115

NOTE 10 – LINE OF CREDIT

The Agency has a revolving line of credit from a bank with a maximum borrowing limit to $2.5 million with a maturity date of June 30, 2020. The line of credit interest rate is equal to the lesser of the prime rate on the last business day of each month as published in The Wall Street Journal plus 1.00% with a minimum of 6.50%, as of June 30, 2019. The line is secured by a general lien. As of June 30, 2019 and 2018, the outstanding balance amounted to $0 and $975,000, respectively. As of November 25, 2019 the outstanding balance was $954,737.

NOTE 11 – LOAN PAYABLE

The Agency obtained a bridge loan from Foundation of Philanthropic Funds ("FJC"), allowing Eden II access up to $4,730,000 for the renovation of the 15 Beach Street property to be used as a school and school headquarters. Interest is payable quarterly at the prime rate published in The Wall Street Journal plus 3%. As of June 30, 2018, there was an outstanding balance of $2,548,128 which has been fully repaid during FY 19. In March of 2019, the Agency entered into a new agreement with FJC for a loan in the total available amount of $1,526,464 intended for the purchase and renovation of a new Individual Residential Alternative ("IRA") house (107 Dewey street). As of June 30, 2019, the Agency had an outstanding balance of $750,000. The loan has a maturity date of March 31, 2021.

NOTE 12 – DISAGGREGATION OF PROGRAM SERVICES REVENUE

The composition of primary revenue by program and primary payor consisted of the following as of June 30:

	2019	2018
New York State Office of People with Developmental Disabilities ("OPWDD"):		
Medicaid	$ 17,843,818	$ 17,008,547
Other	665,800	574,502
New York City Board of Education	9,459,386	9,231,496
Long Island School Districts	2,225,137	2,113,472
Outreach and Consulting	2,028,761	1,954,021
Other Revenue	151,189	101,399
	$ 32,374,091	$ 30,983,437

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30:

	2019	2018
New York City Adult	$ 245,258	$ 343,580
Early Childhood Campaign	435,284	273,058
Long Island Kiosk	89,324	80,050
Residential	52,624	52,624
Educational	32,149	36,955
Wright Ave.	11,500	11,500
Day Habilitation	16,012	10,982
Other	-	804
	$ 882,151	$ 809,553

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes for the years ended June 30 as follows:

	2019	2018
New York City Adult	$ 98,322	$ 79,436
Early Childhood Campaign	5,468	11,777
Long Island Kiosk	59,079	72,640
Residential	10,000	13,280
Educational	23,737	7,370
Day Habilitation	24,335	26,479
Family Services	-	4,000
Other	6,638	6,096
	$ 227,579	$ 221,078

NOTE 14 – PENSION PLAN

The Agency sponsors an employee pension plan (a defined contribution plan) covering all eligible employees. The amounts contributed to the Plan is a fixed percentage of participant's compensation. For the years ended June 30, 2019 and 2018 pension expense amounted to $465,275 and $412,288, respectively.

In addition, Eden II sponsors a 457 Supplemental Retirement Plan, which allows a select group of management or highly compensated employees of the Agency to receive benefits. The Board of Trustees determines the contribution amounts annually. For each of the years ended June 30, 2019 and 2018, the Board of Trustees approved a contribution of $0 and $25,000 respectively.

NOTE 15 – RELATED PARTY TRANSACTIONS

Foundation for the Advancement of Autistic Persons, Inc. (the "Foundation"), which was established to solicit charitable contributions and other funds, and provide other benefits and support the mission of the Agency and other organizations dedicated to the support of individuals with autism, shares certain members of management with the School. The Foundation provides an operational line of credit to the School of $1,000,000. As of June 30, 2019 and 2018, there was an outstanding balance of $900,000 and $0, respectively.

The Foundation provides advances with no stated due date to the School. At June 30, 2019 and 2018, the balance of this advance was $1,732,100 and $1,832,100 respectively. The Foundation requires that $25,000 be repaid each year. The remaining portion has no specified due date. These advances have no defined repayment terms.

As of June 30, 2019 and 2018, the Foundation owed $485,783 and $412,246, respectively, to Eden II for various operating matters.

The Agency provides management and personnel services to the Foundation. Eden II charged the Foundation $250,000 for these services for each of the years ended June 30, 2019 and 2018, which is included with other revenue on the statements of activities.

Such transactions are non-interest bearing. Management anticipates the balance will be settled as funds become available from operations.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

A. Pursuant to the Agency's contractual relationships with certain governmental funding sources, governmental agencies have the right to examine the books and records of Eden II involving transactions relating to these contracts. The accompanying financial statements make no provision for possible disallowances. Although such possible disallowances could be substantial in amount, in the opinion of management, any actual disallowances would be immaterial.

B. The Agency has lease agreements for rental space which expire at various dates through 2028. For the years ended June 30, 2019 and 2018, rent expense for all facilities amounted to $865,807 and $638,081, respectively. In addition to the facilities, Eden II leases equipment and vehicles under noncancelable operating lease. Future minimum lease payments are as follows for years ending after June 30, 2019:

2020	$ 862,000
2021	849,000
2022	832,000
2023	681,000
2024	521,000
Thereafter	1,932,000
Total	$ 5,677,000

NOTE 16 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

C. The Agency believes it has no uncertain tax positions as of June 30, 2019 and 2018, in accordance with Accounting Standards Codification ("ASC") Topic 740, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

D. Eden II has a self-insured medical plan covering eligible employees. In determining the amount of expense and liability to be recorded for the medical plan, management (with the aid of a consultant) makes estimated payments of health care premiums for all eligible employees in the medical plan based on historic payments. The self-insured liability account amounted to $300,000 as of June 30, 2019 and 2018.

NOTE 17 – CONCENTRATION

Cash and cash equivalents that potentially subject the Agency to a concentration of credit risk include cash accounts with a bank that exceed the Federal Deposit Insurance Corporation ("FDIC") limits. Accounts are insured up to $250,000 per depositor. As of June 30, 2019 and 2018, there was approximately $726,000 and $81,000 of cash and cash equivalents held by a bank that exceeded FDIC limits, respectively.

NOTE 18 – FAIR VALUE MEASUREMENTS

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 price 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.

Financial assets carried at fair value consisted of U.S. Treasury obligations and money market funds, which were held as reserves, and amounted to $2,238,447 and $1,492,034 as of June 30, 2019 and 2018, respectively, and were classified as Level 1.

In determining the 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. 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 end of the reporting period. For the years ended June 30, 2019 and 2018, there were no transfers.

NOTE 19 – NET ASSETS WITHOUT DONOR RESTRICTIONS DEFICIT

For the years ended June 30, 2019 and 2018, the Agency posted a deficit from operations of approximately $283,000 and $323,000, respectively. In addition, after removing the Agency's investment in property and equipment net of related debt, the operating net asset deficit is approximately $1,860,000 and $230,000 as of June 30, 2019 and 2018, respectively. The increase in the net assets deficit is a result of additional borrowing through a bond issuance offset by repayments on prior year's debt and increase in construction in progress for new sites. Management is constantly evaluating individual programs and identifying expansion possibilities. With the completion of the renovation of the new early education building in FY 20, Eden II obtained the capacity to add additional classrooms to serve known, unmet needs on Staten Island. In OPWDD programs, the Agency is anticipating 2 new IRA houses to start operating from FY'20. The Agency continues to search for new program opportunities in order to improve its financial performance.

EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.
(D/B/A EDEN II PROGRAMS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 20 – SUBSEQUENT EVENTS

The Agency has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through November 25, 2019, the date the financial statements were available to be issued. It was noted, that subsequent to year ended June 30, 2019, the Agency's new early education site located on 309 St. Pauls Ave in Staten Island began operations.

EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.
d/b/a EDEN II PROGRAMS

Eden II Programs
• SERVICE • SCIENCE • PASSION

Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2018 and 2017

MARKS PANETH
ACCOUNTANTS & ADVISORS

EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.
(D/B/A EDEN II PROGRAMS)

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2018 AND 2017

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B-I-12

Marks Paneth LLP
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markspaneth.com

MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Eden II School for Autistic Children, Inc.
d/b/a Eden II Programs

We have audited the accompanying financial statements of Eden II School for Autistic Children, Inc. d/b/a Eden II Programs ("Eden II" or the "School"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Eden II as of and for the year ended June 30, 2017, were audited by other auditors whose report dated November 30, 2017, expressed an unmodified opinion on those financial statements.

Marks Paneth LLP

New York, NY
November 21, 2018

Morison KSi
Independent member

EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.
(D/B/A EDEN II PROGRAMS)
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents (Notes 2D and 16)	$ 552,563	$ 383,692
Program services receivable, net (Notes 2H, 2J and 3)	4,346,156	3,589,255
Grants and contracts receivable, net (Notes 2I and 4)	3,179,527	3,220,435
Prepaid expenses and other assets	427,697	391,182
Assets whose use is limited (Notes 2E, 6 and 17)	1,492,034	1,489,890
Property and equipment, net (Notes 2F, 2G and 5)	16,531,725	17,409,194
TOTAL ASSETS	$ 26,529,702	$ 26,483,648
LIABILITIES		
Accounts payable and accrued expenses	$ 988,222	$ 852,751
Accrued compensation and benefits	2,857,650	2,798,093
Due to state and local agencies (Notes 2M and 15A)	1,688,108	1,261,839
Due to related party (Note 14)	1,419,854	1,734,890
Bonds payable, net (Notes 2K and 7)	6,871,567	7,524,233
Loan payable (Note 10)	2,548,128	2,748,128
Mortgages and notes payable, net (Notes 2K and 8)	1,494,115	1,557,957
Line of credit (Note 9)	975,000	-
TOTAL LIABILITIES	18,842,644	18,477,891
COMMITMENTS AND CONTINGENCIES (Note 15)		
NET ASSETS (Notes 2B and 12):		
Unrestricted	6,877,505	7,332,559
Temporarily restricted	809,553	673,198
TOTAL NET ASSETS	7,687,058	8,005,757
TOTAL LIABILITIES AND NET ASSETS	$ 26,529,702	$ 26,483,648

The accompanying notes are an integral part of these financial statements.

EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.
(D/B/A EDEN II PROGRAMS)
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	Year Ended June 30: Unrestricted	Temporarily Restricted	2018 Total	Year Ended June 30: Unrestricted	Temporarily Restricted	2017 Total
REVENUE AND SUPPORT:						
Program and public support services revenue (Notes 2H and 11)	$ 30,983,437	$ -	$ 30,983,437	$ 29,938,685	$ -	$ 29,938,685
Grants and contract services (Note 2I)	676,303	-	676,303	618,557	-	618,557
Contributions (Note 2I)	80,624	357,433	438,057	143,726	126,011	269,737
Other revenue (Note 14)	615,305	-	615,305	485,627	-	485,627
Net assets released from restrictions (Notes 2B and 12)	221,078	(221,078)	-	106,987	(106,987)	-
TOTAL REVENUE AND SUPPORT	32,576,747	136,355	32,713,102	31,293,582	19,024	31,312,606
EXPENSES: (Note 2L)						
Program Services:						
Educational services	10,343,597	-	10,343,597	10,177,177	-	10,177,177
Residential services	8,955,151	-	8,955,151	8,191,219	-	8,191,219
Adult habilitation services	4,810,315	-	4,810,315	4,168,769	-	4,168,769
Family Support	1,836,811	-	1,836,811	1,761,374	-	1,761,374
Community outreach	2,186,817	-	2,186,817	2,339,002	-	2,339,002
Total Program Services	28,132,691	-	28,132,691	26,637,541	-	26,637,541
Supporting Services:						
Management and general	4,376,567	-	4,376,567	4,264,665	-	4,264,665
Fundraising	527,518	-	527,518	573,312	-	573,312
Total Supporting Services	4,904,085	-	4,904,085	4,837,977	-	4,837,977
Total Expenses	33,036,776	-	33,036,776	31,475,518	-	31,475,518
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITIES	(460,029)	136,355	(323,674)	(181,936)	19,024	(162,912)
NON-OPERATING ACTIVITIES:						
Unrealized gain (loss) on debt service reserve funds	4,975	-	4,975	(22,844)	-	(22,844)
Gain on sale of asset	-	-	-	25,050	-	25,050
Loss on debt extinguishment	-	-	-	(172,692)	-	(172,692)
Total Non-operating activities	4,975	-	4,975	(170,486)	-	(170,486)
CHANGE IN NET ASSETS	(455,054)	136,355	(318,699)	(352,422)	19,024	(333,398)
Net assets - beginning of year	7,332,559	673,198	8,005,757	7,684,981	654,174	8,339,155
NET ASSETS - END OF YEAR	$ 6,877,505	$ 809,553	$ 7,687,058	$ 7,332,559	$ 673,198	$ 8,005,757

The accompanying notes are an integral part of these financial statements.

EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.
(D/B/A EDEN II PROGRAMS)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(with comparative totals for 2017)

	Year Ended June 30, 2018										
	Program Services						Supporting Services				
	Educational	Residential	Adult Habilitation	Family Support	Community Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2018	Total 2017
Salaries	$ 6,792,389	$ 5,632,647	$ 3,090,961	$ 1,293,913	$ 1,593,096	$ 18,403,006	$ 2,213,942	$ 353,337	$ 2,567,279	$ 20,970,285	$ 19,813,055
Fringe benefits (Note 13)	1,692,781	1,583,928	772,180	277,156	406,408	4,732,453	600,038	87,044	687,082	5,419,535	5,197,388
Total Salaries, Wages, and Fringe Benefits	8,485,170	7,216,575	3,863,141	1,571,069	1,999,504	23,135,459	2,813,980	440,381	3,254,361	26,389,820	25,010,443
Food	530	222,881	109	905	-	224,425	1,086	-	1,086	225,511	202,899
Repairs and maintenance	220,753	231,634	197,381	20,119	23,421	693,308	108,224	1,725	109,949	803,257	767,483
Utilities	115,740	133,814	63,952	12,145	20,543	346,194	99,161	5,386	104,547	450,741	434,295
Travel	10,159	8,908	17,479	19,776	5,336	61,658	12,544	1,041	13,585	75,243	90,006
Staff training and development	15,595	9,398	7,415	3,914	9,423	45,745	40,549	1,138	41,687	87,432	67,673
Consultants and contractual services	68,808	25,020	-	-	1,300	95,128	171,020	12,445	183,465	278,593	248,212
Consumable supplies	149,228	351,801	179,408	64,021	27,047	771,505	105,770	31,144	136,914	908,419	913,604
Insurance	58,921	76,674	38,350	7,110	1,087	182,142	215,412	-	215,412	397,554	348,608
Professional Fees	20,754	13,950	8,002	1,287	9,496	53,489	132,253	135	132,388	185,877	228,356
Rent (Note 15)	298,188	114,717	219,716	1,737	88,380	722,738	196,144	235	196,379	919,117	623,273
Interest	257,720	131,920	30,273	27,088	5,841	452,842	132,204	-	132,204	585,046	630,906
Facility tax	-	93,730	-	-	-	93,730	-	-	-	93,730	94,830
Miscellaneous	3,253	510	425	140	6,713	11,041	88,426	33,888	122,314	133,355	122,319
Depreciation (Note 2F)	604,861	347,858	189,767	70,994	17,298	1,230,778	259,794	-	259,794	1,490,572	1,562,611
Bad debt expense	33,917	(24,239)	(5,103)	36,506	(28,572)	12,509	-	-	-	12,509	130,000
Total expenses	$ 10,343,597	$ 8,955,151	$ 4,810,315	$ 1,836,811	$ 2,186,817	$ 28,132,691	$ 4,376,567	$ 527,518	$ 4,904,085	$ 33,036,776	$ 31,475,518

The accompanying notes are an integral part of these financials statements.

EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.
(D/B/A EDEN II PROGRAMS)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services						Supporting Services			
	Educational	Residential	Adult Habilitation	Family Support	Community Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	$ 6,637,655	$ 5,067,114	$ 2,689,591	$ 1,296,149	$ 1,634,730	$ 17,325,239	$ 2,107,684	$ 380,132	$ 2,487,816	$ 19,813,055
Fringe benefits (Note 13)	1,708,497	1,352,830	674,109	290,182	432,881	4,458,499	642,962	95,927	738,889	5,197,388
Total Salaries, Wages, and Fringe Benefits	8,346,152	6,419,944	3,363,700	1,586,331	2,067,611	21,783,738	2,750,646	476,059	3,226,705	25,010,443
Food	32	201,022	14	457	45	201,570	1,329	-	1,329	202,899
Repairs and maintenance	183,773	270,292	166,528	10,922	28,627	660,142	106,028	1,313	107,341	767,483
Utilities	122,658	129,573	57,426	9,623	24,599	343,879	85,212	5,204	90,416	434,295
Travel	10,694	6,482	15,758	33,513	6,162	72,609	15,656	1,741	17,397	90,006
Staff training and development	9,163	5,441	4,457	2,377	8,626	30,064	37,459	150	37,609	67,673
Consultants and contractual services	47,431	24,360	800	-	-	72,591	166,140	9,481	175,621	248,212
Consumable supplies	185,541	330,744	155,679	43,443	27,089	742,496	127,839	43,269	171,108	913,604
Insurance	39,130	59,851	39,864	4,966	1,206	145,017	203,591	-	203,591	348,608
Professional Fees	13,810	14,948	6,448	1,297	19,150	55,653	172,313	390	172,703	228,356
Rent (Note 15)	289,822	93,200	137,680	344	71,828	592,874	30,210	189	30,399	623,273
Interest	278,645	124,319	25,438	16,001	11,111	455,514	175,392	-	175,392	630,906
Facility tax	-	94,830	-	-	-	94,830	-	-	-	94,830
Miscellaneous	1,509	2,037	1,042	191	6,864	11,643	75,160	35,516	110,676	122,319
Depreciation (Note 2F)	595,235	407,259	182,979	37,805	21,643	1,244,921	317,690	-	317,690	1,562,611
Bad debt expense	53,582	6,917	10,956	14,104	44,441	130,000	-	-	-	130,000
Total expenses	$ 10,177,177	$ 8,191,219	$ 4,168,769	$ 1,761,374	$ 2,339,002	$ 26,637,541	$ 4,264,665	$ 573,312	$ 4,837,977	$ 31,475,518

The accompanying notes are an integral part of these financial statements.

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EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.
(D/B/A EDEN II PROGRAMS)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (318,699)	$ (333,398)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,490,572	1,562,611
Bad debt expense	12,509	130,000
Unrealized (loss)/gain on debt service reserve funds	(4,975)	22,844
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Program services receivable	(769,410)	(810,024)
Grants and contracts receivable	40,908	(40,962)
Prepaid expenses and other assets	(36,515)	(112,156)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	135,471	(178,196)
Accrued compensation and benefits	59,557	214,634
Due to state and local agencies	426,269	925,782
Due to related party	(315,036)	(1,143,230)
Net Cash Provided by Operating Activities	720,651	237,905
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(613,103)	(215,934)
Net Cash Used in Investing Activities	(613,103)	(215,934)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	9,474,194	10,000,000
Repayment of line of credit	(8,499,194)	(11,403,925)
Proceeds on sale of fixed assets	-	25,050
Proceeds from mortgages payable	-	1,665,000
Amortization of bond premium	(34,123)	(17,841)
Amortization of deferred bond issuance costs	41,457	28,097
Amortization of deferred mortgage issuance costs	1,392	2,595
Payments on mortgages and notes payable	(65,234)	(74,412)
Repayment of loan payable	(200,000)	-
Proceeds from bonds payable	-	1,535,000
Payments on bonds payable	(660,000)	(2,717,405)
Assets whose use is limited	2,831	429,400
Net Cash Provided by (Used in) Financing Activities	61,323	(528,441)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	168,871	(506,470)
Cash and Cash Equivalents - beginning of year	383,692	890,162
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 552,563	$ 383,692
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 576,320	$ 665,789

The accompanying notes are an integral part of these financial statements.

EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.
(D/B/A EDEN II PROGRAMS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Eden II School for Autistic Children, Inc. (d/b/a Eden II Programs) (the "School") is a not-for-profit organization serving over 500 participants in New York City and Long Island. The mission of the School is to support people with autism throughout their lives to achieve their full potential through service, science and passion. The School provides a variety of services using the evidence-based principles of applied behavior analysis ("ABA") to treat the delays and challenges associated with autism spectrum disorder ("ASD"). The School is recognized nationally as a leader in working with individuals across the autism spectrum, including those with the most significant challenges.

With an exclusive focus on ASD, the School helps the autism community by providing programs and services combined with lifespan support to improve the quality of life for individuals with ASD. The School has the greatest ability to help individuals with ASD reach their highest potential for independent, self-sustained living through high-quality ABA therapy, educational programs, adult day programs, group residential care, family support, respite, and a number of other services. The School uses the evidence-based practices of ABA to develop skills, promote independence, and change lives for the better.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. **Basis of Accounting –** The School's financial statements have been prepared using the accrual basis of accounting. The School adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP").

B. **Basis of Presentation –** The School maintains its net assets under the following two classes:

- Unrestricted – represents resources available for support of the School's operations over which the Board of Trustees has discretionary control.

- Temporarily restricted – represents assets that are subject to donor-imposed stipulations. When a 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 statement of activities as net assets released from restrictions. Temporarily restricted net assets are released from donor restrictions by incurring expenses, thereby satisfying the restricted purposes of providing program services as specified by the donors. Unconditional promises to give that are due in future periods to support the current-period activities are reported as unrestricted support.

C. **Use of Estimates –** The preparation of the 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 at the date of the financial statements. Actual results could differ from those estimates.

D. **Cash and Cash Equivalents –** Cash and cash equivalents consist of highly liquid investments with maturities of three months or less at the time of purchase.

E. **Investments and Fair Value Measurements –** Investments are stated 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 17.

F. **Property and Equipment –** Property and equipment are capitalized by the School, provided the cost is $5,000 or more and the useful life is one year or more. Property and equipment purchased using government support are capitalized in accordance with the requirements of the funding source. Depreciation is provided for amounts sufficient to relate the cost of depreciable assets to operations using the straight-line method over the estimated useful lives. Leasehold improvements are amortized over the shorter of the useful life of the asset or remaining term of the lease.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. **Impairment of Long Lived Assets –** The School reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to aggregate future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value. No impairment loss has been recognized during the years ended June 30, 2018 and 2017.

H. **Revenue Recognition** – The School records receivables and revenue when earned based on established rates or contracts for services provided**.** Principal support for the programs operated by the School is derived directly from various New York State governmental sources and indirectly from the federal governmental sources. Laws and regulations governing Medicaid programs are subject to interpretation. Noncompliance with such laws and regulations could result in fines, penalties and exclusion from Medicaid programs. There are occasions when funding source reimbursements for prior years are adjusted in the current period.

I. **Contributions and Pledges –** Contributions and unconditional promises to give are recorded as support when pledges are made and are classified as unrestricted or temporarily restricted support. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates applicable to the years in which the promises are received and consider market and credit risk as applicable. Amortization of the discounts are included in contribution revenue in the statements of activities.

Contributed goods and long-lived assets are recorded at their fair value on the date of receipt. The School records as unrestricted support the gifts of long-lived assets (such as property and equipment) or of cash and other assets restricted to the purchase of long-lived assets, for which donors have not expressly stipulated how or how long the long-lived asset must be used by the School.

J. **Allowance for Doubtful Accounts –** The School determines whether an allowance for uncollectible accounts receivable should be provided. Such estimates are based on management's assessment of the aged basis of the receivables, current economic conditions, creditworthiness of other sources and historical information. As of June 30, 2018 and 2017, the School determined that an allowance of $293,330 and $324,227, respectively, was necessary.

K. **Debt Issuance Costs –** Debt issuance costs are deferred and amortized on a straight-line basis over the life of the related debt. Amortization expense for the year ended June 30, 2018 and 2017 was $42,849 and $30,692, respectively.

L. **Functional Allocation of Expenses** – The costs of providing the School's services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

M. ***Deferred Revenue / Due to Funding Source –*** Represents advances received from various funding sources under contracts for which the School has not yet met the grant conditions or provided the services. Such amounts will be recouped by funding sources in a future fiscal year.

N. ***Reclassifications –*** Certain line items in the June 30, 2017 financial statements were reclassified to conform to the 2018 presentation.

EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.
(D/B/A EDEN II PROGRAMS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 3 – PROGRAM SERVICES RECEIVABLE, NET

Program services receivable, net consisted of the following as of June 30:

	2018	2017
Medicaid	$ 2,632,060	$ 2,069,294
New York City Board of Education	837,384	701,969
Long Island School Districts	323,733	279,278
Other receivables	846,309	862,941
	4,639,486	3,913,482
Less: allowance for doubtful accounts	(293,330)	(324,227)
Total program services receivable, net	$ 4,346,156	$ 3,589,255

NOTE 4 – GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consisted of the following as of June 30:

	2018	2017
Legislative Grants	$ 3,050,409	$ 3,153,709
Individuals with Disabilities Act	62,425	46,910
Other	66,693	19,816
Total grants and contracts receivable	$ 3,179,527	$ 3,220,435

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	2018	2017	Estimated Useful Lives
Land	$ 3,000,276	$ 3,351,276	
Building and improvements	21,981,183	24,478,245	5-25 years
Vehicles	310,810	310,810	5 years
Furniture and equipment	2,412,043	2,292,967	5 years
Building held for sale	2,871,212	-	
Construction in progress	513,994	43,117	
Total cost	31,089,518	30,476,415	
Less: accumulated depreciation	(14,557,793)	(13,067,221)	
Net book value	$ 16,531,725	$ 17,409,194	

Depreciation and amortization expense amounted to $1,490,572 and $1,562,611 for the years ended June 30, 2018 and 2017, respectively.

Construction in progress consists of renovation of a building. Additional costs remaining to complete the renovation is approximately $798,653 and is estimated to be completed in fiscal year 2019.

In March 2018, the Board of Trustees approved the sale of a property located in Staten Island, New York. Accordingly, the property is classified as a held-for-sale as of June 30, 2018 with a book value of $2,871,212 and accumulated depreciation of $2,338,251. The School closed on the sale subsequent to year-end (see note 19).

NOTE 6 – ASSETS WHOSE USE IS LIMITED

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

The funds as of June 30, 2018 were as follows:

	Assets Whose Use is Limited	Debt Service Reserve Funds	Total
IDA – 2004C	$ 32,282	$ -	$ 32,282
Build NYC – 2013A	167,595	248,096	415,691
DASNY – 2015A	603,979	320,337	924,316
DASNY – 2016B	71,522	48,223	119,745
	$ 875,378	$ 616,656	$ 1,492,034

The funds as of June 30, 2017 were as follows:

	Assets Whose Use is Limited	Debt Service Reserve Funds	Total
IDA – 2004C	$ 32,282	$ -	$ 32,282
Build NYC – 2013A	163,693	246,019	409,712
DASNY – 2015A	637,880	316,244	954,124
DASNY – 2016B	46,136	47,636	93,772
	$ 879,991	$ 609,899	$ 1,489,890

NOTE 7 – BONDS PAYABLE, NET

Bonds payable, net consisted of the following as of June 30:

Description	2018	2017
In April 2013, the School and the Build NYC Resource Corporation issued Series 2013A-1 2013A-2 revenue bonds through the Special Needs Facilities Pooled Program in the amount of $3,305,000. The proceeds of the bonds were to finance the cost of acquiring, equipping and renovating a building purchased located in Staten Island, NY.	$ 3,005,000	$ 3,080,000
In March 2015, DASNY issued $4,000,000 of bonds on behalf of the School that were purchased by a bank. The transaction generated a $213,616 premium. The proceeds of the 2015 bonds were used to refinance the School's outstanding 2005A, 2006D and 2007C bonds along with an adjustable rate mortgage on a property owned by the School. The 2015 bonds have a term of 10 years and bear an annual interest rate ranging from 1.2%-4%. The bonds are collateralized by the School's buildings located on Staten Island and on Long Island.	2,755,000	3,325,000
In November 2016, DASNY issued $1,535,000 of bonds on behalf of the School that were purchased by a bank. The transactions generated a $16,000 premium. The Proceeds of the 2016 bonds were used to refinance the School's outstanding loans related to an IRA located in Sherwood Avenue of Staten Island. The 2016 bonds have a term of 25 years and bear an annual interest rate raging from 2%-4%. The bonds are collateralized by the School's location at Sherwood.	1,520,000	1,535,000
Plus: Premiums on DASNY bonds	117,022	151,145
	7,397,022	8,091,145
Less: Deferred bond issuance costs	525,455	566,912
Total bonds payable, net	$ 6,871,567	$ 7,524,233

NOTE 7 – BONDS PAYABLE, NET (Continued)

Future annual principal payments of the School's bonds payable during each of the five years following June 30, 2018 and thereafter are as follows:

	Amount
2019	$ 685,000
2020	700,000
2021	655,000
2022	350,000
2023	405,000
Thereafter	4,485,000
	7,280,000
Bond premium	117,022
Total bonds payable, net	$ 7,397,022

NOTE 8 – MORTGAGES AND NOTES PAYABLE, NET

Mortgages payable consisted of the following as of June 30:

Description	2018	2017
In November 2016, the School secured permanent financing under two mortgage notes payable with a bank for the building on Staten Island. These notes included a twenty-five year mortgage and a ten-year mortgage in the cumulative amount of $1,665,000 that matures in November 2042 and 2026, respectively. Both notes bear interest at the rate of 3.75% per annum.	$ 1,574,555	$ 1,630,138
The School secured a mortgage loan from a financial institution amounting to $354,750 for a building located on Staten Island. The mortgage due September 1, 2017 was payable in equal monthly installments of $3,263, including interest at 7.38% per annum. The loan is secured by the property on Staten Island. The mortgage was fully repaid as of June 30, 2018.	-	9,651
	1,574,555	1,639,789
Less: deferred issuance costs	80,440	81,832
Total mortgages payable, net	$ 1,494,115	$ 1,557,957

Future annual principal payments of the School's mortgages payable during each of the five years following June 30, 2018 and thereafter are as follows:

2019	$ 55,995
2020	58,161
2021	60,412
2022	62,749
2023	65,177
Thereafter	1,272,062
Total mortgages payable, net	$ 1,574,555

NOTE 9 – LINE OF CREDIT

The School has a revolving line of credit from a bank with a maximum borrowing limit to $2.5 million with a maturity date of May 1, 2019. The line of credit interest rate is equal to the lesser of the prime rate on the last business day of each month as published in The Wall Street Journal plus 1.00% with a minimum of 5.75%, as of June 30, 2018. The line is secured by a general lien. As of June 30, 2018 and 2017, the School had $975,000 and $0 in outstanding borrowings, respectively.

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NOTE 10 – LOAN PAYABLE

The School obtained a bridge loan from FJC, a Foundation of Philanthropic Funds, allowing the School access up to $4,730,000 for the renovation of 15 Beach Street property for use as a School and School headquarters. As of June 30, 2018 and 2017, $2,548,128 and $2,748,128, respectively, remains outstanding on the loan. The loan had a maturity date of March 31, 2018 and the date was extended to December 31, 2018, at which time the full outstanding balance is payable. Interest is payable quarterly at the prime rate published in The Wall Street Journal (4.5% at June 30, 2018) plus 3%.

NOTE 11 – PROGRAM AND PUBLIC SUPPORT SERVICES REVENUE

Program and public support services revenue consisted of the following as of June 30:

	2018	2017
New York State Office of People with Developmental Disabilities ("OPWDD"):		
Medicaid	$ 17,008,882	$ 16,443,422
Other	582,867	450,868
New York City Board of Education	9,240,407	8,790,623
Long Island School Districts	2,113,472	1,875,499
Outreach and Consulting	1,953,871	2,279,586
Other Revenue	83,938	98,687
	$ 30,983,437	$ 29,938,685

NOTE 12 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of June 30:

	2018	2017
New York City Adult	$ 343,580	$ 425,116
Early Childhood Campaign	273,058	30,058
Long Island Kiosk	80,050	32,477
Residential	52,624	58,904
Educational	36,955	23,494
Wright Ave	11,500	11,500
Day Habilitation	10,982	43,255
Other	804	48,394
	$ 809,553	$ 673,198

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes for the years ended June 30 as follows:

	2018	2017
New York City Adult	$ 79,436	$ -
Early Childhood Campaign	11,777	-
Long Island Kiosk	72,640	10,523
Residential	13,280	73
Educational	7,370	20,339
Wright Ave	-	38,500
Day Habilitation	26,479	28,461
Family Services	4,000	-
Other	6,096	9,091
	$ 221,078	$ 106,987

NOTE 13 – PENSION PLAN

The School sponsors an employee pension plan (a defined contribution plan) covering all eligible employees. The amounts contributed to the Plan is a fixed percentage of participant's compensation. For the years ended June 30, 2018 and 2017 pension expense amounted to $412,288 and $375,031, respectively.

In addition, the School also sponsors a 457 Supplemental Retirement Plan, which allows a select group of management or highly compensated employees of the School to receive benefits. The Board of Trustees determines the contribution amounts annually. For each of the years ended June 30, 2018 and 2017, the Board of Trustees approved a contribution of $25,000 and $0, respectively.

NOTE 14 – RELATED PARTY TRANSACTIONS

The Foundation for the Advancement of Autistic Persons, Inc. (the "Foundation"), which was established to solicit charitable contributions and other funds, and provide other benefits and support the mission of the School and other organizations dedicated to the support of individuals with autism, shares certain members of management with the School. The Foundation provides an operational line of credit to the School of $1,000,000. As of June 30, 2018 and 2017 there were no outstanding borrowings.

The Foundation provides advances with no stated due date to the School. At June 30, 2018 and 2017, the balance of this advance was $1,832,100. The Foundation requires that $25,000 be repaid each year. The remaining portion has no specified due date. These advances have no defined repayment terms; however, the Foundation anticipates repayment of the advance upon completion of the construction, and receipt of outstanding pledges and grants by the School. There were no cash payments made during the years ended June 30, 2018 and 2017.

As of June 30, 2018 and 2017, the Foundation owed $412,246 and $97,210, respectively, to Eden II for various operating matters.

The School provides management and personnel services to the Foundation. The School charged the Foundation $250,000 and $100,000 for these services for the years ended June 30, 2018 and 2017, respectively.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

A. Pursuant to the School's contractual relationships with certain governmental funding sources, governmental agencies have the right to examine the books and records of the School involving transactions relating to these contracts. The accompanying financial statements make no provision for possible disallowances. Although such possible disallowances could be substantial in amount, in the opinion of management, any actual disallowances would be immaterial.

B. The School has lease agreements for rental space which expire at various dates through 2028. For the years ended June 30, 2018 and 2017, rent expense for all facilities amounted to $919,118 and $623,270, respectively. In additional to the facilities, the School leases equipment and vehicles under noncancelable operating lease. Future minimum lease payments are as follow for years ending after June 30, 2018:

2019	$ 1,050,000
2020	886,000
2021	778,000
2022	557,000
2023	209,000
Thereafter	1,130,000
Total	$ 4,610,000

C. The School believes it has no uncertain tax positions as of June 30, 2018 and 2017, in accordance with Accounting Standards Codification ("ASC") Topic 740, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

D. The School has a self-insured medical plan covering eligible employees. In determining the amount of expense and liability to be recorded for the medical plan, management (with the aid of an insurance broker) makes estimated payments of health care premiums for all eligible employees in the medical plan based on historic payments. The self-insured liability account amounted to $300,000 as of June 30, 2018 and 2017.

NOTE 16 – CONCENTRATION

Cash and cash equivalents that potentially subject the School to a concentration of credit risk include cash accounts with a bank that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Accounts are insured up to $250,000 per depositor. As of June 30, 2018, there was approximately $81,000 of cash and cash equivalents held by a bank that exceeded FDIC limits.

NOTE 17 – FAIR VALUE MEASUREMENTS

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 price 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.

Financial assets carried at fair value consisted of U.S. Treasury obligations and money market funds, which were held as reserves, and amounted to $1,492,034 and $1,489,890 as of June 30, 2018 and 2017, respectively, and were classified as Level 1.

In determining the value, the School 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. 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 end of the reporting period. For the years ended June 30, 2018 and 2017, there were no transfers.

NOTE 18 – UNRESTRICTED NET ASSET DEFICIT

For the years ended June 30, 2018 and 2017, the School posted a deficit of $318,699 and $333,398, respectively. In addition, after removing the School's investment in property and equipment net of related debt, the operating net assets are a deficit of approximately ($230,000) as of June 30, 2018 and $264,000 as of June 30, 2017. Management is constantly evaluating individual programs and has identified expansion possibilities to improve the School's financial performance. In 2017, the School successfully added two preschool classrooms. With the completion of the renovation of the new early education building, the School will have the capacity to add additional classrooms to serve known, unmet needs on Staten Island. In OPWDD programs, the School has been approved for three IRA houses on Staten Island and is seeking expansion of the residential programs on Long Island. As noted in Note 19, the first of these houses was purchased in October 2018 and is expected to be opened in 2019. The recently completed renovation of leased space at 400 Victory Boulevard will provide new space for the Staten Island DayHab program to create new opportunities to provide services to adults not currently involved in Eden II Program. The School continues to search for a location on Long Island to be able to so the same.

NOTE 19 – SUBSEQUENT EVENTS

The School has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through November 21, 2018, the date the financial statements were available to be issued. The following events were noted:

- Subsequent to year ended June 30, 2018, the School sold a building located at 150 Granite Avenue, Staten Island for a total price of $3,651,002.
- On September 25, 2018, the School's Board of Trustees approved the purchase and renovation of the property located at 205 Eltingville Boulevard, Staten Island, New York for a total price of $1,746,844. The purchase was funded by the Office for People with Developmental Disabilities ("OPWDD"). The property will be used for the establishment of a seven bed Individualized Residential Alternative.

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APPENDIX B-II

FAMILY RESIDENCES AND ESSENTIAL ENTERPRISES, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED DECEMBER 31, 2018, DECEMBER 31, 2017 AND DECEMBER 31, 2016)

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Family Residences & Essential Enterprises, Inc. and Subsidiaries

Consolidated Financial Statements

December 31, 2018 and 2017

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Independent Auditors' Report

To the Board of Directors of
Family Residences & Essential
Enterprises, Inc. and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Family Residences & Essential Enterprises, Inc. and Subsidiaries (collectively, the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the consolidated statement of functional expenses for the year ended December 31, 2018, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 Family Residences & Essential Enterprises, Inc. and Subsidiaries as of December 31, 2018 and 2017, and the changes in their consolidated net assets and their consolidated cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Consolidating Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 3 to 6 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Melville, New York
May 29, 2019

Family Residences & Essential Enterprises, Inc. and Subsidiaries

Consolidated Statement of Financial Position
December 31, 2018

	Family Residences and Essential Enterprises, Inc.	Child Development Center of the Hamptons	Adelante of Suffolk County, Inc.	Eliminations	Total
Assets					
Current Assets					
Cash and cash equivalents	$ 1,514,071	$ 412	$ 188,146	$ -	$ 1,702,629
Accounts receivable, net of allowance for doubtful accounts of approximately $1,100,000	13,958,152	-	196,709	-	14,154,861
Receivables from affiliated organizations, net of allowance for doubful accounts of approximately $235,000	1,234,803	-	2,984	-	1,237,787
Due from related parties	252,955	-	-	(252,955)	-
Other current assets	711,359	19,653	19,278	-	750,290
Investments	5,021,043	-	-	-	5,021,043
Asset held for sale	-	800,000	-	-	800,000
Total current assets	22,692,383	820,065	407,117	(252,955)	23,666,610
Property, Plant and Equipment, Net	41,301,354	-	2,499,369	-	43,800,723
Other Long-Term Assets					
Other assets, net	1,323,684	-	18,685	-	1,342,369
Assets with limited use:					
Restricted cash	488,166	-	-	-	488,166
Restricted investments, debt service funds	712,901	-	57,126	-	770,027
Restricted other investments	1,806,152	-	-	-	1,806,152
Other long-term investments	45,000	-	-	-	45,000
Total other long-term assets	4,375,903	-	75,811	-	4,451,714
Total assets	$ 68,369,640	$ 820,065	$ 2,982,297	$ (252,955)	$ 71,919,047
Liabilities and Net Assets					
Current Liabilities					
Accounts payable	$ 3,212,244	$ 53,913	$ 9,836	$ -	$ 3,275,993
Payables to affiliated organizations	246,775	64,701	240,379	(252,955)	298,900
Accrued expenses	283,947	59,467	37,472	-	380,886
Accrued salaries and payroll	5,498,814	-	39,392	-	5,538,206
Lines of credit	5,250,000	-	-	-	5,250,000
Current maturities of long-term debt	2,521,211	696,579	35,849	-	3,253,639
Deferred revenue, current	1,543,017	-	285,554	-	1,828,571
Reserves and recoveries, current	-	-	83,622	-	83,622
Other current liabilities	1,023,249	5,000	49,369	-	1,077,618
Total current liabilities	19,579,257	879,660	781,473	(252,955)	20,987,435
Long-Term Liabilities					
Long-term debt, net of current maturities	27,484,798	-	992,900	-	28,477,698
Reserves and recoveries	4,809,732	-	469,112	-	5,278,844
Other liabilities	1,998,736	-	18,166	-	2,016,902
Interest rate swap agreements	(122,713)	-	-	-	(122,713)
Total long-term liabilities	34,170,553	-	1,480,178	-	35,650,731
Total liabilities	53,749,810	879,660	2,261,651	(252,955)	56,638,166
Commitments and Contingencies					
Net Assets (Deficit) Without Donor Restrictions	14,619,830	(59,595)	720,646	-	15,280,881
Total liabilities and net assets	$ 68,369,640	$ 820,065	$ 2,982,297	$ (252,955)	$ 71,919,047

See notes to consolidated financial statements

Family Residences & Essential Enterprises, Inc. and Subsidiaries

Consolidated Statement of Financial Position
December 31, 2017

	Family Residences and Essential Enterprises, Inc.	Child Development Center of the Hamptons	Total
Assets			
Current Assets			
Cash and cash equivalents	$ 5,161,171	$ 839	$ 5,162,010
Accounts receivable, net of allowance for doubtful accounts of approximately $1,069,000	14,536,682	36,710	14,573,392
Receivables from affiliated organizations, net of allowance for doubtful accounts of approximately $235,000	1,739,156	-	1,739,156
Other current assets	1,370,401	57,868	1,428,269
Total current assets	22,807,410	95,417	22,902,827
Property, Plant and Equipment, Net	38,463,327	1,643,714	40,107,041
Other Long-Term Assets			
Other assets, net	1,149,723	-	1,149,723
Assets with limited use:			
Restricted cash	524,946	-	524,946
Restricted investments, debt service funds	722,163	-	722,163
Restricted other investments	1,771,309	-	1,771,309
Accrued receivable, unfunded bond principal	24,135	-	24,135
Other long-term investments	45,000	-	45,000
Total other long-term assets	4,237,276	-	4,237,276
Total assets	$ 65,508,013	$ 1,739,131	$ 67,247,144
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	$ 2,141,965	$ 4,715	$ 2,146,680
Payables to affiliated organizations	185,594	39,709	225,303
Accrued expenses	1,177,647	37,528	1,215,175
Accrued salaries and payroll	7,815,858	1,344	7,817,202
Lines of credit	4,000,000	-	4,000,000
Current maturities of long-term debt	2,548,863	99,698	2,648,561
Deferred revenue, current	612,096	-	612,096
Reserves and recoveries, current	-	293,574	293,574
Other current liabilities	1,550,853	27,566	1,578,419
Total current liabilities	20,032,876	504,134	20,537,010
Long-Term Liabilities			
Long-term debt, net of current maturities	25,047,807	596,852	25,644,659
Deferred revenue	314,310	-	314,310
Reserves and recoveries	3,826,961	-	3,826,961
Other liabilities	1,986,140	-	1,986,140
Interest rate swap agreements	(48,667)	-	(48,667)
Total long-term liabilities	31,126,551	596,852	31,723,403
Total liabilities	51,159,427	1,100,986	52,260,413
Commitments and Contingencies			
Net Assets Without Donor Restrictions	14,348,586	638,145	14,986,731
Total liabilities and net assets	$ 65,508,013	$ 1,739,131	$ 67,247,144

See notes to consolidated financial statements

Family Residences & Essential Enterprises, Inc. and Subsidiaries

Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2018

	Family Residences and Essential Enterprises, Inc.	Child Development Center of the Hamptons	Adelante of Suffolk County, Inc.	Total
Revenues, Gains and Other Support Without Donor Restrictions				
OMH residential	$ 13,257,066	$ -	$ 1,032,290	$ 14,289,356
OPWDD residential	72,021,308	-	-	72,021,308
Day programs	21,166,048	-	-	21,166,048
Other program revenue	3,230,672	-	845,242	4,075,914
Investment income	121,532	-	1,115	122,647
Contributions	195,724	-	36,158	231,882
Net unrealized and realized loss in fair value of investments	(207,596)	-	-	(207,596)
Gain on sale of property, plant and equipment	86,257	-	-	86,257
Total revenues, gains and other support without donor restrictions	109,871,011	-	1,914,805	111,785,816
Expenses				
Program expenses:				
OMH residential	10,780,110	-	963,884	11,743,994
OPWDD residential	62,889,276	-	-	62,889,276
Day programs	18,668,150	-	-	18,668,150
Other program expenses	3,929,037	-	994,810	4,923,847
Total program expenses	96,266,573	-	1,958,694	98,225,267
Support services and administration	13,407,240	-	171,704	13,578,944
Total expenses	109,673,813	-	2,130,398	111,804,211
Changes in net assets before unrealized gain on interest rate swaps and loss on discontinued operations	197,198	-	(215,593)	(18,395)
Unrealized Gain on Interest Rate Swaps	74,046	-	-	74,046
Loss on Discontinued Operations	-	(697,740)	-	(697,740)
Changes in net assets before net assets from acquisition	271,244	(697,740)	(215,593)	(642,089)
Net Assets from Acquisition				
Net assets without donor restrictions at acquisition date	-	-	936,239	936,239
Change in net assets	271,244	(697,740)	720,646	294,150
Net Assets, Beginning of Year	14,348,586	638,145	-	14,986,731
Net Assets (Deficit), End of Year	$ 14,619,830	$ (59,595)	$ 720,646	$ 15,280,881

See notes to consolidated financial statements

Family Residences & Essential Enterprises, Inc. and Subsidiaries

Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2017

	Family Residences and Essential Enterprises, Inc.	Child Development Center of the Hamptons	Eliminations	Total
Revenues, Gains and Other Support Without Donor Restrictions				
OMH residential	$ 12,093,608	$ -	$ -	$ 12,093,608
OPWDD residential	68,500,015	-	-	68,500,015
Day programs	22,738,709	-	-	22,738,709
Other program revenue	2,577,054	-	-	2,577,054
Investment income	15,173	-	-	15,173
Other miscellaneous income	2,349,974	172,345	(172,345)	2,349,974
Contributions	194,931	-	-	194,931
Unrealized and realized gain in fair value of investments	5,670	-	-	5,670
Gain on sale of property, plant and equipment	4,090,601	-	-	4,090,601
Total revenues, gains and other support without donor restrictions	112,565,735	172,345	(172,345)	112,565,735
Expenses				
Program expenses:				
OMH residential	10,208,138	-	-	10,208,138
OPWDD residential	60,153,317	-	-	60,153,317
Day programs	19,659,323	-	-	19,659,323
CDCH Charter school	-	173,370	(172,345)	1,025
CDCH Preschool	-	2,461	-	2,461
CDCH Foundation	-	118,146	-	118,146
Other program expenses	4,836,303	-	-	4,836,303
Total program expenses	94,857,081	293,977	(172,345)	94,978,713
Support services and administration	13,461,441	24,373	-	13,485,814
Total expenses	108,318,522	318,350	(172,345)	108,464,527
Changes in net assets before unrealized gain on interest rate swaps, loss on discontinued operations, and transfer in of net deficit	4,247,213	(146,005)	-	4,101,208
Unrealized Gain on Interest Rate Swaps	95,201	-	-	95,201
Loss on Discontinued Operations	-	(11,353)	-	(11,353)
Transfer in of Net Deficit	(41,135)	-	-	(41,135)
Change in net assets	4,301,279	(157,358)	-	4,143,921
Net Assets, Beginning of Year	10,047,307	795,503	-	10,842,810
Net Assets, End of Year	$ 14,348,586	$ 638,145	$ -	$ 14,986,731

See notes to consolidated financial statements

Family Residences & Essential Enterprises, Inc. and Subsidiaries
Consolidated Statement of Functional Expenses
Year Ended December 31, 2018

	Family Residences & Essential Enterprises, Inc.				Adelante of Suffolk County, Inc.		Total	Family Residences & Essential Enterprises, Inc.	Adelante of Suffolk County, Inc.	Total	
	OMH Residential	OPWDD Residential	Day Programs	Other Program Expenses	OMH Residential	Other Program Expenses	Program Expenses	Support Services and Administration	Support Services and Administration	Support Services and Administration	Total Expenses
Salaries	$ 4,198,476	$ 38,137,775	$ 8,312,769	$ 1,601,655	$ 245,726	$ 453,769	$ 52,950,170	$ 6,883,106	$ -	$ 6,883,106	$ 59,833,276
Fringe benefits	1,196,137	10,848,631	2,368,604	460,095	45,958	86,021	15,005,446	1,894,018	-	1,894,018	16,899,464
Consulting and professional fees	36,667	2,029,154	87,383	151,716	607	53,094	2,358,621	784,438	20,508	804,946	3,163,567
Food and household	360,981	1,670,002	185,618	103,617	10,400	48,245	2,378,863	40,753	200	40,953	2,419,816
Program supplies and recreation	24,028	556,474	190,813	143,623	2,881	61,955	979,774	-	-	-	979,774
Staff development and recruitment	1,217	34,352	10,656	21,934	81	269	68,509	241,129	50	241,179	309,688
Transportation	28,493	163,905	4,471,209	28,104	1,476	1,872	4,695,059	28,487	-	28,487	4,723,546
Vehicle expense	26,565	410,792	172,316	12,644	2,662	10,447	635,426	27,200	-	27,200	662,626
Utilities	378,302	884,263	132,512	96,903	72,743	21,064	1,585,787	92,230	-	92,230	1,678,017
Telephone	99,055	275,369	136,274	19,662	4,813	13,057	548,230	500,496	-	500,496	1,048,726
IT expense	207,662	703,035	523,336	106,639	22,169	64,268	1,627,109	240,530	1,301	241,831	1,868,940
Expensed furniture and equipment	105,913	465,804	67,523	24,799	45,182	4,963	714,184	50,535	-	50,535	764,719
Repairs and maintenance	318,042	1,694,488	373,886	348,777	26,699	16,353	2,778,245	210,730	-	210,730	2,988,975
Office supplies	8,168	82,687	31,697	4,891	3,723	8,355	139,521	139,173	92	139,265	278,786
Miscellaneous	10,921	801,167	5,557	91,752	382	6,624	916,403	156,936	5,219	162,155	1,078,558
Interest expense	78,946	643,291	189,200	63,043	27,979	44,260	1,046,719	580,325	155	580,480	1,627,199
Insurance	207,882	863,842	456,862	55,593	41,442	18,892	1,644,513	474,991	8,669	483,660	2,128,173
Depreciation and amortization	302,506	1,972,438	750,770	230,316	61,630	75,765	3,393,425	853,942	336	854,278	4,247,703
Rental/lease expense	3,190,149	650,940	175,017	148,539	346,686	3,596	4,514,927	190,306	1,194	191,500	4,706,427
Other property expense	-	867	26,148	11,770	645	1,415	40,845	17,915	2,585	20,500	61,345
Bad debt	-	-	-	202,965	-	526	203,491	-	-	-	203,491
Management fees	-	-	-	-	-	-	-	-	131,395	131,395	131,395
Total expenses after eliminations	$ 10,780,110	$ 62,889,276	$ 18,668,150	$ 3,929,037	$ 963,884	$ 994,810	$ 98,225,267	$ 13,407,240	$ 171,704	$ 13,578,944	$ 111,804,211

See notes to consolidated financial statements

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	2018	2017
Cash Flows from Operating Activities		
Change in net assets	$ 294,150	$ 4,143,921
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	4,311,831	4,022,776
Interest expense related to debt issuance costs	273,208	270,804
Change in allowances for doubtful accounts	31,000	(1,695,245)
Transfer of property, plant, and equipment	-	(554,693)
Gain on sale of property, plant and equipment	(86,257)	(4,090,601)
Impairment loss	779,585	-
Unrealized and realized loss (gain) in fair value of investments	207,596	(5,670)
Net assets from acquisition	(936,239)	-
Unrealized gain on interest rate swaps	(74,046)	(95,201)
(Increase) decrease in operating assets:		
Accounts receivable	562,010	(149,532)
Receivables from affiliated organizations	501,369	2,889,863
Other current assets	710,003	(367,215)
Restricted cash	92,793	111,548
Restricted other investments	(37,237)	173,987
Accrued receivable, unfunded bond principal	24,135	55,654
Other assets	(183,506)	(471,374)
Increase (decrease) in operating liabilities:		
Accounts payable	926,309	650,685
Payables to affiliated organizations	73,597	(667,673)
Accrued expenses	(834,289)	(844,358)
Accrued salaries and payroll	(2,278,996)	2,256,766
Deferred revenue	562,803	(130,734)
Reserves and recoveries	674,017	207,681
Other liabilities	(488,205)	823,821
Net cash flows from operating activities	5,105,631	6,535,210
Cash Flows from Investing Activities		
Purchases of property, plant and equipment	(5,980,047)	(3,698,401)
Proceeds from the sale of property, plant and equipment	263,813	5,149,477
Net sales (purchases) of restricted other investments	2,394	(404,677)
Sales of investments	929,212	-
Purchases of investments	(6,157,851)	-
Proceeds from affiliate (Note 15)	275,622	-
Net cash flows from investing activities	(10,666,857)	1,046,399
Cash Flows from Financing Activities		
Proceeds from lines of credit	4,750,000	6,300,000
Payments of lines of credit	(3,548,020)	(8,800,000)
Proceeds from long-term debt	3,941,291	2,742,138
Payments of long-term debt	(2,993,562)	(4,392,151)
(Increase) decrease in restricted investments, debt service funds	(47,864)	3,628
Net cash flows from financing activities	2,101,845	(4,146,385)
Net (decrease) increase in cash and cash equivalents	(3,459,381)	3,435,224
Cash and Cash Equivalents, Beginning of Year	5,162,010	1,726,786
Cash and Cash Equivalents, End of Year	$ 1,702,629	$ 5,162,010
Supplemental Disclosures		
Cash paid for interest	$ 1,390,011	$ 1,313,842
Noncash Investing and Financing Activities		
Assets purchased through capital leases	$ 1,153,507	$ 1,366,778
Note payable refinanced as capital lease	$ -	$ 748,778

See notes to consolidated financial statements

1. Organization and Nature of Activities

Family Residences & Essential Enterprises, Inc. (the "Agency") is a non-profit corporation organized under the not-for-profit laws of New York State. Its primary purpose is to support, in specially designed facilities equipped and operated to meet physical, mental, emotional, and social needs, persons receiving services.

On January 1, 2018, the Agency became the sole member of Adelante of Suffolk County, Inc. ("Adelante"). Adelante is a community-based organization, incorporated on July 16, 1968 in New York State. It provides services to the culturally diverse communities of Suffolk County in the areas of health, education, employment, supported housing, youth, leadership development, volunteerism, and culture. It was founded by a group of concerned Hispanic citizens, who advocated for the need to improve the quality of life of their community members, to promote the Hispanic culture and civic responsibility, as well as foster the educational, economical, social, and cultural awareness and pride of the community.

The Agency is the sole member of Child Development Center of the Hamptons Charter School ("Charter School"), Child Development Center of the Hamptons Preschool ("Preschool") and Child Development Center of the Hamptons Foundation ("Foundation") (collectively, "Child Development Center of the Hamptons").

The Charter School is a non-profit corporation organized under the not-for-profit laws of New York State. The Agency obtained control on October 1, 2010 as the sole member of the Charter School. The Charter School elected to cease operations as of July 1, 2016.

The Preschool is a non-profit corporation organized under the not-for-profit laws of New York State. The Agency obtained control on September 1, 2010 as the sole member of the Preschool. The Preschool elected to cease operations as of July 1, 2016.

The Foundation is an educational organization formed under the not-for-profit laws of New York State in 1999. The Foundation raised funds to support the Preschool, the Charter School, and other not-for-profit organizations through June 30, 2016. Additionally, the Foundation also operates and maintains the facility in which the Preschool and Charter School previously resided. The Agency obtained control on January 1, 2011 as the sole member of the Foundation. The Foundation commenced liquidation in 2018.

The Agency, Adelante, Charter School, Preschool and the Foundation are classified as 501(c)(3) organizations, which are exempt from federal income taxes under Section 501(a) of the Internal Revenue Code and a similar provision of the New York State income tax laws. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

On February 2, 2017, the New York State Attorney General approved a plan of merger for the Stephanie Joyce Kahn Foundation, Inc. ("SJK") to be merged into the Agency. National Foundation for Human Potential, Inc., an entity related to the Agency through common management, was the sole member of SJK prior to the merger. As of February 2, 2017, the accompanying consolidated financial statements include the results of operations of SJK.

2. Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements include the accounts of the Agency and its sole membership subsidiaries Charter School, Preschool, Foundation, and Adelante (collectively referred to as the "Organization"), and have been prepared on the accrual basis of accounting. All inter-company transactions have been eliminated in consolidation. Due to the Charter School and the Preschool electing to cease operations as of July 1, 2016, the liquidation basis of accounting was adopted as of June 30, 2016 for these entities. Accordingly, the Charter School and Preschool revalued their liabilities expected to be paid during the liquidation. The valuation of liabilities at their estimated net settlement value represent estimates based on present facts and circumstances. Any differences between the revalued amounts and actual cash transactions are recognized in the period they occur and are included in the consolidated statements of activities and changes in net assets as loss on discontinued operations. Liquidation is expected to be completed during the year ending December 31, 2019. The Foundation adopted the liquidation basis as of January 1, 2018. The Foundation revalued both its assets and liabilities to their net settlement value during 2018. The activities of the Foundation are also included within the loss on discontinued operations for the year ended December 31, 2018.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. The Organization does not include restricted cash within its cash and cash equivalents balance, due to its restricted use.

Fair Value

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the entity transacts. The Organization must determine whether its assets and liabilities recorded at fair value were based on Level 1 (valued based on quoted prices in an active market for identical assets), Level 2 (valued based on significant other observable inputs) or Level 3 (valued based on significant unobservable inputs) measurements within the fair value hierarchy.

Investments

Investments are recorded at their fair values. Fair values are determined using quoted prices in an active market and represent Level 1 inputs within the fair value hierarchy. Gains and losses on investments are reported in the consolidated statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Included in restricted other investments in the accompanying consolidated statements of financial position are investments representing Level 1 inputs relating to a deferred compensation arrangement covering certain participating employees. These restricted other investments are recorded using the same fair value measurement principles discussed above and primarily consist of investments in mutual funds.

Property, Plant and Equipment, Net

Property, plant and equipment are stated at cost or, in the case of donated items, at fair value on the date of donation, less accumulated depreciation and amortization. Depreciation and amortization are provided using the straight-line method over the assets' useful life and/or lease terms, as appropriate.

The Organization's policy is to capitalize all purchases in excess of $5,000. Depreciation is based on the month placed in service and is calculated using the straight-line method over the estimated useful lives of the assets detailed below. Leasehold improvements are depreciated over the lesser of the life of the lease or the asset's useful life. Property, plant and equipment are depreciated/amortized using the following estimated useful lives:

	Years
Buildings and improvements	2-26
Equipment, furniture and fixtures	2-10
Transportation, vehicles	3-7

Long-Lived Assets

The Organization will recognize losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. There were no such losses during the years ended December 31, 2018 and 2017.

Revenues

Revenues are recorded when earned as services are provided for residential care, day programs, clinical services and education services. These programs are sponsored and funded by the Office for People With Developmental Disabilities ("OPWDD"), the Office of Mental Health ("OMH"), the Department of Health ("DOH"), the New York State Education Department ("SED") and Adult Career and Continuing Education Services-Vocational Rehabilitation ("ACCES-VR"). Substantially all funding is through New York State reimbursement and Medicaid funding. Revenues are subject to audit and possible adjustment by third-party payers. The effects of any such adjustments are recorded when reasonably determinable. Management believes that the effects of audit adjustments, if any, will not have a material effect on the accompanying consolidated financial statements.

Donor-Imposed Restrictions

Unconditional promises to give are recorded at net realizable value. All unconditional promises, whether with or without restriction, are recognized and accrued as contribution revenue in the period the unconditional promise was received.

The Organization 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 support without donor restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

The Organization reports gifts of land, buildings and equipment as support without donor restrictions, 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 support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Functional Allocation of Expenses

Certain costs are allocated among the programs and support services benefiting from the expense, using a relevant base. Certain salaries are allocated based on estimated time and effort. Fringe Benefits are allocated based on salary expense. Building and maintenance expenses are allocated using square footage. Information Technology is allocated based on a relative number of desk top units. Program administration costs are allocated to the benefiting programs using the ratio value method.

Use of Estimates

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

Allowance for Doubtful Accounts

Management must make estimates of the uncollectability of all accounts receivable. Management specifically analyzes receivables, historical bad debts and changes in circumstances when evaluating the adequacy of the allowance for doubtful accounts.

Interest Rate Swaps

The Organization has entered into four interest rate swap agreements with two separate banks. The first bank holds two of the Organization's interest rate swap agreements. These interest rate swaps are traded within a market that uses an over the counter ("OTC") interest rate derivative based on the terms set forth in the 2012 SWAP Confirmation Agreements. This interest rate swap model uses a dual curve interest rate swap valuation model (London Interbank Offered Rate ("LIBOR") and Overnight Index Swap ("OIS") discount factor curve) to forecast future cash flows over the remaining life of the swap.

The second bank, which holds the remaining two interest rate swap agreements, uses a discounted cash flow model. This interest rate swap model uses a zero coupon curve derived from USD swap rates and discounted cash flow model to forecast future cash flows.

These interest rate swap agreements are recorded at fair value. Fair values are determined based on significant other observable inputs and represent Level 2 inputs within the fair value hierarchy. Gains and losses on investments are reported in the consolidated statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions.

Assets With Limited Use

Assets with limited use consist of restricted cash, restricted investments - debt service funds, and restricted other investments. Restricted cash consists of capital reserves and individual burial funds. Restricted investments - debt service funds are required under the bond financing agreements, plus interest earned. Restricted other investments consist of assets held for deferred compensation plans and the cash surrender value associated with life insurance policies.

Uncertain Tax Positions

Management evaluated the tax positions and concluded that the Organization has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No. 740.

Net Assets

Net assets are categorized as follows:

Net assets without donor restrictions - Net assets which have not been donor restricted, and are therefore, available for use in carrying out the operations of the Organization.

Net assets with donor restrictions - Net assets which have been limited by donor-imposed stipulations that expire with the passage of time or can be fulfilled and removed by the actions of the Organization pursuant to those stipulations and net assets subject to donor-imposed restrictions that stipulate resources be maintained in perpetuity, but permit the Organization to utilize earnings from such donor restricted funds for operations. The Organization has no net assets with donor restrictions.

Recent Accounting Pronouncements

In 2018, the Organization adopted the FASB Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 supersedes the revenue recognition requirements in *Topic 605, Revenue Recognition*, and most industry specific guidance. The core principle under ASU No. 2014-09 is that revenues are recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration at which the entity expects to be entitled in exchange for those goods or services. Additionally, ASU No. 2014-09 requires enhanced disclosures of revenue arrangements (Note 3). The Organization has determined that there is no change to the timing of revenue recognition under ASU No. 2014-09.

ASC 606-10-50-13 requires the disclosure of the remaining performance obligations. Due to the nature of the Organization's contracts, these reporting requirements are not applicable. The Organization's contracts meet the exemption as defined in ASC 606-10-50-14 because the performance obligations are part of a contract that has an original expected duration of one year or less. Performance obligations are satisfied as services are rendered. Payments are due upon receipt of related billing.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization adopted ASU No. 2016-14, and has applied the changes retrospectively to all periods presented except for the disclosures around liquidity and availability of resources and analysis of expenses by nature and function. These disclosures have been presented for 2018 only, as allowed by ASU No. 2016-14. The new standard changes the following aspects of the Organization's consolidated financial statements:

- The unrestricted net asset class has been renamed Net Assets Without Donor Restrictions
- The consolidated statement of functional expenses has been presented
- The basis for allocation of expenses to functional classifications has been disclosed (Note 2)
- The consolidated financial statements include a disclosure about liquidity and availability of resources (Note 7).

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the statement of cash flows. ASU No. 2016-18 is effective for fiscal years beginning after December 15, 2018. ASU No. 2016-18 is to be applied retroactively with transition provisions. Management is currently evaluating the impact of adopting ASU No. 2016-18 on the Organization's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The core principles of ASU No. 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU No. 2016-02 is effective for the Organization for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of adopting ASU No. 2016-02 on the Organization's consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Contributions - Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance under ASU No. 2018-08 is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in ASU No. 2018-08 assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The amendments of ASU No. 2018-08 are applied on a prospective basis and is effective for the Organization for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of adopting ASU No. 2018-08 on the Organization's consolidated financial statements.

Subsequent Events

Management has evaluated subsequent events through May 29, 2019, the date the consolidated financial statements are available for issuance, for inclusion or disclosure in the consolidated financial statements.

Reclassifications

Certain 2017 amounts have been reclassified to conform with the 2018 presentation.

3. Revenue from Contracts with Customers

The Organization disaggregates revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors. Performance obligations are satisfied as services are rendered. Payments are due upon receipt of related billing. The Organization's contracts with customers are fee for service revenues funded by NYS Department of Health for the OPWDD and OMH programs.

Revenue from contracts with customers consist of the following for the year ended December 31, 2018:

	OMH Residential	OPWDD Residential	Day Programs	Other Programs	Total
Medicaid and managed care	$ 6,661,335	$ 60,678,539	$ 20,200,341	$ 726,877	$ 88,267,092
OPWDD funded	-	1,277,249	99,127	51,020	1,427,396
Medicare	-	-	11,340	-	11,340
Total revenue from contracts with customers	6,661,335	61,955,788	20,310,808	777,897	89,705,828
Other revenue, not from contracts with customers	7,628,021	10,065,520	855,240	3,531,207	22,079,988
Total	$ 14,289,356	$ 72,021,308	$ 21,166,048	$ 4,309,104	$ 111,785,816

4. Investments

Investments are valued based on Level 1 and Level 2 inputs and consist of the following as of December 31, 2018:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total Fair Value	Cost
Equities	$ 1,445,906	$ -	$ 1,445,906	$ 1,572,709
Mutual funds	141,003	-	141,003	165,689
Corporate bonds	-	630,020	630,020	630,988
Certificate of deposit funds	-	1,733,498	1,733,498	1,760,725
Treasury notes and bonds	1,070,616	-	1,070,616	1,065,425
Total	$ 2,657,525	$ 2,363,518	$ 5,021,043	$ 5,195,536

There were no investments as of December 31, 2017.

5. Property, Plant and Equipment, Net

Property, plant and equipment, net, consist of the following as of December 31, 2018 and 2017:

	2018	2017
Land	$ 8,066,346	$ 7,424,677
Buildings	28,663,130	26,838,063
Building improvements	34,272,557	33,166,367
Leasehold improvements	187,790	187,790
Equipment, furniture and fixtures	4,845,812	4,584,658
Transportation vehicles	8,414,633	6,894,030
Construction in progress	6,887,121	3,932,469
Total property, plant and equipment	91,337,389	83,028,054
Less accumulated depreciation and amortization	47,536,666	42,921,013
Property, plant and equipment, net	$ 43,800,723	$ 40,107,041

A portion of the Organization's property, plant and equipment was purchased with bond funding received from the Medical Care Facilities Finance Organization ("MCFFA"), as described in Note 9. Funding for these capital expenditures was provided with the stipulation that if the Organization ceases to operate the programs during the term of the bond for OPWDD and OMH purposes, the property, plant and equipment will revert to the funding source. Capital grants received by the Organization for the purchase of property and equipment are recognized as income in the year the asset has been put into use and are included as income from non-operating activities in the accompanying consolidated statements of activities and changes in net assets.

As of December 31, 2018 and 2017, construction in progress, which consists of amounts incurred in advance for future projects, amounted to approximately $6,887,000 and $3,932,000, respectively. As of December 31, 2018, the aggregate estimated future commitment to complete the remaining construction is approximately $3,705,000.

Included in property, plant and equipment are assets under capital leases as follows as of December 31, 2018 and 2017:

	2018	2017
Transportation vehicles	$ 6,027,345	$ 4,673,419
Equipment	868,474	868,474
Less accumulated depreciation and amortization	(3,251,212)	(2,279,035)
	$ 3,644,607	$ 3,262,858

6. Other Assets, Net

Other assets, net, consist of the following as of December 31, 2018 and 2017:

	2018	2017
Security deposits	$ 513,791	$ 400,926
Bond sinking funds	767,490	745,469
Prepaid and other assets	811,378	1,431,597
Total other assets	2,092,659	2,577,992
Less current portion	750,290	1,428,269
Total other assets, net	$ 1,342,369	$ 1,149,723

7. Liquidity and Availability of Resources

Financial assets available for general expenditure within one year of the balance sheet date consist of the following as of December 31, 2018:

Cash and cash equivalents	$ 1,702,629
Accounts receivable, net	14,154,861
Investments	5,021,043
Due from related parties	1,237,787
Total	$ 22,116,320

As part of the Organization's liquidity management, a policy is in place to structure financial assets to be available as the general expenditures, liabilities and other obligations come due. In addition, the Organization has its lines of credit totaling $10,000,000. The lines are available to meet unexpected delays and other short term needs.

8. Lines of Credit

As of December 31, 2017, the Agency had lines of credit which totaled $10,000,000, and were shared by two banks. The Agency increased one of the lines of credit from $5,000,000 to $8,000,000 for a total of $13,000,000 as of December 31, 2018. The outstanding balances on the lines of credit are secured by the Organization's accounts receivable. The two lines of credit are set to expire on August 31, 2019. The lines of credit bear interest at the banks' prime rates (ranging from 4.5 to 5.5 percent as of December 31, 2018 and 4.25 percent as of December 31, 2017).

As of December 31, 2018 and 2017, $5,250,000 and $4,000,000, respectively, was outstanding under these respective lines of credit for the Organization.

Adelante has a $250,000 unsecured line of credit agreement with a bank to finance working capital requirements. The line of credit is offered until its cancellation by either the bank or the borrower, at which time, the then-outstanding principal balance and all accrued but unpaid interest shall be repaid in 48 equal monthly installments. This line bears interest at a rate of the greater of the Citibank Prime Rate or the LIBOR rate plus 2 percent (5.5 percent at December 31, 2018). The line had no outstanding balance as of December 31, 2018.

Interest expense for the years ended December 31, 2018 and 2017 approximated $241,000 and $180,000, respectively, for the Organization.

9. Long-Term Debt

The Organization has mortgages, bonds, and loans payable on several of its facilities summarized as follows as of December 31, 2018 and 2017:

Indebtedness	Creditor		Balance Outstanding 2018	Balance Outstanding 2017	Average Rate of Interest
Mortgages payable	Reese Michaels	(A)	$ 105,017	$ 120,017	Interest free
	Citibank	(B)	152,831	-	7.40%
	Suffolk County National Bank	(C)	696,550	696,550	5.56%
Bonds payable	NYS Sponsored Medical Care Facilities Finance Organization	(D)	-	343,100	7.08%
	Suffolk County Industrial Development Agency Civic Facility Revenue Bonds	(E)	265,000	345,000	5.95% and 7.25%
	Suffolk County Industrial Development Agency Civic Facility Revenue Bonds	(F)	875,918	-	6.00% to 6.50%
	DASNY Bonds	(G)	319,153	365,009	5.0455%
		(H)	2,160,456	2,331,871	1% to 5%
		(I)	4,598,967	4,764,699	1.5% to 4%
		(J)	133,000	167,957	3.738%
	Nassau County Local Economic Assistance Corporation Bonds	(K)	8,618,914	9,141,000	3.66%, 3.709% and 4.00%
	Suffolk County Economic Development Corporation Bonds	(K)	4,392,000	5,029,000	3.38%, 3.66% and 3.709%
Capital leases	Various	(L)	3,653,338	3,380,517	Various
Bridge loans	TD Bank	(M)	6,919,500	2,999,873	5.50%
	Total mortgages, notes, bonds, and loans payable		32,890,644	29,684,593	
	Less debt issuance costs, net		1,159,307	1,391,373	
	Less current maturities		3,253,639	2,648,561	
	Total long-term debt		$ 28,477,698	$ 25,644,659	

(A) This note payable is collateralized by the equestrian ranch and day program known as Saddle Rock Ranch located in Middle Island, New York.

(B) Adelante entered into a $248,000 mortgage agreement with a bank. The mortgage is secured by properties located in Suffolk County, New York. The mortgage provides for monthly payments of principal and interest of $1,983 from October 1, 2007 through September 1, 2027, at which time any unpaid balance of principal and interest shall be due.

(C) On October 19, 2004, the Foundation entered into a mortgage agreement with the Suffolk County National Bank in the amount of $1,380,000. The initial interest rate on the mortgage was 6.46 percent. This interest rate was subsequently changed to 5.75 percent in October 2009 and 5.00 percent in October 2014. According to the mortgage agreement, the interest rate the Foundation will pay may change every fifth year thereafter. The mortgage matures on October 19, 2024 and is secured by the Foundation's fixed assets. Under this mortgage agreement, the Foundation was subject to certain financial covenants; however, on October 9, 2014, the Foundation received a permanent waiver from the bank for these covenants.

(D) The Organization recognizes revenue for both principal and interest reimbursed by NYS for all MCFFA bonds. These bonds are secured by either residences or day program facilities.

(E) This Suffolk County 2006 Industrial Development Agency ("IDA") Bond is secured by an IRA located in Smithtown, New York. $965,000 was issued as tax-exempt with a fixed rate of 5.95 percent for the 15 year term. The remaining $33,000 was issued as taxable with a fixed rate of 7.25 percent for the five year term. This bond matures on October 1, 2021.

(F) Adelante issued Suffolk County IDA Civic Facility Revenue Bonds in the total amount of $1,162,000. The funds were used to finance two projects. The first project was the acquisition of property at 83 Carleton Avenue, Central Islip to include clean-up of mold, renovations, and equipping of said site for the purpose of administration and program services. The second project was the expansion of properties at 6 and 10 Third Avenue, Brentwood to include renovation and equipping of said sites for the purpose of administration and program services. The bonds are comprised of $1,120,000 of Series 2007A-A tax-exempt bonds (with maturities ranging from May 1, 2008 through November 1, 2037, bearing interest at 6 percent to 6.5 percent) and $42,000 of Series 2007A-A taxable Civic Facility Revenue Bonds (that bore interest at 7.08 percent and matured on November 1, 2012).

(G) This Dormitory Authority of the State of New York ("DASNY") Bond is secured by three OMH Community Residence located in Suffolk County, New York. The Organization recognizes revenue for both principal and interest reimbursed by NYS for the DASNY bond.

(H) These DASNY Bonds are secured by the three locations that were previously financed on bridge loans in Springfield Gardens, New York, Queens Village, New York and Mastic Beach, New York. $2,615,000 was issued as tax-exempt with a variable rate ranging from 2.00 percent to 5.00 percent for the 15 year term. The remaining $115,000 was issued as taxable with a fixed rate of 1.00 percent for the three year term. These bonds were issued at a premium of $171,266 which is to be repaid over the 15 year term of the tax-exempt bond issuance.

(I) These DASNY Bonds are secured by seven locations that were previously financed on bridge loans in Amityville, Centereach, Coram, Jamaica, Medford, and Westbury. These Series 2016 bonds consist of two bonds, one tax-exempt bond in the amount of $4,640,000 and one taxable bond in the amount of $225,000. The interest rate for the tax-exempt bond is fixed per year and varies over the life of the bond ranging from 2 percent to 4 percent for the 25 year term. The interest rate for the taxable bond is fixed at 1.5 percent for two years. These bonds were issued at a premium of $143,297 which is to be repaid over the 25 year term of the tax-exempt bond issuance. The Organization is required to comply with certain financial covenants on an annual basis throughout the life of the bonds. As of both December 31, 2018 and 2017, the Organization was in compliance with these financial covenants.

(J) This DASNY Bond was a result of the Park House transfer and is secured by one OMH Community Residence located in Setauket, New York. The Organization recognizes revenue for both principal and interest reimbursed by NYS for the DASNY bond.

(K) On May 15, 2012, the Organization refinanced approximately $19,000,000 of existing debt and acquired approximately $1,900,000 for new projects through the issuance of Nassau County Local Economic Assistance Corporation and Suffolk County Economic Development Corporation bonds. The bonds carry variable interest rates and have a variable repayment schedule from 5 to 17 years. The Organization is required to comply with certain financial covenants on an annual basis throughout the life of the bonds. As of both December 31, 2018 and 2017, the Organization was in compliance with these financial covenants.

In connection with the refinancing, the Organization also entered into two interest rate swap agreements with both TD Bank and Valley National Bank, to pay a fixed rate of interest and hedge its exposure for changes in interest rates over the term of the refinanced debt. The interest rates associated with the TD Bank swap agreements are 3.389 percent and 3.112 percent. The interest rates associated with the Valley National Bank swap agreements are 3.439 percent and 3.162 percent. All swap agreements match the terms of the bonds, with maturities between 5 and 17 years. The notional amount of the swap agreements decrease in accordance with principal payments. As of December 31, 2018, the notional amount and fair value asset were $5,185,000 and $68,049, respectively, for the TD Bank swap agreements, and $5,185,000 and $54,664, respectively, for the Valley National Bank swap agreements.

As of December 31, 2018 and 2017, the total fair value of the interest rate swaps was an asset of approximately $123,000 and $49,000, respectively, and is reflected within the accompanying consolidated statements of financial position. The unrealized gains for the valuation are shown as non-operating activities on the consolidated statements of activities and changes in net assets.

On June 19, 2015, the Organization refinanced approximately $2,368,000 of existing debt and acquired approximately $431,000 for new projects through the issuance of Nassau County Local Economic Assistance Corporation and Suffolk County Economic Development Corporation bonds. The bonds carry fixed interest rates of differing percentages and have variable repayment schedules from 5 to 25 years. The Organization is required to comply with certain financial covenants on an annual basis throughout the life of the bonds. As of both December 31, 2018 and 2017, the Organization was in compliance with these financial covenants.

(L) The Organization has executed capital leases related to vehicle purchases for various programs and for the implementation of Agresso software. These capital leases mature on various dates from November 2017 through September 2022.

(M) During the year ended December 31, 2016, the Organization entered into a bridge loan agreement with TD Bank for the purchase of new IRA homes, which was transferred to an additional bridge loan during the year ended December 31, 2017 that was entered into for the purchase of seven properties. These loans are secured by the properties associated with the loans and are expected to be refinanced with permanent financing during the year ending December 31, 2018.

Minimum future principal payments for long-term debt are approximately as follows:

Years ending December 31:	
2019	$ 3,449,000
2020	2,611,000
2021	2,241,000
2022	1,623,000
2023	1,717,000
Thereafter	21,250,000
Total	$ 32,891,000

Interest expense on long-term debt and the related debt issuance costs for the years ended December 31, 2018 and 2017 approximated $1,092,000 and $1,239,000, respectively.

Property closing costs, mortgage and bond closing costs and fees are amortized as interest expense over the lives of the related mortgage or bond obligations, and are a direct deduction of the related debt on the consolidated statements of financial position.

10. Pension Plans

The Organization adopted the Family Residences Retirement & 401(k) Savings Plan (the "Plan") effective January 1, 1997 covering all eligible employees. The Plan is qualified under the Employee Retirement Income Security Act of 1974 guidelines set forth by the Department of Labor. Effective April 24, 2014, the Plan was amended by restating the Plan in its entirety. The Plan has been characterized for financial accounting purposes as a multi-employer plan. The Plan permits eligible employees the option to defer a portion of their compensation, subject to Internal Revenue Service ("IRS") limitations, into the Plan.

For each plan year, the Organization may contribute to the Plan, on behalf of each eligible employee, a discretionary matching contribution. The Organization will determine this discretionary matching contribution annually. For each of the plan years ended December 31, 2018 and 2017, the Organization made discretionary matching contributions of $300,000. As of the date of this report, the Organization's discretionary matching contributions were fully funded.

In addition to the discretionary matching contributions, the Organization may make a discretionary contribution to the Plan which will be determined annually. For the Plan years ended December 31, 2018 and 2017, the Organization's discretionary contribution was approximately $700,000 and $1,100,000, respectively.

The Organization has adopted a Family Residences and Essential Enterprises, Inc. 403(b) Plan ("403(b) Plan") effective January 1, 2009. Effective April 24, 2014, the 403(b) Plan was amended by restating the 403(b) Plan in its entirety. The 403(b) Plan permits eligible employees the option to defer a portion of their compensation, subject to IRS limitations, into the 403(b) Plan. There are no employer contributions into the 403(b) Plan.

The Organization adopted the Family Residences & Essential Enterprises, Inc. Section 457 Deferred Compensation Plan pursuant to Section 457(b) ("457(b) Plan") effective January 1, 1998 which was restated effective January 1, 2010 and April 24, 2014. The 457(b) Plan covers a group of management employees and permits employee compensation deferrals and employer contributions. The Organization contributed approximately $69,000 and $84,000 to the 457(b) Plan for the years ended December 31, 2018 and 2017, respectively. The Organization has recognized a long-term liability related to the 457(b) Plan of approximately $1,117,000 and $1,348,000 as of December 31, 2018 and 2017, respectively.

The Organization also has a plan that includes a corporate-sponsored split dollar agreement to purchase life insurance. The cash surrender value of the policies as of December 31, 2018 and 2017 approximated $460,000 and $423,000, respectively. This plan includes a separate deferred compensation arrangement to be paid at retirement. The Organization has accrued a long-term liability for this obligation of approximately $730,000 and $687,000 as of December 31, 2018 and 2017, respectively.

Adelante has established a SIMPLE IRA for eligible employees to contribute to. Any employee who has received at least $5,000 in compensation during any two years preceding the current calendar year and is reasonably expected to receive at least $5,000 during the current calendar year is eligible to participate in the SIMPLE IRA. Adelante is required to make matching contributions which is 3% of salary, and is based on elective-deferral contributions made by employees. For the years ended December 31, 2018 and 2017, Adelante's contributions to this plan totaled $9,000 and $7,500, respectively.

11. Transactions with Affiliated Organizations

The Organization had a contract to supply management services and direct staff leasing to Rides Unlimited of New York, Inc. ("Rides"), a transportation company. Fees charged for these services for the year ended December 31, 2017 were approximately $1,764,000. The Organization transported individuals attending day programs via Rides. Transportation fees charged for the year ended December 31, 2017 were approximately $2,718,000. The Organization leased a vehicle storage and repair facility located in Islandia, New York to Rides. Rent charges were approximately $84,000 for the year ended December 31, 2017. The Organization also obtained vehicle repair services and fuel from Rides. The total amounts incurred for these services and for fuel for the years ended December 31, 2017 were approximately $246,000. During the year ended December 31, 2018, necessary insurance expenses for Rides were paid by the Organization. The Organization had receivables from Rides, which amounted to approximately $188,000 and $84,000 as of December 31, 2018 and 2017, respectively.

The Organization has an agreement with The Rehabilitation Institute, Inc. ("TRI"), a non-profit corporation organized under the not-for-profit laws of New York State. TRI provides habilitation, rehabilitation and vocational programs, training and services to persons with various physical and mental disabilities in Nassau County, New York. The Organization provides management services to TRI to assist in the planning, administration and delivery of these services. Total amounts charged to TRI for these services amounted to approximately $685,000 and $406,000 for the years ended December 31, 2018 and 2017, respectively. The Organization had receivables from TRI, which amounted to approximately $214,000 and $70,000 as of December 31, 2018 and 2017, respectively.

The Organization has an agreement with the National Foundation for Human Potential, Inc. (the "National Foundation"), a non-profit corporation organized under the not-for-profit laws of New York State. National Foundation provides financial and other support to organizations that promote educational, residential, and support services for people in need. To meet that purpose, the National Foundation raises funds and provides contributions and grant awards to organizations that serve the developmentally disabled, including the Organization. The Organization provides managerial services for the direct oversight of the National Foundation's daily operations. Total amounts charged to the National Foundation for these services amounted to approximately $268,000 and $266,000 for the years ended December 31, 2018 and 2017, respectively. The amounts due from National Foundation as of December 31, 2018 of approximately $40,000 are included in receivables from affiliated organizations and payables to affiliated organizations, respectively. The amounts due from and to National Foundation as of December 31, 2017 of approximately $40,000 and $114,000, respectively, are included in receivables from affiliated organizations and payables to affiliated organizations, respectively.

Family Residences & Essential Enterprises, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

The Organization has an agreement with Homes Anew I Ltd. ("Homes Anew I") and Homes Anew II Ltd. ("Homes Anew II"), not-for-profit organizations under the not-for-profit laws of New York State. Homes Anew I is a community residence program which establishes, operates and maintains community residences for developmentally disabled, low income individuals in Suffolk County, New York. Homes Anew II is a community residence program which establishes, operates and maintains community residences for homeless and/or physically/developmentally disabled individuals. The Organization provides management services to assist in the administration and oversight of Homes Anew I and Homes Anew II's business activities. Total amounts charged to Homes Anew I and Homes Anew II for these services amounted to approximately $32,000 and $30,000 for the years ended December 31, 2018 and 2017, respectively. The amounts due from and to Homes Anew I and Homes Anew II as of December 31, 2018 of approximately $208,000 and $228,000, respectively, are included in receivables from affiliated organizations and payables to affiliated organizations, respectively. The amounts due from and to Homes Anew I and Homes Anew II as of December 31, 2017 of approximately $19,000 and $185,000, respectively, are included in receivables from affiliated organizations and payables to affiliated organizations, respectively.

The Organization had an agreement with Contemporary Guidance Services ("CGS"), a non-profit corporation under the not-for-profit laws of New York State, to provide administrative services. CGS provides vocational training, supportive work, day habilitation, respite, and Medicaid Service Coordination ("MSC") services, among others, to developmentally disabled individuals. Total amounts charged to CGS for the management services amounted to approximately $236,000 for the year ended December 31, 2017. The Organization had receivables from CGS, which amounted to approximately $236,000, as of December 31, 2017. CGS ceased operations effective September 29, 2017.

During 2014, the Organization entered into a management agreement with Skills Unlimited, Inc. ("Skills Unlimited"), a non-profit organization located in Oakdale, New York. Skills Unlimited provides vocational training, sheltered employment, Article 31 clinic and social adjustment services to disabled Individuals in training or sheltered employment. Per the terms of the agreement, the Organization is to provide executive consulting, financial management, human resources, information technology, accounting and legal services, compliance and similar services. Total amounts charged to Skills Unlimited for the management services amounted to approximately $507,000 and $499,000 for the years ended December 31, 2018 and 2017, respectively. The Organization had amounts due from Skills Unlimited which amounted to approximately $448,000 and $427,000 as of December 31, 2018 and 2017, respectively.

During 2014, the Organization entered into a management agreement with Adelante. Per the terms of the agreement, the Organization is to provide executive consulting, financial management, accounting services, legal services, human resources, real estate management, compliance and similar services. Total amounts charged to Adelante for these services amounted to approximately $185,000 for the year ended December 31, 2017. The Organization also obtains services from Adelante. The Organization had receivables from Adelante, which amounted to approximately $5,000 as of December 31, 2017.

The Organization had no receivables due from other affiliated organizations as of December 31, 2018 and 2017.

The Organization is affiliated with the organizations listed above through management agreements in place to provide supervisory and management functions to these organizations.

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12. Commitments

The Organization is a party to various operating lease commitments. Minimum payments under these lease commitments as of December 31, 2018 are approximately as follows:

Years ending December 31:	
2019	$ 3,456,000
2020	1,358,000
2021	393,000
2022	86,000
2023	11,000
Total	$ 5,304,000

The amounts above reflect existing contractual agreements. Property leases are often limited to one and two year terms. The Organization anticipates renewal and/or replacement of all such agreements and these amounts are not reflected above. Rent expense for the years ended December 31, 2018 and 2017 approximated $4,706,000 and $3,912,000, respectively.

13. Contingencies

The Organization is subject to certain claims and pending litigation, which are covered by certain insurance policies. These claims and pending litigation are related to matters which have arisen in the ordinary course of the Organization's activities and are not expected to have a material adverse effect on the Organization's financial position or changes in net assets.

14. Off-Balance Sheet Risk and Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash, investments and accounts receivable from governmental agencies. The Organization places its cash and investments with various financial institutions. At times throughout the year, the Organization may have maintained cash balances which exceed the limits insured by the Federal Deposit Insurance Corporation ("FDIC"). Accounts receivable from governmental agencies are from federal, state and county agencies.

15. Noncash Transaction

In conjunction with the acquisition of Adelante, the following noncash assets and liabilities of Adelante were included in the consolidated financial statements:

	Amount
Assets:	
Accounts receivable	$ 174,479
Prepaid expenses	32,024
Restricted cash	56,013
Property and equipment	2,629,100
Security deposits	9,140
Liabilities:	
Line of credit	48,020
Mortgage payable	164,815
Bonds payable	898,858
Accounts payable and accrued expenses	203,004
Government reserves and recoveries	567,914
Deferred revenue	339,362
Other liabilities	18,166

Also included in the consolidated financial statements was $275,622 of cash from Adelante. At the acquisition date, the book value of all assets and liabilities approximated fair value.

16. Subsequent Events

On February 14, 2019, Foundation sold its building located in East Hampton for $800,000. The proceeds of the sale were utilized to pay the remaining mortgage balance, as well as, various other creditors.

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Family Residences & Essential Enterprises, Inc. and Subsidiaries

Consolidated Financial Statements
and Supplementary Information

December 31, 2017 and 2016

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Candor. Insight. Results.

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Independent Auditors' Report

Board of Directors
Family Residences & Essential
Enterprises, Inc. and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Family Residences & Essential Enterprises, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Family Residences & Essential Enterprises, Inc. and Subsidiaries as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Consolidating and Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 22 to 23 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Also, the consolidated statement of functional expenses on page 24 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Melville, New York
May 31, 2018

Family Residences & Essential Enterprises, Inc. and Subsidiaries

Consolidated Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	$ 5,162,010	$ 1,726,786
Accounts receivable, net of allowance for doubtful accounts of approximately $1,069,000 and $1,731,000, respectively	13,473,393	12,661,869
Receivables from affiliated organizations, net of allowance for doubtful accounts of approximately $235,000 and $1,269,000, respectively	1,739,156	3,595,766
Other current assets	2,173,738	1,800,853
Total current assets	22,548,297	19,785,274
Property, plant and equipment, net	40,107,041	39,568,821
Other assets, net	1,504,253	1,032,879
Assets with limited use:		
Restricted cash	524,946	636,494
Restricted investments, debt service funds	722,163	725,791
Restricted other investments	1,771,309	1,540,619
Accrued receivable, unfunded bond principal	24,135	79,789
Other long-term investments	45,000	45,000
Total plant and other long-term assets	44,698,847	43,629,393
Total assets	$ 67,247,144	$ 63,414,667
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 2,146,680	$ 1,495,995
Payables to affiliated organizations	225,303	892,976
Accrued expenses	1,215,175	2,059,533
Accrued salaries and payroll	7,817,202	5,560,436
Lines of credit	4,000,000	6,500,000
Current maturities of long-term debt	2,648,561	3,281,143
Deferred revenue, current	612,096	516,807
Reserves and recoveries, current	293,574	463,088
Other current liabilities	1,578,419	987,217
Total current liabilities	20,537,010	21,757,195
Long-Term liabilities		
Long-term debt, net of current maturities	25,644,659	25,024,508
Deferred revenue	314,310	540,333
Reserves and recoveries	3,826,961	3,449,766
Other liabilities	1,986,140	1,753,521
Interest rate swap agreements	(48,667)	46,534
Total long-term liabilities	31,723,403	30,814,662
Total liabilities	52,260,413	52,571,857
Commitments and Contingencies		
Net Assets, Unrestricted	14,986,731	10,842,810
Total liabilities and net assets	$ 67,247,144	$ 63,414,667

See notes to consolidated financial statements

Family Residences & Essential Enterprises, Inc. and Subsidiaries

Consolidated Statements of Activities and Changes in Net Assets
Years Ended December 31, 2017 and 2016

	2017	2016
Unrestricted Revenues, Gains and Other Support		
OMH residential	$ 12,093,608	$ 11,651,323
OPWDD residential	68,500,015	64,522,901
Day programs	22,738,709	24,171,529
Clinic programs	-	1,890,737
HHAP/HUD programs	182,285	176,568
CDCH Charter school	-	1,258,080
CDCH preschool	-	191,548
Other program revenue	2,394,769	2,226,168
Investment income	15,173	10,987
Other miscellaneous income	2,349,974	1,213,375
Contributions	194,931	230,573
Unrealized and realized gain in fair value of investments	5,670	42
Gain on sale of property, plant and equipment	4,090,601	131,994
Total unrestricted revenues, gains and other support	112,565,735	107,675,825
Expenses		
OMH residential	10,208,138	8,936,688
OPWDD residential	60,153,317	55,711,338
Day programs	19,659,323	19,355,907
Clinic programs	-	2,632,664
HHAP/HUD programs	228,537	225,484
CDCH Charter school	1,025	961,835
CDCH Preschool	2,461	295,698
CDCH Foundation	118,146	133,386
Other program expenses	4,607,766	5,027,832
Total program expenses	94,978,713	93,280,832
Support Services and Administration	13,485,814	13,685,666
Total expenses	108,464,527	106,966,498
Changes in net assets before unrealized gain on interest rate swaps, loss on discontinued operations, and transfer in of net (deficit) assets	4,101,208	709,327
Unrealized Gain on Interest Rate Swaps	95,201	84,291
Loss on Discontinued Operations	(11,353)	(855,481)
Transfer in of Net (Deficit) Assets	(41,135)	2,306,583
Changes in net assets	4,143,921	2,244,720
Net Assets, Beginning Of Year	10,842,810	8,598,090
Net Assets, End Of Year	$ 14,986,731	$ 10,842,810

See notes to consolidated financial statements

Family Residences & Essential Enterprises, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Increase in unrestricted net assets	$ 4,143,921	$ 2,244,720
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	4,022,776	4,119,983
Interest expense related to debt issuance costs	270,804	314,941
Change in allowances for doubtful accounts	(1,695,245)	1,483,272
Transfer of property, plant, and equipment	(554,693)	(347,349)
Long-term debt assumed from Park House, Inc.	-	234,105
(Gain) loss on sale of property, plant and equipment	(4,090,601)	515,069
Unrealized and realized gain in fair value of investments	(5,670)	(42)
Unrealized gain on interest rate swaps	(95,201)	(84,291)
(Increase) decrease in operating assets:		
Accounts receivable	(149,532)	2,143,899
Receivables from affiliated organizations	2,889,863	(2,437,237)
Other current assets	(367,215)	3,015,524
Restricted cash	111,548	(223,769)
Restricted other investments	173,987	246,084
Accrued receivable, unfunded bond principal	55,654	69,804
Increase in other assets	(471,374)	(435,813)
Increase (decrease) in operating liabilities:		
Accounts payable	650,685	(1,056,399)
Payables to affiliated organizations	(667,673)	255,824
Accrued expenses	(844,358)	362,760
Accrued salaries and payroll	2,256,766	1,391,341
Deferred revenue	(130,734)	(718,683)
Reserves and recoveries	207,681	(2,138,874)
Other liabilities	823,821	(2,089,914)
Net cash provided by operating activities	6,535,210	6,864,955
Cash Flows from Investing Activities		
Purchases of property, plant and equipment	(3,698,401)	(2,799,874)
Proceeds from the sale of property, plant and equipment	5,149,477	146,741
Net purchases of investments	(404,677)	(131,075)
Increase in debt issuance costs	-	(337,452)
Increase in long-term investments	-	(25,000)
Net cash provided by (used in) investing activities	1,046,399	(3,146,660)
Cash Flows from Financing Activities		
Proceeds from lines of credit	6,300,000	10,450,000
Payments of lines of credit	(8,800,000)	(12,494,000)
Proceeds from long-term debt	2,742,138	5,739,609
Payments of long-term debt	(4,392,151)	(7,346,438)
Decrease (increase) in restricted investments, debt service funds	3,628	(198,197)
Net cash used in financing activities	(4,146,385)	(3,849,026)
Net increase (decrease) in cash and cash equivalents	3,435,224	(130,731)
Cash and Cash Equivalents, Beginning of Year	1,726,786	1,857,517
Cash and Cash Equivalents, End of Year	$ 5,162,010	$ 1,726,786
Supplemental Disclosures		
Cash paid for interest	$ 1,313,842	$ 1,428,180
Noncash Investing and Financing Activities		
Assets purchased through capital leases	$ 1,366,778	$ 845,940
Note payable refinanced as capital lease	$ 748,778	$ -

See notes to consolidated financial statements

Family Residences & Essential Enterprises, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

1. Organization and Nature of Activities

Family Residences & Essential Enterprises, Inc. (the "Agency") is a non-profit corporation organized under the not-for-profit laws of New York State. Its primary purpose is to support, in specially designed facilities equipped and operated to meet physical, mental, emotional, and social needs, persons receiving services.

The Agency is the sole member of Child Development Center of the Hamptons Charter School ("Charter School"), Child Development Center of the Hamptons Preschool ("Preschool") and Child Development Center of the Hamptons Foundation ("Foundation").

The Charter School is a non-profit corporation organized under the not-for-profit laws of New York State. Its primary purpose is to provide support and related services to both general and special education students including counseling, occupational and physical therapy, speech therapy, social skills, and ABA (Applied Behavioral Analysis), with an emphasis on Character Education and empathic practices. The Agency obtained control on October 1, 2010, as the sole member of the Charter School. The Charter School elected to cease operations as of July 1, 2016.

The Preschool is a non-profit corporation organized under the not-for-profit laws of New York State. Its primary purpose is to provide related services in speech, occupational therapy, physical therapy, counseling, social skills, applied behavior analysis, and counseling for children qualifying under New York State regulations. The Agency obtained control on September 1, 2010, as the sole member of the Preschool. The Preschool elected to cease operations as of July 1, 2016.

The Foundation is an educational organization formed under the not-for-profit laws of New York State in 1999. The Foundation raised funds to support the Preschool, the Charter School, and other not-for-profit organizations through June 30, 2016. Additionally, the Foundation also operates and maintains the facility in which the Preschool and Charter School reside. The Agency obtained control on January 1, 2011 as the sole member of the Foundation.

The Agency, Charter School, Preschool and the Foundation are classified as 501(c) (3) organizations, which are exempt from federal income taxes under Section 501(a) of the Internal Revenue Code and a similar provision of the New York State income tax laws. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

During the year ended December 31, 2015, the Office of Mental Health gave final approval to the Agency to become the sponsor of both community residences previously operated at Park House, Inc. ("Park House"). All operating certificates were issued to the Agency during December 2015 and were effective as of January 1, 2016. As a result of this acquisition, the accompanying consolidated financial statements include the results of operations of Park House as of January 1, 2016. In addition, the Agency assumed all assets and liabilities of Park House. See Note 12 for assets and liabilities included.

On February 2, 2017, the New York State Attorney General approved a plan of merger for the Stephanie Joyce Kahn Foundation, Inc. ("SJK") to be merged into the Agency. National Foundation for Human Potential, Inc., an entity related to the Agency through common management, was the sole member of SJK prior to the merger. As of February 2, 2017, the accompanying consolidated financial statements include the results of operations of SJK.

2. Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements include the accounts of the Agency and its sole membership subsidiaries Charter School, Preschool, and the Foundation (collectively referred to as the "Organization"), and have been prepared on the accrual basis of accounting. All inter-company transactions have been eliminated in consolidation. Due to the Charter School and the Preschool electing to cease operations as of July 1, 2016, the liquidation basis of accounting was adopted as of June 30, 2016 for these entities. Accordingly, the Charter School and Preschool revalued their liabilities expected to be paid during the liquidation. The effects of the revaluation are included in the consolidated statements of activities and changes in net assets as (loss) gain on discontinued operations. The valuation of liabilities at their estimated net settlement value represent estimates based on present facts and circumstances. Any differences between the revalued amounts and actual cash transactions will be recognized in the period they occur. Liquidation is expected to be completed during the year ending December 31, 2018.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. The Organization does not include restricted cash within its cash and cash equivalents balance, due to its restricted use.

Fair Value

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the entity transacts. The Organization must determine whether its assets and liabilities recorded at fair value were based on Level 1 (valued based on quoted prices in an active market for identical assets), Level 2 (valued based on significant other observable inputs) or Level 3 (valued based on significant unobservable inputs) measurements within the fair value hierarchy.

Property Closing Costs, Mortgage, and Bond Closing Costs and Fees

Property closing costs, mortgage and bond closing costs and fees are amortized as interest expense over the lives of the related mortgage or bond obligations, and are a direct deduction of the related debt on the consolidated statements of financial position.

Investments

Investments are recorded at their fair values. Fair values are determined using quoted prices in an active market and represent Level 1 inputs within the fair value hierarchy. Gains and losses on investments are reported in the consolidated 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. Included in restricted other investments in the accompanying consolidated statements of financial position are investments representing Level 1 inputs relating to a deferred compensation arrangement covering certain participating employees. These restricted other investments are recorded using the same fair value measurement principles discussed above and primarily consist of investments in mutual funds.

Property, Plant and Equipment, Net

Property, plant and equipment are stated at cost or, in the case of donated items, at fair value on the date of donation, less accumulated depreciation and amortization. Depreciation and amortization are provided using the straight-line method over the assets' useful life and/or lease terms, as appropriate.

The Organization's policy is to capitalize all purchases in excess of $5,000. Depreciation is based on the month placed in service and is calculated using the straight-line method over the estimated useful lives of the assets detailed below. Leasehold improvements are depreciated over the lesser of the life of the lease or the asset's useful life. Property, plant and equipment are depreciated/amortized using the following estimated useful lives:

	Years
Buildings and improvements	2 - 26
Equipment, furniture and fixtures	2 - 10
Transportation, vehicles	3 - 7

Long-Lived Assets

The Organization will recognize losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts.

Revenues

Revenues are recorded when earned as services are provided for residential care, day programs, clinical services and education services. These programs are sponsored and funded by the Office for People With Developmental Disabilities ("OPWDD"), the Office of Mental Health ("OMH"), the Department of Health ("DOH"), the New York State Education Department ("SED") and Adult Career and Continuing Education Services-Vocational Rehabilitation ("ACCES-VR"). Substantially all funding is through New York State reimbursement and Medicaid funding. Revenues are subject to audit and possible adjustment by third-party payers. The effects of any such adjustments are recorded when reasonably determinable. Management believes that the effects of audit adjustments, if any, will not have a material effect on the accompanying consolidated financial statements.

Functional Allocation of Expenses

Wages, taxes and benefits, food, utilities, repairs and maintenance, and other expenses are allocated among the programs and support services benefited.

Use of Estimates

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

Allowance for Doubtful Accounts

Management must make estimates of the uncollectability of all accounts receivable. Management specifically analyzes receivables, historical bad debts and changes in circumstances when evaluating the adequacy of the allowance for doubtful accounts.

Interest Rate Swaps

The Organization has entered into four interest rate swap agreements with two separate banks. The first bank holds two of the Organization's interest rate swap agreements. These interest rate swaps are traded within a market that uses an over the counter ("OTC") interest rate derivative based on the terms set forth in the 2012 SWAP Confirmation Agreements. This interest rate swap model uses a dual curve interest rate swap valuation model (London Interbank Offered Rate ("LIBOR") and Overnight Index Swap ("OIS") discount factor curve) to forecast future cash flows over the remaining life of the swap.

The second bank, which holds the remaining two interest rate swap agreements, uses a discounted cash flow model. This interest rate swap model uses a zero coupon curve derived from USD swap rates and discounted cash flow model to forecast future cash flows.

These interest rate swap agreements are recorded at fair value. Fair values are determined based on significant other observable inputs and represent Level 2 inputs within the fair value hierarchy. Gains and losses on investments are reported in the consolidated statements of activities and changes in net assets as increases or decreases in unrestricted net assets.

Assets With Limited Use

Assets with limited use consist of restricted cash, restricted investments - debt service funds, and restricted other investments. Restricted cash consists of funded depreciation and individual burial funds. Restricted investments - debt service funds are required under the bond financing agreements, plus interest earned. Restricted other investments consist of assets held for deferred compensation plans and the cash surrender value associated with life insurance policies.

Uncertain Tax Positions

Management evaluated the tax positions and concluded that the Organization has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification No. 740.

Recent Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. Management is currently evaluating the impact of adopting ASU 2016-14 on the Organization's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of ASU 2014-09 requires recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of adopting ASU 2014-09 on the Organization's consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the statement of cash flows. ASU 2016-18 is effective for fiscal years beginning after December 15, 2018. ASU 2016-18 is to be applied retroactively with transition provisions. Management is currently evaluating the impact of adopting ASU 2016-18 on the Organization's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for non-public entities for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of adopting ASU 2016-02 on the Organization's financial statements.

Subsequent Events

Management has evaluated subsequent events through May 31, 2018, the date the consolidated financial statements are available for issuance, for inclusion or disclosure in the consolidated financial statements.

3. Property, Plant and Equipment, Net

Property, plant and equipment, net, consist of the following:

	December 31, 2017	December 31, 2016
Land	$ 7,424,677	$ 8,169,263
Buildings	26,838,063	29,402,076
Building improvements	33,166,367	33,603,905
Leasehold improvements	187,790	187,790
Equipment, furniture and fixtures	4,584,658	4,455,019
Transportation vehicles	6,894,030	5,241,530
Construction in progress	3,932,469	1,832,398
Total property, plant and equipment	83,028,054	82,891,981
Less accumulated depreciation and amortization	42,921,013	43,323,160
Property, plant and equipment, net	$ 40,107,041	$ 39,568,821

A portion of the Organization's property, plant and equipment was purchased with bond funding received from the Medical Care Facilities Finance Agency ("MCFFA"), as described in Note 6. Funding for these capital expenditures was provided with the stipulation that if the Organization ceases to operate the programs during the term of the bond for OPWDD and OMH purposes, the property, plant and equipment will revert to the funding source. Capital grants received by the Organization for the purchase of property and equipment are recognized as income in the year the asset has been put into use and are included as income from non-operating activities in the accompanying consolidated statements of activities and changes in net assets.

As of December 31, 2017 and 2016, construction in progress, which consists of amounts incurred in advance for future projects, amounted to approximately $3,932,000 and $1,832,000, respectively. As of December 31, 2017, the aggregate estimated future commitment to complete the remaining construction is approximately $254,000.

Included in property, plant and equipment are assets under capital leases as follows:

	December 31, 2017	December 31, 2016
Transportation vehicles	$ 4,673,419	$ 3,314,043
Equipment	868,474	868,474
Less accumulated depreciation and amortization	(2,279,035)	(1,430,965)
	$ 3,262,858	$ 2,751,552

4. Other Assets, Net

Other assets, net, consist of the following:

	December 31, 2017	December 31, 2016
Investments held by trustee - OPWDD	$ -	$ 209,591
Security deposits	400,926	297,943
Bond sinking funds	745,469	895,770
Accrued receivable, LISH	1,099,999	464,450
Prepaid and other assets	1,431,597	965,978
Total other assets	3,677,991	2,833,732
Less current portion	2,173,738	1,800,853
Total other assets, net	$ 1,504,253	$ 1,032,879

5. Notes Payable, Lines of Credit

As of December 31, 2017 and 2016, the Organization had lines of credit which totaled $10,000,000, respectively, and were shared by two banks. The outstanding balances on the lines of credit are secured by the Organization's accounts receivable. The two lines of credit of $5,000,000 each expire on August 31, 2018. The lines of credit bear interest at the banks' prime rate (4.25% as of December 31, 2017 and 3.75% as of December 31, 2016).

As of December 31, 2017 and 2016, $4,000,000 and $6,500,000, respectively, was outstanding under these respective lines of credit.

Interest expense for the years ended December 31, 2017 and 2016 approximated $180,000 and $276,000, respectively.

6. Long-Term Debt

The Organization has mortgages, bonds, and loans payable on several of its facilities summarized as follows as of December 31, 2017 and 2016:

Indebtedness	Creditor		Balance Outstanding 2017	2016	Average Rate of Interest
Mortgage payable	Reese Michaels	(A)	$ 120,017	$ 135,017	Interest free
Notes payable	TD Equipment Finance, Inc.	(B)	-	748,778	5.38%
	NYS Sponsored Medical Care Facilities Finance Agency	(C)	343,100	839,600	7.08%
Bonds payable	Suffolk County Industrial Development Agency Civic Facility Revenue Bonds	(D)	345,000	420,000	5.95% and 7.25%
	DASNY Bonds	(E)	365,009	435,486	5.0455%
		(F)	2,331,871	2,498,286	1% to 5%
		(G)	4,764,699	4,940,431	1.5% to 4%
		(H)	167,957	201,644	3.738%
	Capital Leases	(I)	3,380,517	2,459,293	Various
	Suffolk County National Bank	(J)	696,550	735,396	5.56%
	Nassau County Local Economic Assistance Corporation Bonds	(K)	9,141,000	9,677,0000	3.66%, 3.709% and 4.00%
	Suffolk County Economic Development Corporation Bonds	(K)	5,029,000	6,353,000	3.38%, 3.66% and 3.709%
	TD Bank Bridge Loans	(L)	2,999,873	524,300	3.75%
	Total mortgages, notes, bonds, and loans payable		29,684,593	29,967,828	
	Less debt issuance costs, net		1,391,373	1,662,177	
	Less current maturities		2,648,561	3,281,143	
	Total long-term debt		$ 25,644,659	$ 25,024,508	

(A) This note payable is collateralized by the equestrian ranch and day program known as Saddle Rock Ranch located in Middle Island, New York.

(B) This note payable was used to pay for the Agresso implementation and software.

(C) The Organization recognizes revenue for both principal and interest reimbursed by NYS for all MCFFA bonds. These bonds are secured by either residences or day program facilities.

(D) This Suffolk County 2006 IDA Bond is secured by an IRA located in Smithtown, New York. $965,000 was issued as tax-exempt with a fixed rate of 5.95% for the 15 year term. The remaining $33,000 was issued as taxable with a fixed rate of 7.25% for the five year term. This bond matures on October 1, 2021.

(E) This Dormitory Authority of the State of New York ("DASNY") Bond is secured by three OMH Community Residence located in Suffolk County, New York. The Agency recognizes revenue for both principal and interest reimbursed by NYS for the DASNY bond.

(F) These DASNY Bonds are secured by the three locations that were previously financed on bridge loans in Springfield Gardens, New York, Queens Village, New York and Mastic Beach, New York. $2,615,000 was issued as tax-exempt with a variable rate ranging from 2.00% to 5.00% for the 15 year term. The remaining $115,000 was issued as taxable with a fixed rate of 1.00% for the three year term. These bonds were issued at a premium of $171,266 which is to be repaid over the 15 year term of the tax-exempt bond issuance.

(G) These DASNY Bonds are secured by seven locations that were previously financed on bridge loans in Amityville, Centereach, Coram, Jamaica, Medford, and Westbury. These Series 2016 bonds consist of two bonds, one tax-exempt bond in the amount of $4,640,000 and one taxable bond in the amount of $225,000. The interest rate for the tax-exempt bond is fixed per year and varies over the life of the bond ranging from 2% to 4% for the 25 year term. The interest rate for the taxable bond is fixed at 1.5% for two years. These bonds were issued at a premium of $143,297 which is to be repaid over the 25 year term of the tax-exempt bond issuance. The Organization is required to comply with certain financial covenants on an annual basis throughout the life of the bonds. As of both December 31, 2017 and 2016, the Organization was in compliance with these financial covenants.

(H) This DASNY Bond was a result of the Park House transfer and is secured by one OMH Community Residence located in Setauket, New York. The Agency recognizes revenue for both principal and interest reimbursed by NYS for the DASNY bond.

(I) The Agency has executed capital leases related to vehicle purchases for various programs and for the implementation of Agresso software. These capital leases mature on various dates from November 2017 through September 2022.

(J) On October 19, 2004, the Foundation entered into a mortgage agreement with the Suffolk County National Bank in the amount of $1,380,000. The initial interest rate on the mortgage was 6.46%. This interest rate was subsequently changed to 5.75% in October 2009 and 5.00% in October 2014. According to the mortgage agreement, the interest rate the Foundation will pay may change every fifth year thereafter. The mortgage matures on October 19, 2024 and is secured by the Foundation's fixed assets. Under this mortgage agreement, the Foundation was subject to certain financial covenants; however, on October 9, 2014, the Foundation received a permanent waiver from the bank for these covenants.

(K) On May 15, 2012, the Organization refinanced approximately $19,000,000 of existing debt and acquired approximately $1,900,000 for new projects through the issuance of Nassau County Local Economic Assistance Corporation and Suffolk County Economic Development Corporation bonds. The bonds carry variable interest rates and have a variable repayment schedule from 5 to 17 years. The Organization is required to comply with certain financial covenants on an annual basis throughout the life of the bonds. As of both December 31, 2017 and 2016, the Organization was in compliance with these financial covenants.

In connection with the refinancing, the Organization also entered into two interest rate swap agreements with both TD Bank and Valley National Bank, to pay a fixed rate of interest and hedge its exposure for changes in interest rates over the term of the refinanced debt. The interest rates associated with the TD Bank swap agreements are 3.389% and 3.112%. The interest rates associated with the Valley National Bank swap agreements are 3.439% and 3.162%. All swap agreements match the terms of the bonds, with maturities between 5 and 17 years. The notional amount of the swap agreements decrease in accordance with principal payments. As of December 31, 2017, the notional amount and fair value asset were $5,540,000 and $30,434, respectively, for the TD Bank swap agreements, and $5,540,000 and $18,233, respectively, for the Valley National Bank swap agreements.

As of December 31, 2017 and 2016, the total fair value of the interest rate swaps was an asset of approximately $49,000 and a liability of approximately $47,000, respectively, and is reflected within the accompanying consolidated statements of financial position. The unrealized gains for the valuation are shown as non-operating activities on the consolidated statements of activities and changes in net assets.

On June 19, 2015, the Organization refinanced approximately $2,368,000 of existing debt and acquired approximately $431,000 for new projects through the issuance of Nassau County Local Economic Assistance Corporation and Suffolk County Economic Development Corporation bonds. The bonds carry fixed interest rates of differing percentages and have variable repayment schedules from 5 to 25 years. The Organization is required to comply with certain financial covenants on an annual basis throughout the life of the bonds. As of both December 31, 2017 and 2016, the Organization was in compliance with these financial covenants.

(L) During the year ended December 31, 2016, the balances associated with the eight bridge loans outstanding as of December 31, 2015 were refinanced utilizing DASNY bonds issued in 2016 (see G above). During the year ended December 31, 2016, the Organization entered into a bridge loan agreement with TD Bank for the purchase of new IRA homes, which was transferred to an additional bridge loan during the year ended December 31, 2017 that was entered into for the purchase of seven properties. These loans are secured by the properties associated with the loans and are expected to be refinanced with permanent financing during the year ending December 31, 2018.

Family Residences & Essential Enterprises, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

Minimum future principal payments for long-term debt are approximately as follows:

Years ending December 31:	
2018	$ 2,881,000
2019	2,764,000
2020	2,429,000
2021	2,019,000
2022	1,446,000
Thereafter	18,146,000
Total	$ 29,685,000

Interest expense on long-term debt and the related debt issuance costs for the years ended December 31, 2017 and 2016 approximated $1,406,000 and $1,239,000, respectively.

7. Pension Plans

The Organization adopted the Family Residences Retirement & 401(k) Savings Plan (the "Plan") effective January 1, 1997 covering all eligible employees. The Plan is qualified under the Employee Retirement Income Security Act of 1974 guidelines set forth by the Department of Labor. Effective April 24, 2014, the Plan was amended by restating the Plan in its entirety. The Plan has been characterized for financial accounting purposes as a multi-employer plan. The Plan permits eligible employees the option to defer a portion of their compensation, subject to Internal Revenue Service ("IRS") limitations, into the Plan.

For each plan year, the Organization may contribute to the Plan, on behalf of each eligible employee, a discretionary matching contribution. The Organization will determine this discretionary matching contribution annually. There were no matching contributions for the years ended December 31, 2017 and 2016. As of the date of this report, the Organization's discretionary matching contributions were fully funded.

In addition to the discretionary matching contributions, the Organization may make a discretionary contribution to the Plan which will be determined annually. For the Plan years ended December 31, 2017 and 2016, the Organization's discretionary contribution was approximately $1,250,000 and $1,039,000, respectively.

The Organization has adopted a Family Residences and Essential Enterprises, Inc. 403(b) Plan ("403(b) Plan") effective January 1, 2009. Effective April 24, 2014, the 403(b) Plan was amended by restating the 403(b) Plan in its entirety. The 403(b) Plan permits eligible employees the option to defer a portion of their compensation, subject to IRS limitations, into the 403(b) Plan. There are no employer contributions into the 403(b) Plan.

The Organization adopted the Family Residences & Essential Enterprises, Inc. Section 457 Deferred Compensation Plan pursuant to Section 457(b) ("457(b) Plan") effective January 1, 1998 which was restated effective January 1, 2010 and April 24, 2014. The 457(b) Plan covers a group of management employees and permits employee compensation deferrals and employer contributions. The Organization contributed approximately $247,000 and $64,000 to the 457(b) Plan for the years ended December 31, 2017 and 2016, respectively. The Organization has recognized a long-term liability related to the 457(b) Plan of approximately $1,348,000 and $943,000 as of December 31, 2017 and 2016, respectively.

The Organization also has a plan that includes a corporate-sponsored split dollar agreement to purchase life insurance. The cash surrender value of the policies as of December 31, 2017 and 2016 approximated $423,000 and $597,000, respectively. This plan includes a separate deferred compensation arrangement to be paid at retirement. The Organization has accrued a long-term liability for this obligation of approximately $687,000 and $614,000 as of December 31, 2017 and 2016, respectively.

The Preschool has a tax-sheltered retirement income ("IRC 403(b)") plan covering its eligible employees. This plan enables participants to make pretax salary contributions, within limits, through elective salary deferrals. In addition, the Preschool offers a discretionary employer match as part of the plan. There was no expense relating to the match in 2017 and 2016 as the Preschool ceased operations effective July 1, 2016.

The Charter School is a participant in a pension plan that has been characterized for financial accounting purposes as a multi-employer plan. This Plan covers the Charter School union-represented employees. The New York State Teachers' Retirement System (the "NYSTRS") is a cost sharing, multi-employer defined benefit plan for the Charter School employees. The risks of participating in multi-employer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the multi-employer plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If one of the participating employers petitions to stop participating in the multi-employer plan, such employer may be required to pay the plan a withdrawal liability based on the funded status of the plan.

Due to the closing of the Charter School, it is no longer a participating employer in the NYSTRS effective July 1, 2016.

The NYSTRS is designed to provide retirement benefits for its members including the eligible employees of the Charter School. Benefits are calculated utilizing specified percentages within the plan document. The Charter School made employer contributions to the NYSTRS of approximately $52,000 for the year ended December 31, 2016 which is included in the accompanying consolidated statements of activities and changes in net assets. The Charter School's required annual contributions represent less than 5% of the total contributions to the NYSTRS. During the year ended December 31, 2016, the employer contribution percentage was 13.26%. Additionally, there were 28 Charter School employees participating in the NYSTRS during the year ended December 31, 2016.

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Family Residences & Essential Enterprises, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

The following table discloses the most recent funded status of the NYSTRS as of June 30, 2016 (the date of the latest actuarial valuation), inclusive of the fair value of plan assets as of June 30, 2016.

	Fair Value of Plan Assets	Actuarial Present Value of Accumulated Plan Benefits	Total Contributions	Funded Status	Zone Status
June 30, 2016	$ 107,506,100,000	$ 109,305,100,000	$ 2,175,163,000	98.4%	Green
June 30, 2015	109,718,900,000	105,401,800,000	2,756,300,000	104.1%	Green

As of both June 30, 2016 and 2015, the NYSTRS had a certified green zone status. The NYSTRS did not utilize any extended amortization provisions that would affect the calculation of their zone status. For the year ended December 31, 2016, the Charter School did not pay a surcharge to the NYSTRS nor did the NYSTRS have a rehabilitation plan implemented or pending.

8. Transactions with Affiliated Organizations

The Organization has a contract to supply management services and direct staff leasing to Rides Unlimited of New York, Inc. ("Rides"), a transportation company. Fees charged for these services for the years ended December 31, 2017 and 2016 were approximately $1,764,000 and $1,725,000, respectively. The Organization transports individuals attending day programs via Rides. Transportation fees charged for the years ended December 31, 2017 and 2016 were approximately $2,718,000 and $4,575,000, respectively. The Organization leases a vehicle storage and repair facility located in Islandia, New York to Rides. Rent charges were approximately $84,000 and $179,000 for the years ended December 31, 2017 and 2016, respectively. The Organization also obtains vehicle repair services and fuel from Rides. The total amounts incurred for these services and for fuel for the years ended December 31, 2017 and 2016 were approximately $246,000 and $608,000, respectively. The Organization had receivables from Rides, which amounted to approximately $84,000 and $2,570,000, respectively, as of December 31, 2017 and 2016.

The Organization has an agreement with The Rehabilitation Institute, Inc. ("TRI"), a non-profit corporation organized under the not-for-profit laws of New York State. TRI provides habilitation, rehabilitation and vocational programs, training and services to persons with various physical and mental disabilities in Nassau County, New York. The Organization provides management services to TRI to assist in the planning, administration and delivery of these services. Total amounts charged to TRI for these services amounted to approximately $406,000 and $402,000 for the years ended December 31, 2017 and 2016, respectively. The Organization had receivables from TRI, which amounted to approximately $70,000 and $14,000, respectively, as of December 31, 2017 and 2016.

The Organization has an agreement with the National Foundation for Human Potential, Inc. (the "National Foundation"), a non-profit corporation organized under the not-for-profit laws of New York State. National Foundation provides financial and other support to organizations that promote educational, residential, and support services for people in need. To meet that purpose, the National Foundation raises funds and provides contributions and grant awards to organizations that serve the developmentally disabled, including the Organization. The Organization provides managerial services for the direct oversight of the National Foundation's daily operations. Total amounts charged to the National Foundation for these services amounted to approximately $266,000 and $346,000 for the years ended December 31, 2017 and 2016, respectively. The Organization leases office space located in Old Bethpage, New York to the National Foundation. The amounts due from and to National Foundation as of December 31, 2017 of approximately $20,000 and $71,000, respectively, are included in receivables from affiliated organizations and payables to affiliated organizations, respectively. The amounts due from and to National Foundation as of December 31, 2016 of approximately $114,000 and $1,000, respectively, are included in receivables from affiliated organizations and payables to affiliated organizations, respectively.

The Organization has an agreement with Homes Anew I Ltd. ("Homes Anew I") and Homes Anew II Ltd. ("Homes Anew II"), not-for-profit organizations under the not-for-profit laws of New York State. Homes Anew I is a community residence program which establishes, operates and maintains community residences for developmentally disabled, low income individuals in Suffolk County, New York. Homes Anew II is a community residence program which establishes, operates and maintains community residences for homeless and/or physically/developmentally disabled individuals. The Organization provides management services to assist in the administration and oversight of Homes Anew I and Homes Anew II's business activities. Total amounts charged to Homes Anew I and Homes Anew II for these services amounted to approximately $30,000 and $15,000 for the years ended December 31, 2017 and 2016, respectively. The amounts due from and to Homes Anew I and Homes Anew II as of December 31, 2017 of approximately $19,000 and $185,000, respectively, are included in receivables from affiliated organizations and payables to affiliated organizations, respectively. The amounts due from and to Homes Anew I and Homes Anew II as of December 31, 2016 of approximately $11,000 and $130,000, respectively, are included in receivables from affiliated organizations and payables to affiliated organizations, respectively.

The Organization had an agreement with Contemporary Guidance Services ("CGS"), a non-profit corporation under the not-for-profit laws of New York State, to provide administrative services. CGS provides vocational training, supportive work, day habilitation, respite, and Medicaid Service Coordination ("MSC") services, among others, to developmentally disabled individuals. Total amounts charged to CGS for the management services amounted to approximately $236,000 and $189,000, respectively, for the years ended December 31, 2017 and 2016. The Organization had receivables from CGS, which amounted to approximately $371,000 and $370,000, respectively, as of December 31, 2017 and 2016. CGS ceased operations effective September 29, 2017.

During 2014, the Organization entered into a management agreement with Adelante of Suffolk County, Inc. ("Adelante"), a non-profit organization located in Central Islip, New York. Adelante provides services to culturally diverse communities in the areas of health, education, employment, supported housing, youth leadership development, volunteerism and culture. Adelante advocates the need to improve the quality of life of their community members, to promote Hispanic culture and civic responsibility, as well as foster the educational, economical, social and cultural awareness and pride of the community. Per the terms of the agreement, the Organization is to provide executive consulting, financial management, accounting services, legal services, human resources, real estate management, compliance and similar services. Total amounts charged to Adelante for these services amounted to approximately $185,000 and $191,000 for the years ended December 31, 2017 and 2016, respectively. The Organization also obtains services from Adelante. The Organization had receivables from Adelante, which amounted to approximately $5,000 and $30,000 as of December 31, 2017 and 2016, respectively.

During 2014, the Organization entered into a management agreement with Skills Unlimited, Inc. ("Skills Unlimited"), a non-profit organization located in Oakdale, New York. Skills Unlimited provides vocational training, sheltered employment, Article 31 clinic and social adjustment services to disabled Individuals in training or sheltered employment. Per the terms of the agreement, the Organization is to provide executive consulting, financial management, human resources, information technology, accounting and legal services, compliance and similar services. Total amounts charged to Skills Unlimited for the management services amounted to approximately $499,000 and $503,000 for the years ended December 31, 2017 and 2016, respectively. The Organization had amounts due from Skills Unlimited which amounted to approximately $427,000 and $455,000 as of December 31, 2017 and 2016, respectively.

The Organization had no receivables due from other affiliated organizations as of December 31, 2017 and December 31, 2016.

The Organization is affiliated with the organizations listed above through management agreements in place to provide supervisory and management functions to these organizations.

9. Commitments

The Organization is a party to various operating lease commitments. Minimum payments under these lease commitments as of December 31, 2017 are approximately as follows:

Years ending December 31:	
2018	$ 3,184,000
2019	965,000
2020	287,000
2021	286,000
2022	163,000
Total	$ 4,885,000

The amounts above reflect existing contractual agreements. Property leases are often limited to one and two year terms. The Organization anticipates renewal and/or replacement of all such agreements and these amounts are not reflected above. Rent expense for the years ended December 31, 2017 and 2016 approximated $3,912,000 and $3,750,000, respectively.

10. Contingencies

The Organization is subject to certain claims and pending litigation, which are covered by certain insurance policies. These claims and pending litigation are related to matters which have arisen in the ordinary course of the Organization's activities and are not expected to have a material adverse effect on the Organization's financial position or changes in net assets.

11. Off-Balance Sheet Risk and Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash, investments and accounts receivable from governmental agencies. The Organization places its cash and investments with various financial institutions. At times throughout the year, the Organization may have maintained cash balances which exceed the limits insured by the Federal Deposit Insurance Corporation ("FDIC"). Accounts receivable from governmental agencies are from federal, state and county agencies.

	Amount
Accounts Receivable	$ 469,203
Property, Plant and Equipment	347,349
Other Assets	520,910
Accounts Payable	233,190
Accrued Expenses	13,000
Accrued Salaries and Payroll	9,789
Other Current Liabilities	91,180
Reserves and Recoveries	208,674
Long-Term Debt	233,703
Other Long-Term Liabilities	66,723

12. Non-Cash Transaction

In conjunction with the acquisition of Park House, the following noncash assets and liabilities of Park House were included in the consolidated financial statements as of January 1, 2016:

Also included in the consolidated financial statements beginning January 1, 2016 was $1,825,380 of cash from Park House. At the acquisition date, the book value of all assets and liabilities approximated fair value.

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Family Residences & Essential Enterprises, Inc. and Subsidiaries
Consolidating Statement of Financial Position
December 31, 2017

	Family Residences and Essential Enterprises, Inc.	Child Development Center of the Hamptons Charter School	Child Development Center of the Hamptons Preschool	Child Development Center of the Hamptons Foundation	Eliminations	Total
Assets						
Current Assets						
Cash and cash equivalents	$ 5,161,171	$ 563	$ 2	$ 274	$ -	$ 5,162,010
Accounts receivable, net of allowance for doubtful accounts of approximately $1,069,000	13,436,683	36,422	288	-	-	13,473,393
Receivables from affiliated organizations, net of allowance for doubtful accounts of approximately $235,000	1,739,156	-	-	-	-	1,739,156
Other current assets	2,115,870	1,739	787	55,342	-	2,173,738
Total current assets	22,452,880	38,724	1,077	55,616	-	22,548,297
Property, plant and equipment, net	38,463,327	-	-	1,643,714	-	40,107,041
Other assets, net	1,504,253	-	-	-	-	1,504,253
Assets with limited use:						
Restricted cash	524,946	-	-	-	-	524,946
Restricted investments, debt service funds	722,163	-	-	-	-	722,163
Restricted other investments	1,771,309	-	-	-	-	1,771,309
Accrued receivable, unfunded bond principal	24,135	-	-	-	-	24,135
Other long-term investments	45,000	-	-	-	-	45,000
Total plant and other long-term assets	43,055,133	-	-	1,643,714	-	44,698,847
Total assets	$ 65,508,013	$ 38,724	$ 1,077	$ 1,699,330	$ -	$ 67,247,144
Liabilities and Net Assets						
Current Liabilities						
Accounts payable	$ 2,141,965	$ 377	$ 3,498	$ 840	$ -	$ 2,146,680
Payables to affiliated organizations	185,594	13,300	-	26,409	-	225,303
Accrued expenses	1,177,647	-	-	37,528	-	1,215,175
Accrued salaries and payroll	7,815,858	1,344	-	-	-	7,817,202
Lines of credit	4,000,000	-	-	-	-	4,000,000
Current maturities of long-term debt	2,548,863	-	-	99,698	-	2,648,561
Deferred revenue, current	612,096	-	-	-	-	612,096
Reserves and recoveries, current	-	-	293,574	-	-	293,574
Other current liabilities	1,550,853	26,980	586	-	-	1,578,419
Total current liabilities	20,032,876	42,001	297,658	164,475	-	20,537,010
Long-Term Liabilities						
Long-term debt, net of current maturities	25,047,807	-	-	596,852	-	25,644,659
Deferred revenue	314,310	-	-	-	-	314,310
Reserves and recoveries	3,826,961	-	-	-	-	3,826,961
Other liabilities	1,986,140	-	-	-	-	1,986,140
Interest rate swap agreements	(48,667)	-	-	-	-	(48,667)
Total long-term liabilities	31,126,551	-	-	596,852	-	31,723,403
Total liabilities	51,159,427	42,001	297,658	761,327	-	52,260,413
Commitments and Contingencies						
Net Assets (Deficit), Unrestricted	14,348,586	(3,277)	(296,581)	938,003	-	14,986,731
Total liabilities and net assets	$ 65,508,013	$ 38,724	$ 1,077	$ 1,699,330	$ -	$ 67,247,144

Family Residences & Essential Enterprises, Inc. and Subsidiaries
Consolidating Statement of Activities and Changes in Net Assets
Year Ended December 31, 2017

	Family Residences and Essential Enterprises, Inc.	Child Development Center of the Hamptons Charter School	Child Development Center of the Hamptons Preschool	Child Development Center of the Hamptons Foundation	Eliminations	Total
Unrestricted Revenues, Gains and Other Support						
OMH residential	$ 12,093,608	$ -	$ -	$ -	$ -	$ 12,093,608
OPWDD residential	68,500,015	-	-	-	-	68,500,015
Day programs	22,738,709	-	-	-	-	22,738,709
HHAP/HUD programs	182,285	-	-	-	-	182,285
Other program revenue	2,394,769	-	-	-	-	2,394,769
Investment income	15,173	-	-	-	-	15,173
Other miscellaneous income	2,349,974	-	-	172,345	(172,345)	2,349,974
Contributions	194,931	-	-	-	-	194,931
Unrealized and realized gain in fair value of investments	5,670	-	-	-	-	5,670
Gain on sale of property, plant and equipment	4,090,601	-	-	-	-	4,090,601
Total unrestricted revenues, gains and other support	112,565,735	-	-	172,345	(172,345)	112,565,735
Expenses						
OMH residential	10,208,138	-	-	-	-	10,208,138
OPWDD residential	60,153,317	-	-	-	-	60,153,317
Day programs	19,659,323	-	-	-	-	19,659,323
HHAP/HUD programs	228,537	-	-	-	-	228,537
CDCH Charter school	-	173,370	-	-	(172,345)	1,025
CDCH Preschool	-	-	2,461	-	-	2,461
CDCH Foundation	-	-	-	118,146	-	118,146
Other program expenses	4,607,766	-	-	-	-	4,607,766
Total program expenses	94,857,081	173,370	2,461	118,146	(172,345)	94,978,713
Support Services and Administration	13,461,441	4,141	-	20,232	-	13,485,814
Total expenses	108,318,522	177,511	2,461	138,378	(172,345)	108,464,527
Changes in Net Assets before Unrealized Gain on Interest Rate Swaps, Gain (Loss) on Discontinued Operations, and Transfer in of Net Deficit	4,247,213	(177,511)	(2,461)	33,967	-	4,101,208
Unrealized Gain on Interest Rate Swaps	95,201	-	-	-	-	95,201
Gain (Loss) on Discontinued Operations	-	62,727	(27,102)	(46,978)	-	(11,353)
Transfer in of Net Deficit	(41,135)	-	-	-	-	(41,135)
Changes in Net Assets	4,301,279	(114,784)	(29,563)	(13,011)	-	4,143,921
Net Assets (Deficit), Beginning Of Year	10,047,307	111,507	(267,018)	951,014	-	10,842,810
Net Assets (Deficit), End Of Year	$ 14,348,586	$ (3,277)	$ (296,581)	$ 938,003	$ -	$ 14,986,731

Family Residences & Essential Enterprises, Inc. and Subsidiaries
Consolidated Statement of Functional Expenses
Year Ended December 31, 2017

	OMH Residential	OPWDD Residential	Day Programs	HHAP/HUD Programs	CDCH Charter, Preschool and Foundation	Other Program Expenses	Total Program Expenses	Support Services and Administration	Total Expenses
Salaries	$ 4,072,835	$ 36,526,551	$ 9,070,697	$ 69,353	$ -	$ 1,686,888	$ 51,426,324	$ 6,725,548	$ 58,151,872
Fringe benefits	1,280,141	11,092,554	2,780,648	21,526	2,529	473,148	15,650,546	2,172,498	17,823,044
Consulting and professional fees	41,663	1,640,607	71,625	1,222	1,750	159,371	1,916,238	784,135	2,700,373
Food and household	371,998	1,603,655	253,480	239	-	136,272	2,365,644	62,136	2,427,780
Program expense	15,683	452,353	117,439	-	-	182,726	768,201	17,248	785,449
Staff development and recruitment	608	34,488	5,057	9	-	30,774	70,936	203,007	273,943
Transportation	27,959	226,486	4,668,210	1,903	-	35,175	4,959,733	54,963	5,014,696
Vehicle expense	21,970	364,783	139,151	193	-	10,189	536,286	40,740	577,026
Utilities	305,988	766,212	156,525	13,289	19,997	80,006	1,342,017	98,005	1,440,022
Telephone	89,343	257,005	124,550	4,777	1,054	11,765	488,494	419,101	907,595
IT expense	218,518	734,927	620,298	242	-	136,713	1,710,698	216,971	1,927,669
Expensed furniture and equipment	157,758	352,767	28,702	834	-	2,833	542,894	23,865	566,759
Repairs and maintenance	255,965	1,373,497	314,037	16,214	10,603	587,972	2,558,288	243,097	2,801,385
Office supplies	8,376	58,404	21,832	5	-	14,744	103,361	168,971	272,332
Miscellaneous	5,241	763,497	9,714	100	100	40,858	819,510	80,331	899,841
Interest expense	70,830	635,334	208,439	2	6,102	78,827	999,534	586,413	1,585,947
Insurance	191,099	587,576	262,228	751	3,461	32,979	1,078,094	608,466	1,686,560
Depreciation and amortization	272,657	1,973,510	611,742	27,003	64,128	237,093	3,186,133	836,643	4,022,776
Rental/lease expense	2,799,489	682,734	157,474	70,875	11,908	80,895	3,803,375	108,898	3,912,273
Other property expense	17	26,377	37,475	-	-	26,471	90,340	34,778	125,118
Bad debt	-	-	-	-	-	562,067	562,067	-	562,067
Total expenses after eliminations	$ 10,208,138	$ 60,153,317	$ 19,659,323	$ 228,537	$ 121,632	$ 4,607,766	$ 94,978,713	$ 13,485,814	$ 108,464,527

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FAMILY RESIDENCES & ESSENTIAL ENTERPRISES, INC. AND SUBSIDIARIES
Old Bethpage, New York

CONSOLIDATED FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Family Residences & Essential
Enterprises, Inc. and Subsidiaries
Old Bethpage, New York

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Family Residences & Essential Enterprises, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Family Residences & Essential Enterprises, Inc. and Subsidiaries as of December 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Consolidating and Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 19 to 20 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Also, the consolidated statement of functional expenses on page 21 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Melville, New York
June 1, 2017

Consolidated Financial Statements

Consolidated Statements of Financial Position

As of December 31,	**2016**	2015
Assets		
Current Assets:		
Cash and cash equivalents	**$ 1,726,786**	$ 1,857,517
Accounts receivable, net of allowance for doubtful accounts of approximately $1,731,000 and $1,945,000, respectively	**12,661,869**	15,020,305
Receivables from affiliated organizations, net of allowance for doubtful accounts of approximately $1,269,000 as of December 31, 2016	**3,595,766**	2,427,264
Other current assets	**1,800,853**	4,816,335
Total Current Assets	**19,785,274**	24,121,421
Property, Plant and Equipment, net	**39,568,821**	40,357,451
Other Assets, net	**1,032,879**	597,066
Assets with Limited Use:		
Restricted cash	**636,494**	412,725
Restricted investments - debt service funds	**725,791**	527,594
Restricted other investments	**1,540,619**	1,655,628
Accrued Receivable - Unfunded Bond Principals	**79,789**	149,593
Other Long-Term Investments	**45,000**	20,000
Total Plant and Other Long-Term Assets	**43,629,393**	43,720,057
Total Assets	**$ 63,414,667**	$ 67,841,478
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	**$ 1,495,995**	$ 2,552,394
Payables to affiliated organizations	**892,976**	637,152
Accrued expenses	**2,059,533**	1,696,773
Accrued salaries and payroll	**5,560,436**	4,169,095
Lines of credit	**6,500,000**	8,544,000
Current maturities of long-term debt	**3,281,143**	3,590,733
Deferred revenue, current	**516,807**	1,000,354
Reserves and recoveries, current	**463,088**	4,062,752
Other current liabilities	**987,217**	2,782,147
Total Current Liabilities	**21,757,195**	29,035,400
Long-Term Liabilities:		
Long-term debt, net of current maturities	**25,024,508**	25,264,213
Deferred revenue	**540,333**	775,469
Reserves and recoveries	**3,449,766**	1,988,976
Other liabilities	**1,753,521**	2,048,505
Interest rate swap agreements	**46,534**	130,825
Total Long-Term Liabilities	**30,814,662**	30,207,988
Total Liabilities	**52,571,857**	59,243,388
Commitments and Contingencies		
Net Assets - Unrestricted	**10,842,810**	8,598,090
Total Liabilities and Net Assets	**$ 63,414,667**	$ 67,841,478

See notes to consolidated financial statements.

FAMILY RESIDENCES & ESSENTIAL ENTERPRISES, INC. AND SUBSIDIARIES

Consolidated Statements of Activities and Changes in Net Assets

For the Years Ended December 31,	**2016**	2015
Unrestricted Revenues, Gains and Other Support:		
OMH residential	**$ 11,651,323**	$ 8,976,652
OPWDD residential	**64,522,901**	56,207,059
Day programs	**24,171,529**	24,175,195
Clinic programs	**1,890,737**	3,072,827
HHAP/HUD programs	**176,568**	156,673
CDCH Charter school	**1,258,080**	2,314,055
CDCH Preschool	**191,548**	376,097
Other program revenue	**2,226,168**	1,596,377
Investment income	**10,987**	5,747
Other miscellaneous income	**1,213,375**	1,666,685
Contributions	**230,573**	215,422
Unrealized and realized gain in fair value of investments	**42**	31,135
Gain on disposal of property, plant and equipment	**131,994**	15,027
Total Unrestricted Revenues, Gains and Other Support	**107,675,825**	98,808,951
Expenses:		
OMH residential	**8,936,688**	7,497,709
OPWDD residential	**55,711,338**	49,910,813
Day programs	**19,355,907**	19,587,541
Clinic programs	**2,632,664**	3,774,595
HHAP/HUD programs	**225,484**	317,724
CDCH Charter school	**961,835**	2,363,061
CDCH Preschool	**295,698**	445,110
CDCH Foundation	**133,386**	106,606
Other program expenses	**5,027,832**	2,925,822
Total Program Expenses	**93,280,832**	86,928,981
Support Services and Administration	**13,685,666**	11,709,514
Total Expenses	**106,966,498**	98,638,495
Changes in Net Assets before Unrealized Gain (Loss) on Interest Rate Swaps, Loss on Discontinued Operations, and Transfer in of Net Assets	**709,327**	170,456
Unrealized Gain (Loss) on Interest Rate Swaps	**84,291**	(66,636)
Loss on Discontinued Operations	**(855,481)**	-
Transfer in of Net Assets	**2,306,583**	-
Changes in Net Assets after Unrealized Gain (Loss) on Interest Rate Swaps, Loss on Discontinued Operations, and Transfer in of Net Assets	**2,244,720**	103,820
Net Assets, beginning of year	**8,598,090**	8,494,270
Net Assets, end of year	**$ 10,842,810**	$ 8,598,090

See notes to consolidated financial statements.

FAMILY RESIDENCES & ESSENTIAL ENTERPRISES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Years Ended December 31,	**2016**	2015
Cash Flows from Operating Activities:		
Increase in unrestricted net assets	**$ 2,244,720**	$ 103,820
Adjustments to reconcile increase in unrestricted net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	**4,119,983**	3,859,220
Interest expense related to debt issuance costs	**314,941**	409,107
Provision for bad debt	**1,483,272**	731,661
Forgiveness of note payable	**-**	(200,000)
Transfer of property, plant, and equipment from Park House, Inc.	**(347,349)**	-
Long-term debt assumed from Park House, Inc.	**234,105**	-
Loss (gain) on disposal of property, plant and equipment	**515,069**	(15,027)
Unrealized and realized gain in fair value of investments	**(42)**	(31,135)
Unrealized (gain) loss on interest rate swaps	**(84,291)**	66,636
(Increase) decrease in operating assets:		
Accounts receivable	**2,143,899**	(1,959,389)
Receivables from affiliated organizations	**(2,437,237)**	(1,696,761)
Other current assets	**3,015,524**	(1,198,010)
Restricted cash	**(223,769)**	(3,006)
Restricted other investments	**246,084**	(39,262)
Accrued receivable - unfunded bond principals	**69,804**	80,991
Increase in other assets	**(435,813)**	-
Increase (decrease) in operating liabilities:		
Accounts payable	**(1,056,399)**	(1,161,408)
Payables to affiliated organizations	**255,824**	467,404
Accrued expenses	**362,760**	498,517
Accrued salaries and payroll	**1,391,341**	(1,794,171)
Deferred revenue	**(718,683)**	115,473
Reserves and recoveries	**(2,138,874)**	672,213
Other liabilities	**(2,089,914)**	(1,621,886)
Net Cash Provided by (Used in) Operating Activities	**6,864,955**	(2,715,013)
Cash Flows from Investing Activities:		
Purchases of property, plant and equipment	**(2,799,874)**	(4,269,194)
Proceeds from the sale of property, plant and equipment	**146,741**	15,027
Net purchases of investments	**(131,075)**	(101,146)
Increase in debt issuance costs	**(337,452)**	(259,849)
Increase in long-term investments	**(25,000)**	(20,000)
Net Cash Used in Investing Activities	**(3,146,660)**	(4,635,162)
Cash Flows from Financing Activities:		
Proceeds from lines of credit	**10,450,000**	24,044,000
Payments of lines of credit	**(12,494,000)**	(17,500,000)
Proceeds from long-term debt	**5,739,609**	7,735,537
Payments of long-term debt	**(7,346,438)**	(6,267,090)
Increase in restricted investments - debt service funds	**(198,197)**	(511)
Net Cash (Used in) Provided by Financing Activities	**(3,849,026)**	8,011,936
Net (Decrease) Increase in Cash and Cash Equivalents	**(130,731)**	661,761
Cash and Cash Equivalents, beginning of year	**1,857,517**	1,195,756
Cash and Cash Equivalents, end of year	**$ 1,726,786**	$ 1,857,517
Supplemental Disclosures:		
Cash paid for interest	**$ 1,428,180**	$ 1,230,386
Noncash Investing and Financing Activities:		
Assets purchased through capital leases	**$ 845,940**	$ 1,078,217

See notes to consolidated financial statements.

1. Organization and Nature of Activities

Family Residences & Essential Enterprises, Inc. (the "Agency") is a non-profit corporation organized under the not-for-profit laws of New York State. Its primary purpose is to support, in specially designed facilities equipped and operated to meet physical, mental, emotional, and social needs, persons receiving services.

The Agency is the sole member of Child Development Center of the Hamptons Charter School ("Charter School"), Child Development Center of the Hamptons Preschool ("Preschool") and Child Development Center of the Hamptons Foundation ("Foundation").

The Charter School is a non-profit corporation organized under the not-for-profit laws of New York State. Its primary purpose is to provide support and related services to both general and special education students including counseling, occupational and physical therapy, speech therapy, social skills, and ABA (Applied Behavioral Analysis), with an emphasis on Character Education and empathic practices. The Agency obtained control on October 1, 2010, as the sole member of the Charter School. The Charter School elected to cease operations as of July 1, 2016.

The Preschool is a non-profit corporation organized under the not-for-profit laws of New York State. Its primary purpose is to provide related services in speech, occupational therapy, physical therapy, counseling, social skills, applied behavior analysis, and counseling for children qualifying under New York State regulations. The Agency obtained control on September 1, 2010, as the sole member of the Preschool. The Preschool elected to cease operations as of July 1, 2016.

The Foundation is an educational organization formed under the not-for-profit laws of New York State in 1999. The Foundation raises funds to support the Preschool, the Charter School, and other not-for-profit organizations. Additionally, the Foundation also operates and maintains the facility in which the Preschool and Charter School reside. The Agency obtained control on January 1, 2011 as the sole member of the Foundation.

The Agency, Charter School, Preschool and the Foundation are classified as 501(c)(3) organizations, which are exempt from federal income taxes under Section 501(a) of the Internal Revenue Code and a similar provision of the New York State income tax laws. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

During the year ended December 31, 2015, the Office of Mental Health gave final approval to the Agency to become the sponsor of both community residences previously operated at Park House, Inc. ("Park House"). All operating certificates were issued to the Agency during December 2015 and were effective as of January 1, 2016. As a result of this acquisition, the accompanying consolidated financial statements include the results of operations of Park House as of January 1, 2016. In addition, the Agency assumed all assets and liabilities of Park House. See Note 12 for assets and liabilities included.

2. Significant Accounting Policies

Basis of accounting - The accompanying consolidated financial statements include the accounts of the Agency and its sole membership subsidiaries Charter School, Preschool, and the Foundation (collectively referred to as the "Organization"), and have been prepared on the accrual basis of accounting. All inter-company transactions have been eliminated in consolidation. Due to the Charter School and the Preschool electing to cease operations as of July 1, 2016, the liquidation basis of accounting was adopted as of June 30, 2016 for these entities. Accordingly, the Charter School and Preschool revalued their liabilities expected to be paid during the liquidation. The effects of the revaluation are included in the statements of activities and changes in net assets as (loss) gain on discontinued operations. The valuation of liabilities at their estimated net settlement value represent estimates based on present facts and circumstances. Any differences between the revalued amounts and actual cash transactions will be recognized in the period they occur. Liquidation is expected to be completed during the year ended December 31, 2017.

Cash and cash equivalents - The Organization considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. The Organization does not include restricted cash within its cash and cash equivalents balance, due to its restricted use.

Fair value - Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the entity transacts. The Organization must determine whether its assets and liabilities recorded at fair value were based on Level 1 (valued based on quoted prices in an active market for identical assets), Level 2 (valued based on significant other observable inputs) or Level 3 (valued based on significant unobservable inputs) measurements within the fair value hierarchy.

Property closing costs, mortgage, and bond closing costs and fees - Property closing costs, mortgage and bond closing costs and fees are amortized as interest expense over the lives of the related mortgage or bond obligations, and are a direct deduction of the related debt on the consolidated statements of financial position.

Investments - Investments are recorded at their fair values. Fair values are determined using quoted prices in an active market and represent Level 1 inputs within the fair value hierarchy. Gains and losses on investments are reported in the consolidated 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. Included in restricted other investments in the accompanying consolidated statements of financial position are investments representing Level 1 inputs relating to a deferred compensation arrangement covering certain participating employees. These restricted other investments are recorded using the same fair value measurement principles discussed above and primarily consist of investments in mutual funds.

Property, plant and equipment, net - Property, plant and equipment are stated at cost or, in the case of donated items, at fair value on the date of donation, less accumulated depreciation and amortization. Depreciation and amortization are provided using the straight-line method over the assets' useful life and/or lease terms, as appropriate.

The Organization's policy is to capitalize all purchases in excess of $5,000. Depreciation is based on the month placed in service and is calculated using the straight-line method over the estimated useful lives of the assets detailed below. Leasehold improvements are depreciated over the lesser of the life of the lease or the asset's useful life. Property, plant and equipment are depreciated/amortized using the following estimated useful lives:

Buildings and Improvements	2 to 26 years
Equipment, Furniture and Fixtures	2 to 10 years
Transportation - Vehicles	3 to 7 years

Long-lived assets - The Organization will recognize losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts.

Revenues - Revenues are recorded when earned as services are provided for residential care, day programs, clinical services and education services. These programs are sponsored and funded by the Office for People With Developmental Disabilities ("OPWDD"), the Office of Mental Health ("OMH"), the Department of Health ("DOH"), the New York State Education Department ("SED") and Vocational and Educational Services for Individuals with Disabilities ("VESID"). Substantially all funding is through New York State reimbursement and Medicaid funding. Revenues are subject to audit and possible adjustment by third-party payers. The effects of any such adjustments are recorded when reasonably determinable. Management believes that the effects of audit adjustments, if any, will not have a material effect on the accompanying consolidated financial statements.

Functional allocation of expenses - Wages, taxes and benefits, food, utilities, repairs and maintenance, and other expenses are allocated among the programs and support services benefited.

Use of estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the amounts reported as revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allowance for doubtful accounts - Management must make estimates of the uncollectability of all accounts receivable. Management specifically analyzes receivables, historical bad debts and changes in circumstances when evaluating the adequacy of the allowance for doubtful accounts.

Interest rate swaps - The Organization has entered into four interest rate swap agreements with two separate banks. The first bank holds two of the Organization's interest rate swap agreements. These interest rate swaps are traded within a market that uses an over the counter ("OTC") interest rate derivative based on the terms set forth in the 2012 SWAP Confirmation Agreements. This interest rate swap model uses a dual curve interest rate swap valuation model (London Interbank Offered Rate ("LIBOR") and Overnight Index Swap ("OIS") discount factor curve) to forecast future cash flows over the remaining life of the swap.

The second bank, which holds the remaining two interest rate swap agreements, uses a discounted cash flow model. This interest rate swap model uses a zero coupon curve derived from USD swap rates and discounted cash flow model to forecast future cash flows.

These interest rate swap agreements are recorded at fair value. Fair values are determined based on significant other observable inputs and represent Level 2 inputs within the fair value hierarchy. Gains and losses on investments are reported in the consolidated statements of activities and changes in net assets as increases or decreases in unrestricted net assets.

Assets with limited use - Assets with limited use consist of restricted cash, restricted investments - debt service funds, and restricted other investments. Restricted cash consists of funded depreciation and individual burial funds. Restricted investments - debt service funds are required under the bond financing agreements, plus interest earned. Restricted other investments consist of assets held for deferred compensation plans and the cash surrender value associated with life insurance policies.

Uncertain tax positions - Management evaluated the tax positions and concluded that the Organization has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification No. 740.

Recent accounting pronouncements - In August 2014, the FASB issued Accounting Standards Update ("ASU") 2014-15, *"Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern"*. The core principle of ASU 2014-15 is intended to define 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. ASU 2014-15 defines the term substantial doubt and requires an assessment for a period of one year after the date the financial statements are issued (or available to be issued). ASU 2014-15 is effective for fiscal years ending after December 15, 2016. Management has adopted the provisions of this new standard. The adoption of this accounting standard did not have a material impact on the Organization's consolidated financial statements. In April 2015, the FASB issued ASU 2015-03, *"Simplifying the Presentation of Debt Issuance Costs"*. The guidance requires that debt issuance costs related to a recognized debt liability be reported on the consolidated statements of financial position as a direct deduction from the carrying amount of that debt liability. The guidance is effective for fiscal years and interim periods beginning after December 15, 2015, and is required to be applied retrospectively. Management has adopted ASU 2015-03 and has reclassified debt issuance costs related to existing debt liabilities from assets to liabilities on the consolidated statements of financial position, and the related amortization expense to interest expense on the consolidated statements of activities and change in net assets. The adoption of ASU 2015-03 did not have a material impact on the Organization's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02*, "Leases (Topic 842)"*. The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for non-public entities for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of ASU 2016-02 on the Organization's financial statements.

In August 2016, the FASB issued ASU 2016-14, *"Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities"*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. Management is currently evaluating the impact of adopting ASU 2016-14 on the Organization's consolidated financial statements.

Evaluation of subsequent events - Management has evaluated subsequent events through June 1, 2017, the date the consolidated financial statements are available for issuance, for inclusion or disclosure in the consolidated financial statements.

3. Property, Plant and Equipment, Net

Property, plant and equipment, net, consist of the following:

As of December 31,	**2016**	2015
Land	**$ 8,169,263**	$ 7,609,263
Buildings	**29,402,076**	28,095,293
Building Improvements	**33,603,905**	31,577,390
Leasehold Improvements	**187,790**	1,918,526
Equipment, Furniture and Fixtures	**4,455,019**	4,473,331
Transportation - Vehicles	**5,241,530**	4,285,750
Construction in Progress	**1,832,398**	2,259,091
Total Property, Plant and Equipment	**82,891,981**	80,128,644
Less Accumulated Depreciation and Amortization	**43,323,160**	39,861,193
Property, Plant and Equipment, net	**$ 39,568,821**	$ 40,357,451

A portion of the Organization's property, plant and equipment was purchased with bond funding received from the Medical Care Facilities Finance Agency ("MCFFA"), as described in Note 6. Funding for these capital expenditures was provided with the stipulation that if the Organization ceases to operate the programs during the term of the bond for OPWDD and OMH purposes, the property, plant and equipment will revert to the funding source. Capital grants received by the Organization for the purchase of property and equipment are recognized as income in the year the asset has been put into use and are included as income from non-operating activities in the accompanying consolidated statements of activities and changes in net assets.

As of December 31, 2016 and 2015, construction in progress, which consists of amounts incurred in advance for future projects, amounted to approximately $1,832,000 and $2,259,000, respectively. As of December 31, 2016, the aggregate estimated future commitment to complete the remaining construction is approximately $200,000.

Included in property, plant and equipment are assets under capital leases as follows:

As of December 31,	**2016**	2015
Transportation - Vehicles	**$ 5,184,463**	$ 4,315,157
Equipment	**839,242**	839,242
Less Accumulated Depreciation and Amortization	**2,901,065**	2,048,702
	$ 3,122,640	$ 3,105,697

4. Other Assets, Net

Other assets, net, consist of the following:

As of December 31,	**2016**	2015
Investments Held by Trustee - OPWDD	**$ 209,591**	$ 351,116
Security Deposits	**297,943**	245,950
Bond Sinking Funds	**895,770**	3,969,579
Accrued Receivable - LISH	**464,450**	-
Prepaid and Other Assets	**965,978**	846,756
Total Other Assets	**2,833,732**	5,413,401
Less Current Portion	**1,800,853**	4,816,335
Total Other Assets, net	**$ 1,032,879**	$ 597,066

5. Notes Payable - Lines of Credit

As of December 31, 2016 and 2015, the Organization had lines of credit which totaled $10,000,000, respectively, and were shared by two banks. The outstanding balances on the lines of credit are secured by the Organization's accounts receivable. The two lines of credit of $5,000,000 each expire on August 31, 2017. The lines of credit bear interest at the banks' prime rate (3.75% as of December 31, 2016 and 3.50% as of December 31, 2015).

As of December 31, 2016, $6,500,000 was outstanding under these respective lines of credit. As of December 31, 2015, $8,544,000 was outstanding under these respective lines of credit.

Interest expense for the years ended December 31, 2016 and 2015, approximated $276,000 and $150,000, respectively.

FAMILY RESIDENCES & ESSENTIAL ENTERPRISES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
As of and for the Years Ended December 31, 2016 and 2015

6. Long-Term Debt

The Organization has mortgages, bonds, and loans payable on several of its facilities summarized as follows as of December 31, 2016 and 2015:

Indebtedness	Creditor		Balance Outstanding 2016	2015	Average Rate of Interest
Mortgage Payable	Reese Michaels	(A)	**$ 135,017**	$ 150,017	Interest free
Notes Payable	TD Equipment Finance, Inc.	(B)	**748,778**	542,465	5.38%
	NYS Sponsored Medical Care Facilities Finance Agency	(C)	**839,600**	1,352,000	7.08%
Bonds Payable	Suffolk County Industrial Development Agency Civic Facility Revenue Bonds	(D)	**-**	15,000	7.00% and 7.75%
		(E)	**420,000**	490,000	5.95% and 7.25%
	DASNY Bonds	(F)	**435,486**	527,627	5.0455%
		(G)	**2,498,286**	2,662,201	1% to 5%
		(H)	**4,940,431**	-	1.5% to 4%
		(I)	**201,644**	-	3.738%
	Capital Leases	(J)	**2,459,293**	2,635,525	Various
	Suffolk County National Bank	(K)	**735,396**	810,238	5.56%
	Nassau County Local Economic Assistance Corporation Bonds	(L)	**6,352,597**	10,255,000	3.66%, 3.709% and 4.00%
	Suffolk County Economic Development Corporation Bonds	(L)	**9,677,000**	7,619,000	3.38%, 3.66% and 3.709%
	TD Bank Bridge Loans	(M)	**524,300**	3,499,172	3.75%
Total Mortgages, Notes, Bonds, and Loans Payable			**29,967,828**	30,558,245	
Less Debt Issuance Costs, net			**1,662,177**	1,703,299	
Less Current Maturities			**3,281,143**	3,590,733	
Total Long-Term Debt			**$ 25,024,508**	$ 25,264,213	

(A) This note payable is collateralized by the equestrian ranch and day program known as Saddlerock Ranch located in Middle Island, New York.

(B) This note payable was used to pay for the Agresso implementation and software.

(C) The Organization recognizes revenue for both principal and interest reimbursed by NYS for all MCFFA bonds. These bonds are secured by either residences or day program facilities.

(D) This bond is secured by two cooperative apartments located in Farmingdale, New York. $150,000 of the bond series was issued as tax-exempt with a fixed rate of interest of 7.00% for the 15 year term. The remaining $6,000 was issued as taxable with a fixed rate of interest of 7.75%. This bond matured on November 1, 2016.

(E) This Suffolk County 2006 IDA Bond is secured by an IRA located in Smithtown, New York. $965,000 was issued as tax-exempt with a fixed rate of 5.95% for the 15 year term. The remaining $33,000 was issued as taxable with a fixed rate of 7.25% for the five year term. This bond matures on October 1, 2021.

(F) This Dormitory Authority of the State of New York (“DASNY”) Bond is secured by three OMH Community Residence located in Suffolk County, New York. The Agency recognizes revenue for both principal and interest reimbursed by NYS for the DASNY bond.

(G) These DASNY Bonds are secured by the three locations that were previously financed on bridge loans in Springfield Gardens, New York, Queens Village, New York and Mastic Beach, New York. $2,615,000 was issued as tax-exempt with a variable rate ranging from 2.00% to 5.00% for the 15 year term. The remaining $115,000 was issued as taxable with a fixed rate of 1.00% for the three year term. These bonds were issued at a premium of $171,266 which is to be repaid over the 15 year term of the tax-exempt bond issuance.

(H) These DASNY Bonds are secured by seven locations that were previously financed on bridge loans in Amityville, Centereach, Coram, Jamaica, Medford, and Westbury. These Series 2016 bonds consist of two bonds, one tax-exempt bond in the amount of $4,640,000 and one taxable bond in the amount of $225,000. The interest rate for the tax-exempt bond is fixed per year and varies over the life of the bond ranging from 2% to 4% for the 25 year term. The interest rate for the taxable bond is fixed at 1.5% for two years. These bonds were issued at a premium of $143,297 which is to be repaid over the 25 year term of the tax-exempt bond issuance. The Organization is required to comply with certain financial covenants on an annual basis throughout the life of the bonds. As of December 31, 2016, the Organization was in compliance with these financial covenants.

(I) This DASNY Bond was a result of the Park House transfer and is secured by one OMH Community Residence located in Setauket, New York. The Agency recognizes revenue for both principal and interest reimbursed by NYS for the DASNY bond.

(J) The Agency has executed capital leases related to vehicle purchases for various programs and for the implementation of Agresso software. These capital leases mature on various dates from November 2017 through September 2021.

(K) On October 19, 2004, the Foundation entered into a mortgage agreement with the Suffolk County National Bank in the amount of $1,380,000. The initial interest rate on the mortgage was 6.46%. This interest rate was subsequently changed to 5.75% in October 2009 and 5.00% in October 2014. According to the mortgage agreement, the interest rate the Foundation will pay may change every fifth year thereafter. The mortgage matures on October 19, 2024 and is secured by the Foundation’s fixed assets. Under this mortgage agreement, the Foundation was subject to certain financial covenants; however, on October 9, 2014, the Foundation received a permanent waiver from the bank for these covenants.

(L) On May 15, 2012, the Organization refinanced approximately $19,000,000 of existing debt and acquired approximately $1,900,000 for new projects through the issuance of Nassau County Local Economic Assistance Corporation and Suffolk County Economic Development Corporation bonds. The bonds carry variable interest rates and have a variable repayment schedule from 5 to 17 years. The Organization is required to comply with certain financial covenants on an annual basis throughout the life of the bonds. As of both December 31, 2016 and 2015, the Organization was in compliance with these financial covenants.

In connection with the refinancing, the Organization also entered into two interest rate swap agreements with both TD Bank and Valley National Bank, to pay a fixed rate of interest and hedge its exposure for changes in interest rates over the term of the refinanced debt. The interest rates associated with the TD Bank swap agreements are 3.389% and 3.112%. The interest rates associated with the Valley National Bank swap agreements are 3.439% and 3.162%. All swap agreements match the terms of the bonds, with maturities between 5 and 17 years. The notional amount of the swap agreements decrease in accordance with principal payments. As of December 31, 2016, the notional amount and fair value

liability were $6,195,000 and ($10,896), respectively, for the TD Bank swap agreements, and $6,195,000 and ($35,639), respectively, for the Valley National Bank swap agreements.

As of December 31, 2016 and 2015, the total fair value liability of the interest rate swaps was approximately $47,000 and $131,000, respectively, and is reflected within the accompanying consolidated statements of financial position. The unrealized gains (losses) for the valuation are shown as non-operating activities on the consolidated statements of activities and changes in net assets.

On June 19, 2015, the Organization refinanced approximately $2,368,000 of existing debt and acquired approximately $431,000 for new projects through the issuance of Nassau County Local Economic Assistance Corporation and Suffolk County Economic Development Corporation bonds. The bonds carry fixed interest rates of differing percentages and have variable repayment schedules from 5 to 25 years. The Organization is required to comply with certain financial covenants on an annual basis throughout the life of the bonds. As of December 31, 2016 and 2015, the Organization was in compliance with these financial covenants.

(M) During the year ended December 31, 2016, the balances associated with the eight bridge loans outstanding as of December 31, 2015, were refinanced utilizing DASNY bonds issued in 2016 (see H above). Throughout the year ended December 31, 2016, the Organization entered into a bridge loan agreement with TD Bank for the purchase of new IRA homes in Lindenhurst. This loan is secured by the property associated with the loan.

Minimum future principal payments for long-term debt are approximately as follows:

For the Years Ending December 31,	
2017	$ 3,551,000
2018	2,681,000
2019	2,181,000
2020	1,996,000
2021	1,524,000
Thereafter	18,035,000
Total	$ 29,968,000

Interest expense on long-term debt and the related debt issuance costs for the years ended December 31, 2016 and 2015 approximated $1,239,000 and $1,525,000, respectively.

7. Pension Plans

The Organization adopted the Family Residences Retirement & 401(k) Savings Plan (the “Plan”) effective January 1, 1997 covering all eligible employees. The Plan is qualified under the Employee Retirement Income Security Act of 1974 guidelines set forth by the Department of Labor. Effective April 24, 2014, the Plan was amended by restating the Plan in its entirety. The Plan has been characterized for financial accounting purposes as a multi-employer plan. The Plan permits eligible employees the option to defer a portion of their compensation, subject to Internal Revenue Service (“IRS”) limitations, into the Plan.

For each Plan year, the Organization may contribute to the Plan, on behalf of each eligible employee, a discretionary matching contribution. The Organization will determine this discretionary matching contribution annually. There were no matching contributions for the year ended was December 31, 2016. The discretionary matching contributions for the Plan year ended December 31, 2015 were $184,000. As of the date of this report, the Organization’s discretionary matching contributions were fully funded.

In addition to the discretionary matching contributions, the Organization may make a discretionary contribution to the Plan which will be determined annually. For the Plan years ended December 31, 2016 and 2015, the Organization's discretionary contribution was approximately $1,039,000 and $601,000, respectively.

The Organization has adopted a Family Residences and Essential Enterprises, Inc. 403(b) Plan ("403(b) Plan") effective January 1, 2009. Effective April 24, 2014, the 403(b) Plan was amended by restating the 403(b) Plan in its entirety. The 403(b) Plan permits eligible employees the option to defer a portion of their compensation, subject to IRS limitations, into the 403(b) Plan. There are no employer contributions into the 403(b) Plan.

The Organization adopted the Family Residences & Essential Enterprises, Inc. Section 457 Deferred Compensation Plan pursuant to Section 457(b) ("457(b) Plan") effective January 1, 1998 which was restated effective January 1, 2010 and April 24, 2014. The 457(b) Plan covers a group of management employees and permits employee compensation deferrals and employer contributions. The Organization contributed approximately $64,000 and $85,000 to the 457(b) Plan for the years ended December 31, 2016 and 2015, respectively. The Organization has recognized a long-term liability of approximately $943,000 and $812,000 as of December 31, 2016 and 2015, respectively.

The Organization also has a plan that includes a corporate-sponsored split dollar agreement to purchase life insurance. The cash surrender value of the policies as of December 31, 2016 and 2015 approximated $597,000 and $843,000, respectively. This plan includes a separate deferred compensation arrangement to be paid at retirement. The Organization has accrued a long-term liability for this obligation of approximately $614,000 and $822,000 as of December 31, 2016 and 2015, respectively.

The Preschool has a tax-sheltered retirement income ("IRC 403(b)") plan covering its eligible employees. This plan enables participants to make pretax salary contributions, within limits, through elective salary deferrals. In addition, the Preschool offers a discretionary employer match as part of the plan. There was no expense relating to the match in 2016, as the Preschool ceased operations effective July 1, 2016. Expense relating to the match was approximately $5,000 for the year ended December 31, 2015.

The Charter School is a participant in a pension plan that has been characterized for financial accounting purposes as a multi-employer plan. This Plan covers the Charter School union-represented employees. The New York State Teachers' Retirement System (the "NYSTRS") is a cost sharing, multi-employer defined benefit plan for the Charter School employees. The risks of participating in multi-employer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the multi-employer plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If one of the participating employers petitions to stop participating in the multi-employer plan, such employer may be required to pay the plan a withdrawal liability based on the funded status of the plan.

Due to the closing of the Charter School, it is no longer a participating employer in the NYSTRS effective July 1, 2016.

The NYSTRS is designed to provide retirement benefits for its members including the eligible employees of the Charter School. Benefits are calculated utilizing specified percentages within the plan document. The Charter School made employer contributions to the NYSTRS approximating $52,000 and $127,000 for the years ended December 31, 2016 and 2015, respectively, which are included in the accompanying consolidated statements of activities and changes in net assets. The Charter School's required annual contributions represent less than 5% of the total contributions to the NYSTRS. During the years ended December 31, 2016 and 2015, the employer contribution percentages were 13.26% and 17.53%, respectively. Additionally, there were 28 and 21 Charter School employees participating in the NYSTRS during the years ended December 31, 2016 and 2015, respectively.

The following table discloses the most recent funded status of the NYSTRS as of June 30, 2015 (the date of the latest actuarial valuation), inclusive of the fair value of plan assets as of June 30, 2015 (in millions) and June 30, 2014, respectively.

	Fair Value of Plan Assets	Actuarial Present Value of Accumulated Plan Benefits	Total Contributions	Funded Status	Zone Status
June 30, 2015	$109,718,900	$ 105,401,800	$ 2,756,306	104.1%	GREEN
June 30, 2014	$ 90,007,000	$ 96,904,500	$ 2,756,306	92.9%	GREEN

As of June 30, 2016, the NYSTRS has a certified green zone status as determined by the NYSTRS actuary. The NYSTRS did not utilize any extended amortization provisions that would affect the calculation of their zone status.

For the years ended December 31, 2016 and 2015, the Charter School did not pay a surcharge to the NYSTRS nor did the NYSTRS have a rehabilitation plan implemented or pending.

8. Transactions with Affiliated Organizations

The Organization has a contract to supply management services and direct staff leasing to Rides Unlimited of New York, Inc. ("Rides"), a transportation company. Fees charged for these services for the years ended December 31, 2016 and 2015 were approximately $1,725,000 and $1,546,000, respectively. The Organization currently transports individuals attending day programs via Rides. Transportation fees charged for the years ended December 31, 2016 and 2015 were approximately $4,575,000 and $4,478,000, respectively. The Organization leases a vehicle storage and repair facility located in Islandia, New York to Rides. Rent charges were approximately $179,000 and $188,000 for the years ended December 31, 2016 and 2015, respectively. The Organization also obtains vehicle repair services and fuel from Rides. The total amounts incurred for these services and for fuel for the years ended December 31, 2016 and 2015 were approximately $608,000 and $344,000, respectively. The amounts due from and to Rides as of December 31, 2016 of approximately $2,570,000 and ($761,000), respectively, are included in receivables from affiliated organizations and payables to affiliated organizations, respectively. The net amount due to the Organization as of December 31, 2015 of approximately $756,000 is included in receivables from affiliated organizations.

The Organization has an agreement with The Rehabilitation Institute, Inc. ("TRI"), a non-profit corporation organized under the not-for-profit laws of New York State. TRI provides habilitation, rehabilitation and vocational programs, training and services to persons with various physical and mental disabilities in Nassau County, New York. The Organization provides management services to TRI to assist in the planning, administration and delivery of these services. Total amounts charged to TRI for these services amounted to approximately $402,000 and $430,000 for the years ended December 31, 2016 and 2015, respectively. The amounts due from and to TRI as of December 31, 2016 of approximately $14,000 and ($1,800), respectively, are included in receivables from affiliated organizations and payables to affiliated organizations, respectively. The net amount due from TRI as of December 31, 2015 of approximately $150,000 is included in receivables from affiliated organizations.

The Organization has an agreement with the National Foundation for Human Potential, Inc. (the "National Foundation"), a non-profit corporation organized under the not-for-profit laws of New York State. National Foundation provides financial and other support to organizations that promote educational, residential, and support services for people in need. To meet that purpose, the National Foundation raises funds and provides contributions and grant awards to organizations that serve the developmentally disabled, including the Organization. The Organization provides managerial services for the direct oversight of the National Foundation's daily operations. Total amounts charged to the National Foundation for these services amounted to approximately $346,000 and $310,000 for the years ended December 31, 2016 and 2015, respectively. The Organization leases office space located in Old Bethpage, New York to the National Foundation. Rent charges were approximately $36,000 for the years ended December 31, 2016 and 2015, respectively. The amounts due from and to National Foundation as of December 31, 2016 of approximately $114,000 and $1,000, respectively, are included in receivables from affiliated organizations and payables to affiliated organizations, respectively. The net amount due from National Foundation as of December 31, 2015 of approximately $115,000 is included in receivables from affiliated organizations.

The Organization has an agreement with Homes Anew I Ltd. ("Homes Anew I") and Homes Anew II Ltd. ("Homes Anew II"), not-for-profit organizations under the not-for-profit laws of New York State. Homes Anew I is a community residence program which establishes, operates and maintains community residences for developmentally disabled, low income individuals in Suffolk County, New York. Homes Anew II is a community residence program which establishes, operates and maintains community residences for homeless and/or physically/developmentally disabled individuals. The Organization provides management services to assist in the administration and oversight of Homes Anew I and Homes Anew II's business activities. Total amounts charged to Homes Anew I and Homes Anew II for these services amounted to approximately $15,000 and $11,000 for the years ended December 31, 2016 and 2015, respectively. The amounts due from and to Homes Anew I and Homes Anew II as of December 31, 2016 of approximately $11,000 and $130,000, respectively, are included in receivables from affiliated organizations and payables to affiliated organizations, respectively. The net amount due to Homes Anew I and Homes Anew II as of December 31, 2015 of approximately $65,000 is included in payables to affiliate organizations.

The Organization has an agreement with Contemporary Guidance Services ("CGS"), a non-profit corporation under the not-for-profit laws of New York State, to provide administrative services. CGS provides vocational training, supportive work, day habilitation, respite, and Medicaid Service Coordination ("MSC") services, among others, to developmentally disabled individuals. Total amounts charged to CGS for the management services amounted to approximately $189,000 and $329,000, respectively, for the years ended December 31, 2016 and 2015. The Organization had receivables from CGS, which amounted to approximately $370,000 and $112,000, respectively, as of December 31, 2016 and 2015.

During 2014, the Organization entered into a management agreement with Adelante of Suffolk County, Inc. ("Adelante"), a non-profit organization located in Central Islip, New York. Adelante provides services to culturally diverse communities in the areas of health, education, employment, supported housing, youth leadership development, volunteerism and culture. Adelante advocates the need to improve the quality of life of their community members, to promote Hispanic culture and civic responsibility, as well as foster the educational, economical, social and cultural awareness and pride of the community. Per the terms of the agreement, the Organization is to provide executive consulting, financial management, accounting services, legal services, human resources, real estate management, compliance and similar services. Total amounts charged to Adelante for these services amounted to approximately $191,000 and $142,000 for the years ended December 31, 2016 and 2015, respectively. The Organization also obtains services from Adelante. The Organization had receivables from Adelante, which amounted to approximately $30,000 as of December 31, 2016. The net amount due from Adelante as of December 31, 2015 of approximately $112,000 is included in receivables from affiliated organizations.

During 2014, the Organization entered into a management agreement with Skills Unlimited, Inc. ("Skills Unlimited"), a non-profit organization located in Oakdale, New York. Skills Unlimited provides vocational training, sheltered employment, Article 31 clinic and social adjustment services to disabled Individuals in training or sheltered employment. Per the terms of the agreement, the Organization is to provide executive consulting, financial management, human resources, information technology, accounting and legal services, compliance and similar services. Total amounts charged to Skills Unlimited for the management services amounted to approximately $503,000 and $286,000 for the years ended December 31, 2016 and 2015, respectively. The Organization had amounts due from Skills Unlimited which amounted to approximately $455,000 and $390,000 as of December 31, 2016 and 2015, respectively.

The Organization had receivables which amounted to approximately $252,000 as of December 31, 2015 from other affiliated organizations.

The Organization is affiliated with the organizations listed above through management agreements in place to provide supervisory and management functions to these organizations.

9. Commitments

The Organization is a party to various lease operating commitments. Minimum payments under these lease commitments at December 31, 2016 are approximately as follows:

For the Years Ending December 31,	
2017	$ 3,036,000
2018	992,000
2019	145,000
2020	69,000
2021	69,000
Total	$ 4,311,000

The amounts above reflect existing contractual agreements. Property leases are often limited to one and two year terms. The Organization anticipates renewal and/or replacement of all such agreements and these amounts are not reflected above. Rent expense for the years ended December 31, 2016 and 2015 approximated $3,750,000 and $3,300,000, respectively.

10. Contingencies

The Organization is subject to certain claims and pending litigation, which are covered by certain insurance policies. These claims and pending litigation are related to matters which have arisen in the ordinary course of the Organization's activities and are not expected to have a material adverse effect on the Organization's financial position or changes in net assets.

11. Off-Balance Sheet Risk and Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash, investments and accounts receivable from governmental agencies. The Organization places its cash and investments with various financial institutions. At times throughout the year, the Organization may have maintained cash balances which exceed the limits insured by the Federal Deposit Insurance Corporation ("FDIC"). Accounts receivable from governmental agencies are from federal, state and county agencies.

12. Noncash Transaction

In conjunction with the acquisition of Park House, the following noncash assets and liabilities of Park House were included in the consolidated financial statements as of January 1, 2016:

	Amount
Accounts Receivable	$ 469,203
Property, Plant and Equipment	347,349
Other Assets	520,910
Accounts Payable	233,190
Accrued Expenses	13,000
Accrued Salaries and Payroll	9,789
Other Current Liabilities	91,180
Reserves and Recoveries	208,674
Long-Term Debt	233,703
Other Long-Term Liabilities	66,723

Also included in the consolidated financial statements beginning January 1, 2016 was $1,825,380 of cash from Park House. At the acquisition date, the book value of all assets and liabilities approximated fair value.

Consolidating and Supplementary Information

Consolidating Statement of Financial Position

As of December 31, 2016

	Family Residences and Essential Enterprises, Inc.	Child Development Center of the Hamptons Charter School	Child Development Center of the Hamptons Preschool	Child Development Center of the Hamptons Foundation	Eliminations	Total
Assets						
Current Assets:						
Cash and cash equivalents	$ 1,702,627	$ 21,667	$ 2,492	$ -	$ -	$ 1,726,786
Accounts receivable, net of allowance for doubtful accounts of approximately $1,731,000	12,480,503	137,006	44,360	-	-	12,661,869
Receivables from affiliated organizations, net of allowance for doubtful accounts of approximately $1,269,000	3,595,766	-	-	-	-	3,595,766
Other current assets	1,772,580	1,738	787	25,748	-	1,800,853
Total Current Assets	19,551,476	160,411	47,639	25,748	-	19,785,274
Property, Plant and Equipment, net	37,860,979	-	-	1,707,842	-	39,568,821
Other Assets, net	1,032,879	-	-	-	-	1,032,879
Assets with Limited Use:						
Restricted cash	636,494	-	-	-	-	636,494
Restricted investments - debt service funds	725,791	-	-	-	-	725,791
Restricted other investments	1,540,619	-	-	-	-	1,540,619
Accrued Receivable - Unfunded Bond Principals	79,789	-	-	-	-	79,789
Other Long-Term Investments	45,000	-	-	-	-	45,000
Total Plant and Other Long-Term Assets	41,921,551	-	-	1,707,842	-	43,629,393
Total Assets	$ 61,473,027	$ 160,411	$ 47,639	$ 1,733,590	$ -	$ 63,414,667
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable	$ 1,416,842	$ 19,676	$ 18,497	$ 40,980	$ -	$ 1,495,995
Payables to affiliated organizations	892,976	-	-	-	-	892,976
Accrued expenses	2,047,333	4,000	2,000	6,200	-	2,059,533
Accrued salaries and payroll	5,559,092	1,344	-	-	-	5,560,436
Lines of credit	6,500,000	-	-	-	-	6,500,000
Current maturities of long-term debt	3,203,446	-	-	77,697	-	3,281,143
Deferred revenue, current	516,807	-	-	-	-	516,807
Reserves and recoveries, current	169,514	-	293,574	-	-	463,088
Other current liabilities	962,747	23,884	586	-	-	987,217
Total Current Liabilities	21,268,757	48,904	314,657	124,877	-	21,757,195
Long-Term Liabilities:						
Long-term debt, net of current maturities	24,366,809	-	-	657,699	-	25,024,508
Deferred revenue	540,333	-	-	-	-	540,333
Reserves and recoveries	3,449,766	-	-	-	-	3,449,766
Other liabilities	1,753,521	-	-	-	-	1,753,521
Interest rate swap agreements	46,534	-	-	-	-	46,534
Total Long-Term Liabilities	30,156,963	-	-	657,699	-	30,814,662
Total Liabilities	51,425,720	48,904	314,657	782,576	-	52,571,857
Commitments and Contingencies						
Net Assets - Unrestricted	10,047,307	111,507	(267,018)	951,014	-	10,842,810
Total Liabilities and Net Assets	$ 61,473,027	$ 160,411	$ 47,639	$ 1,733,590	$ -	$ 63,414,667

See independent auditors' report.

FAMILY RESIDENCES & ESSENTIAL ENTERPRISES, INC. AND SUBSIDIARIES

Consolidating Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2016

	Family Residences and Essential Enterprises, Inc.	Child Development Center of the Hamptons Charter School	Child Development Center of the Hamptons Preschool	Child Development Center of the Hamptons Foundation	Eliminations	Total
Unrestricted Revenues, Gains and Other Support:						
OMH residential	$ 11,651,323	$ -	$ -	$ -	$ -	$ 11,651,323
OPWDD residential	64,522,901	-	-	-	-	64,522,901
Day programs	24,171,529	-	-	-	-	24,171,529
Clinic programs	1,890,737	-	-	-	-	1,890,737
HHAP/HUD programs	176,568	-	-	-	-	176,568
CDCH Charter school	-	1,258,080	-	-	-	1,258,080
CDCH Preschool	-	-	191,548	-	-	191,548
Other program revenue	2,226,168	-	-	-	-	2,226,168
Investment income	10,980	-	-	7	-	10,987
Other miscellaneous income	1,207,375	-	-	76,966	(70,966)	1,213,375
Contributions	229,493	1,080	-	-	-	230,573
Unrealized and realized gain in fair value of investments	42	-	-	-	-	42
Gain on disposal of property, plant and equipment	131,994	-	-	-	-	131,994
Total Unrestricted Revenues, Gains and Other Support	106,219,110	1,259,160	191,548	76,973	(70,966)	107,675,825
Expenses:						
OMH residential	8,936,688	-	-	-	-	8,936,688
OPWDD residential	55,711,338	-	-	-	-	55,711,338
Day programs	19,355,907	-	-	-	-	19,355,907
Clinic programs	2,632,664	-	-	-	-	2,632,664
HHAP/HUD programs	225,484	-	-	-	-	225,484
CDCH Charter school	-	1,017,188	-	-	(55,353)	961,835
CDCH Preschool	-	-	311,311	-	(15,613)	295,698
CDCH Foundation	-	-	-	133,386	-	133,386
Other program expenses	5,027,832	-	-	-	-	5,027,832
Total Program Expenses	91,889,913	1,017,188	311,311	133,386	(70,966)	93,280,832
Support Services and Administration	13,651,251	12,973	12,025	9,417	-	13,685,666
Total Expenses	105,541,164	1,030,161	323,336	142,803	(70,966)	106,966,498
Changes in Net Assets before Unrealized Gain on Interest Rate Swaps, (Loss) Gain on Discontinued Operations, and Transfer in of Net Assets	677,946	228,999	(131,788)	(65,830)	-	709,327
Unrealized Gain on Interest Rate Swaps	84,291	-	-	-	-	84,291
(Loss) Gain on Discontinued Operations	(636,510)	(966,232)	700,284	46,977	-	(855,481)
Transfer in of Net Assets	2,306,583	-	-	-	-	2,306,583
Changes in Net Assets after Unrealized Gain on Interest Rate Swaps, (Loss) Gain on Discontinued Operations, and Transfer in of Net Assets	2,432,310	(737,233)	568,496	(18,853)	-	2,244,720
Net Assets (Deficit), beginning of year	7,614,997	848,740	(835,514)	969,867	-	8,598,090
Net Assets (Deficit), end of year	$ 10,047,307	$ 111,507	$ (267,018)	$ 951,014	$ -	$ 10,842,810

See independent auditors' report.

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2016

	OMH Residential	OPWDD Residential	Day Programs	Clinic Programs	HHAP/HUD Programs	CDCH Charter, Preschool and Foundation	Other Program Expenses	Total Program Expenses	Support Services and Administration	Total Expenses
Salaries	$ 3,838,921	$ 32,805,117	$ 8,615,091	$ 782,201	$ 63,006	$ 658,815	$ 1,433,848	$ 48,196,999	$ 6,465,263	$ 54,662,262
Fringe Benefits	1,127,580	9,662,597	2,538,406	231,584	18,655	228,765	422,368	14,229,955	2,617,375	16,847,330
Consulting and Professional Fees	36,785	2,082,205	145,219	1,086,768	1,400	85,716	176,653	3,614,746	749,173	4,363,919
Food and Household	386,348	1,644,078	237,337	7,706	317	3,891	132,389	2,412,066	64,666	2,476,732
Program Expense	20,593	515,026	197,074	47,109	13	9,541	200,420	989,776	88,002	1,077,778
Staff Development and Recruitment	279	4,383	3,801	113	4	8,180	59,473	76,233	152,306	228,539
Transportation	31,308	298,384	4,623,225	28,746	5,158	176	20,880	5,007,877	84,790	5,092,667
Vehicle Expense	15,825	295,090	116,015	3,082	-	-	15,861	445,873	28,114	473,987
Utilities	247,879	764,361	186,111	17,572	35,395	38,774	51,706	1,341,798	102,672	1,444,470
Telephone	69,975	218,018	108,739	19,478	4,133	12,764	7,386	440,493	482,006	922,499
IT Expense	226,138	747,253	689,925	137,570	2,341	12,032	106,173	1,921,432	174,627	2,096,059
Expensed Furniture and Equipment	82,879	446,808	31,944	1,453	2,117	226	16,512	581,939	39,761	621,700
Repairs and Maintenance	299,707	1,543,333	547,267	38,976	9,475	63,986	508,746	3,011,490	312,322	3,323,812
Office Supplies	11,812	85,306	32,380	6,906	40	6,328	24,680	167,452	175,459	342,911
Miscellaneous	5,720	72,196	11,630	12,834	850	5,871	76,581	185,682	229,131	414,813
Interest Expense	76,817	696,587	269,862	8,368	-	38,945	78,427	1,169,006	644,620	1,813,626
Insurance	145,501	472,196	208,693	81,701	541	27,724	32,209	968,565	325,845	1,294,410
Depreciation and Amortization	245,753	2,060,750	595,258	81,533	27,127	127,355	168,655	3,306,431	813,552	4,119,983
Rental/Lease Expense	2,066,911	1,244,736	168,785	17,444	54,912	27,848	42,907	3,623,543	126,451	3,749,994
Other Property Expense	(43)	52,629	28,881	2,136	-	-	22,601	106,204	9,531	115,735
Bad Debt	-	285	264	19,384	-	33,982	1,429,357	1,483,272	-	1,483,272
Total Expenses after Eliminations	$ 8,936,688	$ 55,711,338	$ 19,355,907	$ 2,632,664	$ 225,484	$ 1,390,919	$ 5,027,832	$ 93,280,832	$ 13,685,666	$ 106,966,498

See independent auditors' report.

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APPENDIX B-III

SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED JUNE 30, 2019 JUNE 30, 2018 AND JUNE 30, 2017)

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SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

SOBEL & CO. LLC
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.

JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Services for the Developmentally Challenged, Inc.
Bronx, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Services for the Developmentally Challenged, Inc. ("Organization"), a nonprofit organization, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, 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 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 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 audits 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 auditors consider internal control relevant to the Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the 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 Services for the Developmentally Challenged, Inc., as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The Organization adopted Financial Accounting Standards Board, *Presentation of Financial Statements of Not-for-Profit Entities,* as described in Note 2, during fiscal year 2019. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2019, on our consideration of Services for the Developmentally Challenged, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Services for the Developmentally Challenged, Inc.'s internal control over financial reporting and compliance.

Sobel & Co., LLC
Certified Public Accountants

Livingston, New Jersey
November 27, 2019

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SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.
STATEMENTS OF FINANCIAL POSITION

	June 30, 2019	June 30, 2018
ASSETS		
Current Assets:		
Cash - operating	$ 509,973	$ 435,195
Cash - payroll	6,035	4,775
Cash - savings	604,549	518,817
Cash - mortgage	35,104	12,789
Accounts receivable, net	343,406	702,567
Prepaid expenses	32,875	32,777
Total Current Assets	1,531,942	1,706,920
Property and Equipment:		
Land and building	651,238	651,238
Leasehold improvements	230,634	230,634
Furniture and equipment	586,847	702,922
	1,468,719	1,584,794
Less: Accumulated depreciation	1,199,468	1,296,407
Total Property and Equipment	269,251	288,387
Construction in progress	859,655	-
Deposits	6,775	6,775
Total Assets	$ 2,667,623	$ 2,002,082
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	$ 48,271	$ 40,141
Payroll payable	172,162	185,248
Auto loans payable	14,187	15,400
Mortgage payable	32,988	32,988
Total Current Liabilities	267,608	273,777
Long-term Liabilities:		
Auto loans payable	37,833	83,637
Mortgage payable	771,011	43,999
Total Long-term Liabilities	808,844	127,636
Total Liabilities	1,076,452	401,413
COMMITMENTS AND CONTINGENCIES		
Net Assets Without Donor Restrictions	1,591,171	1,600,669
Total Liabilities and Net Assets	$ 2,667,623	$ 2,002,082

SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended June 30, 2019	Year Ended June 30, 2018
Income:		
Medicaid - Resident rehab	$ 1,634,714	$ 1,613,316
OPWDD - Supplemental	22,698	68,080
OPWDD - Passthrough	15,000	-
SSI - Group home	194,930	173,085
Medicaid - Day hab	773,112	643,236
Subtotal	2,640,454	2,497,717
Medicaid - Service coordination	604,506	729,236
Community hab	583,034	546,744
Client clothing	4,000	3,875
OPWDD - Family support	30,449	21,935
Food stamps	20,315	27,712
Afterschool encore	88,967	113,488
Donations	16,734	2,064
Weekend	145,176	154,378
In-home	2,261	-
Total Income	4,135,896	4,097,149
Expenses:		
Program services	3,744,913	3,600,699
Management and general	498,068	499,099
Total Expenses	4,242,981	4,099,798
Net Income before Other Income	(107,085)	(2,649)
Other income:		
Interest income	3,621	3,032
Gain on sale of disposition of assets	93,966	-
Total Other Income	97,587	3,032
Changes in Net Assets	(9,498)	383
NET ASSETS WITHOUT DONOR RESTRICTIONS - Beginning of yea	1,600,669	1,600,286
NET ASSETS WITHOUT DONOR RESTRICTIONS - End of year	$ 1,591,171	$ 1,600,669

SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services											
	Family Support	Afterschool/ Weekend	Community Hab	Day Hab	MSC	In-Home Respite	RRR	Sylvan	Fieldston	Program Services	Management and General	Total
Officer's compensation	$ 2,579	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,579	$ 107,716	$ 110,295
Wages	10,305	123,344	414,008	373,129	366,687	4,234	-	559,718	759,812	2,611,237	190,974	2,802,211
Payroll taxes	1,107	10,677	35,749	32,226	31,648	368	-	48,353	65,636	225,764	25,813	251,577
Fringe benefit - Beneflex	158	1,517	5,085	4,584	4,501	54	-	6,877	9,336	32,112	3,671	35,783
Insurance - workers compensation and disability	542	5,220	17,494	15,770	15,487	185	-	23,661	32,119	110,478	12,631	123,109
Insurance - health and life	614	5,909	19,804	17,854	17,534	209	-	26,788	36,363	125,075	14,300	139,375
Utilities - fuel and electric	-	-	911	2,113	7,933	-	-	11,650	10,401	33,008	-	33,008
Equipment rental	-	-	-	3,528	3,528	-	-	4,827	-	11,883	3,531	15,414
Travel - participants	-	3,918	61	15,382	-	-	-	5,695	4,059	29,115	-	29,115
Mortgage interest expenses	-	-	-	-	-	-	-	4,697	-	4,697	-	4,697
Pension expense	112	1,075	3,601	3,247	3,188	38	-	4,871	6,612	22,744	2,600	25,344
Participant incidentals	598	5,400	11,037	14,284	-	-	-	4,772	8,534	44,625	500	45,125
Dues and subscriptions	-	-	210	-	-	-	-	-	601	811	19,123	19,934
Food and household supplies and expenses	1,493	3,459	507	4,091	1,524	-	-	42,603	31,827	85,504	1,365	86,869
Office supplies and expenses	-	1,481	396	9,954	20,565	-	-	3,996	9,449	45,841	22,415	68,256
Staff training and development	-	-	-	2,614	147	-	-	-	818	3,579	12,112	15,691
Postage	28	-	-	-	626	-	-	4	4	662	354	1,016
Telephone	-	-	1,739	2,033	13,424	-	-	3,852	5,792	26,840	4,176	31,016
Insurance - auto and general	109	1,075	3,485	16,046	4,018	-	-	13,628	19,303	57,664	17,700	75,364
Auto lease and expense	-	147	-	11,110	-	-	-	7,425	10,723	29,405	-	29,405
Repairs and maintenance	-	864	-	3,046	-	-	-	772	20,992	25,674	1,206	26,880
Rent	2,500	-	7,176	18,000	25,200	-	-	-	65,776	118,652	-	118,652
Professional fees	-	-	-	-	-	-	-	-	-	-	34,253	34,253
Bank charges	-	-	-	-	-	-	-	-	-	-	1,186	1,186
License and permits	-	-	-	45	-	-	-	2,443	2,186	4,674	-	4,674
Payroll services	-	-	-	-	-	-	-	-	-	-	20,950	20,950
Transportation	1,195	-	-	-	-	-	-	-	-	1,195	-	1,195
Meeting expense	-	-	-	-	-	-	-	-	-	-	145	145
Employee expense	-	-	90	-	4,732	-	-	-	-	4,822	1,347	6,169
Fundraising	-	-	-	-	6,000	-	-	-	-	6,000	-	6,000
Subtotal	21,340	164,086	521,353	549,056	526,742	5,088	-	776,632	1,100,343	3,664,640	498,068	4,162,708
Depreciation	-	379	-	14,551	8,176	-	4,559	44,367	8,241	80,273	-	80,273
Total Expenses	$ 21,340	$ 164,465	$ 521,353	$ 563,607	$ 534,918	$ 5,088	$ 4,559	$ 820,999	$ 1,108,584	$ 3,744,913	$ 498,068	$ 4,242,981

SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services									
	Family Support	Afterschool/ Weekend	Community Hab	Day Hab	MSC	Sylvan	Fieldston	Program Services	Management and General	Total
Officer's compensation	$ 5,449	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,449	$ 108,300	$ 113,749
Wages	3,916	139,131	344,980	327,759	408,774	513,248	695,672	2,433,480	204,421	2,637,901
Payroll taxes	791	11,764	29,168	27,712	34,562	43,395	58,819	206,211	26,441	232,652
Fringe benefit - Beneflex	72	1,057	2,620	2,489	3,105	3,898	5,284	18,525	2,375	20,900
Insurance - workers compensation and disability	599	8,891	22,045	20,945	26,122	32,798	44,456	155,856	19,984	175,840
Insurance - health and life	484	7,191	17,831	16,941	21,128	26,528	35,957	126,060	16,164	142,224
Utilities - fuel and electric	-	-	2,343	1,999	4,148	13,207	12,856	34,553	-	34,553
Equipment rental	-	-	-	-	1,703	2,639	398	4,740	12	4,752
Travel - participants	-	2,307	-	13,532	-	-	9,059	24,898	-	24,898
Mortgage interest expenses	-	-	-	-	-	6,582	-	6,582	-	6,582
Interest expense	-	-	-	-	-	-	-	-	617	617
Pension expense	105	1,556	3,859	3,666	4,572	5,739	7,781	27,278	3,498	30,776
Participant incidentals	221	9,369	8,054	6,104	-	7,691	12,907	44,346	500	44,846
Dues and subscriptions	-	50	-	-	-	-	1,572	1,622	1,499	3,121
Food and household supplies and expenses	1,721	2,546	1,505	3,387	1,417	33,196	38,578	82,350	2,772	85,122
Office supplies and expenses	384	411	598	17,712	26,688	3,241	6,450	55,484	23,671	79,155
Staff training and development	890	-	1,612	1,835	1,700	622	3,133	9,792	14,763	24,555
Postage	630	-	527	-	1,839	-	10	3,006	706	3,712
Telephone	-	-	172	269	8,932	3,378	7,625	20,376	3,685	24,061
Insurance - auto and general	81	1,728	4,580	5,259	3,241	6,995	12,632	34,516	17,812	52,328
Auto lease and expense	-	5,946	-	4,721	-	5,636	4,872	21,175	-	21,175
Repairs and maintenance	-	10,253	-	788	-	2,181	5,078	18,300	348	18,648
Rent	1,200	-	6,234	18,000	25,200	-	71,679	122,313	-	122,313
Professional fees	-	-	-	-	-	-	-	-	30,805	30,805
Bank charges	-	-	-	-	-	-	-	-	1,291	1,291
License and permits	-	-	-	-	-	2,143	1,576	3,719	-	3,719
Payroll services	-	-	-	-	-	-	-	-	18,709	18,709
Transportation	1,446	20	72	-	-	-	-	1,538	-	1,538
Meeting expense	-	-	-	-	-	-	-	-	201	201
Bad debt expense	-	-	-	-	22,667	-	-	22,667	-	22,667
Employee expense	-	-	20	1,118	5,210	-	-	6,348	525	6,873
Participant recreation	-	79	-	2,067	-	1,062	3,484	6,692	-	6,692
Fundraising	-	-	-	-	2,316	-	-	2,316	-	2,316
Subtotal	17,989	202,299	446,220	476,303	603,324	714,179	1,039,878	3,500,192	499,099	3,999,291
Depreciation	-	568	17,508	14,979	6,336	44,710	16,406	100,507	-	100,507
Total Expenses	$ 17,989	$ 202,867	$ 463,728	$ 491,282	$ 609,660	$ 758,889	$ 1,056,284	$ 3,600,699	$ 499,099	$ 4,099,798

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SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.
STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2019	2018
CASH FLOWS PROVIDED BY:		
OPERATING ACTIVITIES:		
Changes in net assets	$ (9,498)	$ 383
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	80,273	100,507
Provision for bad debt expense	-	22,667
Gain on disposal of property and equipment	(93,966)	-
Changes in certain assets and liabilities:		
Accounts receivable	359,161	(37,086)
Prepaid expenses	(98)	43,696
Accounts payable and accrued expenses	8,130	(7,924)
Payroll payable	(13,086)	(1,206)
Net Cash Provided by Operating Activities	330,916	121,037
INVESTING ACTIVITIES:		
Construction in progress	(859,655)	-
Proceeds from disposals of property and equipment	200,924	-
Purchase of property and equipment	(182,283)	(28,201)
Net Cash Used for Investing Activities	(841,014)	(28,201)
FINANCING ACTIVITIES:		
Repayments of auto loan	(32,829)	(23,660)
Repayments of mortgage payable	(47,988)	(32,988)
Proceeds from mortgage payable	775,000	-
Net Cash Provided by (Used for) Financing Activities	694,183	(56,648)
NET INCREASE IN CASH	184,085	36,188
CASH:		
Beginning of year	971,576	935,388
End of year	$ 1,155,661	$ 971,576
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash paid during the year for interest	$ 38,253	$ 7,199

SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 - NATURE OF ORGANIZATION:

Services for the Developmentally Challenged, Inc. ("SDC" or "Organization") is committed to providing services that recognize individual preferences and needs. The Organization will assist each individual to realize their highest level of independence, productivity, and responsibility. Each person will be encouraged to exercise their full rights. SDC will ensure that each individual is fully protected from harm while upholding each person's right to choose and to be fully included in their home community.

In accordance with the governing principles of the Office for Persons with Developmental Disabilities ("OPWDD"), the Organization will ensure that a person with a developmental disability shall:

1. Relate to their family, friends, and communities when and how they choose;
2. Be as independent as possible and determine the direction of their life;
3. Have the opportunity to communicate their fears and have them addressed, and not be subjected to fear of harm or reprisal in connection with the provision of services; and
4. Receive support and services that are effective and meet their needs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Reporting for Not-for-Profit Entities:

The Organization adopted Financial Accounting Standards Board ("FASB") *Presentation of Financial Statements of Not-for-Profit Entities,* during fiscal year 2019. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for Board-designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classifications.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial Statement Presentation:

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. Also, other net assets subject to donor-imposed stipulations that be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part income earned on any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Currently, the Organization has only net assets without donor restrictions.

Cash and Cash Equivalents:

For financial statement purposes, money market funds are considered to be cash equivalents.

Accounts Receivable:

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for denials and doubtful accounts is the Organization’s best estimate of the amount of probable denials and write-offs in the Organization’s existing accounts receivable. The Organization determines the allowance based on historical write-off experience. The Organization reviews its allowance for denials and doubtful accounts periodically. Past due balances are reviewed individually for collectibility.

Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Based on the Organization’s review, allowances of approximately $2,000 were recorded for the years ended June 30, 2019 and 2018. The Organization does not have any off-balance-sheet credit exposure related to its accounts receivable.

SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Property and Equipment:

Fixed assets, consisting primarily of land and building, leasehold improvements, and furniture and equipment, are stated at cost less accumulated depreciation and amortization. The cost of major improvements and betterments to existing fixed assets are capitalized while maintenance and repairs are charged to expense when incurred. Upon retirement or other disposal of fixed assets, the gain realized or loss sustained on such transaction is reflected in other income or expenses. Depreciation of fixed assets is calculated on the straight-line method over the estimated useful lives of the assets.

Construction in progress related to a building renovation that is expected to be completed during the year ended June 30, 2020 for approximately $1,400,000.

Compensated Absences:

Vacation pay is considered expenditure in the year that it is earned. An employee can accumulate vacation time and upon the employee’s termination, the employee is compensated for any accrued but unpaid vacation. All vacation time is to be taken by December 31 of each year. Accrued vacation of $53,406 and $64,823 for the years ended June 30, 2019 and 2018, respectively, are recorded in the statements of financial position in payroll payable.

Revenue Recognition and Concentration of Credit Risk:

Revenue and receivables from services to clients are dependent upon final audit and negotiations between the Organization and the various third-parties. Laws and regulations governing health care programs are subject to interpretation. As a result, there is a possibility that recorded estimates, including accounts receivable yet to be received, may change by a material amount in the near term. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from the Medicaid program. The Organization is responsible to report to, and is regulated by, various governmental third-parties, among which are the Centers for Medicare and Medicaid Services, OPWDD, and the New York State Office of Mental Health. These agencies, as well as the New York State Office of the Attorney General’s Medicaid Fraud Control Unit, the Internal Revenue Service, the New York State Office of the Attorney General’s Charities Bureau, the New York State Department of Health’s Independent Office of Medicaid Inspector General, and other agencies have the right to audit fiscal, as well as programmatic compliance, e.g., clinical documentation, among other compliance requirements.

Contributions:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are unrestricted by the donor are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Taxes:

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not liable for federal and state income taxes.

The Organization follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. The Organization's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during the year ended June 30, 2019 and 2018. At June 30, 2019 and 2018, there are no significant income tax uncertainties.

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 disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements:

The FASB issued an accounting pronouncement, *Revenue from Contracts with Customers*, which is a comprehensive new revenue recognition standard. 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 effective date for the pronouncement is for periods beginning after December 15, 2018. The Organization is currently evaluating the effect the new standard will have on the financial statements.

The FASB issued an accounting pronouncement, *Leases,* which requires lessees to recognize a right of use asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Under this new pronouncement, a modified retrospective transition approach is required, and the new standard is applied to all leases existing at the date of initial application. The standard is effective for annual periods beginning after December 15, 2020. The Organization is currently evaluating the effect the new standard will have on the financial statements.

Subsequent Events:

The Organization has evaluated its subsequent events and transactions occurring after June 30, 2019 through November 27, 2019, the date that the financial statements were available to be issued.

NOTE 3 - PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	Estimated Useful Life	**June 30, 2019**	**June 30, 2018**
Land and building	25 years	$ 651,238	$ 651,238
Leasehold improvements	5 - 7 years	230,634	230,634
Furniture and equipment	5 years	586,847	702,922
		1,468,719	1,584,794
Less: Accumulated depreciation		1,199,468	1,296,407
Property and Equipment, Net		$ 269,251	$ 288,387

Depreciation for the years ended June 30, 2019 and 2018, totaled $80,273 and $100,507, respectively.

NOTE 4 - AUTO LOANS PAYABLE:

Auto loans payable consist of the following at June 30:

	June 30, 2019	**June 30, 2018**
Two loans to a bank due in monthly installments of $591, with zero percentage interest, through February 1, 2023. The notes are collateralized by the equipment financed, which have a net book value of approximately $52,000 at June 30, 2019.	$ 52,020	$ -
Auto leases under lease agreements expiring at various dates in 2019. The original lease obligations were $99,037 and bears an interest rate of 2.99%.	-	99,037
Less: Current portion	(14,187)	(15,400)
Auto Loans Payable, net of current portion	$ 37,833	$ 83,637

NOTE 4 - AUTO LOANS PAYABLE: (Continued)

Maturities of auto loans payable, are as follows:

Year ending June 30,	
2020	$ 14,187
2021	14,187
2022	14,187
2023	9,459
	$ 52,020

NOTE 5 - MORTGAGE PAYABLE:

Mortgage payable consists of the following:

	June 30, 2019	**June 30, 2018**
On June 29, 2004, the Organization purchased a residence in Bronx, New York. Financing was concluded on October 6, 2005, with a mortgage issued by a Bank for $494,835. The monthly payments include principal payments of $2,749 plus a fixed rate interest of 7.48%. The term is for 15 years. The mortgage is secured by the land, buildings, and improvements at 5430 Sylvan Avenue, Bronx, New York, and has a net book value of approximately $114,000 at June 30, 2019.	$ 43,999	$ 76,987
On November 20, 2018, the Organization purchased a residence in Bronx, New York. Financing was concluded on December 19, 2018, with a bridge loan issued by a not-for-profit, non-stock corporation for up to $1,405,000. The Organization drew down $775,000 from this bridge loan. The amount drawn is payable in 2 years. The interest rate is the Wall Street Journal Prime Rate plus 3.00%. The loan is secured by the land, buildings, and improvements at 904 Quincy Avenue, Bronx, New York, which is included in Construction in Progress in the amount of $859,655 at June 30, 2019.	760,000	-
	803,999	76,987
Less: Current portion	(32,988)	(32,988)
Mortgage payable, long-term portion	$ 771,011	$ 43,999

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NOTE 5 - MORTGAGE PAYABLE: (Continued)

Maturity of debt is as follows:

Year Ending June 30,	**Amount**
2020	$ 32,988
2021	771,011
	$ 803,999

The terms of the mortgage require the Organization to maintain certain debt covenants.

NOTE 6 - COMMITMENTS AND CONTINGENCIES:

Leases:

The Organization currently leases a facility under an operating lease at 5474 Fieldston Road in Bronx, New York, which expires July 31, 2023.

Lease payments due under the above leases are as follows:

Year Ending June 30,	**Amount**
2020	$ 66,659
2021	67,659
2022	69,354
2023	70,744
	$ 274,416

The Organization leases a facility at 5670 Riverdale Avenue, Bronx, New York, at a rate of $18,900. The lease renews annually.

The Organization also leases a facility at 5797 Tyndall Avenue in Bronx, New York, at a rate of $31,800. The lease renews annually.

Rental expense for the years ended June 30, 2019 and 2018, totaled $118,652 and $122,313 respectively, and are recorded to rent on the statements of functional expenses.

NOTE 6 - COMMITMENTS AND CONTINGENCIES: (Continued)

The Organization also leases two copiers from Xerox. Lease payments due under the copier leases are as follows:

Year Ending June 30,	Amount
2020	$ 4,008
2021	2,189
	$ 6,197

The equipment rental expense for the years ended June 30, 2019 and 2018, totaled $15,414 and $4,752, respectively.

NOTE 7 - FRINGE BENEFIT - BENEFLEX:

The Organization instituted a Flexible Spending Plan ("FSA"), which is designed to provide funding to enhance health benefits and reduce the out-of-pocket, healthcare-related expenses incurred by staff. All full-time and part-time employees, who work at least 20 hours per week, are eligible for this plan.

The Organization will deposit funds into individualized accounts in each of the employees' names to be used for any unreimbursed medical, dental, vision care and certain over-the-counter medical expenses. This benefit is a supplement to the health care plan. The cost for the FSA for the years ended June 30, 2019 and 2018, totaled $35,783 and $20,900, respectively.

NOTE 8 - PENSION PLAN:

The Organization had a contributory, simple, Individual Retirement Annuity plan until January 1, 2019. During the year, the Organization contributed 2% of salaries for eligible employees. Employees were eligible for the plan if they had two full years of employment and contributed $5,000 each year.

Effective January 1 2019, the Organization has transitioned from the Individual Retirement Annuity plan to a 403(b) plan. This plan allows for employee and profit-sharing contributions but does not allow for employer-match contributions. For employees who are eligible, the Organization will contribute 2% of salaries. During the year ended June 30, 2019, there were no profit-sharing contributions. For the years ended June 30, 2019 and 2018, the Organization's contribution to the pension plan was $25,344 and $30,776, respectively.

NOTE 9 - FUNCTIONAL EXPENSES:

The costs of providing the various programs and other activities have been summarized on a functional basis on the statements of functional expenses. Accordingly, certain costs have been allocated among the program services and support services. Management and general expenses are those not directly identifiable with any specific function, but which provide for the overall support and direction of the Organization.

The expenses that are allocated include salaries, fringe – workers compensation and disability, payroll taxes, fringe benefits – Beneflex, and pension, which are based on a percentage of direct salaries. Insurance – auto and general and depreciation are based on location and equipment usage. All other expenses are based on direct costs.

NOTE 10 - CREDIT LINES:

As of June 30, 2019 and 2018, the Organization had combined credit limits with vendors, at varies interest rates, totaling $47,100 and $97,100, respectively. At June 30, 2019 and 2018, the outstanding balances against all credit limits totaled $16,435 and $10,837, respectively, which are included with accounts payable and accrued expenses. These amounts are payable on a monthly basis.

NOTE 11 - CONCENTRATIONS:

The Organization provides Medicaid services under a New York state government program to individuals requiring such services. These services made up 87% and 86% of that Organization's service revenue in the fiscal years ended June 30, 2019 and 2018, respectively. Balances due from these services represent 91% and 94% of the Organization's aggregate receivables at June 30, 2019 and 2018.

Financial instruments that expose the Organization to concentrations of credit risk consist primarily of cash and cash equivalents and receivables. The Organization maintains cash balances at several financial institutions. At times, cumulative balances may exceed insured limits.

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NOTE 12 - MEDICAID SERVICES COORDINATION TRANSITION:

On May 1, 2019, the Organization transitioned its Medicaid Services Coordination program to a care coordination organization set up by OPWDD. The care coordination organization will coordinate all the services a person receives for their developmental disability, as well as the coordination of health, wellness, and mental health services through one individualized Life Plan.

NOTE 13 - LIQUIDITY

The following represents the Organization's financial assets at June 30, 2019, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

Cash and cash equivalents	$ 1,155,661
Accounts receivable	343,406
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	$ 1,499,067

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity plan, excess cash is invested in short-term investments, such as money market accounts, to maximize earned interest opportunities.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Services for the Developmentally Challenged, Inc.
Bronx, 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 Services for the Developmentally Challenged, Inc. ("Organization"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and on compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sobel & Co., LLC

Certified Public Accountants

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Livingston, New Jersey
November 27, 2019

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SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

I. Summary of Auditors' Results

Financial Statements

The auditors' report issued on the consolidated financial statements of Services for the Developmentally Challenged, Inc. was an unmodified opinion.

Internal control over financial reporting:

• Material weaknesses identified?	______ Yes	__X__ No
• Significant deficiencies identified that are not considered to be material weaknesses?	______ Yes	__X__ No
Noncompliance material to financial statements noted?	______ Yes	__X__ No

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SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

SOBEL & CO. LLC
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.

JUNE 30, 2018 AND 2017

CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Services for the Developmentally Challenged, Inc.
Bronx, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Services for the Developmentally Challenged, Inc. ("Organization"), a nonprofit organization, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, 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 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 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 audits 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 auditors consider internal control relevant to the Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the 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 Services for the Developmentally Challenged, Inc., as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of Services for the Developmentally Challenged, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Services for the Developmentally Challenged, Inc.'s internal control over financial reporting and compliance.

Sobel & Co., LLC
Certified Public Accountants

Livingston, New Jersey
November 30, 2018

SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

	Operating Restricted	Operating Unrestricted	Total
ASSETS			
Current Assets:			
Cash and cash equivalents - operating	$ -	$ 435,195	$ 435,195
Cash and cash equivalents - payroll	-	4,775	4,775
Cash and cash equivalents - savings	-	518,817	518,817
Cash and cash equivalents - mortgage	-	12,789	12,789
Accounts receivable, net	-	702,567	702,567
Prepaid expenses	-	32,777	32,777
Total Current Assets	-	1,706,920	1,706,920
Property and Equipment:			
Land and building	-	972,617	972,617
Leasehold improvements	176,169	54,465	230,634
Furniture and equipment	14,900	366,643	381,543
	191,069	1,393,725	1,584,794
Less: Accumulated depreciation	191,069	1,105,338	1,296,407
Total Property and Equipment	-	288,387	288,387
Deposits	-	6,775	6,775
Total Assets	$ -	$ 2,002,082	$ 2,002,082
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable and accrued expenses	$ -	$ 40,141	$ 40,141
Payroll payable	-	185,248	185,248
Auto loans payable	-	15,400	15,400
Mortgage payable	-	32,988	32,988
Total Current Liabilities	-	273,777	273,777
Long-term Liabilities:			
Auto loans payable	-	83,637	83,637
Mortgage payable	-	43,999	43,999
Total Long-term Liabilities	-	127,636	127,636
Total Liabilities	-	401,413	401,413
COMMITMENTS AND CONTINGENCIES			
Net Assets - Unrestricted	-	1,600,668	1,600,668
Total Liabilities and Net Assets	$ -	$ 2,002,081	$ 2,002,081

The accompanying notes are an integral part of these financial statements.

SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

	Operating Restricted	Operating Unrestricted	Total
ASSETS			
Current Assets:			
Cash and cash equivalents - operating	$ -	$ 220,626	$ 220,626
Cash and cash equivalents - payroll	-	110,969	110,969
Cash and cash equivalents - savings	-	580,818	580,818
Cash and cash equivalents - mortgage	-	22,975	22,975
Accounts receivable, net	-	688,148	688,148
Prepaid expenses	-	76,473	76,473
Total Current Assets	-	1,700,009	1,700,009
Property and Equipment:			
Land and building	-	944,417	944,417
Leasehold improvements	176,169	54,465	230,634
Furniture and equipment	14,900	366,643	381,543
	191,069	1,365,525	1,556,594
Less: Accumulated depreciation	191,069	1,004,832	1,195,901
Total Property and Equipment	-	360,693	360,693
Deposits	-	6,775	6,775
Total Assets	$ -	$ 2,067,477	$ 2,067,477
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable and accrued expenses	$ -	$ 48,065	$ 48,065
Payroll payable	-	186,454	186,454
Auto loans payable	-	15,400	15,400
Mortgage payable	-	32,988	32,988
Total Current Liabilities	-	282,907	282,907
Long-term Liabilities:			
Auto loans payable	-	107,297	107,297
Mortgage payable	-	76,987	76,987
Total Long-term Liabilities	-	184,284	184,284
Total Liabilities	-	467,191	467,191
COMMITMENTS AND CONTINGENCIES			
Net Assets - Unrestricted	-	1,600,286	1,600,286
Total Liabilities and Net Assets	$ -	$ 2,067,477	$ 2,067,477

The accompanying notes are an integral part of these financial statements.

SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended June 30, 2018	2017
Income:		
Medicaid - Resident rehab	$ 1,613,316	$ 1,694,054
OPWDD - Supplemental	68,080	145,798
SSI - Group home	173,085	192,206
Medicaid - Day hab	643,236	763,275
Subtotal	2,497,717	2,795,333
Medicaid - Service coordination	729,236	645,486
Community hab	546,744	168,450
Client clothing	3,875	4,000
OPWDD - Family support	21,935	23,891
Food stamps	27,712	21,883
Afterschool encore	113,488	84,725
Donations	2,063	1,775
Weekend	154,378	105,291
Total Income	4,097,148	3,850,834
Expenses:		
Program services	3,600,699	3,338,040
Management and general	499,099	471,618
Total Expenses	4,099,798	3,809,658
Net income before other income	(2,650)	41,176
Other income:		
Interest income	3,032	2,082
Other income	-	24,184
Total Other Income	3,032	26,266
Changes in net assets	382	67,442
UNRESTRICTED NET ASSETS - Beginning of year	1,600,286	1,532,844
UNRESTRICTED NET ASSETS - End of year	$ 1,600,668	$ 1,600,286

The accompanying notes are an integral part of these financial statements.

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SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services										
	Family Support	**Afterschool/ Weekend**	**Community Hab**	**Day Hab**	**MSC**	**Transportation**	**Sylvan**	**Fieldston**	**Program Services**	**Management and General**	**Total**
Officer's compensation	$ 5,449	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,449	$ 108,300	$ 113,749
Wages	3,916	139,131	344,980	327,759	408,774	-	513,248	695,672	2,433,480	204,421	2,637,901
Payroll taxes	791	11,764	29,168	27,712	34,562	-	43,395	58,819	206,211	26,441	232,652
Fringe benefit-Beneflex	72	1,057	2,620	2,489	3,105	-	3,898	5,284	18,525	2,375	20,900
Insurance - workers compensation and disability	599	8,891	22,045	20,945	26,122	-	32,798	44,456	155,856	19,984	175,840
Insurance - health and life	484	7,191	17,831	16,941	21,128	-	26,528	35,957	126,060	16,164	142,224
Utilities - fuel and electric	-	-	2,343	1,999	4,148	-	13,207	12,856	34,553	-	34,553
Equipment rental	-	-	-	-	1,703	-	2,639	398	4,740	12	4,752
Travel - participants	-	2,307	-	13,532	-	-	-	9,059	24,898	-	24,898
Mortgage interest expenses	-	-	-	-	-	-	6,582	-	6,582	-	6,582
Interest expense	-	-	-	-	-	-	-	-	-	617	617
Pension expense	105	1,556	3,859	3,666	4,572	-	5,739	7,781	27,278	3,498	30,776
Participant incidentals	221	9,369	8,054	6,104	-	-	7,691	12,907	44,346	500	44,846
Dues and subscriptions	-	50	-	-	-	-	-	1,572	1,622	1,499	3,121
Food and household supplies and expenses	1,721	2,546	1,505	3,387	1,417	-	33,196	38,578	82,350	2,772	85,122
Office supplies and expenses	384	411	598	17,712	26,688	-	3,241	6,450	55,484	23,671	79,155
Staff training and development	890	-	1,612	1,835	1,700	-	622	3,133	9,792	14,763	24,555
Postage	630	-	527	-	1,839	-	-	10	3,006	706	3,712
Telephone	-	-	172	269	8,932	-	3,378	7,625	20,376	3,685	24,061
Insurance - auto and general	81	1,728	4,580	870	3,241	4,389	6,995	12,632	34,516	17,812	52,328
Auto lease and expense	-	5,946	-	4,721	-	-	5,636	4,872	21,175	-	21,175
Repairs and maintenance	-	10,253	-	788	-	-	2,181	5,078	18,300	348	18,648
Rent	1,200	-	6,234	18,000	25,200	-	-	71,679	122,313	-	122,313
Professional fees	-	-	-	-	-	-	-	-	-	30,805	30,805
Bank charges	-	-	-	-	-	-	-	-	-	1,291	1,291
License and permits	-	-	-	-	-	-	2,143	1,576	3,719	-	3,719
Payroll services	-	-	-	-	-	-	-	-	-	18,709	18,709
Transportation	1,446	20	72	-	-	-	-	-	1,538	-	1,538
Meeting expense	-	-	-	-	-	-	-	-	-	201	201
Bad debt expense	-	-	-	-	22,667	-	-	-	22,667	-	22,667
Employee expense	-	-	20	1,118	5,210	-	-	-	6,348	525	6,873
Participant Recreation	-	79	-	2,067	-	-	1,062	3,484	6,692	-	6,692
Fundraising	-	-	-	-	2,316	-	-	-	2,316	-	2,316
Subtotal	12,540	202,299	446,220	471,914	603,324	4,389	714,179	1,039,878	3,500,192	499,099	3,999,291
Depreciation	-	568	17,508	72	6,336	14,907	44,710	16,406	100,507	-	100,507
Total Expenses	$ 12,540	$ 202,867	$ 463,728	$ 471,986	$ 609,660	$ 19,296	$ 758,889	$1,056,284	$ 3,600,699	$ 499,099	$ 4,099,798

SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services												
	Family Support	**Afterschool/ Weekend**	**Community Hab**	**Day Hab**	**Pre-Vocational**	**MSC**	**RRR**	**Transportation**	**Sylvan**	**Fieldston**	**Program Services**	**Management and General**	**Total**
Officer's compensation	$ -	$ -	$ -	$ -	$ -	$ 4,000	$ -	$ -	$ -	$ -	$ 4,000	$ 99,700	$ 103,700
Wages	9,525	138,253	103,693	260,597	25,237	435,682	-	44,489	588,571	631,356	2,237,403	184,482	2,421,885
Vacation accrual	-	2,324	1,449	3,616	355	6,361	-	627	8,023	8,815	31,570	4,003	35,573
Payroll taxes	804	8,985	8,833	22,373	2,129	35,900	-	3,753	52,501	53,814	189,092	23,975	213,067
Fringe benefit-Beneflex	111	1,931	1,204	3,004	295	5,285	-	521	6,555	7,324	26,230	3,326	29,556
Insurance - workers compensation and disability	358	6,199	3,863	9,644	948	16,965	-	1,672	21,041	23,511	84,201	10,675	94,876
Insurance - health and life	395	6,843	4,265	10,646	1,047	18,729	-	1,845	23,228	25,955	92,953	11,785	104,738
Utilities - fuel and electric	-	-	234	1,776	-	6,190	-	-	11,351	14,678	34,229	-	34,229
Equipment rental	-	-	-	-	-	2,568	-	-	1,440	-	4,008	1,778	5,786
Travel - staff	-	-	-	-	-	7,265	-	-	-	440	7,705	896	8,601
Travel - participants	-	2,458	-	-	-	-	-	12,693	6,072	5,127	26,350	-	26,350
Mortgage interest expenses	-	-	-	-	-	-	-	-	9,700	-	9,700	-	9,700
Interest expense	-	-	-	-	-	-	-	-	-	-	-	15	15
Pension expense	118	2,046	1,273	3,183	313	5,600	-	552	6,946	7,761	27,792	3,528	31,320
Participant incidentals	422	5,341	211	4,932	-	-	-	-	12,774	21,896	45,576	833	46,409
Dues and subscriptions	-	-	-	-	-	-	-	-	-	-	-	4,514	4,514
Food and household supplies and expenses	3,399	4,641	124	2,611	-	1,012	-	-	36,763	35,482	84,032	2,732	86,764
Office supplies and expenses	114	934	1,050	10,206	-	24,743	-	-	5,660	9,108	51,815	34,180	85,995
Staff training and development	1,875	-	-	910	-	5,046	-	-	-	399	8,230	8,659	16,889
Postage	334	-	-	-	-	1,523	-	-	23	-	1,880	555	2,435
Telephone	315	-	-	281	-	14,145	-	-	3,582	5,749	24,072	8,989	33,061
Insurance - auto and general	74	1,280	797	2,903	195	4,413	-	7,412	10,505	13,639	41,218	14,992	56,210
Auto lease and expense	-	983	-	-	-	-	-	10,500	4,068	5,235	20,786	-	20,786
Repairs and maintenance	-	943	-	3,073	-	5,986	-	-	7,990	13,295	31,287	640	31,927
Rent	2,000	-	6,500	18,000	-	24,700	-	-	-	68,794	119,994	-	119,994
Professional fees	-	-	-	-	-	-	-	-	-	-	-	27,565	27,565
Bank charges	-	-	-	-	-	-	-	-	-	-	-	903	903
License and permits	-	-	-	-	-	-	-	-	-	-	-	10,103	10,103
Payroll services	-	-	-	-	-	-	-	-	-	-	-	9,492	9,492
Storage expense	-	-	-	-	-	-	-	-	-	-	-	3,080	3,080
Transportation	1,177	-	-	-	-	-	-	-	-	-	1,177	-	1,177
Meeting expense	100	-	-	-	-	-	-	-	-	-	100	218	318
Bad debt expense	7,418	-	924	-	-	1,071	-	-	1,436	-	10,849	-	10,849
Contributions	-	-	-	-	-	600	-	-	-	-	600	-	600
Fundraising	-	-	-	-	-	3,111	-	-	-	-	3,111	-	3,111
Subtotal	28,539	183,161	134,420	357,755	30,519	630,895	-	84,064	818,229	952,378	3,219,960	471,618	3,691,578
Depreciation	-	568	-	2,875	-	7,792	2,949	21,526	55,517	26,853	118,080	-	118,080
Total Expenses	$ 28,539	$ 183,729	$ 134,420	$ 360,630	$ 30,519	$ 638,687	$ 2,949	$ 105,590	$ 873,746	$ 979,231	$ 3,338,040	$ 471,618	$ 3,809,658

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SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.
STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2018	2017
CASH FLOWS PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES:		
Changes in net assets	$ 382	$ 67,442
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	100,506	118,080
Provision for bad debt expense	22,667	10,849
Changes in certain assets and liabilities:		
Accounts receivable	(37,086)	(56,123)
Prepaid expenses	43,696	(67,538)
Accounts payable and accrued expenses	(7,924)	(1,027)
Payroll payable	(1,206)	42,893
State recoupment	-	(63,165)
Net Cash Provided by Operating Activities	121,035	51,411
INVESTING ACTIVITIES:		
Purchase of property and equipment	(28,200)	(78,675)
FINANCING ACTIVITIES:		
Repayments of auto loan	(23,660)	(25,266)
Repayments of mortgage payable	(32,988)	(32,988)
Net Cash Used for Financing Activities	(56,648)	(58,254)
NET INCREASE (DECREASE) IN CASH	36,187	(85,518)
CASH:		
Beginning of year	935,388	1,020,906
End of year	$ 971,575	$ 935,388
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash paid during the year for interest	$ 7,199	$ 9,715

SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 - NATURE OF ORGANIZATION:

Services for the Developmentally Challenged, Inc. ("SDC" or "Organization") is committed to providing services that recognize individual preferences and needs. The Organization will assist each individual to realize their highest level of independence, productivity, and responsibility. Each person will be encouraged to exercise their full rights. SDC will ensure that each individual is fully protected from harm while upholding each person's right to choose and to be fully included in their home community.

In accordance with the governing principles of the Office for Persons with Developmental Disabilities ("OPWDD"), the Organization will ensure that a person with a developmental disability shall:

1. Relate to their family, friends, and communities when and how they choose;
2. Be as independent as possible and determine the direction of their life;
3. Have the opportunity to communicate their fears and have them addressed, and not be subjected to fear of harm or reprisal in connection with the provision of services; and
4. Receive support and services which are effective and meet their needs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:
The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation:
Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets
Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets
Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial Statement Presentation: (Continued)

Permanently Restricted Net Assets
Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Currently, the Organization has only unrestricted net assets.

Cash:
For financial statement purposes, money market funds are considered to be cash equivalents. The Organization maintains cash balances at several financial institutions. At times, cumulative balances may exceed insured limits.

Accounts Receivable:
Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for denials and doubtful accounts is the Organization's best estimate of the amount of probable denials and write-offs in the Organization's existing accounts receivable. The Organization determines the allowance based on historical write-off experience. The Organization reviews its allowance for denials and doubtful accounts periodically. Past due balances are reviewed individually for collectibility.

Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Based on the Organization's review, allowances of approximately $2,000 and $10,800 were recorded for the years ended June 30, 2018 and 2017, respectively. The Organization does not have any off-balance-sheet credit exposure related to its accounts receivable.

Property and Equipment:
Fixed assets, consisting primarily of land and building, leasehold improvements, and furniture and equipment, are stated at cost less accumulated depreciation and amortization. The cost of major improvements and betterments to existing fixed assets are capitalized while maintenance and repairs are charged to expense when incurred. Upon retirement or other disposal of fixed assets, the gain realized or loss sustained on such transaction is reflected in other income or expenses. Depreciation of fixed assets is calculated on the straight-line method over the estimated useful lives of the assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Revenue Recognition and Concentration of Credit Risk:
Revenue and receivables from services to clients are dependent upon final audit and negotiations between the Organization and the various third-parties. Laws and regulations governing health care programs are subject to interpretation. As a result, there is a possibility that recorded estimates, including accounts receivable yet to be received, may change by a material amount in the near term. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from the Medicaid program. The Organization is responsible to report to, and is regulated by, various governmental third-parties, among which are the Centers for Medicare and Medicaid Services, OPWDD, and the New York State Office of Mental Health. These agencies, as well as the New York State Office of the Attorney General's Medicaid Fraud Control Unit, the Internal Revenue Service, the New York State Office of the Attorney General's Charities Bureau, the New York State Department of Health's Independent Office of Medicaid Inspector General, and other agencies have the right to audit fiscal, as well as programmatic compliance, e.g., clinical documentation, among other compliance requirements.

Contributions:
Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are unrestricted by the donor are reported as increases in unrestricted net assets. 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.

Compensated Absences:
Vacation pay is considered expenditure in the year that it is earned. An employee can accumulate vacation time and upon the employee's termination, the employee is compensated for any accrued but unpaid vacation. All vacation time should be taken by December 31 of each year. Accrued vacation of $64,823 and $89,447 for the years ended June 30, 2018 and 2017, are recorded in the statements of financial position in payroll payable.

Allocation of Functional Expenses:
The costs of providing program services and other activities have been summarized on a functional basis in the statements of functional expenses. Certain costs have been allocated among program and supporting services benefited.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Taxes:
The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not liable for federal and state income taxes.

The Organization follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. The Organization's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during the year ended June 30, 2018 and 2017. At June 30, 2018 and 2017, there are no significant income tax uncertainties.

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 disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Reporting for Nonprofits:
The Financial Accounting Standards Board issued an accounting pronouncement, *Presentation of Financial Statements of Not-for-Profit Entities,* that will require net assets to be presented in two classes instead of three. The two classes will be net assets with donor restrictions and net assets without donor restrictions. Additional enhanced disclosures will be required to present the amounts and purposes of Board designations, composition of net assets with donor restrictions and how the restrictions affect the use of resources. It also requires the Organization to communicate qualitative and quantitative information on how it manages its liquid resources available to meet the cash flow needs for general expenditures within one year of the statement of financial position date. The pronouncement is effective for annual reporting periods beginning after December 15, 2017. It will be effective for the year ending June 30, 2019. The Organization is currently evaluating the effect that the new standard will have on its financial statements.

Subsequent Events:
The Organization has evaluated its subsequent events and transactions occurring after June 30, 2018 through November 30, 2018, the date that the financial statements were available to be issued.

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NOTE 3 - PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	Estimated Useful Life	**June 30, 2018**	**2017**
Land and building	25 years	$ 972,617	$ 944,417
Leasehold improvements	5 - 7 years	230,634	230,634
Furniture and equipment	5 years	381,543	381,543
		1,584,794	1,556,594
Less: Accumulated depreciation		1,296,407	1,195,901
Property and Equipment, Net		$ 288,387	$ 360,693

Depreciation for the years ended June 30, 2018 and 2017, totaled $100,506 and $118,080, respectively.

NOTE 4 - MORTGAGE PAYABLE:

Mortgage payable consists of the following:

	June 30, 2018	**2017**
On June 29, 2004, the Organization purchased a residence in Bronx, New York. Financing was concluded on October 6, 2005, with a mortgage issued by a Bank for $494,835. The monthly payments include principal payments of $2,749 plus a fixed rate interest of 7.48%. The term is for 15 years. The mortgage is secured by the land, buildings, and improvements at 5430 Sylvan Avenue, Bronx, New York, and has a net book value of $575,363 at June 30, 2018.	$ 76,987	$ 109,975
Less: Current portion	(32,988)	(32,988)
Mortgage Payable, Net of current portion	$ 43,999	$ 76,987

NOTE 4 - MORTGAGE PAYABLE: (Continued)

Maturity of debt is as follows:

Year Ending June 30,	Amount
2019	$ 32,988
2020	32,988
2021	11,011
	$ 76,987

The terms of the mortgage require the Organization to maintain certain debt covenants.

NOTE 5 - COMMITMENTS AND CONTINGENCIES:

Leases:
The Organization currently leases two facilities under operating leases. The facility at 5474 Fieldston Road in Bronx, New York, has a lease that expires July 31, 2019. The facility at 5797 Tyndall Avenue in Bronx, New York, has a lease that expired on March 31, 2018, and is currently on a month-to-month basis.

Lease payments due under the above leases are as follows:

Year Ending June 30,	Amount
2019	$ 65,353
2020	66,659
2021	67,659
2022	69,354
2023	70,744
Thereafter	382,009
	$ 721,778

The Organization also leases a facility at 5670 Riverdale Avenue, Bronx, New York, at an annual rate of $18,900.

Rental expense for the years ended June 30, 2018 and 2017, totaled $122,313 and $96,567, respectively, and are recorded to rent on the statements of functional expenses.

NOTE 5 - COMMITMENTS AND CONTINGENCIES: (Continued)

The Organization also leases two copiers from Xerox. Lease payments due under the copier leases are as follows:

Year Ending June 30,	Amount
2019	$ 4,548
2020	4,008
2021	2,189
	$ 10,745

The equipment rental expense for the years ended June 30, 2018 and 2017, totaled $4,752 and $5,786, respectively.

The Organization is obligated under lease agreements for vehicles expiring at various dates in 2019. The original lease obligations were $99,037 and bears an interest rate of 2.99% In accordance with regulations from OPWDD these amounts have been capitalized.

NOTE 6 - FRINGE BENEFIT - BENEFLEX:

The Organization instituted a Flexible Spending Plan (“FSA”) which is designed to provide funding to enhance health benefits and reduce the out-of-pocket, healthcare-related expenses incurred by staff. All full-time, and part-time employees who work at least 20 hours per week, are eligible for this plan.

The Organization will deposit funds into individualized accounts in each of the employees’ names to be used for any unreimbursed medical, dental, vision care and certain over-the-counter medical expenses. This benefit is a supplement to the health care plan. The cost for the FSA for the years ended June 30, 2018 and 2017, totaled $20,900 and $27,552, respectively.

NOTE 7 - PENSION PLAN:

The Organization has a contributory, simple, Individual Retirement Annuity plan. During the year, the Organization contributed 2% of salaries for eligible employees. Employees are eligible for the plan if they have two full years of employment and contribute $5,000 each year. For the years ended June 30, 2018 and 2017, the Organization’s contribution was $30,776 and $31,320, respectively.

NOTE 8 - CREDIT LINES:

As of June 30, 2018 and 2017, the Organization had combined credit limits with vendors totaling $97,100. At June 30, 2018 and 2017, the outstanding balances against all credit limits totaled $10,837 and $13,882, respectively, which are included with accounts payable and accrued expenses.

NOTE 9 - CONCENTRATIONS:

The Organization provides Medicaid services under a New York state government program to individuals requiring such services. These services made up 86% and 84% of that Organization's service revenue in the fiscal years ended June 30, 2018 and 2017, respectively. Balances due from these services represent 94% and 86% of the Organization's aggregate receivables at June 30, 2018 and 2017.

The Organization maintains cash balances at several financial institutions. At times, cumulative balances may exceed insured limits.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Services for the Developmentally Challenged, Inc.
Bronx, 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 Services for the Developmentally Challenged, Inc. ("Organization"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and on compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sobel & Co., LLC
Certified Public Accountants

Livingston, New Jersey
November 30, 2018

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SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

SOBEL & CO. LLC
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.

JUNE 30, 2017 AND 2016

CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Services for the Developmentally Challenged, Inc.
Bronx, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Services for the Developmentally Challenged, Inc. ("Organization"), a nonprofit organization, which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, 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 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audits 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 auditors consider internal control relevant to the Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Services for the Developmentally Challenged, Inc., 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, on our consideration of Services for the Developmentally Challenged, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Services for the Developmentally Challenged, Inc.'s internal control over financial reporting and compliance.

Sobel & Co., LLC
Certified Public Accountants

Livingston, New Jersey
November 30, 2017

SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

	Operating Restricted	Operating Unrestricted	Total
ASSETS			
Current Assets:			
Cash and cash equivalents - operating	$ -	$ 220,626	$ 220,626
Cash and cash equivalents - payroll	-	110,969	110,969
Cash and cash equivalents - savings	-	580,818	580,818
Cash and cash equivalents - mortgage	-	22,975	22,975
Accounts receivable, net	-	688,148	688,148
Prepaid expenses	-	76,473	76,473
Total Current Assets	-	1,700,009	1,700,009
Property and Equipment:			
Land and building	-	944,417	944,417
Leasehold improvements	176,169	54,465	230,634
Furniture and equipment	14,900	366,643	381,543
	191,069	1,365,525	1,556,594
Less: Accumulated depreciation	191,069	1,004,832	1,195,901
Total Property and Equipment	-	360,693	360,693
Deposits	-	6,775	6,775
Total Assets	$ -	$ 2,067,477	$ 2,067,477
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable and accrued expenses	$ -	$ 48,065	$ 48,065
Payroll payable	-	186,454	186,454
Auto loans payable	-	15,400	15,400
Mortgage payable	-	32,988	32,988
Total Current Liabilities	-	282,907	282,907
Long-term Liabilities:			
Auto loans payable	-	107,297	107,297
Mortgage payable	-	76,987	76,987
Total Long-term Liabilities	-	184,284	184,284
Total Liabilities	-	467,191	467,191
COMMITMENTS AND CONTINGENCIES			
Net Assets - Unrestricted	-	1,600,286	1,600,286
Total Liabilities and Net Assets	$ -	$ 2,067,477	$ 2,067,477

The accompanying notes are an integral part of these financial statements.

SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

	Operating Restricted	Operating Unrestricted	Total
ASSETS			
Current Assets:			
Cash and cash equivalents - operating	$ -	$ 381,952	$ 381,952
Cash and cash equivalents - payroll	-	17,786	17,786
Cash and cash equivalents - savings	-	615,445	615,445
Cash and cash equivalents - mortgage	-	5,723	5,723
Accounts receivable, net	-	642,874	642,874
Prepaid expenses	-	8,935	8,935
Total Current Assets	-	1,672,715	1,672,715
Property and Equipment:			
Land and building	-	906,096	906,096
Leasehold improvements	176,169	22,263	198,432
Furniture and equipment	14,900	358,493	373,393
	191,069	1,286,852	1,477,921
Less: Accumulated depreciation	191,069	886,754	1,077,823
Total Property and Equipment	-	400,098	400,098
Deposits	-	6,775	6,775
Total Assets	$ -	$ 2,079,588	$ 2,079,588
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable and accrued expenses	$ -	$ 49,092	$ 49,092
Payroll payable	-	143,561	143,561
Auto loans payable	-	25,757	25,757
Mortgage payable	-	32,988	32,988
Total Current Liabilities	-	251,398	251,398
Long-term Liabilities:			
State recoupment	-	63,165	63,165
Auto loans payable	-	122,206	122,206
Mortgage payable	-	109,975	109,975
Total Long-term Liabilities	-	295,346	295,346
Total Liabilities	-	546,744	546,744
COMMITMENTS AND CONTINGENCIES			
Net Assets - Unrestricted	-	1,532,844	1,532,844
Total Liabilities and Net Assets	$ -	$ 2,079,588	$ 2,079,588

SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended June 30, 2017	Year Ended June 30, 2016
Income:		
Medicaid - Resident rehab	$ 1,694,054	$ 1,680,804
OPWDD - Supplemental	145,798	118,888
SSI - Group home	192,206	185,122
Medicaid - Day hab	763,275	728,771
Subtotal	2,795,333	2,713,585
Medicaid - Service coordination	645,486	704,885
Community hab	168,450	20,493
Client clothing	4,000	3,875
OPWDD - Family support	23,891	25,980
Food stamps	21,883	38,241
Afterschool encore	84,725	79,306
Donations	1,775	2,258
Weekend	105,291	96,420
Total Income	3,850,834	3,685,043
Expenses:		
Program services	3,338,040	3,189,159
Management and general	471,618	481,570
Total Expenses	3,809,658	3,670,729
Net income before other income	41,176	14,314
Other income:		
Interest income	2,082	212
Other income	24,184	2,311
Total Other Income	26,266	2,523
Changes in net assets	67,442	16,837
UNRESTRICTED NET ASSETS - Beginning of year	1,532,844	1,516,007
UNRESTRICTED NET ASSETS - End of year	$ 1,600,286	$ 1,532,844

SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services												
	Family Support	Afterschool/ Weekend	Community Hab	Day Hab	Pre-Vocational	MSC	RRR	Transportation	Sylvan	Fieldston	Program Services	Management and General	Total
Officer's compensation	$ -	-	-	-	-	4,000	-	-	-	-	$ 4,000	$ 99,700	$ 103,700
Wages	9,525	165,016	102,847	256,717	25,237	447,598	-	44,489	560,117	625,857	2,237,403	184,482	2,421,885
Vacation accrual	-	2,324	1,449	3,616	355	6,361	-	627	8,023	8,815	31,570	4,003	35,573
Payroll taxes	804	13,921	8,676	21,658	2,129	38,098	-	3,753	47,253	52,800	189,092	23,975	213,067
Fringe benefit-Beneflex	111	1,931.0	1,204	3,004	295	5,285	-	521	6,555	7,324	26,230	3,326	29,556
Insurance - workers compensation and disability	358	6,199	3,863	9,644	948	16,965	-	1,672	21,041	23,511	84,201	10,675	94,876
Insurance - health and life	395	6,843	4,265	10,646	1,047	18,729	-	1,845	23,228	25,955	92,953	11,785	104,738
Utilities - fuel and electric	-	-	234	1,776	-	6,190	-	-	11,351	14,678	34,229	-	34,229
Equipment rental	-	-	-	-	-	2,568	-	-	1,440	-	4,008	1,778	5,786
Travel - staff	-	-	-	-	-	7,265	-	-	-	440	7,705	896	8,601
Travel - participants	-	2,458	-	-	-	-	-	12,693	6,072	5,127	26,350	-	26,350
Mortgage interest expenses	-	-	-	-	-	-	-	-	9,700	-	9,700	-	9,700
Interest expense	-	-	-	-	-	-	-	-	-	-	-	15	15
Pension expense	118	2,046	1,273	3,183	313	5,600	-	552	6,946	7,761	27,792	3,528	31,320
Participant incidentals	422	5,341	211	4,932	-	-	-	-	12,774	21,896	45,576	833	46,409
Dues and subscriptions	-	-	-	-	-	-	-	-	-	-	-	4,514	4,514
Food and household supplies and expenses	3,399	4,641	124	2,611	-	1,012	-	-	36,763	35,482	84,032	2,732	86,764
Office supplies and expenses	114	934	1,050	10,206	-	24,743	-	-	5,660	9,108	51,815	34,180	85,995
Staff training and development	1,875	-	-	910	-	5,046	-	-	-	399	8,230	8,659	16,889
Postage	334	-	-	-	-	1,523	-	-	23	-	1,880	555	2,435
Telephone	315	-	-	281	-	14,145	-	-	3,582	5,749	24,072	8,989	33,061
Insurance - auto and general	74	1,280	797	2,903	195	4,413	-	7,412	10,505	13,639	41,218	14,992	56,210
Auto lease and expense	-	983	-	-	-	-	-	10,500	4,068	5,235	20,786	-	20,786
Repairs and maintenance	-	943	-	3,073	-	5,986	-	-	7,990	13,295	31,287	640	31,927
Rent	2,000	-	6,500	18,000	-	24,700	-	-	-	68,794	119,994	-	119,994
Professional fees	-	-	-	-	-	-	-	-	-	-	-	27,565	27,565
Bank charges	-	-	-	-	-	-	-	-	-	-	-	903	903
License and permits	-	-	-	-	-	-	-	-	-	-	-	10,103	10,103
Payroll services	-	-	-	-	-	-	-	-	-	-	-	9,492	9,492
Storage expense	-	-	-	-	-	-	-	-	-	-	-	3,080	3,080
Transportation	1,177	-	-	-	-	-	-	-	-	-	1,177	-	1,177
Meeting expense	100	-	-	-	-	-	-	-	-	-	100	218	318
Bad debt expense	7,418	-	924	-	-	1,071	-	-	1,436	-	10,849	-	10,849
Contributions	-	-	-	-	-	600	-	-	-	-	600	-	600
Fundraising	-	-	-	-	-	3,111	-	-	-	-	3,111	-	3,111
Subtotal	28,539	214,860	133,417	353,160	30,519	645,009	-	84,064	784,527	945,865	3,219,960	471,618	3,691,578
Depreciation	-	568	-	2,875	-	7,792	2,949	21,526	55,517	26,853	118,080	-	118,080
Total Expenses	$ 28,539	$ 215,428	$ 133,417	$ 356,035	$ 30,519	$ 652,801	$ 2,949	$ 105,590	$ 840,044	$ 972,718	$ 3,338,040	$ 471,618	$ 3,809,658

SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services											
	Family Support	Afterschool/ Weekend	Community Hab	Day Hab	MSC	RRR	Transportation	Sylvan	Fieldston	Program Services	Management and General	Total
Officer's compensation	$ -	$ -	$ -	$ -	$ 4,000	$ -	$ -	$ -	$ -	$ 4,000	$ 105,500	$ 109,500
Wages	9,477	127,074	25,575	324,439	504,815	-	43,027	592,547	581,942	2,208,896	198,822	2,407,718
Vacation accrual	-	-	-	6,433	12,935	-	-	8,220	4,311	31,899	21,975	53,874
Payroll taxes	835	11,193	2,253	28,577	44,817	-	3,790	52,192	51,256	194,913	26,805	221,718
Fringe benefit-Beneflex	112	1,497	302	3,822	5,996	-	507	6,983	6,860	26,079	3,586	29,665
Insurance - workers compensation and disability	253	3,393	683	8,664	13,587	-	1,148	15,823	15,540	59,091	8,126	67,217
Insurance - health and life	448	6,008	1,210	15,340	24,056	-	2,034	28,015	27,513	104,624	14,388	119,012
Utilities - fuel and electric	-	-	-	2,257	608	-	-	12,104	17,029	31,998	-	31,998
Equipment rental	-	-	-	-	-	-	164	2,683	1,340	4,187	-	4,187
Travel - staff	-	-	55	-	9,791	-	-	-	19	9,865	1,174	11,039
Travel - participants	-	2,357	-	12,487	-	-	-	4,982	3,929	23,755	269	24,024
Mortgage interest expenses	-	-	-	-	-	-	-	12,235	-	12,235	-	12,235
Interest expense	-	-	-	-	-	-	-	-	-	-	353	353
Pension expense	116	1,559	314	3,980	6,241	-	528	7,268	7,137	27,143	3,733	30,876
Participant incidentals	200	6,420	-	3,703	15,600	-	-	4,850	5,647	36,420	200	36,620
Dues and subscriptions	-	-	-	-	-	-	-	-	-	-	1,251	1,251
Food and household supplies and expenses	1,591	2,062	-	2,561	319	-	-	25,506	36,989	69,028	2,949	71,977
Office supplies and expenses	94	22	-	5,669	16,548	-	-	4,805	3,904	31,042	16,891	47,933
Staff training and development	845	-	-	-	2,506	-	-	-	167	3,518	9,995	13,513
Postage	1,705	-	-	-	-	-	-	-	-	1,705	532	2,237
Telephone	-	-	-	1,614	12,333	-	-	4,464	6,614	25,025	4,250	29,275
Insurance - auto and general	75	1,007	203	4,293	4,031	-	6,148	14,989	10,258	41,004	13,562	54,566
Auto lease and expense	-	109	-	-	-	-	5,841	-	7,261	13,211	171	13,382
Repairs and maintenance	-	574	-	7,399	6,666	-	-	5,871	3,089	23,599	992	24,591
Rent	2,300	-	-	18,300	10,450	-	-	-	65,517	96,567	-	96,567
Professional fees	-	-	-	-	-	-	-	-	-	-	28,325	28,325
Bank charges	-	-	-	-	-	-	-	-	-	-	602	602
License and permits	-	-	-	-	-	-	-	-	-	-	6,307	6,307
Payroll services	-	-	-	-	-	-	-	-	-	-	6,675	6,675
Storage expense	-	-	-	-	-	-	-	-	-	-	3,607	3,607
Transportation	1,403	-	-	-	-	-	-	-	-	1,403	-	1,403
Meeting expense	188	-	-	-	-	-	-	-	-	188	530	718
Bad debt expense	-	-	-	-	4,089	-	-	-	-	4,089	-	4,089
Fundraising	-	-	-	-	2,350	-	-	-	-	2,350	-	2,350
Subtotal	19,642	163,275	30,595	449,538	701,738	-	63,187	803,537	856,322	3,087,834	481,570	3,569,404
Depreciation	-	789	-	22,735	3,704	1,372	10,300	49,131	13,294	101,325	-	101,325
Total Expenses	$ 19,642	$ 164,064	$ 30,595	$472,273	$705,442	$1,372	$ 73,487	$852,668	$869,616	$ 3,189,159	$ 481,570	$ 3,670,729

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SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.
STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2017	2016
CASH FLOWS PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES:		
Changes in net assets	$ 67,442	$ 16,837
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	118,080	101,325
Provision for (recoupment of) bad debt expense	10,849	(9,961)
Loss on disposal of property and equipment	-	1,418
Changes in certain assets and liabilities:		
Accounts receivable	(56,123)	(4,778)
Prepaid expenses	(67,538)	21,880
Deposits	-	(5,200)
Accounts payable and accrued expenses	(1,027)	10,374
Payroll payable	42,893	24,539
State recoupment	(63,165)	-
Net Cash Provided by Operating Activities	51,411	156,434
INVESTING ACTIVITIES:		
Purchase of property and equipment	(78,675)	(61,750)
Disposal of property and equipment	-	22,581
Net Cash Used for Investing Activities	(78,675)	(39,169)
FINANCING ACTIVITIES:		
Repayments of auto loan	(25,266)	(27,110)
Repayments of mortgage payable	(32,988)	(32,988)
Net Cash Used for Financing Activities	(58,254)	(60,098)
NET (DECREASE) INCREASE IN CASH	(85,518)	57,167
CASH:		
Beginning of year	1,020,906	963,739
End of year	$ 935,388	$ 1,020,906
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash paid during the year for interest	$ 9,715	$ 12,588

NOTE 1 - NATURE OF ORGANIZATION:

Services for the Developmentally Challenged, Inc. ("SDC" or "Organization") is committed to providing services that recognize individual preferences and needs. The Organization will assist each individual to realize their highest level of independence, productivity, and responsibility. Each person will be encouraged to exercise their full rights. SDC will ensure that each individual is fully protected from harm while upholding each person's right to choose and to be fully included in their home community.

In accordance with the governing principles of the Office for Persons with Developmental Disabilities ("OPWDD"), the Organization will ensure that a person with a developmental disability shall:

1. Relate to their family, friends, and communities when and how they choose;
2. Be as independent as possible and determine the direction of their life;
3. Have the opportunity to communicate their fears and have them addressed, and not be subjected to fear of harm or reprisal in connection with the provision of services; and
4. Receive support and services which are effective and meet their needs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:
The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation:
Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets
Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets
Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, 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.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial Statement Presentation: (Continued)

Permanently Restricted Net Assets
Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Currently, the Organization has only unrestricted net assets.

Cash:
For financial statement purposes, money market funds are considered to be cash equivalents. The Organization maintains cash balances at several financial institutions. At times, cumulative balances may exceed insured limits.

Accounts Receivable:
Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for denials and doubtful accounts is the Organization's best estimate of the amount of probable denials and write-offs in the Organization's existing accounts receivable. The Organization determines the allowance based on historical write-off experience. The Organization reviews its allowance for denials and doubtful accounts periodically. Past due balances are reviewed individually for collectibility.

Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Based on the Organization's review an allowance of $10,849 was recorded for the year ended June 30, 2017. An allowance was not deemed necessary for the year ended June 30, 2016. The Organization does not have any off-balance-sheet credit exposure related to its accounts receivable.

Property and Equipment:
Fixed assets, consisting primarily of land and building, leasehold improvements, and furniture and equipment, are stated at cost less accumulated depreciation and amortization. The cost of major improvements and betterments to existing fixed assets are capitalized while maintenance and repairs are charged to expense when incurred. Upon retirement or other disposal of fixed assets, the gain realized or loss sustained on such transaction is reflected in other income or expenses. Depreciation of fixed assets is calculated on the straight-line method over the estimated useful lives of the assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Revenue Recognition and Concentration of Credit Risk:
Revenue and receivables from services to clients are dependent upon final audit and negotiations between the Organization and the various third-parties. Laws and regulations governing health care programs are subject to interpretation. As a result, there is a possibility that recorded estimates, including accounts receivable yet to be received, may change by a material amount in the near term. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from the Medicaid program. The Organization is responsible to report to, and is regulated by, various governmental third-parties, among which are the Centers for Medicare and Medicaid Services, OPWDD, and the New York State Office of Mental Health. These agencies, as well as the New York State Office of the Attorney General's Medicaid Fraud Control Unit, the Internal Revenue Service, the New York State Office of the Attorney General's Charities Bureau, the New York State Department of Health's Independent Office of Medicaid Inspector General, and other agencies have the right to audit fiscal, as well as programmatic compliance, e.g., clinical documentation, among other compliance requirements.

Contributions:
Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are unrestricted by the donor are reported as increases in unrestricted net assets. 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.

Compensated Absences:
Vacation pay is considered expenditure in the year that it is earned. An employee can accumulate vacation time and upon the employee's termination, the employee is compensated for any accrued but unpaid vacation. All vacation time should be taken by December 31 of each year. Accrued vacation of $89,447 and $53,874 for the years ended June 30, 2017 and 2016, are recorded in the statements of financial position in payroll payable.

Allocation of Functional Expenses:
The costs of providing program services and other activities have been summarized on a functional basis in the statements of functional expenses. Certain costs have been allocated among program and supporting services benefited.

State Recoupment:
State recoupment is defined as amounts due to government agencies representing excess contract revenue received over allowable expenses earned. The state recoupment was repaid during the year ended June 30, 2017.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Taxes:
The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not liable for federal and state income taxes.

The Organization follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. The Organization's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during the year ended June 30, 2017 and 2016. At June 30, 2017 and 2016, there are no significant income tax uncertainties.

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 disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications:
Certain reclassifications have been made to the 2016 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Financial Statement Reporting for Not-for-profits:
The Financial Accounting Standards Board issued an accounting pronouncement *Presentation of Financial Statements of Not-for-Profit Entities* that will require net assets to be presented in two classes instead of three. The two classes will be net assets with donor restrictions and net assets without donor restrictions. Additional enhanced disclosures will be required to present the amounts and purposes of Board designations, composition of net assets with donor restrictions and how the restrictions affect the use of resources. It also requires the Organization to communicate qualitative and quantitative information on how it manages its liquid resources available to meet the cash flow needs for general expenditures within one year of the statement of financial position date. The pronouncement is effective for annual reporting periods beginning after December 15, 2017. It will be effective for the year ending June 30, 2019. The Organization is currently evaluating the effect that the new standard will have on its financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Subsequent Events:
The Organization has evaluated its subsequent events and transactions occurring after June 30, 2017 through November 30, 2017, the date that the financial statements were available to be issued.

NOTE 3 - PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	Estimated Useful Life	**June 30, 2017**	**2016**
Land and building	25 years	$ 944,417	$ 906,096
Leasehold improvements	5 - 7 years	230,634	198,432
Furniture and equipment	5 years	381,543	373,393
		1,556,594	1,477,921
Less: Accumulated depreciation		1,195,901	1,077,823
Property and Equipment, Net		$ 360,693	$ 400,098

Depreciation for the years ended June 30, 2017 and 2016, totaled $118,080 and $101,325, respectively.

NOTE 4 - MORTGAGE PAYABLE:

Mortgage payable consists of the following:

	June 30, 2017	**2016**
On June 29, 2004, the Organization purchased a residence at 5430 Sylvan Avenue in Bronx, New York. Financing was concluded on October 6, 2005, with a mortgage issued by JP Morgan Chance Bank for $494,835. The monthly payments include principal payments of $2,749 plus a fixed rate interest of 7.48%. The term is for 15 years.	$ 109,975	$ 142,963
Less: Current portion	(32,988)	(32,988)
Mortgage Payable, Net of current portion	$ 76,987	$ 109,975

NOTE 4 - MORTGAGE PAYABLE: (Continued)

Maturity of debt for each of the next five years is as follows:

Year Ending June 30,	Amount
2018	$ 32,988
2019	32,988
2020	32,988
2021	11,011
	$ 109,975

The terms of the mortgage require the Organization to maintain certain debt covenants. At June 30, 2017 and 2016, the Organization met all financial covenants.

NOTE 5 - COMMITMENTS AND CONTINGENCIES:

Leases:
The Organization currently leases two facilities under operating leases. The facility at 5474 Fieldston Road in Bronx, New York, has a lease that expires July 31, 2018. The facility at 5797 Tyndall Avenue in the Bronx, New York, has a lease that expires on March 31, 2018.

Lease payments due under the above leases are as follows:

Year Ending June 30,	Amount
2018	$ 71,970
2019	5,348
	$ 77,318

The Organization also leases a facility at 5670 Riverdale Avenue, Bronx, New York, at an annual rate of $18,900.

Rental expense for the years ended June 30, 2017 and 2016, totaled $113,357 and $96,567, respectively, and are recorded to rent on the statements of functional expenses.

NOTE 5 - COMMITMENTS AND CONTINGENCIES: (Continued)

The Organization also leases two copiers from Xerox. Lease payments due under the copier leases are as follows:

Year Ending June 30,	Amount
2018	$ 4,548
2019	4,548
2020	4,008
2021	2,189
	$ 15,293

The equipment rental expense for the years ended June 30, 2017 and 2016, totaled $5,786 and $4,187, respectively.

The Organization is obligated under lease agreements for vehicles expiring at various dates in 2019. The original lease obligations were $182,303 and bears an interest rate of 2.99% In accordance with regulations from OPWDD these amounts have been capitalized.

NOTE 6 - FRINGE BENEFIT - BENEFLEX:

The Organization instituted a Flexible Spending Plan ("FSA") which is designed to provide funding to enhance health benefits and reduce the out-of-pocket, healthcare-related expenses incurred by staff. All full-time, and part-time employees who work at least 20 hours per week, are eligible for this plan.

The agency will deposit funds into individualized accounts in each of the employees' names to be used for any unreimbursed medical, dental, vision care and certain over-the-counter medical expenses. This benefit is a supplement to the health care plan. The cost for the FSA for the years ended June 30, 2017 and 2016, totaled $27,552 and $29,665, respectively.

NOTE 7 - PENSION PLAN:

The Organization has a contributory simple Individual Retirement Annuity plan. During the year, the Organization contributed 2% of salaries for eligible employees. Employees are eligible for the plan if they have 2 full years of employment and contribute $5,000 each year. For the years ended June 30, 2017 and 2016, the Organization's contribution was $31,320 and $30,876, respectively.

NOTE 8 - CREDIT LINES:

As of June 30, 2017 and 2016, the Organization had combined credit limits with vendors totaling $97,100. At June 30, 2017 and 2016, the outstanding balances against all credit limits totaled $13,882 and $14,471, respectively, which are included with accounts payable and accrued expenses.

NOTE 9 - CONCENTRATIONS:

The Organization provides Medicaid services under a New York state government program to individuals requiring such services. These services made up 80% and 84% of that Organization's service revenue in the fiscal years ended June 30, 2017 and 2016, respectively. Balances due from these services represent 86% of the Organization's aggregate receivables at June 30, 2017 and 2016.

The Organization maintains cash balances at several financial institutions. At times, cumulative balances may exceed insured limits.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Services for the Developmentally Challenged, Inc.
Bronx, 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 Services for the Developmentally Challenged, Inc. ("Organization"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and on compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sobel & Co., LLC
Certified Public Accountants

Livingston, New Jersey
November 30, 2017

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APPENDIX B-IV

UNIQUE PEOPLE SERVICES, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED JUNE 30, 2019, JUNE 30, 2018 AND JUNE 30, 2017)

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UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES

Unique People Services

Consolidated Financial Statements and Supplementary Information (Together with Independent Auditors' Report)

Years Ended June 30, 2019 and 2018

MARKS PANETH
ACCOUNTANTS & ADVISORS

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
Consolidated Financial Statements
and Supplementary Information
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2019 AND 2018

CONTENTS

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MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Unique People Services, Inc. and Affiliates

We have audited the accompanying consolidated financial statements of Unique People Services, Inc. ("Unique"), Unique People Services – AIDS Programs, Inc. ("Unique – Aids"), Lynn's Place Housing Development Fund Company, Inc. ("HDFC"), 2050 G.C. Housing Development Fund Company, Inc. ("2050 G.C. HDFC") and Lynn's Place Development Limited Partnership ("Lynn's Place L.P.") (collectively, the "Agency"), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 consolidatedfinancial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Unique People Services, Inc. and Affiliates as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2O to the consolidated financial statements, during the year ended June 30, 2019, the Agency adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities.* Our opinion is not modified with respect to this matter.

Morison KSi
Independent member

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information (shown on pages 19-20) as of and for the years ended June 30, 2019 and 2018 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets 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 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, 2019

MARKS PANETH
ACCOUNTANTS & ADVISORS

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents (Notes 2C, 3 and 12)	$ 1,439,906	$ 2,920,789
Accounts receivable, net (Notes 2F, 3 and 4)	7,207,280	6,613,202
Interest reserve (Note 7)	-	324,620
Prepaid expenses and other assets	802,720	811,710
Restricted reserves and escrow deposits (Notes 2D and 15)	741,207	-
Property and equipment, net (Notes 2G and 5)	38,419,920	41,547,179
Debt service reserve funds (Note 6)	860,368	763,897
Consumer funds (Note 2L)	54,753	47,690
TOTAL ASSETS	$ 49,526,154	$ 53,029,087
LIABILITIES		
Accounts payable and accrued expenses	$ 1,627,830	$ 1,418,914
Due to governmental agencies (Note 8)	1,927,112	3,625,553
Reserves and developer fee payables (Note 16)	125,000	1,592,335
Long-term debt (Note 7)	29,098,335	30,821,384
Consumer funds (Note 2L)	54,753	47,690
TOTAL LIABILITIES	32,833,030	37,505,876
COMMITMENTS AND CONTINGENCIES (Note 10)		
NET ASSETS (Note 2B)		
Net assets without donor restrictions:	6,022,161	5,662,642
Non-controlling partners' interest in consolidated limited partnership (Note 14)	10,573,242	9,762,848
Total net assets without donor restrictions	16,595,403	15,425,490
Net assets with donor restrictions (Note 13)	97,721	97,721
TOTAL NET ASSETS	16,693,124	15,523,211
TOTAL LIABILITIES AND NET ASSETS	$ 49,526,154	$ 53,029,087

The accompanying notes are an integral part of these consolidated financial statements.

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UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	For the Year Ended June 30, 2019			For the Year Ended June 30, 2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
OPERATING REVENUES AND SUPPORT (Notes 2H and 2I):						
Medicaid income (Note 2H)	$ 10,894,630	$ -	$ 10,894,630	$ 9,787,621	$ -	$ 9,787,621
Government grant income (Note 2I)	13,602,279	-	13,602,279	13,287,950	-	13,287,950
Participant fees	1,911,090	-	1,911,090	2,144,125	-	2,144,125
Contributions (Note 2E)	13,912	-	13,912	1,723	1,000	2,723
Special events, net of direct expenses $25,963 and $24,600, respectively (Note 2L)	170,769	-	170,769	190,382	-	190,382
Rental income	976,678	-	976,678	311,594	-	311,594
Other revenues (Note 15)	895,091	-	895,091	187,927	-	187,927
Net assets released from restrictions (Note 13)	-	-	-	750	(750)	-
Total Operating Revenues and Support	28,464,449	-	28,464,449	25,912,072	250	25,912,322
OPERATING EXPENSES (Note 2K):						
Program services:						
Home and community based services	11,221,639	-	11,221,639	9,877,991	-	9,877,991
Community residences	5,600,465	-	5,600,465	5,579,888	-	5,579,888
Other Programs	2,895,629	-	2,895,629	1,561,306	-	1,561,306
AIDS programs	6,654,734	-	6,654,734	7,115,997	-	7,115,997
Total program services	26,372,467	-	26,372,467	24,135,182	-	24,135,182
Management and administration	2,273,158	-	2,273,158	1,787,242	-	1,787,242
Fundraising	56,660	-	56,660	148,093	-	148,093
Total Operating Expenses	28,702,285	-	28,702,285	26,070,517	-	26,070,517
Change in Net Assets from operations	(237,836)	-	(237,836)	(158,445)	250	(158,195)
Add: Non-controlling partners' Interest in loss of consolidated L.P.	198,901	-	198,901	203,101	-	203,101
Prior year revenue (Note 2J)	398,434	-	398,434	6,172	-	6,172
CHANGE IN TOTAL NET ASSETS/EQUITY	359,499	-	359,499	50,828	250	51,078
Non-controlling partners' interest - beginning of year	9,762,848	-	9,762,848	-	-	-
Limited partner's capital contribution	1,009,295	-	1,009,295	10,015,949	-	10,015,949
Syndication cost	-	-	-	(50,000)	-	(50,000)
Non-controlling partners' interest in loss of consolidated L.P.	(198,901)	-	(198,901)	(203,101)	-	(203,101)
Non-controlling partners' interest - end of year (Note 14)	10,573,242	-	10,573,242	9,762,848	-	9,762,848
Net Assets - Beginning of Year	5,662,662	97,721	5,760,383	5,611,814	97,471	5,709,285
NET ASSETS - END OF YEAR	$ 16,595,403	$ 97,721	$ 16,693,124	$ 15,425,490	$ 97,721	$ 15,523,211

The accompanying notes are an integral part of these consolidated financial statements.

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for June 30, 2018)

	Program Services					Supporting Services				
	Home and Community Based Services	**Community Residences**	**Other Programs**	**AIDS Program**	**Total Program Services**	**Management and Administration**	**Fundraising**	**Total Supporting Services**	**Total 2019**	**Total 2018**
Salaries	$ 6,364,805	$ 1,982,187	$ 355,559	$ 989,747	$ 9,692,298	$ 1,205,724	$ 12,071	$ 1,217,795	$ 10,910,093	$ 9,834,699
Payroll taxes and employee benefits (Note 11)	1,970,170	604,433	130,211	322,035	3,026,849	411,551	4,104	415,655	3,442,504	3,154,561
Total salaries and related costs	8,334,975	2,586,620	485,770	1,311,782	12,719,147	1,617,275	16,175	1,633,450	14,352,597	12,989,260
Food and recreation activities	273,983	30,394	8,641	17,625	330,643	11,165	19,590	30,755	361,398	339,560
Recreational activities			-		-	-		-	-	-
Repairs and maintenance	251,221	269,739	45,748	31,019	597,727	78,295	22,153	100,448	698,175	575,981
Utilities	135,721	198,715	94,120	97,667	526,223	19,817	-	19,817	546,040	518,698
Transportation and travel	61,126	30,324	1,010	75,853	168,313	2,716	4,440	7,156	175,469	189,911
Facility tax assessments	-	-	-	-	-	-	-	-	-	-
Clothing	21,926	-	-	-	21,926	-	-	-	21,926	24,463
Program supplies	-	-	-	-	-	-	-	-	-	-
Staff training	86,920	18,914	17,004	-	122,838	10,148	-	10,148	132,986	114,470
Contracted services	13,267	235	1,436	-	14,938	21,741	-	21,741	36,679	25,208
Professional fees	144,379	117,193	131,812	79,746	473,130	246,097	-	246,097	719,227	663,674
Office supplies	54,727	28,845	33,506	61,602	178,680	5,642	-	5,642	184,322	140,136
Household and medical supplies	243,552	65,481	53,361	-	362,394	4,555	-	4,555	366,949	429,722
Telephone	136,322	67,309	6,832	80,694	291,157	1,753	1,378	3,131	294,288	240,626
Equipment leases (Note 10)	203,895	64,558	15,435	83,599	367,487	24,276	2,701	26,977	394,464	372,646
Rent (Note 10)	292,710	1,175,502	1,007,020	4,490,321	6,965,553	185,063	-	185,063	7,150,616	6,255,843
Expensed equipment	-	-	-	149,793	149,793	678	-	-	150,471	96,597
Property and general insurance	125,144	207,617	19,250	139,151	491,162	6,000	-	6,000	497,162	544,176
Housing initiative expense	-	-	78,765	-	78,765	-	-	-	78,765	-
Interest expense (Note 7)	215,408	272,819	73,082	-	561,309	5,883	-	5,883	567,192	526,560
Client stipends	3,501	18,487	-	200	22,188	40	-	40	22,228	11,103
Bad debt expense	-	-	-	-	-	7,038	-	7,038	7,038	-
Depreciation and amortization (Note 5)	245,407	406,013	813,170	-	1,464,590	3,628	-	3,628	1,468,218	1,075,614
Other expenses	377,455	41,700	9,667	35,682	464,504	21,348	16,186	37,534	502,038	960,869
Subtotal	11,221,639	5,600,465	2,895,629	6,654,734	26,372,467	2,273,158	82,623	2,355,103	28,728,248	26,095,117
Less: direct special event expenses (Note 2M)	-	-	-	-	-	-	(25,963)	(25,963)	(25,963)	(24,600)
TOTAL EXPENSES	$ 11,221,639	$ 5,600,465	$ 2,895,629	$ 6,654,734	$ 26,372,467	$ 2,273,158	$ 56,660	$ 2,329,140	$ 28,702,285	$ 26,070,517

The accompanying notes are an integral part of these consolidated financial statements.

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services					Supporting Services			
	Home and Community Based Services	Community Residences	Other Programs	AIDS Program	Total Program Services	Management and Administration	Fundraising	Total Supporting Services	Total
Salaries	$ 5,390,812	$ 1,745,676	$ 251,678	$ 1,356,260	$ 8,744,426	$ 1,079,273	$ 11,000	$ 1,090,273	$ 9,834,699
Payroll taxes and employee benefits (Note 11)	1,594,409	623,022	70,602	581,994	2,870,027	280,794	3,740	284,534	3,154,561
Total salaries and related costs	6,985,221	2,368,698	322,280	1,938,254	11,614,453	1,360,067	14,740	1,374,807	12,989,260
Food and recreation activities	251,896	46,000	731	31,549	330,176	3,886	5,498	9,384	339,560
Repairs and maintenance	298,935	175,148	22,601	37,466	534,150	29,162	12,669	41,831	575,981
Utilities	125,549	236,034	40,390	113,049	515,022	2,497	1,179	3,676	518,698
Transportation and travel	82,098	19,933	2,150	79,203	183,384	462	6,065	6,527	189,911
Clothing	24,463	-	-	-	24,463	-	-	-	24,463
Staff training	82,154	17,202	-	82	99,438	5,899	9,133	15,032	114,470
Contracted services	15,924	8,423	-	-	24,347	861	-	861	25,208
Professional fees	92,038	185,353	111,074	94,439	482,904	121,468	59,302	180,770	663,674
Office supplies	37,427	26,539	2,543	66,554	133,063	3,854	3,219	7,073	140,136
Household and medical supplies	175,647	143,736	90,166	106	409,655	5,862	14,205	20,067	429,722
Telephone	94,306	54,096	7,392	79,301	235,095	4,507	1,024	5,531	240,626
Equipment leases (Note 10)	159,560	67,975	6,381	109,335	343,251	26,161	3,234	29,395	372,646
Rent (Note 10)	228,537	1,149,121	446,269	4,256,851	6,080,778	156,065	19,000	175,065	6,255,843
Expensed equipment	-	-	-	96,597	96,597	-	-	-	96,597
Property and general insurance	52,310	311,719	15,515	164,632	544,176	-	-	-	544,176
Interest expense (Note 7)	190,321	295,782	35,148	-	521,251	4,424	885	5,309	526,560
Client stipends	315	7,208	-	3,580	11,103	-	-	-	11,103
Depreciation and amortization (Note 5)	280,977	409,017	384,157	-	1,074,151	1,463	-	1,463	1,075,614
Other expenses	700,313	57,904	74,509	44,999	877,725	60,604	22,540	83,144	960,869
Subtotal	9,877,991	5,579,888	1,561,306	7,115,997	24,135,182	1,787,242	172,693	1,959,935	26,095,117
Less: direct special event expenses (Note 2M)	-	-	-	-	-	-	(24,600)	(24,600)	(24,600)
TOTAL EXPENSES	$ 9,877,991	$ 5,579,888	$ 1,561,306	$ 7,115,997	$ 24,135,182	$ 1,787,242	$ 148,093	$ 1,935,335	$ 26,070,517

The accompanying notes are an integral part of these consolidated financial statements.

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UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 359,499	$ 51,078
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,295,098	1,052,205
Amortization for debt service reserve fund	5,574	23,409
Amortization for deferred financing cost	167,546	44,171
Bad debt	7,038	-
Non-controlling partners' interest in loss of consolidated L.P.	(198,901)	(203,101)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(601,116)	(2,026,366)
Investment in limited partnership	-	(27,600)
Reserves and escrow deposits	(741,207)	-
Prepaid expenses and other assets	8,990	(7,618)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	208,916	359,299
Due to governmental agencies	(1,698,441)	1,180,638
Net Cash (Used in) Provided by Operating Activities	(1,187,004)	446,115
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(641,000)	(28,120,590)
Debt service reserve funds	(102,045)	396,227
Syndication cost	-	(50,000)
Net Cash Used in Investing Activities	(743,045)	(27,774,363)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	2,964,010	15,698,772
Repayment of long-term debt	(2,381,424)	(803,003)
Interest reserve	324,620	341,889
Reserves and developer fee payables	(1,467,335)	1,592,335
Limited partner's capital contribution	1,009,295	10,015,949
Net Cash Provided by Financing Activities	449,166	26,845,942
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,480,883)	(482,306)
Cash and Cash Equivalents - Beginning of Year	2,920,789	3,403,095
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,439,906	$ 2,920,789
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 399,646	$ 517,750
Supplemental Disclosure of Non-Cash Financing Activities:		
Deferred financing cost	$ (121,610)	$ (512,634)
Interest expense capitalized	$ 324,620	$ 365,298

The accompanying notes are an integral part of these consolidated financial statements.

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The accompanying consolidated financial statements include Unique People Services, Inc. ("Unique"), Unique People Services — AIDS Programs, Inc. ("Unique-AIDS"), Lynn's Place Housing Development Fund Company, Inc. ("HDFC"), 2050 G.C. Housing Development Fund Company, Inc. ("2050 G.C. HDFC") and Lynn's Place Development Limited Partnership ("Lynn's Place L.P.") (collectively the "Agency"). Unique, Unique-AIDS, the HDFC, 2050 G.C. HDFC and Lynn's Place L.P. are related through common Board membership substantially identical management and controlling ownership interest.

Unique is a New York not-for-profit corporation formed primarily for the purpose of alleviating human suffering and distress and for the betterment and improvement of mankind, especially those persons who are developmentally disabled. Unique operates five Individual Residential Alternative ("IRA") programs, which provide residential and rehabilitative services to developmentally disabled individuals. Additionally, Unique provides community-based housing to adult individuals who suffer with serious and persistent mental illness through community residence/single residence occupancy and supported housing.

Unique-AIDS is a New York not-for-profit corporation formed primarily for the purpose of alleviating human suffering and distress and for the betterment and improvement of mankind, especially those persons who have HIV/AIDS. Unique-AIDS operates residential facilities, scatter site apartments and case management for families, children and single persons with AIDS. Unique-AIDS also operates a care coordination program funded through the New York City Department of Health and Mental Hygiene ("DOHMH") and a housing opportunity for persons with aids program funded through the New York City Human Resources Administration ("NYCHRA").

The HDFC was formed pursuant to the Private-Housing Finance Law and the Not-for-Profit Corporation Law, both of the State of New York, for the purpose of developing a housing project for persons with low-income. Unique is the sole corporate member of the HDFC and the member designates the board of directors of the HDFC.

2050 G.C. HDFC was formed pursuant to the Private-Housing Finance Law and the Not-for-Profit Corporation Law, both of the State of New York, for the purpose of developing a housing project for persons with low-income. Unique is the sole corporate member of 2050 G.C. HDFC and the member designates the board of directors of 2050 G.C. HDFC.

Lynn's Place L.P. was formed pursuant to the laws of the State of New York for the purpose of providing low-income housing through the development, financing, construction, maintenance and operation of the property, containing 69 apartments, located in the Bronx, New York. Lynn's Place General Partner Corporation ("Lynn's Place GP") was formed pursuant to the Business Corporation Law of the State of New York and serves as the general partner to Lynn's Place L.P. (see Note 9). The HDFC is the sole member of Lynn's Place G.P. and the G.P. owns .01% of Lynn's Place L.P., however, presumed to control Lynn's Place L.P. Lynn's Place L.P. commenced operations on November 27, 2017.

Unique, Unique – AIDS, the HDFC and 2050 G.C. HDFC have been granted an exemption from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. Similar exemptions exist at the state and local levels. The Agency is supported primarily by government fees and contracts, Medicaid revenue, participant fees and rental income.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Accounting*** – The Agency's consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All significant intercompany transactions have been eliminated during consolidation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. ***Net Assets*** – The Agency's resources are classified and reported based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions – include expendable resources not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions – include resources subject to donor-imposed stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported as net assets released from restrictions. In addition, net assets with donor restrictions include resources subject to donor-imposed stipulations, requiring that the principal be maintained in perpetuity.

C. ***Cash and Cash Equivalents*** – Cash equivalents include all highly liquid instruments purchased with a maturity of three months or less.

D. ***Escrow Deposits*** – Escrow deposits consists of amounts held by Lynn's Place L.P. to fund insurance and real estate escrow to required levels, as defined in the mortgage agreement.

E. ***Contributions*** – The Agency records contributions of cash and other assets when an unconditional promise to give is received from a donor. Contributions are recorded at the fair value of the assets received and are classified as either without donor restrictions or with donor restrictions support depending on the existence of any donor restrictions.

Material contributions of noncash assets are recorded at their fair value in the period received.

F. ***Allowance for Uncollectible Receivables*** – The Agency provides an allowance for doubtful accounts for receivables. This estimate is based on management's assessment of the aged basis of its government funding sources, current economic conditions, creditworthiness of its donors, tenants and historical experience. A significant portion of the accounts receivable consists of amounts due from New York State and New York City sources. As of June 30, 2019 and 2018, the Agency determined an allowance was necessary of approximately $264,000 and $257,000, respectively.

G. ***Property and Equipment*** – Property and equipment is stated at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable values. The Agency capitalizes property and equipment with a cost of $5,000 or more and a useful life greater than two years. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lease term or the useful life of the asset, whichever is less.

H. ***Revenue Recognition*** – Primary support for the programs operated by the Agency is derived directly from services provided to approved clients from third-party reimbursement sources, primarily New York State Office of People with Developmental Disabilities ("OPWDD"). Laws and regulations governing Medicaid programs are subject to interpretation. Noncompliance with such laws and regulations could result in fines, penalties and exclusion from Medicaid programs. There are occasions when funding source reimbursements for prior years are adjusted in the current period. The Agency records receivables and revenue when earned based on established rates or contracts for services provided. Revenue is reported at the amount that reflects the consideration to which the Agency expect to be entitled in exchange for providing the contracted services. Generally, the Agency bills the government entities, third-party payors and individuals after the services are performed or when the Agency has completed its portion of the contract. For the years ended, June 30, 2019 and 2018, the Agency's primary revenue by program and primary payor amounted to $10,894,630 and $9,787,621, respectively.

Performance obligations are determined based on the nature of the services provided by the Agency in accordance with the contract. Revenue for performance obligations are satisfied at a point in time at which services are provided. The Agency believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Agency measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the government agencies' stipulations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Because all of its performance obligations relate to contracts with a duration of less than one year, the Agency has elected to apply the optional exemption provided in FASB ASC 606-10-50-l 4(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed when the service is completed and upon submission of required documentation.

The Agency determines the transaction price based on established rates and contracts for services provided. The initial estimate of the transaction price is determined by reducing the established rates for services provided by any implicit price concessions based on historical collection experience with each government agency. The Agency has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the payors and service lines. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change.

Financing Component

The Agency has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from customers and third parties for the effects of a significant financing component due to the Agency's expectation that the period between the time the service is provided to a customer and the time the customer or a third-party payor pays for that service will be one year or less.

Contract Costs

The Agency has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Agency otherwise would have recognized is one year or less in duration.

I. ***Government Grant Revenue*** – Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors and in accordance with Accounting Standards Update (ASC") 2018-08. To the extent amounts received exceed amounts spent, the Agency establishes refundable advances from governmental sources. Any revenue for contracts that has not yet been earned is reclassified as deferred revenue on the consolidated statements of financial position.

The Agency receives substantially all of its revenue for services provided to approved clients from third-party reimbursement sources; primarily, New York State Office of Mental Health ("OMH"), HIV/AIDS Services Administration ("HASA"), DOHMH and NYC HRA. These revenues are subject to audit and retroactive adjustment by the respective third-party fiscal intermediary.

The Agency also receives Supplemental Security Income ("SSI") and Social Security Income ("SSA") payments for the participants. A portion of the SSI/SSA payments represents the participants' contributions toward the cost of goods and services and is recognized as revenue when received. The remaining portion of SSI/SSA represents the participants' personal allowance and is recognized as a liability due to clients.

Rental income is recognized for apartment rentals as it is accrued. Advance receipts of rental income are deferred and classified as liabilities until earned.

J. ***Prior Year Revenue*** – Retroactive adjustments of reimbursement rates are recorded in revenue. Included in the change in net assets for the years ended June 30, 2019 and 2018 is approximately $347,000 and $6,000 of prior year increases relating to such adjustments which is included in prior year revenue in the consolidated statements of activities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. ***Functional Allocation of Expenses*** – The cost of providing the various program and supporting services has been summarized on a functional bass in the accompanying consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

The Agency allocates certain expenses among the various program and supporting services categories. The expense allocated to a particular category is based on a number of factors. Salary expense is based on the estimated time spent on each program and supporting services and certain other expenses are allocated based on the ratio-value method (a NYS government accepted allocation method) for each program.

L. ***Consumer Funds –*** Consumer funds consist of funds held on behalf of clients. Such funds represent living allowances received by clients from the State of New York, as well as other funds deposited for safekeeping. These funds are disbursed at the request of, or on behalf of, clients for their personal use.

M. ***Special Events Direct Costs –*** The direct cost of special events include expenses for the benefit of the donor. For example, meals and facilities rental are considered direct costs of special events.

N. ***Use of Estimates –*** The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

O. ***Recent Accounting Pronouncements –*** Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, "Not-for-Profit Entities" was adopted for the year ended June 30, 2019. ASU 2016-14 provides for a number of changes, including the presentation of two classes of net assets, a statement of functional expenses, enhanced disclosure on liquid resources and expense allocation methodologies. These changes had no impact on the change in net assets for the year ended June 30, 2019. Net assets as of June 30, 2018 were renamed to conform to the new presentation.

P. ***Reclassifications*** – Certain line items in the June 30, 2018 consolidated financial statements have been reclassified to conform to the June 30, 2019 presentation.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Agency regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Agency has various sources of liquidity at its disposal, including cash and cash equivalents and receivables that provides funding for operations and capital expenditures as needed.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Agency considers all expenditures related to its ongoing activities. In addition to financial assets available to meet general expenditures over the next 12 months, the Agency expects and anticipates collecting sufficient revenue to cover general expenditures.

As of June 30, 2019, the following financial assets could readily be made available immediately from the statement of financial position date to meet general expenditures:

Cash and cash equivalents	$ 1,439,906
Accounts receivable, net	7,207,280
Total financial assets	8,647,186
Less: net assets with donor restrictions	(97,721)
	$ 8,549,465

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of June 30:

	2019	2018
New York State Office for People With Developmental Disabilities	$ 4,049,165	$ 2,943,794
HIV/AIDS Services Administration	2,090,049	2,378,324
HIV/AIDS Services Administration – client fees	407,592	405,422
New York City Office of Mental Health – Grant	2,106	31,059
Public Heath Solutions	-	170,940
Health Home	-	5,433
Housing Opportunities for Persons With AIDS	86,687	94,139
New York City Office of Mental Health – Rent	220,719	185,096
New York City Department of Health and Mental Hygiene	425,874	523,652
Others	188,652	131,869
Accounts receivable, before allowance	7,470,844	6,869,728
Less: allowance for doubtful accounts	(263,564)	(256,526)
Accounts receivable, net	$ 7,207,280	$ 6,613,202

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	2019	2018	Useful Lives
Land	$ 7,038,973	$ 6,786,417	
Buildings and building improvements	37,918,241	40,687,494	25-40 years
Leasehold improvements	612,991	612,991	25 years
Furniture and equipment	118,114	118,114	5-10 years
Vehicles	237,060	237,060	5-10 years
Construction in progress (see below)	2,705,488	2,029,557	
	48,630,867	50,471,633	
Less: accumulated depreciation	(10,210,947)	(8,924,454)	
Net book value	$ 38,419,920	$ 41,547,179	

For the years ended June 30, 2019 and 2018, depreciation expenses amounted to $1,295,098 and $1,052,205, respectively.

Construction-in-progress primarily consists of construction on 2050 Grand Concourse, Bronx, New York to be used for supportive housing project consisting of 93 units primarily to house mixed-income population (the "Project"). To fund the Project, the Agency obtained loans as further described in Note 7. The Project will be completed in 2022. The future cost to complete is approximately $63,000,000.

NOTE 6 – DEBT SERVICE RESERVE FUNDS

Debt reserve funds consist of the following as of June 30:

	2019	2018
Capital reserve accounts – OMH	$ 653,701	$ 563,632
Bank of New York ("BNY") Mellon Debt Reserve	175,479	163,503
Debt service reserve fund - OPWDD	31,188	36,762
	$ 860,368	$ 763,897

NOTE 6 – DEBT SERVICE RESERVE FUNDS (Continued)

Debt service reserve funds represent funds held by OPWDD and OMH. These funds will be applied to the last payment required on the mortgages with Dormitory Authority of the State of New York ("DASNY"), the Facilities Development Corporation ("FDC") and BNY Mellon. This reserve will earn interest to be used to offset the Agency's final payment obligation under the mortgage (as further described in Note 7) for the Agency's residential facilities.

NOTE 7 – LONG-TERM DEBT

Long-term debt consists of the following as of June 30:

	2019	2018	Annual Interest Rate	Due Date
Mortgage payable to DASNY-OMH in semiannual payments of $159,562, including interest, secured by real estate located on Southern Boulevard, Bronx, New York	$ 871,889	$ 1,133,176	5.41%	2022
Corporation for Supportive Housing mortgage.	6,872,267	6,592,370	6.00%	(*)
Mortgage payable to DASNY-OMH in semiannual payments of $214,290, including interest, secured by real estate located on Fairmont Place, Bronx, New York.	3,960,200	4,184,520	4.95%	2031
Bond payable to DASNY including unamortized premium of $32,653 as of June 30, 2018. Monthly payments to DASNY including interest, secured by real estate located on Lacombe Avenue, Bronx, Sheridan Avenue, Brooklyn and 112th Avenue, Jamaica, New York.	2,975,041	3,066,346	3.00%	2041 (**)
Note payable to a financial institution with quarterly interest only payments. The total amount outstanding is to be repaid by a bond refinancing program through DASNY. The note is secured by real estate located on 121st Avenue, Jamaica New York. Prime plus 3% resulted in an interest rate of 8.5% and 8% on June 30, 2019 and 2018, respectively.	1,171,328	1,171,328	Prime+3%	2018 (***)
Mortgage payable to the Department of Housing Preservation and Development of the City of New York ("HPD") and secured by real estate located on 1060 Reverend James Polite Avenue, Bronx, New York. Principal and interest are due at maturity date.	10,900,000	10,900,000	1.25%	2078
Mortgage payable to a bank with principal and interest due at maturity date. The mortgage was provided as financing for Lynn's Place L.P. in the form of a construction loan and is secured by the property which is located at 1060 Reverend James Polite Avenue, Bronx, New York.	-	2,749,943	Libor+2.5%	2018
Mortgage payable to a bank with principal and interest due at maturity date. The mortgage was provided as financing for Lynn's Place L.P. in the form of a construction loan and is secured by the property which is located at 1060 Reverend James Polite Avenue, Bronx, New York.	-	1,536,335	Libor+2.5%	2018
Mortgage payable to Community Preservation Corporation with monthly payments of principal and interest of $16,566.	2,972,505	-	5.34%	2048
	29,723,230	31,334,018		
Less: Deferred Financing Cost	(624,895)	(512,634)		
	$ 29,098,335	$ 30,821,384		

NOTE 7 – LONG-TERM DEBT (Continued)

(*) During the year ended June 30, 2017, the HDFC obtained a mortgage from the Corporation of Supportive Housing ("CSH") to finance the acquisition of a property. The mortgage, maturing in December 2019, is secured by the property and bears interest at 6% annually. The property is for a new affordable housing project ("Project") consisting of 95 units primarily to house mixed-income populations.

Unique is the guarantor for the CSH loan. The total amount approved for the acquisition and predevelopment cost was $6,800,000 of which $5,716,837 was disbursed by CSH at the property closing including loan origination fees amounting to $100,493 and legal fees expenses totaling $7,000 which was capitalized. In addition, $753,000 was retained by CSH to make monthly interest payments on the loan which is included as interest reserve in the consolidated statements of financial position. During the years ended June 30, 2019 and 2018, $324,620 and $365,298 of the interest reserve was amortized and the balance outstanding as of June 30, 2019 and 2018 amounted to $0 and $324,620, respectively. Subsequent disbursements for the balance of the loan will be based on eligible expenses incurred by the Agency.

(**) In November 2016, the Agency borrowed $3,152,653 from the DASNY as part of DASNY's Inter-Agency Council Pooled Loan Program Revenue Bonds, Series 2016B ("Series 2016 Bonds"). The bonds are secured by three of the Agency's real property located in New York City. The loan agreement required the Agency to deposit to a debt service reserve fund an amount at least equal to the Agency's allocable portion of the debt service reserve fund requirement which amounted to $98,044 and is included in debt service reserve funds (Note 6). The bonds were issued at a premium of $32,653 and amortized on a straight-line basis over the life of the bonds. Pursuant to the loan agreement, the Agency is required to maintain in each fiscal year total net revenues available for debt service sufficient to produce a total debt service coverage ratio of not less than 1.00 to 1.00. As of June 30, 2019, the Agency is in compliance with this covenant.

As of June 30, 2019 and 2018, cash held by DASNY amounted to $167,079 and $163,503, respectively, representing monthly principal and interest payments made by the Agency to DASNY for the bonds payable during 2019 and 2018, debt service reserve funds and undisbursed construction funds for the year ended. The amount held includes accumulated interest. For the years ended June 30, 2019 and 2018, DASNY investment income is included in other income in the consolidated statements of activities totaling, $3,576 and $1,361, respectively.

(***) The Agency is in the process of securing permanent financing through participating in a DASNY Bond pool. The Agency will be provided additional amounts in their billing rates from governmental sources, the intent of which is to provide the Agency with sufficient funds necessary to pay the debt service for the notes which are due to DASNY. The periodic payments for these notes will be made by OPWDD which then recovers these payments via a deduction from the Agency's Medicaid receipts.

In connection with the bonds payable, the Agency incurred financing costs in the amount of $163,993, which are being amortized over the life of the bond using the straight-line basis which approximates the effective interest method. Interest and amortization expense net of bond premium amortization amounted to $6,410 and $6,671 for the years ended June 30, 2019 and 2018, respectively.

The Agency is provided additional amounts in their billing rates from governmental sources, the intent of which is to provide the Agency with sufficient funds necessary to pay the debt service for the mortgages due to FDC and DASNY, respectively. The periodic payments for these mortgages are made by OPWDD and OMH. OPWDD and OMH then recovers these payments via a deduction from the Agency's Medicaid receipts.

Future annual principal payments of the Agency's long-term debt are as follows for each of the years ended subsequent to June 30, 2019 and thereafter:

2020	$ 7,492,245
2021	621,290
2022	647,885
2023	364,739
2024	377,746
Thereafter	20,219,325
	$ 29,723,230

Interest expense for notes and mortgages amounted to $719,188 and $526,560, respectively, for the years ended June 30, 2019 and 2018.

NOTE 8 – DUE TO GOVERNMENTAL AGENCIES AND OTHER

Due to governmental agencies and other includes advances from funding sources for which the Agency has yet to provide services and consist of the following as of June 30:

	2019	2018
Public Heath Solutions	$ -	$ 28,943
New York State Office of Mental Health	1,118,011	2,337,684
HIV/AIDS Services Administration	809,101	1,258,926
	$ 1,927,112	$ 3,625,553

NOTE 9 – INVESTMENT IN LIMITED PARTNERSHIP

Unique is a sole member of the HDFC which entered into a development agreement with Lynn's Place L.P., comprising a limited liability company ("investor") with a 99.98% interest and a special partner LLC with a .01% interest, to develop the housing project located in the Bronx, New York. The agreement was financed by Low Income Housing Tax Credits ("LIHTC") and other grants. Lynn's Place L.P. has one general partner, Lynn's Place General Partner Corporation ("Lynn's Place G.P."). Lynn's Place G.P.'s capital stock is owned by the HDFC. Lynn's Place G.P. has a .01% interest in Lynn's Place L.P. Lynn's Place G.P.'s capital contribution obligation was $600,100. As of June 30, 2019 and 2018, the limited partner contributed $11,025,244 and $10,015,949 which is included in the consolidated financial statements.

Unique entered into a guaranty agreement (the "Agreement") with the Limited Partner and the General Partner discussed above. The Agreement requires Unique to advance funds to the General Partner to the extent needed by the General Partner to: (i) make operating deficit contributions, (ii) make credit adjuster advances and additional advances and (iii) purchase the interest of the Limited Partner according to the Partnership Agreement. No advances were provided to the General Partner under the Agreement as of June 30, 2019 and 2018.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. ***Funding Source Audits***

Pursuant to the Agency's contractual relationships with certain funding sources, outside governmental agencies have the right to examine the books and records of the Agency involving transactions relating to these contracts. The accompanying consolidated financial statements make no provision for possible disallowances. Although such possible disallowances could be substantial in amount, in the opinion of the Agency, any actual disallowances would be immaterial. In addition, certain agreements provide that some property and equipment either owned by, or on loan to, the Agency will continue to be utilized by the Agency.

B. ***Lease Commitments***

The Agency is obligated under various operating leases for real property and equipment. The Agency has the option to renew certain leases upon expiration. Aggregate minimum rentals for the fiscal years ending after June 30, 2019 are as follows:

	Real Property	Equipment	Total
2020	$ 4,210,000	$ 261,000	$ 4,471,000
2021	1,604,000	250,000	1,854,000
2022	498,000	-	498,000
2023	261,000	-	261,000
2024	160,000	-	160,000
Thereafter	397,000	-	397,000
	$ 7,130,000	$ 511,000	$ 7,641,000

Rent expense for real property and equipment amounted to $7,150,616 and $394,465, respectively, and $6,255,843 and $372,646, respectively, for the years ended June 30, 2019 and 2018.

NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)

C. ***Litigations***

In the normal course of its operations, the Agency is a defendant or co-defendant in various legal proceedings. While the ultimate outcome of such proceedings cannot be determined, management generally does not expect the resolution of such actions to have a materially adverse effect on the Agency's financial position.

D. ***Income Taxes***

The Agency believes it has no uncertain tax positions as of June 30, 2019 and 2018 in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 11 – PENSION PLAN

The Agency maintains a 401(k) pension plan (the "Plan") which covers all employees meeting eligibility requirements. Employees defer a portion of their salaries to the Plan. In addition, for the years ended June 30, 2019 and 2018, the Agency contributed 5% and 3%, respectively, of each employee's compensation to the Plan. Pension expense for the years ended June 30, 2019 and 2018 was $389,387 and $258,902, respectively.

NOTE 12 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Agency to a concentration of credit risk included cash accounts with a bank that exceeded the Federal Deposit Insurance Corporation ("FDIC") insurance limits ($250,000) by approximately $1,663,000 and $3,359,000 as of June 30, 2019 and 2018, respectively. This excess includes outstanding checks.

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following as of June 30:

	2019	2018
Generator for HDFC	$ 92,500	$ 92,500
Employee recognition awards	5,221	5,221
	$ 97,721	$ 97,721

Net assets amounting to $0 and $750, respectively, were released from donor restrictions during the years ended June 30, 2019 and 2018 by incurring expenses satisfying the restricted purpose or occurrence specified by the donors.

NOTE 14 – NON-CONTROLLING PARTNERS' INTERESTS

Pursuant to presumption of control by general partner, (FASB ASC 958-810), Unique has controlling interest in Lynn's Place, L.P. which is consolidated in the accompanying financial statements.

In connection with this investment, the Agency has recognized the related non-controlling partners' ownership interest as of June 30, 2019 as follows:

For Profit Affiliate	General Partner's Percent Ownership	General Partner's Interest	Special Partner's Percent Ownership	Special Partner's Interest	Limited Partner's Percent of Ownership	Limited Partner's Interest
Lynn's Place, L.P.	0.01%	$ 1,055	0.01%	$ 1,055	99.98%	$ 10,572,187

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NOTE 14 – NON-CONTROLLING PARTNERS' INTERESTS (Continued)

In connection with this investment, the Agency has recognized the related non-controlling partners' ownership interest as of June 30, 2018 as follows:

For Profit Affiliate	General Partner's Percent Ownership	General Partner's Interest	Special Partner's Percent Ownership	Special Partner's Interest	Limited Partner's Percent of Ownership	Limited Partner's Interest
Lynn's Place, L.P.	0.01%	$ 975	0.01%	$ 975	99.98%	$ 9,761,873

A summary of the assets, liabilities and net assets of Lynn's Place L.P. as of June 30, 2019 is as follows:

	Total	General Partner's Share	Special Partner's Share	Limited Partner's Share	Non-controlling Partners' Share
Total Assets	$ 25,160,821	$ 2,516	$ 2,516	$ 25,155,789	$ 25,158,305
Total Liabilities	$ 14,586,519	$ 1,460	$ 1,460	$ 14,583,603	14,585,063
Net assets	$ 10,574,302	$ 1,056	$ 1,056	$ 10,572,186	$ 10,573,242

A summary of the assets, liabilities and net assets of Lynn's Place L.P. as of June 30, 2018 is as follows:

	Total	General Partner's Share	Special Partner's Share	Limited Partner's Share	Non-controlling Partners' Share
Total Assets	$ 27,524,416	$ 2,753	$ 2,753	$ 27,519,910	$ 27,522,663
Total Liabilities	$ 17,761,588	$ 1,778	$ 1,778	$ 17,758,037	$ 17,759,815
Net assets	$ 9,762,828	$ 975	$ 975	$ 9,761,873	$ 9,762,848

A summary of the revenue and expenses of Lynn's Place L.P. for the year ended June 30, 2019 is as follows:

	Total	General Partner's Share	Special Partner's Share	Limited Partner's Share	Non-controlling Partners' Share
Revenues	$ 978,158	$ 98	$ 98	$ 977,962	$ 978,060
Expenses	1,177,079	118	118	1,176,843	1,176,961
Results of Operations	$ (198,921)	$ (20)	$ (20)	$ (198,881)	$ (198,901)

A summary of the revenue and expenses of Lynn's Place L.P. for the year ended June 30, 2018 is as follows:

	Total	General Partner's Share	Special Partner's Share	Limited Partner's Share	Non-controlling Partners' Share
Revenues	$ 332,659	$ 34	$ 34	$ 332,591	$ 332,625
Expenses	535,780	54	54	535,672	535,726
Results of Operations	$ (203,121)	$ (20)	$ (20)	$ (203,081)	$ (203,101)

NOTE 15 – RESTRICTED RESERVES

Lynn's Place L.P. is required to establish an Operating Reserve account with a bank to be funded at the time of the funding of the capital contribution in an amount equal to $690,000. As of June 30, 2019 and 2018, the balance in the account amounted to $741,207 and $0, respectively.

Lynn's Place L.P. is required to establish a replacement reserve commencing the month following the final closing. Lynn's Place L.P. is required to make monthly payments to the partnership's reserve fund for replacements equal to the greater of (i) the amount required by the lender and (ii) $250/unit (the "Reserve Minimum Payment"). As of June 30, 2019 and 2018, the balance in the account amounted to $293,110 and $0, respectively.

NOTE 16 – DEVELOPER FEE PAYABLE

For development services provided, the developer (Unique) is due a developer fee of $690,000 from Lynn's Place L.P. A portion of the developer fee may be deferred and paid from net cash flow of the project. As of June 30, 2019 and 2018, Lynn's Place L.P. accrued a developer fee of $125,000 and $541,800, respectively. For the years ended June 30, 2019 and 2018, Unique received developer fees amounting to $319,295 and $0, respectively.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated for potential recognition and disclosure events subsequent to the date of the consolidated statement of financial position through November 30, 2019, the date the consolidated financial statements were available to be issued.

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND 2018

As of June 30, 2019

	Unique People Services, Inc.	Unique People Services - AIDS Programs, Inc.	Lynn's Place HDFC	2050 G.C. HDFC	Lynn's Place Development LP	Consolidating Eliminations	Consolidated Total
ASSETS							
Cash and cash equivalents	$ 498,382	$ 249,468	$ 69,052	$ 2,712	$ 620,292	$ -	$ 1,439,906
Accounts receivable, net	4,832,563	2,374,717	-	-	-	-	7,207,280
Interest reserve	-	-	-	-	-	-	-
Due from affiliate	1,159,372	-	106,005	-	69,000	(1,334,377)	-
Prepaid expenses and other assets	251,727	515,612	-	-	35,381	-	802,720
Restricted reserves and escrow deposits	-	-	-	-	741,207	-	741,207
Property and equipment, net	7,826,711	-	-	6,898,270	23,694,939	-	38,419,920
Debt service reserve funds	860,368	-	-	-	-	-	860,368
Consumer funds	54,753	-	-	-	-	-	54,753
TOTAL ASSETS	$ 15,483,876	$ 3,139,797	$ 175,057	$ 6,900,982	$ 25,160,819	$ (1,334,377)	$ 49,526,154
LIABILITIES							
Accounts payable and accrued expenses	$ 1,179,746	$ 401,974	$ 3,000	$ 43,110	$ -	$ -	$ 1,627,830
Due to governmental agencies	1,118,011	809,101	-	-	-	-	1,927,112
Due to affiliate	-	174,762	69,000	129,929	960,686	(1,334,377)	-
Reserves and developer fee payable	-	-	-	-	125,000	-	125,000
Long-term debt	8,824,650	-	-	6,771,774	13,501,911	-	29,098,335
Consumer funds	54,753	-	-	-	-	-	54,753
TOTAL LIABILITIES	11,177,160	1,385,837	72,000	6,944,813	14,587,597	(1,334,377)	32,833,030
NET ASSETS							
Without donor restrictions:							
Operations	4,208,995	1,753,960	103,057	(43,831)	(20)	-	6,022,161
Non-controlling limited partner's interests in consolidated limited partnership	-	-	-	-	10,573,242	-	10,573,242
Total without donor restrictions	4,208,995	1,753,960	103,057	(43,831)	10,573,222	-	16,595,403
With donor restrictions	97,721	-	-	-	-	-	97,721
TOTAL NET ASSETS	4,306,716	1,753,960	103,057	(43,831)	10,573,222	-	16,693,124
TOTAL LIABILITIES AND NET ASSETS	$ 15,483,876	$ 3,139,797	$ 175,057	$ 6,900,982	$ 25,160,819	$ (1,334,377)	$ 49,526,154

As of June 30, 2018

	Unique People Services, Inc.	Unique People Services - AIDS Programs, Inc.	Lynn's Place HDFC	2050 G.C. HDFC	Lynn's Place Development LP	Consolidating Eliminations	Consolidated Total
ASSETS							
Cash and cash equivalents	$ 2,433,517	$ 137,536	$ 69,092	$ 18,669	$ 261,975	$ -	$ 2,920,789
Accounts receivable, net	3,703,682	2,840,272	-	-	69,248	-	6,613,202
Interest reserve	-	-	-	324,620	-	-	324,620
Due from affiliate	1,003,919	-	106,005	-	69,000	(1,178,924)	-
Prepaid expenses and other assets	242,966	550,542	1,000	-	17,202	-	811,710
Restricted reserves and escrow deposits	-	-	-	-	-	-	-
Property and equipment, net	8,410,279	3,629	-	6,275,264	26,858,007	-	41,547,179
Debt service reserve funds	763,897	-	-	-	-	-	763,897
Consumer funds	47,690	-	-	-	-	-	47,690
TOTAL ASSETS	$ 16,605,950	$ 3,531,979	$ 176,097	$ 6,618,553	27,275,432	$ (1,178,924)	$ 53,029,087
LIABILITIES							
Accounts payable and accrued expenses	$ 882,136	$ 280,946	$ 2,000	$ 127,769	$ 126,063	$ -	$ 1,418,914
Due to governmental agencies	2,337,684	1,287,869	-	-	-	-	3,625,553
Due to affiliate	-	209,319	70,000	42,693	856,912	(1,178,924)	-
Reserves and developer fee payable	-	-	-	-	1,592,335	-	1,592,335
Long-term debt	9,392,213	-	-	6,491,877	14,937,294	-	30,821,384
Consumer funds	47,690	-	-	-	-	-	47,690
TOTAL LIABILITIES	12,659,723	1,778,134	72,000	6,662,339	17,512,604	(1,178,924)	37,505,876
NET ASSETS							
Without donor restrictions:							
Operations	3,848,506	1,753,845	104,097	(43,786)	(20)	-	5,662,642
Non-controlling limited partner's interests in consolidated limited partnership	-	-	-	-	9,762,848	-	9,762,848
Total without donor restrictions	3,848,506	1,753,845	104,097	(43,786)	9,762,828	-	15,425,490
With donor restrictions	97,721	-	-	-	-	-	97,721
TOTAL NET ASSETS	3,946,227	1,753,845	104,097	(43,786)	9,762,828	-	15,523,211
TOTAL LIABILITIES AND NET ASSETS	$ 16,605,950	$ 3,531,979	$ 176,097	$ 6,618,553	$ 27,275,432	$ (1,178,924)	$ 53,029,087

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Year Ended June 30, 2019

	Unique People Services, Inc.	Unique People Services - AIDS Programs, Inc.	Lynn's Place HDFC	2050 G.C. HDFC	Lynn's Place Development LP	Consolidating Eliminations	Consolidated Total
CHANGES IN UNRESTRICTED NET ASSETS:							
OPERATING REVENUES AND SUPPORT:							
Medicaid income	$ 10,894,630	$ -	$ -	$ -	$ -	$ -	$ 10,894,630
Government grant income	6,721,009	6,881,270	-	-	-	-	13,602,279
Participant fees	1,525,321	385,769	-	-	-	-	1,911,090
Contributions	13,912	-	-	-	-	-	13,912
Special events, net of direct expenses $25,963 and $24,600, respectively	170,769	-	-	-	-	-	170,769
Rental income	-	-	-	-	976,678	-	976,678
Other revenue	893,611	-	-	-	1,480	-	895,091
Net assets release from restrictions	-	-	-	-	-	-	-
Total Operating Revenues and Support	20,219,252	7,267,039	-	-	978,158	-	28,464,449
OPERATING EXPENSES:							
Program services:							
Home and community based services	11,221,639	-	-	-	-	-	11,221,639
Community residences	5,600,465	-	-	-	-	-	5,600,465
Other Programs	1,718,550	-	-	-	1,177,079	-	2,895,629
AIDS programs	-	6,654,734	-	-	-	-	6,654,734
Management and administration	1,630,940	641,133	1,040	45	-	-	2,273,158
Fundraising	56,660	-	-	-	-	-	56,660
Total Operating Expenses	20,228,254	7,295,867	1,040	45	1,177,079	-	28,702,285
Change in Net Assets Without Donor Restrictions	(9,002)	(28,828)	(1,040)	(45)	(198,921)	-	(237,836)
Add: Non-controlling partners' interest in loss of consolidated L.P.	-	-	-	-	198,901	-	198,901
Prior year revenue	369,491	28,943	-	-	-	-	398,434
Change in Net Assets Without Donor Restrictions/Equity	360,489	115	(1,040)	(45)	(20)	-	359,499
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:							
Contributions	-	-	-	-	-	-	-
Special events	-	-	-	-	-	-	-
Net assets released from restrictions	-	-	-	-	-	-	-
Change in Net Assets with Donor Restrictions	-	-	-	-	-	-	-
CHANGE IN TOTAL NET ASSETS/EQUITY	360,489	115	(1,040)	(45)	(20)	-	359,499
Non-controlling partners' interest - beginning of year	-	-	-	-	9,762,848	-	9,762,848
Limited partner's capital contribution	-	-	-	-	1,009,295	-	1,009,295
Syndication cost	-	-	-	-	-	-	-
Non-controlling partners' interest in loss of consolidated L.P.	-	-	-	-	(198,901)	-	(198,901)
Non-controlling partners' interest - end of the year	-	-	-	-	10,573,242	-	10,573,242
Net assets - Beginning of Year	3,946,227	1,753,845	104,097	(43,786)	-	-	5,760,383
NET ASSETS - END OF YEAR	$ 4,306,716	$ 1,753,960	$ 103,057	$ (43,831)	$ 10,573,222	$ -	$ 16,693,124

Year Ended June 30, 2018

	Unique People Services, Inc.	Unique People Services - AIDS Programs, Inc.	Lynn's Place HDFC	2050 G.C. HDFC	Lynn's Place Development LP	Consolidating Eliminations	Consolidated Total
CHANGES IN UNRESTRICTED NET ASSETS:							
OPERATING REVENUES AND SUPPORT:							
Medicaid income	$ 9,787,621	$ -	$ -	$ -	$ -	$ -	$ 9,787,621
Government grant income	6,024,337	7,263,613	-	-	-	-	13,287,950
Participant fees	1,679,927	464,198	-	-	-	-	2,144,125
Contributions	1,723	-	-	-	-	-	1,723
Special events, net of direct expenses $25,963 and $24,600, respectively	190,382	-	-	-	-	-	190,382
Rental income	-	-	-	-	311,594	-	311,594
Other revenue	166,862	-	-	-	21,065	-	187,927
Net assets release from restrictions	750	-	-	-	-	-	750
Total Operating Revenues and Support	17,851,602	7,727,811	-	-	332,659	-	25,912,072
OPERATING EXPENSES:							
Program services:							
Home and community based services	9,877,991	-	-	-	-	-	9,877,991
Community residences	5,579,888	-	-	-	-	-	5,579,888
Other Programs	1,037,751	-	-	-	523,555	-	1,561,306
AIDS programs	-	7,115,997	-	-	-	-	7,115,997
Management and administration	1,221,619	518,415	20	34,963	12,225	-	1,787,242
Fundraising	148,093	-	-	-	-	-	148,093
Total Operating Expenses	17,865,342	7,634,412	20	34,963	535,780	-	26,070,517
Change in Net Assets Without Donor Restrictions	(13,740)	93,399	(20)	(34,963)	(203,121)	-	(158,445)
Add: Non-controlling partners' interest in loss of consolidated L.P.	-	-	-	-	203,101	-	203,101
Prior year revenue	3,865	2,307	-	-	-	-	6,172
Change in Net Assets Without Donor Restrictions/Equity	(9,875)	95,706	(20)	(34,963)	(20)	-	50,828
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:							
Contributions	1,000	-	-	-	-	-	1,000
Special events	-	-	-	-	-	-	-
Net assets released from restrictions	(750)	-	-	-	-	-	(750)
Change in Net Assets with Donor Restrictions	250	-	-	-	-	-	250
CHANGE IN TOTAL NET ASSETS/EQUITY	(9,625)	95,706	(20)	(34,963)	(20)	-	51,078
Non-controlling partners' interest - beginning of year	-	-	-	-	-	-	-
Limited partner's capital contribution	-	-	-	-	10,015,949	-	10,015,949
Syndication cost	-	-	-	-	(50,000)	-	(50,000)
Non-controlling partners' interest in loss of consolidated L.P.	-	-	-	-	(203,101)	-	(203,101)
Non-controlling partners' interest - end of the year	-	-	-	-	9,762,848	-	9,762,848
Net assets - Beginning of Year	3,955,852	1,658,139	104,117	(8,823)	-	-	5,709,285
NET ASSETS - END OF YEAR	$ 3,946,227	$ 1,753,845	$ 104,097	$ (43,786)	$ 9,762,828	$ -	$ 15,523,211

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UNIQUE PEOPLE SERVICES, INC.
AND AFFILIATES

Unique People Services

Consolidated Financial Statements
with Supplementary Information
(Together with Independent Auditors' Report)

Years Ended June 30, 2018 and 2017

MARKS PANETH

ACCOUNTANTS & ADVISORS

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
with Supplementary Information
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2018 AND 2017

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MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Unique People Services, Inc. and Affiliates

We have audited the accompanying consolidated financial statements of Unique People Services, Inc. ("Unique"), Unique People Services – AIDS Programs, Inc. ("Unique – Aids" or Affiliate), Lynn's Place Housing Development Fund Company, Inc. ("HDFC"), 2050 G.C. Housing Development Fund Company, Inc. ("2050. G.C. HDFC"), Lynn's Place Development Limited Partnership ("Lynn's Place L.P.") (collectively, the "Agency" or "affiliates") which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 audits 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Unique People Services, Inc. and Affiliates as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Morison KSi
Independent member

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information (shown on pages 17-18) as of and for the years ended June 30, 2018 and 2017 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets 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 audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Marks Paneth LLP

New York, NY
November 30, 2018

MARKS PANETH
ACCOUNTANTS & ADVISORS

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents (Notes 2C and 11)	$ 2,920,789	$ 3,403,095
Accounts receivable, net (Notes 2E and 3)	6,613,202	4,586,836
Investment in limited partnership (Note 8)	106,005	78,405
Interest reserve (Note 6)	324,620	689,918
Prepaid expenses and other assets	811,710	804,092
Property and equipment, net (Notes 2F and 4)	41,547,179	14,478,794
Debt service reserve funds (Note 5)	763,897	1,160,124
Consumer funds (Note 2J)	47,690	83,078
TOTAL ASSETS	$ 53,135,092	$ 25,284,342
LIABILITIES		
Accounts payable and accrued expenses	$ 1,524,919	$ 1,165,620
Due to governmental agencies (Note 7)	3,625,553	2,444,915
Reserves and developer fee payables (Note 14)	1,592,335	-
Long-term debt (Note 6)	30,821,384	15,881,444
Consumer funds (Note 2J)	47,690	83,078
TOTAL LIABILITIES	37,611,881	19,575,057
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS (Note 2B)		
Unrestricted	5,662,642	5,611,814
Non-controlling partners' interest in consolidated limited partnership (Note 13)	9,762,848	-
Total unrestricted	15,425,490	5,611,814
Temporarily restricted (Note 12)	97,721	97,471
TOTAL NET ASSETS	15,523,211	5,709,285
TOTAL LIABILITIES AND NET ASSETS	$ 53,135,092	$ 25,284,342

The accompanying notes are an integral part of these consolidated financial statements.

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UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	For the Year Ended June 30, 2018			For the Year Ended June 30, 2017		
	Unrestricted	**Temporarily Restricted**	**Total**	**Unrestricted**	**Temporarily Restricted**	**Total**
OPERATING REVENUES AND SUPPORT (Note 2G):						
Medicaid income (Note 2H)	$ 9,787,621	$ -	$ 9,787,621	$ 8,131,662	$ -	$ 8,131,662
Government grant income (Note 2G)	13,287,950	-	13,287,950	11,258,189	-	11,258,189
Participant fees	2,144,125	-	2,144,125	1,844,350	-	1,844,350
Contributions (Note 2D)	1,723	1,000	2,723	10,144	500	10,644
Special events, net of direct expenses $24,600 and $32,117, respectively (Note 2K)	190,382	-	190,382	240,984	-	240,984
Rental income	311,594	-	311,594	-	-	-
Other revenues	187,927	-	187,927	205,279	-	205,279
Net assets released from restrictions	750	(750)	-	279	(279)	-
Total Operating Revenues and Support	25,912,072	250	25,912,322	21,690,887	221	21,691,108
OPERATING EXPENSES (Note 2I) **:**						
Program services:						
Home and community based services	9,877,991	-	9,877,991	7,784,168	-	7,784,168
Community residences	5,579,888	-	5,579,888	4,614,879	-	4,614,879
Other Programs	1,561,306	-	1,561,306	-	-	-
AIDS programs	7,115,997	-	7,115,997	6,859,202	-	6,859,202
Total program services	24,135,182	-	24,135,182	19,258,249	-	19,258,249
Management and administration	1,787,242	-	1,787,242	2,379,193	-	2,379,193
Fundraising	148,093	-	148,093	36,640	-	36,640
Total Operating Expenses	26,070,517	-	26,070,517	21,674,082	-	21,674,082
Change in Net Assets from operations	(158,445)	250	(158,195)	16,805	221	17,026
Add: Non-controlling partners' Interest in loss of consolidated L.P.	203,101	-	203,101	-	-	-
Prior year revenue (Note 2H)	6,172	-	6,172	33,088	-	33,088
CHANGE IN TOTAL NET ASSETS/EQUITY	50,828	250	51,078	49,893	221	50,114
Non-controlling partners' interest - beginning of year	-	-	-	-	-	-
Limited partner's capital contribution	10,015,949	-	10,015,949	-	-	-
Syndication cost	(50,000)	-	(50,000)	-	-	-
Non-controlling partners' interest in loss of consolidated L.P.	(203,101)	-	(203,101)	-	-	-
Non-controlling partners' interest - end of year (Note 13)	9,762,848	-	9,762,848	-	-	-
Net Assets - Beginning of Year	5,611,814	97,471	5,709,285	5,561,921	97,250	5,659,171
NET ASSETS - END OF YEAR	$ 15,425,490	$ 97,721	$ 15,523,211	$ 5,611,814	$ 97,471	$ 5,709,285

The accompanying notes are an integral part of these consolidated financial statements

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals for June 30, 2017)

	Home and Community Based Services	Community Residences	Other Programs: First Patriot	Other Programs: Concourse Scatter	Other Programs: Lynn's Place LP	Total Other Programs	AIDS Program	Total Program Services
Salaries	$ 5,390,812	$ 1,745,676	$ 41,192	$ 190,453	$ 20,033	$ 251,678	$ 1,356,260	$ 8,744,426
Payroll taxes and employee benefits (Note 9)	1,594,409	623,022	7,327	56,164	7,111	70,602	581,994	2,870,027
Total salaries and related costs	6,985,221	2,368,698	48,519	246,617	27,144	322,280	1,938,254	11,614,453
Food and recreation activities	251,896	46,000	-	731	-	731	31,549	330,176
Repairs and maintenance	298,935	175,148	-	13,828	8,773	22,601	37,466	534,150
Utilities	125,549	236,034	-	703	39,687	40,390	113,049	515,022
Transportation and travel	82,098	19,933	-	2,150	-	2,150	79,203	183,384
Clothing	24,463	-	-	-	-	-	-	24,463
Staff training	82,154	17,202	-	-	-	-	82	99,438
Contracted services	15,924	8,423	-	-	-	-	-	24,347
Professional fees	92,038	185,353	5,600	76,920	28,554	111,074	94,439	482,904
Office supplies	37,427	26,539	-	2,543	-	2,543	66,554	133,063
Household and medical supplies	175,647	143,736	-	90,166	-	90,166	106	409,655
Telephone	94,306	54,096	-	7,392	-	7,392	79,301	235,095
Equipment leases (Note 9)	159,560	67,975	-	6,381	-	6,381	109,335	343,251
Rent (Note 9)	228,537	1,149,121	-	446,269	-	446,269	4,256,851	6,080,778
Expensed equipment	-	-	-	-	-	-	96,597	96,597
Property and general insurance	52,310	311,719	-	15,515	-	15,515	164,632	544,176
Interest expense (Note 6)	190,321	295,782	-	-	35,148	35,148	-	521,251
Client stipends	315	7,208	-	-	-	-	3,580	11,103
Depreciation and amortization (Note 4)	280,977	409,017	-	-	384,157	384,157	-	1,074,151
Other expenses	700,313	57,904	-	74,417	92	74,509	44,999	877,725
Subtotal	9,877,991	5,579,888	54,119	983,632	523,555	1,561,306	7,115,997	24,135,182
Less: direct special event expenses (Note 2K)	-	-	-	-	-	-	-	-
TOTAL EXPENSES	$ 9,877,991	$ 5,579,888	$ 54,119	$ 983,632	$ 523,555	$ 1,561,306	$ 7,115,997	$ 24,135,182

	Supporting Services: Management and Administration: Unique	Unique - AIDS	Lynn's HDFC	2050 G.C.	Lynn's LP	Total Management and Administration	Fundraising	Total Supporting Services	Total 2018	Total 2017
Salaries	$ 633,789	$ 445,484	$ -	$ -	$ -	$ 1,079,273	$ 11,000	$ 1,090,273	$ 9,834,699	$ 7,999,090
Payroll taxes and employee benefits (Note 9)	218,633	62,161	-	-	-	280,794	3,740	284,534	3,154,561	2,747,886
Total salaries and related costs	852,422	507,645	-	-	-	1,360,067	14,740	1,374,807	12,989,260	10,746,976
Food and recreation activities	3,397	489	-	-	-	3,886	5,498	9,384	339,560	269,540
Repairs and maintenance	29,118	44	-	-	-	29,162	12,669	41,831	575,981	508,222
Utilities	2,497	-	-	-	-	2,497	1,179	3,676	518,698	466,666
Transportation and travel	326	136	-	-	-	462	6,065	6,527	189,911	172,267
Clothing	-	-	-	-	-	-	-	-	24,463	19,870
Staff training	5,899	-	-	-	-	5,899	9,133	15,032	114,470	62,074
Contracted services	861	-	-	-	-	861	-	861	25,208	13,087
Professional fees	106,077	3,399	20	-	11,972	121,468	59,302	180,770	663,674	413,194
Office supplies	3,575	46	-	-	233	3,854	3,219	7,073	140,136	97,796
Household and medical supplies	5,862	-	-	-	-	5,862	14,205	20,067	429,722	260,897
Telephone	4,507	-	-	-	-	4,507	1,024	5,531	240,626	193,870
Equipment leases (Note 9)	25,749	412	-	-	-	26,161	3,234	29,395	372,646	279,595
Rent (Note 9)	152,500	3,565	-	-	-	156,065	19,000	175,065	6,255,843	5,669,526
Expensed equipment	-		-	-	-	-	-	-	96,597	21,268
Property and general insurance	-	-	-	-	-	-	-	-	544,176	481,215
Interest expense (Note 6)	4,424	-	-	-	-	4,424	885	5,309	526,560	416,083
Client stipends	-	-	-	-	-	-	-	-	11,103	8,813
Depreciation and amortization (Note 4)	-	1,463	-	-	-	1,463	-	1,463	1,075,614	609,008
Other expenses	24,405	1,216	-	34,963	20	60,604	22,540	83,144	960,869	996,232
Subtotal	1,221,619	518,415	20	34,963	12,225	1,787,242	172,693	1,959,935	26,095,117	21,706,199
Less: direct special event expenses (Note 2K)	-	-	-	-	-	-	(24,600)	(24,600)	(24,600)	(32,117)
TOTAL EXPENSES	$ 1,221,619	$ 518,415	$ 20	$ 34,963	$ 12,225	$ 1,787,242	$ 148,093	$ 1,935,335	$ 26,070,517	$ 21,674,082

The accompanying notes are an integral part of these consolidated financial statements.

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Home and Community Based Services	Community Residences	AIDS Program	Total Program Services	Supporting Services: Management and Administration: Unique	Unique - AIDS	Lynn's HDFC	2050 G.C.	Total Management and Administration	Fundraising	Total Supporting Services	Total
Salaries	$ 4,068,611	$ 1,471,104	$ 1,389,217	$ 6,928,932	$ 626,146	$ 433,012	$ -	$ -	$ 1,059,158	$ 11,000	$ 1,070,158	$ 7,999,090
Payroll taxes and employee benefits (Note 9)	1,180,875	468,584	601,837	2,251,296	430,689	62,161	-	-	492,850	3,740	496,590	2,747,886
Total salaries and related costs	5,249,486	1,939,688	1,991,054	9,180,228	1,056,835	495,173	-	-	1,552,008	14,740	1,566,748	10,746,976
Food and recreation activities	155,916	35,315	22,171	213,402	51,251	595	-	-	51,846	4,292	56,138	269,540
Repairs and maintenance	209,097	171,016	21,961	402,074	105,158	990	-	-	106,148	-	106,148	508,222
Utilities	93,793	221,572	116,947	432,312	34,354	-	-	-	34,354	-	34,354	466,666
Transportation and travel	72,353	16,415	65,399	154,167	17,915	185	-	-	18,100	-	18,100	172,267
Facility tax assessments	-	-	-	-	-	-	-	-	-	-	-	-
Clothing	19,854	16	-	19,870	-	-	-	-	-	-	-	19,870
Program supplies	-	-	-	-	-	-	-	-	-	-	-	-
Staff training	16,419	13,121	2,665	32,205	29,847	22	-	-	29,869	-	29,869	62,074
Contracted services	11,658	877	-	12,535	552	-	-	-	552	-	552	13,087
Professional fees	70,107	33,485	87,301	190,893	199,357	250	2,019	-	201,626	20,675	222,301	413,194
Office supplies	40,817	13,795	19,286	73,898	22,323	125	-	-	22,448	1,450	23,898	97,796
Household and medical supplies	156,099	67,166	517	223,782	37,045	70	-	-	37,115	-	37,115	260,897
Telephone	62,305	36,030	66,946	165,281	22,706	5,883	-	-	28,589	-	28,589	193,870
Equipment leases (Note 9)	97,807	39,308	61,675	198,790	80,525	280	-	-	80,805	-	80,805	279,595
Rent (Note 9)	243,522	1,056,012	4,225,944	5,525,478	119,548	-	-	-	119,548	24,500	144,048	5,669,526
Expensed equipment	-	-	21,268	21,268	-		-	-	-	-	-	21,268
Property and general insurance	174,196	192,719	114,146	481,061	154	-	-	-	154	-	154	481,215
Interest expense (Note 6)	77,967	327,340	-	405,307	1,966	-	-	8,810	10,776	-	10,776	416,083
Client stipends	163	8,650	-	8,813	-	-	-	-	-	-	-	8,813
Depreciation and amortization (Note 4)	206,395	400,126	-	606,521	986	1,501	-	-	2,487	-	2,487	609,008
Other expenses	826,214	42,228	41,922	910,364	82,399	356	-	13	82,768	3,100	85,868	996,232
Subtotal	7,784,168	4,614,879	6,859,202	19,258,249	$ 1,862,921	$ 505,430	$ 2,019	$ 8,823	2,379,193	68,757	2,447,950	21,706,199
Less: direct special event expenses (Note 2K)	-	-	-	-	-	-	-	-	-	(32,117)	(32,117)	(32,117)
TOTAL EXPENSES	$ 7,784,168	$ 4,614,879	$ 6,859,202	$ 19,258,249	$ 1,862,921	$ 505,430	$ 2,019	$ 8,823	$ 2,379,193	$ 36,640	$ 2,415,833	$ 21,674,082

The accompanying notes are an integral part of these consolidated financial statements.

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UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 51,078	$ 50,114
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,052,205	603,431
Amortization for debt service reserve fund	23,409	5,577
Amortization for deferred financing cost	44,171	17,567
Non-controlling partners' interest in loss of consolidated L.P.	(203,101)	-
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(2,026,366)	(2,315,556)
Investment in limited partnership	(27,600)	27,599
Prepaid expenses and other assets	(7,618)	(126,126)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	359,299	225,160
Due to governmental agencies	1,180,638	378,317
Net Cash Provided by (Used in) Operating Activities	446,115	(1,133,917)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(28,120,590)	(7,393,028)
Debt service reserve funds	396,227	(483,668)
Syndication cost	(50,000)	-
Net Cash Used in Investing Activities	(27,774,363)	(7,876,696)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	15,698,772	11,615,932
Repayment of long-term debt	(803,003)	(3,493,844)
Interest reserve	341,889	(753,000)
Reserves and developer fee payables	1,592,335	-
Limited partner's capital contribution	10,015,949	-
Net Cash Provided by Financing Activities	26,845,942	7,369,088
NET DECREASE IN CASH AND CASH EQUIVALENTS	(482,306)	(1,641,525)
Cash and Cash Equivalents - Beginning of Year	3,403,095	5,044,620
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,920,789	$ 3,403,095
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 517,750	$ 407,273
Non-Cash Financing Activity:		
Deferred financing cost	$ (512,634)	$ (272,673)
Interest expense capitalized	$ 365,298	$ 63,082

The accompanying notes are an integral part of these consolidated financial statements.

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The accompanying consolidated financial statements include Unique People Services, Inc. ("Unique"), Unique People Services — AIDS Programs, Inc. ("Unique-AIDS" or "Affiliate"), Lynn's Place Housing Development Fund Company, Inc. ("HDFC"), 2050 G.C. Housing Development Fund Company, Inc. ("2050. G.C. HDFC") and Lynn's Place Development Limited Partnership ("Lynn's Place L.P.") (collectively the "Agency" or "affiliates"). Unique, Unique-AIDS, the HDFC, 2050 G.C. HDFC and Lynn's Place L.P. are related through common Board membership and substantially identical management.

Unique is a New York not-for-profit corporation formed primarily for the purpose of alleviating human suffering and distress and for the betterment and improvement of mankind, especially those persons who are developmentally disabled. Unique operates five Individual Residential Alternative ("IRA") programs, which provides residential, rehabilitative and case management services to developmentally disabled individuals. Additionally, Unique provides community-based housing to adult individuals who suffer with serious and persistent mental illness through community residence/single residence occupancy and supported housing.

Unique-AIDS is a New York not-for-profit corporation formed primarily for the purpose of alleviating human suffering and distress and for the betterment and improvement of mankind, especially those persons who have HIV/AIDS. Unique-AIDS operates residential facilities, scatter site apartments and case management for families, children and single persons with AIDS. Unique-AIDS also operates a care coordination program funded through the New York City Department of Health and Mental Hygiene ("DOHMH") and a housing opportunity for persons with aids program funded through the New York City Human Resources Administration ("NYCHRA").

The HDFC was formed pursuant to the Private-Housing Finance Law and the Not-for-Profit Corporation Law, both of the State of New York, for the purpose of developing a housing project for persons with low income. Unique is the sole corporate member of the HDFC and the member designates the board of directors of the HDFC.

2050 G.C. HDFC was formed pursuant to the Private-Housing Finance Law and the Not-for-Profit Corporation Law, both of the State of New York, for the purpose of developing a housing project for persons with low income. Unique is the sole corporate member of 2050 G.C. HDFC and the member designates the board of directors of 2050 G.C. HDFC.

Lynn's Place L.P. was formed pursuant to the laws of the State of New York for the purpose of providing low-income housing through the development, financing, construction, maintenance and operation of the property, containing 69 apartments, located in the Bronx, New York. Lynn's Place General Partner Corporation ("Lynn's Place GP") was formed pursuant to the Business Corporation Law of the State of New York and serves as the general partner to Lynn's Place L.P. (see Note 8). The HDFC is the sole member of Lynn's Place G.P. Lynn's Place L.P. commenced operations on November 27, 2017.

Unique, Unique – AIDS, the HDFC and 2050 G.C. HDFC have been granted an exemption from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. Similar exemptions exist at the state and local levels. The Agency is supported primarily by government fees and contracts, Medicaid revenue, participant fees and rental income.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of* Accounting** – The Agency's consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP'). All significant intercompany transactions have been eliminated during consolidation.

B. ***Net Assets*** – The Agency's resources are classified and reported based on the existence or absence of donor-imposed restrictions as follows:

   Unrestricted – include expendable resources not subject to donor-imposed restrictions.

   Temporarily restricted – include resources subject to donor-imposed stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as net assets released from restrictions.

   Permanently restricted – include resources subject to donor-imposed stipulations, requiring that the principal be maintained in perpetuity.

C. ***Cash and Cash Equivalents*** – Cash equivalents include all highly liquid instruments purchased with a maturity of three months or less.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ***Contributions*** – The Agency records contributions of cash and other assets when an unconditional promise to give is received from a donor. Contributions are recorded at the fair value of the assets received and are classified as either unrestricted, temporarily restricted or permanently restricted support depending on the existence of any donor restrictions.

Material contributions of noncash assets are recorded at their fair value in the period received.

E. ***Allowance for Uncollectible Receivables*** – The Agency provides an allowance for doubtful accounts for receivables. This estimate is based on management's assessment of the aged basis of its government funding sources, current economic conditions, creditworthiness of its donors, tenants and historical experience. A significant portion of the accounts receivable consists of amounts due from New York State and New York City sources. As of June 30, 2018 and 2017, the Agency determined an allowance was necessary of approximately $257,000 and $320,000, respectively.

F. ***Property and Equipment*** – Property and equipment is stated at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable values. The Agency capitalizes property and equipment with a cost of $5,000 or more and a useful life greater than two years. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lease term or the useful life of the asset, whichever is less.

G. ***Revenue Sources and Recognition*** – Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, the Agency establishes refundable advances from governmental sources. Any revenue for contracts that has not yet been earned is reclassified as deferred revenue on the consolidated statements of financial position. Revenue from fees for service programs is recognized when earned (services are provided daily and/or monthly).

The Agency receives substantially all of its revenue for services provided to approved clients from third-party reimbursement agencies; primarily New York State Office for People with Developmental Disabilities ("OPWDD"), New York State Office of Mental Health ("OMH"), HIV/AIDS Services Administration ("HASA"), DOHMH and NYC HRA. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediary.

The Agency also receives Supplemental Security Income ("SSI") and Social Security Income ("SSA") payments for the participants. A portion of the SSI/SSA payments represents the participants' contributions toward the cost of goods and services and is recognized as revenue when received. The remaining portion of SSI/SSA represents the participants' personal allowance and is recognized as a liability due to clients.

Rental income is recognized for apartments rentals as it is accrued. Advance receipts of rental income are deferred and classified as liabilities until earned.

H. ***Prior Year Revenue*** – Retroactive adjustments of reimbursement rates are recorded in revenue. Included in the change in net assets for the years ended June 30, 2018 and 2017 is approximately $6,000 and $33,000 of prior year increases relating to such adjustments which is included in prior year revenue in the consolidated statements of activities.

I. ***Functional Allocation of Expenses*** – The cost of providing the various program and supporting services has been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Because the Agency is a multi-program/multi-funded organization, certain costs have been allocated between functional and supporting programs as determined by management. Such allocations conform to those made in seeking funds from third-party sources.

J. ***Consumer Funds –*** Consumer funds consist of funds held on behalf of clients. Such funds represent living allowances received by clients from the State of New York, as well as other funds deposited for safekeeping. These funds are disbursed at the request of, or on behalf of, clients for their personal use.

K. ***Special Events Direct Costs –*** The direct cost of special events include expenses for the benefit of the donor. For example, meals and facilities rental are considered direct costs of special events.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. ***Use of Estimates –*** The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of June 30:

	2018	2017
New York State Office for People With Developmental Disabilities	$ 2,943,794	$ 1,816,461
HIV/AIDS Services Administration	2,378,324	1,560,312
Lynn's Place LP Receivable	-	519,749
HIV/AIDS Services Administration – client fees	405,422	385,953
New York City Office of Mental Health – Grant	31,059	252,726
Public Heath Solutions	170,940	124,796
Health Home	5,433	80,572
Housing Opportunities for Persons With AIDS	94,139	76,120
New York City Office of Mental Health – Rent	185,096	64,651
New York City Department of Health and Mental Hygiene	523,652	-
Rent	69,248	-
Deutsche bank	-	25,000
Others	62,621	227
Accounts receivable, before allowance	6,869,728	4,906,567
Less: allowance for doubtful accounts	(256,526)	(319,731)
Accounts receivable, net	$ 6,613,202	$ 4,586,836

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	2018	2017	Useful Lives
Land	$ 6,786,417	$ 5,886,417	
Buildings and building improvements	40,687,494	14,345,330	25-40 years
Leasehold improvements	612,991	612,991	25 years
Furniture and equipment	118,114	118,114	5-10 years
Vehicles	237,060	237,060	5-10 years
Construction in progress (see below)	2,029,557	1,151,131	
	50,471,633	22,351,043	
Less: accumulated depreciation and amortization	(8,924,454)	(7,872,249)	
Net book value	$ 41,547,179	$ 14,478,794	

NOTE 4 – PROPERTY AND EQUIPMENT (Continued)

For the years ended June 30, 2018 and 2017, depreciation and amortization expenses amounted to $1,052,205 and $603,431, respectively.

Construction in progress primarily consists of construction on 2050 Grand Concourse, Bronx, New York to be used for supportive housing project consisting of 93 units primarily to house mixed-income population. (the "Projects"). To fund the Projects, the Agency obtained loans as further described in Note 6. The Projects will be completed in 2021. The future cost to complete is approximately $63,000,000.

NOTE 5 – DEBT SERVICE RESERVE FUNDS

Debt reserve funds consist of the following as of June 30:

	2018	2017
Capital reserve accounts – OMH	$ 563,632	$ 696,804
Bank of New York ("BNY") Mellon Debt Reserve	163,503	420,983
Debt service reserve fund - OPWDD	36,762	42,337
	$ 763,897	$ 1,160,124

Debt service reserve funds represent funds held by OPWDD and OMH. These funds will be applied to the last payment required on the mortgages with Dormitory Authority of the State of New York ("DASNY"), the Facilities Development Corporation ("FDC") and BNY Mellon. This reserve will earn interest to be used to offset the Agency's final payment obligation under the mortgage (as further described in Note 6) for the Agency's residential facilities.

NOTE 6 – LONG-TERM DEBT

Long-term debt consists of the following as of June 30:

	2018	2017	Annual Interest Rate	Due Date
Mortgage payable to DASNY-OMH in semiannual payments of $159,562, including interest, secured by real estate located on Southern Boulevard, Bronx, New York	$ 1,133,176	$ 1,380,876	5.41%	2022
Corporation for Supportive Housing mortgage.	6,592,370	6,469,837	6.00%	(*)
Note payable to a foundation.	-	25,000		(**)
Mortgage payable to DASNY-OMH in semiannual payments of $214,290, including interest, secured by real estate located on Fairmont Place, Bronx, New York.	4,184,520	4,398,143	4.95%	2031
Bond payable to DASNY including unamortized premium of $32,653 as of June 30, 2018. Monthly payments to DASNY including interest, secured by real estate located on Lacombe Avenue, Bronx, Sheridan Avenue, Brooklyn and 112th Avenue, Jamaica, New York.	3,066,346	3,152,653	3.00%	2041 (***)
Note payable to a financial institution with quarterly interest only payments. The total amount outstanding is to be repaid by a bond refinancing program through DASNY. The note is secured by real estate located on 121st Avenue, Jamaica New York. Prime plus 3% resulted in an interest rate of 8% on June 30, 2018.	1,171,328	727,608	Prime+3%	2018 (****)
Mortgage payable to the Department of Housing Preservation and Development of the City of New York ("HPD") and secured by real estate located on 1060 Reverend James Polite Avenue, Bronx, New York. Principal and interest are due at maturity date.,	10,900,000	-	1.25%	2078

Mortgage payable to a bank with principal and interest due at maturity date. The mortgage was provided as financing for Lynn's Place L.P. in the form of a construction loan and is secured by the property which is located at 1060 Reverend James Polite Avenue, Bronx, New York.	2,749,943	-	Libor+2.5%	2018
Mortgage payable to a bank with principal and interest due at maturity date. The mortgage was provided as financing for Lynn's Place L.P. in the form of a construction loan and is secured by the property which is located at 1060 Reverend James Polite Avenue, Bronx, New York.	1,536,335	-	Libor+2.5%	2018
	31,334,018	16,154,117		
Less: Deferred Financing Cost	(512,634)	(272,673)		
	$ 30,821,384	$ 15,881,444		

(*) During the year ended June 30, 2017, the HDFC obtained a mortgage from the Corporation of Supportive Housing ("CSH") to finance the acquisition of a property. The mortgage, maturing in April 2019, is secured by the property and bears interest at 6% annually. The property is for a new affordable housing project ("Project") consisting of 95 units primarily to house mixed-income populations.

Unique is the guarantor for the CSH loan. The total amount approved for the acquisition and predevelopment cost was $6,800,000 of which $5,716,837 was disbursed by CSH at the property closing including loan origination fees amounting to $100,493 and legal fees expenses totaling $7,000 which was capitalized. In addition, $753,000 was retained by CSH to make monthly interest payments on the loan which is included as interest reserve in the consolidated statements of financial position. During the year ended June 30, 2018, $365,298 of the interest reserve was amortized and the balance outstanding as of June 30, 2018 amounted to $324,620. Subsequent disbursements for the balance of the loan will be based on eligible expenses incurred by the Agency.

(**) During the year ended June 30, 2013, HDFC received a $225,000 commitment from a foundation through its Supportive Housing Acquisition and Rehabilitation Effort ("SHARE") program to provide supportive housing for mentally ill adults. The commitment of $225,000 consists of both a grant amounting to $150,000 and a $75,000 interest-free loan. The loan is not collateralized and is to be repaid in three annual installments of $25,000 commencing on May 31, 2016. The loan was paid off during the year ended June 30, 2018.

(***) In November 2016, the Agency borrowed $3,152,653 from the DASNY as part of DASNY's Inter-Agency Council Pooled Loan Program Revenue Bonds, Series 2016B ("Series 2016 Bonds"). The bonds are secured by three of the Agency's real property located in New York City. The loan agreement required the Agency to deposit to a debt service reserve fund an amount at least equal to the Agency's allocable portion of the debt service reserve fund requirement which amounted to $98,044 and is included in the cash held by DASNY. The bonds were issued at a premium of $32,653 and amortized on a straight-line basis over the life of the bonds. Pursuant to the loan agreement, the Agency is required to maintain in each fiscal year total net revenues available for debt service sufficient to produce a total debt service coverage ratio of not less than 1.00 to 1.00. As of June 30, 2018, the Agency is in compliance with this covenant.

The bonds payable mature on July 1 in each of the years in the respective amounts and bear interest at 3% per annum. The future annual principal payments of the Agency's bonds payable for the years ended subsequent to June 30, 2018 is as follows:

2019	$ 121,346
2020	95,000
2021	95,000
2022	105,000
2023	105,000
Thereafter	2,545,000
	$ 3,066,346

NOTE 6 – LONG-TERM DEBT (Continued)

As of June 30, 2018 and 2017, cash held by DASNY amounted to $163,503 and $420,983, respectively, representing monthly principal and interest payments made by the Agency to DASNY for the bonds payable during 2018 and 2017, debt service reserve funds and undisbursed construction funds for the year ended. The amount held includes accumulated interest. For the years ended June 30, 2018 and 2017, DASNY investment income is included in other income in the consolidated statement of activities totaling, $1,361 and $794, respectively.

(****) The Agency is in the process of securing permanent financing through participating in a DASNY Bond pool. The Agency will be provided additional amounts in their billing rates from governmental sources, the intent of which is to provide the Agency with sufficient funds necessary to pay the debt service for the notes which are due to DASNY. The periodic payments for these notes will be made by OPWDD which then recovers these payments via a deduction from the Agency's Medicaid receipts.

In connection with the bonds payable, the Agency incurred financing costs in the amount of $163,993, which are being amortized over the life of the bond using the straight-line basis which approximates the effective interest method. Interest and amortization expense net of bond premium amortization amounted to $6,671 and $3,893 for the years ended June 30, 2018 and 2017, respectively.

The Agency is provided additional amounts in their billing rates from governmental sources, the intent of which is to provide the Agency with sufficient funds necessary to pay the debt service for the mortgages due to FDC and DASNY, respectively. The periodic payments for these mortgages are made by OPWDD and OMH. OPWDD and OMH then recovers these payments via a deduction from the Agency's Medicaid receipts. Note 7 provides additional information on the balance due to OMH for these payments.

Future annual principal payments of the Agency's other long-term debt are as follows for the years ended subsequent to June 30, 2018:

2019	$ 11,364,255
2020	511,173
2021	538,087
2022	565,273
2023	272,746
Thereafter	15,016,138
	$ 28,267,672

Interest expense for notes and mortgages amounted to $526,560 and $407,273, respectively, for the years ended June 30, 2018 and 2017.

NOTE 7 – DUE TO GOVERNMENTAL AGENCIES AND OTHER

As of June 30, 2018 and 2017, the amounts due to governmental agencies consist of the following:

	2018	2017
Public Heath Solutions	$ 28,943	$ 107,482
New York State Office of Mental Health	2,337,684	2,109,941
HIV/AIDS Services Administration	1,258,926	227,492
	$ 3,625,553	$ 2,444,915

Due to governmental agencies and other includes advances from funding sources for which the Agency has yet to provide services.

NOTE 8 – INVESTMENT IN LIMITED PARTNERSHIP

Unique is an agent and sole member of the HDFC which entered into a development agreement with Lynn's Place L.P., comprising a limited liability company ("investor") with a 99.98% interest and a special partner LLC with a .01% interest, to develop the housing project located in the Bronx, New York. The agreement was financed by Low Income Housing Tax Credits ("LIHTC") and other grants. Lynn's Place L.P. has one general partner, Lynn's Place General Partner Corporation ("Lynn's Place G.P."). Lynn's Place G.P.'s capital stock is owned by the HDFC. Lynn's Place G.P. has a .01% interest in Lynn's Place L.P. Lynn's Place G.P.'s capital contribution obligation was $600,100. As of June 30, 2018, the limited partner contributed $10,015,949 which is included in the consolidated financial statements. As of June 30, 2018 and 2017, Lynn's Place G.P.'s investment in Lynn's Place L.P. amounting to $106,005 and $78,405 which is included in the consolidated financial statements.

Unique entered into a guaranty agreement (the "Agreement") with the Limited Partner and the General Partner discussed above. The Agreement requires Unique to advance funds to the General Partner to the extent needed by the General Partner to: (i) make operating deficit contributions, (ii) make credit adjuster advances and additional advances and (iii) purchase the interest of the Limited Partner according to the Partnership Agreement. No advances were provided to the General Partner under the Agreement for the years ended June 30, 2018 and 2017.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. ***Funding Source Audits***

Pursuant to the Agency's contractual relationships with certain funding sources, outside governmental agencies have the right to examine the books and records of the Agency involving transactions relating to these contracts. The accompanying consolidated financial statements make no provision for possible disallowances. Although such possible disallowances could be substantial in amount, in the opinion of the Agency, any actual disallowances would be immaterial. In addition, certain agreements provide that some property and equipment either owned by, or on loan to, the Agency will continue to be utilized by the Agency.

B. ***Lease Commitments***

The Agency is obligated under various operating leases for real property and equipment. The Agency has the option to renew certain leases upon expiration. Aggregate minimum rentals for the fiscal years ending after June 30, 2018 are as follows:

	Real Property	Equipment	Total
2019	$ 4,210,000	$ 261,000	$ 4,471,000
2020	1,604,000	250,000	1,854,000
2021	498,000	-	498,000
2022	261,000	-	261,000
2023	160,000	-	160,000
Thereafter	397,000	-	397,000
	$ 7,130,000	$ 511,000	$ 7,641,000

Rent expense for real property and equipment amounted to $6,255,843 and $372,646, respectively, and $5,669,526 and $279,595, respectively, for the years ended June 30, 2018 and 2017.

C. ***Litigations***

In the normal course of its operations, the Agency is a defendant or co-defendant in various legal proceedings. While the ultimate outcome of such proceedings cannot be determined, management generally does not expect the resolution of such actions to have a materially adverse effect on the Agency's financial position.

D. ***Income Taxes***

The Agency believes it has no uncertain tax positions as of June 30, 2018 and 2017 in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 10 – PENSION PLAN

The Agency maintains a 401(k) pension plan (the "Plan") which covers all employees meeting eligibility requirements. Employees defer a portion of their salaries to the Plan. In addition, for the years ended June 30, 2018 and 2017, the Agency contributed 3% of each employee's compensation to the Plan. Pension expense for the years ended June 30, 2018 and 2017 was $258,902 and $172,745, respectively.

NOTE 11 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Agency to a concentration of credit risk included cash accounts with a bank that exceeded the Federal Deposit Insurance Corporation ("FDIC") insurance limits ($250,000) by approximately $3,359,000 and $3,743,000 as of June 30, 2018 and 2017, respectively. This excess includes outstanding checks.

NOTE 12 – TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2018 and 2017, temporarily restricted net assets are available for:

	2018	2017
Generator for HDFC	$ 92,500	$ 92,500
Employee recognition awards	5,221	4,971
	$ 97,721	$ 97,471

Net assets were released from donor restrictions during the years ended June 30, 2018 and 2017 by incurring expenses satisfying the restricted purpose or occurrence specified by the donors.

NOTE 13 – NON-CONTROLLING PARTNERS' INTERESTS

Pursuant to presumption of control by general partner, (FASB ASC 958-810), Unique has controlling interest in Lynn's Place, L.P. which is consolidated in the accompanying financial statements. In connection with this investment, the Agency has recognized the related non-controlling partners' ownership interest as of June 30, 2018 as follows:

For Profit Affiliate	General Partner's Percent Ownership	General Partner's Interest	Special Partner's Percent Ownership	Special Partner's Interest	Limited Partner's Percent of Ownership	Limited Partner's Interest
Lynn's Place, L.P.	0.01%	$ 975	0.01%	$ 975	99.98%	$ 9,761,873

Unique's subsidiary has a 0.01% interest in one partnership involved in activities which generate Low Income Housing Tax Credits. As described in Note 1, the Agency consolidated the partnership.

NOTE 13 – NON-CONTROLLING LIMITED PARTNER'S INTERESTS (Continued)

A summary of the assets, liabilities and net assets of the partnership as of June 30, 2018 is as follows:

	Total	General Partner's Share	Special Partner's Share	Limited Partner's Share	Non-controlling Partners' Share
Assets					
Reserves, deposits and other assets	$ 666,410	$ 67	$ 67	$ 666,277	$ 666,344
Property and equipment	26,858,006	2,686	2,686	26,853,633	26,856,319
Total Assets	27,524,416	2,753	2,753	27,519,910	27,522,663
Liabilities					
Other	982,975	99	99	982,779	982,878
Reserves and developer fee payables	1,592,335	160	160	1,592,017	1,592,177
Mortgage and loans payable	15,186,278	1,519	1,519	15,183,241	15,184,760
Total Liabilities	17,761,588	1,778	1,778	17,758,037	17,759,815
Net assets	$ 9,762,828	$ 975	$ 975	$ 9,761,873	$ 9,762,848

A summary of the revenue and expenses of LP for the year ended June 30, 2018 is as follows:

	Total	General Partner's Share	Special Partner's Share	Limited Partner's Share	Non-controlling Partners' Share
Revenues	$ 332,659	$ 34	$ 34	$ 332,591	$ 332,625
Expenses	535,780	54	54	535,672	535,726
Results of Operations	$ (203,121)	$ (20)	$ (20)	$ (203,081)	$ (203,101)

NOTE 14 – RESERVES AND DEVELOPER FEE PAYABLE

Lynn's Place L.P. is required to establish and Operating Reserve account with a bank to be funded at the time of the funding of the capital contribution in an amount equal to $690,000.

In addition, Lynn's Place L.P. is required to establish a replacement reserve commencing the month following the final closing. Lynn's Place L.P. is required to make monthly payments to the partnership's reserve fund for replacements equal to the greater of (i) the amount required by the lender and (ii) $250/unit (the "Reserve Minimum Payment").

For development services provided, the developer (Unique) is due a developer fee of $690,000 from Lynn's Place L.P. A portion of the developer fee may be deferred and paid from net cash flow of the project. As of June 30, 2018, Lynn's Place L.P. accrued a developer fee of $541,800.

Lynn's Place L.P. has to establish a construction reserve of $360,535.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated for potential recognition and disclosure events subsequent to the date of the consolidated statement of financial position through November 30, 2018, the date the consolidated financial statements were available to be issued.

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017

	As of June 30, 2018							As of June 30, 2017					
	Unique People Services, Inc.	Unique People Services - AIDS Programs, Inc.	Lynn's Place HDFC	2050 G.C. HDFC	Lynn's Place Development LP	Consolidating Eliminations	Consolidated Total	Unique People Services, Inc.	Unique People Services - AIDS Programs, Inc.	Lynn's Place HDFC	2050 G.C. HDFC	Consolidating Eliminations	Consolidated Total
ASSETS													
Cash and cash equivalents	$ 2,433,517	$ 137,536	$ 69,092	$ 18,669	$ 261,975	$ -	$ 2,920,789	$ 3,179,254	$ 171,655	$ 27,712	$ 24,474	$ -	$ 3,403,095
Accounts receivable, net	3,703,682	2,840,272	-	-	69,248	-	6,613,202	2,686,293	1,875,543	25,000	-	-	4,586,836
Interest reserve	-	-	-	324,620	-	-	324,620	-	-	-	689,918	-	689,918
Due from affiliate	1,003,919	-	-	-	69,000	(1,072,919)	-	287,639	-	-	-	(287,639)	-
Investment in limited partnership	-	-	106,005	-	-	-	106,005	-	-	78,405	-	-	78,405
Prepaid expenses and other assets	242,966	550,542	1,000	-	17,202	-	811,710	299,665	504,427	-	-	-	804,092
Property and equipment, net	8,410,279	3,629	-	6,275,264	26,858,007	-	41,547,179	8,794,112	5,093	-	5,679,589	-	14,478,794
Debt service reserve funds	763,897	-	-	-	-	-	763,897	1,160,124	-	-	-	-	1,160,124
Consumer funds	47,690	-	-	-	-	-	47,690	83,078	-	-	-	-	83,078
TOTAL ASSETS	$ 16,605,950	$ 3,531,979	$ 176,097	$ 6,618,553	$ 27,275,432	$ (1,072,919)	$ 53,135,092	$ 16,490,165	$ 2,556,718	$ 131,117	$ 6,393,981	$ (287,639)	$ 25,284,342
LIABILITIES													
Accounts payable and accrued expenses	$ 882,136	$ 280,946	$ 2,000	$ 127,769	$ 232,068	$ -	$ 1,524,919	$ 863,004	$ 298,866	$ 1,000	$ 2,750	$ -	$ 1,165,620
Due to governmental agencies	2,337,684	1,287,869	-	-	-	-	3,625,553	2,109,941	334,974	-	-	-	2,444,915
Due to limited partnership	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to affiliate	-	209,319	70,000	42,693	750,907	(1,072,919)	-	-	264,739	1,000	21,900	(287,639)	-
Reserves and developer fee payable	-	-	-	-	1,592,335	-	1,592,335	-	-	-	-	-	-
Long-term debt	9,392,213	-	-	6,491,877	14,937,294	-	30,821,384	9,478,290	-	25,000	6,378,154	-	15,881,444
Consumer funds	47,690	-	-	-	-	-	47,690	83,078	-	-	-	-	83,078
TOTAL LIABILITIES	12,659,723	1,778,134	72,000	6,662,339	17,512,604	(1,072,919)	37,611,881	12,534,313	898,579	27,000	6,402,804	(287,639)	19,575,057
NET ASSETS													
Unrestricted:	3,848,506	1,753,845	104,097	(43,786)	-	-	5,662,662	3,858,381	1,658,139	104,117	(8,823)	-	5,611,814
Operations - Affiliates	-	-	-	-	(20)	-	(20)	-	-	-	-	-	-
Non-controlling limited partner's interests in consolidated limited partnership	-	-	-	-	9,762,848	-	9,762,848	-	-	-	-	-	-
Total unrestricted	3,848,506	1,753,845	104,097	(43,786)	9,762,828	-	15,425,490	3,858,381	1,658,139	104,117	(8,823)	-	5,611,814
Temporarily restricted	97,721	-	-	-	-	-	97,721	97,471	-	-	-	-	97,471
TOTAL NET ASSETS	3,946,227	1,753,845	104,097	(43,786)	9,762,828	-	15,523,211	3,955,852	1,658,139	104,117	(8,823)	-	5,709,285
TOTAL LIABILITIES AND NET ASSETS	$ 16,605,950	$ 3,531,979	$ 176,097	$ 6,618,553	$ 27,275,432	$ (1,072,919)	$ 53,135,092	$ 16,490,165	$ 2,556,718	$ 131,117	$ 6,393,981	$ (287,639)	$ 25,284,342

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATING SCHEDULES OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	Year Ended June 30, 2018							Year Ended June 30, 2017					
	Unique People Services, Inc.	Unique People Services - AIDS Programs, Inc.	Lynn's Place HDFC	2050 G.C. HDFC	Lynn's Place Development LP	Consolidating Eliminations	Consolidated Total	Unique People Services, Inc.	Unique People Services - AIDS Programs, Inc.	Lynn's Place HDFC	2050 G.C. HDFC	Consolidating Eliminations	Consolidated Total
CHANGES IN UNRESTRICTED NET ASSETS:													
OPERATING REVENUES AND SUPPORT:													
Medicaid income	$ 9,787,621	$ -	$ -	$ -	$ -	$ -	$ 9,787,621	$ 8,131,662	$ -	$ -	$ -	$ -	$ 8,131,662
Government grant income	6,024,337	7,263,613	-	-	-	-	13,287,950	4,337,104	6,921,085	-	-	-	11,258,189
Participant fees	1,679,927	464,198	-	-	-	-	2,144,125	1,439,297	405,053	-	-	-	1,844,350
Contributions	1,723	-	-	-	-	-	1,723	10,144	-	-	-	-	10,144
Special events, net of direct expenses $24,600 and $32,117, respectively	190,382	-	-	-	-	-	190,382	240,984	-	-	-	-	240,984
Rental income	-	-	-	-	311,594	-	311,594	-	-	-	-	-	-
Other revenue	166,862	-	-	-	21,065	-	187,927	197,228	8,051	-	-	-	205,279
Net assets release from restrictions	750	-	-	-	-	-	750	279	-	-	-	-	279
Total Operating Revenues and Support	17,851,602	7,727,811	-	-	332,659	-	25,912,072	14,356,698	7,334,189	-	-	-	21,690,887
OPERATING EXPENSES:													
Program services:													
Home and community based services	9,877,991	-	-	-	-	-	9,877,991	7,784,168	-	-	-	-	7,784,168
Community residences	5,579,888	-	-	-	-	-	5,579,888	4,614,879	-	-	-	-	4,614,879
Other Programs	1,037,751	-	-	-	523,555	-	1,561,306	-	-	-	-	-	0
AIDS programs	-	7,115,997	-	-	-	-	7,115,997	-	6,859,202	-	-	-	6,859,202
Management and administration	1,221,619	518,415	20	34,963	12,225	-	1,787,242	1,862,921	505,430	2,019	8,823	-	2,379,193
Fundraising	148,093	-	-	-	-	-	148,093	36,640	-	-	-	-	36,640
Total Operating Expenses	17,865,342	7,634,412	20	34,963	535,780	-	26,070,517	14,298,608	7,364,632	2,019	8,823	-	21,674,082
Change in Unrestricted Net Assets	(13,740)	93,399	(20)	(34,963)	(203,121)	-	(158,445)	58,090	(30,443)	(2,019)	(8,823)	-	16,805
Add: Non-controlling partners' interest in loss of consolidated L.P.	-	-	-	-	203,101	-	203,101	-	-	-	-	-	-
Prior year revenue	3,865	2,307	-	-	-	-	6,172	22,892	10,196	-	-	-	33,088
Change in Unrestricted Net Assets /Equity	(9,875)	95,706	(20)	(34,963)	(20)	-	50,828	80,982	(20,247)	(2,019)	(8,823)	-	49,893
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:													
Contributions	1,000	-	-	-	-	-	1,000	500	-	-	-	-	500
Special events	-	-	-	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions	(750)	-	-	-	-	-	(750)	(279)	-	-	-	-	(279)
Change in Temporarily Restricted Net Assets	250	-	-	-	-	-	250	221	-	-	-	-	221
CHANGE IN TOTAL NET ASSETS/EQUITY	(9,625)	95,706	(20)	(34,963)	(20)	-	51,078	81,203	(20,247)	(2,019)	(8,823)	-	50,114
Non-controlling partners' interest - beginning of year	-	-	-	-	-	-	-	-	-	-	-	-	-
Limited partner's capital contribution	-	-	-	-	10,015,949	-	10,015,949	-	-	-	-	-	-
Syndication cost	-	-	-	-	(50,000)	-	(50,000)	-	-	-	-	-	-
Non-controlling partners' interest in loss of consolidated L.P.	-	-	-	-	(203,101)	-	(203,101)	-	-	-	-	-	-
Non-controlling partners' interest - end of the year	-	-	-	-	9,762,848	-	9,762,848	-	-	-	-	-	-
Net assets - Beginning of Year	3,955,852	1,658,139	104,117	(8,823)	-	-	5,709,285	3,874,649	1,678,386	106,136	-	-	5,659,171
NET ASSETS - END OF YEAR	$ 3,946,227	$ 1,753,845	$ 104,097	$ (43,786)	$ 9,762,828	$ -	$ 15,523,211	$ 3,955,852	$ 1,658,139	$ 104,117	$ (8,823)	$ -	$ 5,709,285

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES

Consolidated Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2017 and 2016

MARKS PANETH
ACCOUNTANTS & ADVISORS

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2017 AND 2016

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MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Unique People Services, Inc. and Affiliates

We have audited the accompanying consolidated financial statements of Unique People Services, Inc. ("Unique"), Unique People Services – AIDS Programs, Inc. ("Unique – Aids" or Affiliate), Lynn's Place Housing Development Fund Company, Inc. ("HDFC"), 2050 G.C. Housing Development Fund Company, Inc. ("2050. G.C. HDFC") (collectively, 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 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 audits 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Unique People Services, Inc., Unique People Services – AIDS Program, Inc., Lynn's Place Housing Development Fund Company, Inc. and 2050 G.C. Housing Development Fund Company, Inc. as of June 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information (shown on pages 16-17) as of and for the years ended June 30, 2017 and 2016 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets 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 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 28, 2017

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents (Notes 2C and 11)	$ 3,403,095	$ 5,044,620
Accounts receivable, net (Notes 2E and 3)	4,586,836	2,271,280
Investment in limited partnership (Note 8)	78,405	106,004
Interest reserve (Note 6)	689,918	-
Prepaid expenses and other assets	804,092	677,966
Property and equipment, net (Notes 2F and 4)	14,478,794	7,626,115
Debt service reserve funds (Note 5)	1,160,124	682,033
Consumer funds (Note 2J)	83,078	62,139
TOTAL ASSETS	$ 25,284,342	$ 16,470,157
LIABILITIES		
Accounts payable and accrued expenses	$ 1,165,620	$ 940,460
Due to governmental agencies (Note 7)	2,444,915	2,066,598
Due to limited partnership	-	-
Long-term debt (Note 6)	15,881,444	7,741,789
Consumer funds (Note 2J)	83,078	62,139
TOTAL LIABILITIES	19,575,057	10,810,986
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS (Note 2B)		
Unrestricted	5,611,814	5,561,921
Temporarily restricted (Note 12)	97,471	97,250
TOTAL NET ASSETS	5,709,285	5,659,171
TOTAL LIABILITIES AND NET ASSETS	$ 25,284,342	$ 16,470,157

The accompanying notes are an integral part of these consolidated financial statements.

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UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	For the Year Ended June 30, 2017			For the Year Ended June 30, 2016		
	Unrestricted	**Temporarily Restricted**	**Total**	**Unrestricted**	**Temporarily Restricted**	**Total**
OPERATING REVENUES AND SUPPORT (Note 2G)**:**						
Medicaid income (Note 2H)	$ 8,131,662	$ -	$ 8,131,662	$ 6,293,978	$ -	$ 6,293,978
Government grant income (Note 2G)	11,258,189	-	11,258,189	11,129,542	-	11,129,542
Participant fees	1,844,350	-	1,844,350	1,863,202	-	1,863,202
Contributions (Note 2D)	10,144	500	10,644	35,763	2,000	37,763
Special events, net of direct expenses $32,117 and $25,360, respectively (Note 2K)	240,984	-	240,984	133,636	-	133,636
Other revenues	205,279	-	205,279	315,433	-	315,433
Net assets released from restrictions	279	(279)	-	-	-	-
Total Operating Revenues and Support	21,690,887	221	21,691,108	19,771,554	2,000	19,773,554
OPERATING EXPENSES (Note 2I) **:**						
Program services:						
Intermediate care facilities	-	-	-	449,316	-	449,316
Home and community based services	7,784,168	-	7,784,168	5,877,302	-	5,877,302
Community residences	4,614,879	-	4,614,879	4,585,203	-	4,585,203
AIDS programs	6,859,202	-	6,859,202	6,945,136	-	6,945,136
Total program services	19,258,249	-	19,258,249	17,856,957	-	17,856,957
Management and administration	2,379,193	-	2,379,193	2,078,490	-	2,078,490
Fundraising	36,640	-	36,640	31,077	-	31,077
Total Operating Expenses	21,674,082	-	21,674,082	19,966,524	-	19,966,524
Change in Net Assets from operations	16,805	221	17,026	(194,970)	2,000	(192,970)
Prior year revenue (Note 2H)	33,088	-	33,088	41,959	-	41,959
CHANGE IN TOTAL NET ASSETS	49,893	221	50,114	(153,011)	2,000	(151,011)
Net Assets - Beginning of Year	5,561,921	97,250	5,659,171	5,714,932	95,250	5,810,182
NET ASSETS - END OF YEAR	$ 5,611,814	$ 97,471	$ 5,709,285	$ 5,561,921	$ 97,250	$ 5,659,171

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for June 30, 2016)

	For the Year Ended June 30, 2017												
	Program Services				Supporting Services								
					Management and Administration								
	Home and Community Based Services	**Community Residences**	**AIDS Program**	**Total Program Services**	**Unique**	**Unique - AIDS**	**Lynn's HDFC**	**2050 G.C.**	**Total Management and Administration**	**Fundraising**	**Total Supporting Services**	**Total 2017**	**Total 2016**
Salaries	$ 4,068,611	$ 1,471,104	$ 1,389,217	$ 6,928,932	$ 626,146	$ 433,012	$ -	$ -	$ 1,059,158	$ 11,000	$ 1,070,158	$ 7,999,090	$ 7,426,018
Payroll taxes and employee benefits (Note 9)	1,180,875	468,584	601,837	2,251,296	430,689	62,161	-	-	492,850	3,740	496,590	2,747,886	2,606,454
Total salaries and related costs	5,249,486	1,939,688	1,991,054	9,180,228	1,056,835	495,173	-	-	1,552,008	14,740	1,566,748	10,746,976	10,032,472
Food and recreation activities	155,916	35,315	22,171	213,402	51,251	595	-	-	51,846	4,292	56,138	269,540	218,912
Repairs and maintenance	209,097	171,016	21,961	402,074	105,158	990	-	-	106,148	-	106,148	508,222	459,984
Utilities	93,793	221,572	116,947	432,312	34,354	-	-	-	34,354	-	34,354	466,666	421,497
Transportation and travel	72,353	16,415	65,399	154,167	17,915	185	-	-	18,100	-	18,100	172,267	134,764
Facility tax assessments	-	-	-	-	-	-	-	-	-	-	-	-	36,040
Clothing	19,854	16	-	19,870	-	-	-	-	-	-	-	19,870	16,656
Program supplies	-	-	-	-	-	-	-	-	-	-	-	-	43,092
Staff training	16,419	13,121	2,665	32,205	29,847	22	-	-	29,869	-	29,869	62,074	108,587
Contracted services	11,658	877	-	12,535	552	-	-	-	552	-	552	13,087	33,751
Professional fees	70,107	33,485	87,301	190,893	199,357	250	2,019	-	201,626	20,675	222,301	413,194	263,036
Office supplies	40,817	13,795	19,286	73,898	22,323	125	-	-	22,448	1,450	23,898	97,796	106,301
Household and medical supplies	156,099	67,166	517	223,782	37,045	70	-	-	37,115	-	37,115	260,897	267,959
Telephone	62,305	36,030	66,946	165,281	22,706	5,883	-	-	28,589	-	28,589	193,870	147,887
Equipment leases (Note 8)	97,807	39,308	61,675	198,790	80,525	280	-	-	80,805	-	80,805	279,595	266,966
Rent (Note 9)	243,522	1,056,012	4,225,944	5,525,478	119,548	-	-	-	119,548	24,500	144,048	5,669,526	5,491,427
Expensed equipment	-	-	21,268	21,268	-		-	-	-	-	-	21,268	35,677
Property and general insurance	174,196	192,719	114,146	481,061	154	-	-	-	154	-	154	481,215	260,482
Interest expense (Note 6)	77,967	327,340	-	405,307	1,966	-	-	8,810	10,776	-	10,776	416,083	354,894
Client stipends	163	8,650	-	8,813	-	-	-	-	-	-	-	8,813	31,654
Depreciation and amortization (Note 4)	206,395	400,126	-	606,521	986	1,501	-	-	2,487	-	2,487	609,008	620,125
Other expenses	826,214	42,228	41,922	910,364	82,399	356	-	13	82,768	3,100	85,868	996,232	639,721
Subtotal	7,784,168	4,614,879	6,859,202	19,258,249	1,862,921	505,430	2,019	8,823	2,379,193	68,757	2,447,950	21,706,199	19,991,884
Less: direct special event expenses (Note 2K)	-	-	-	-	-	-	-	-	-	(32,117)	(32,117)	(32,117)	(25,360)
TOTAL EXPENSES	$ 7,784,168	$ 4,614,879	$ 6,859,202	$ 19,258,249	$ 1,862,921	$ 505,430	$ 2,019	$ 8,823	$ 2,379,193	$ 36,640	$ 2,415,833	$ 21,674,082	$ 19,966,524

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	For the Year Ended June 30, 2016											
	Program Services					Supporting Services						
	Intermediate Care Facilities	Home and Community Based Services	Community Residences	AIDS Program	Total Program Services	Management and Administration: Unique	Unique - AIDS	Lynn's HDFC	Total Management and Administration	Fundraising	Total Supporting Services	Total
Salaries	$ 241,925	$ 3,186,590	$ 1,484,996	$ 1,476,222	$ 6,389,733	$ 534,073	$ 491,212	$ -	$ 1,025,285	$ 11,000	$ 1,036,285	$ 7,426,018
Payroll taxes and employee benefits (Note 9)	84,305	1,087,523	544,460	578,576	2,294,864	210,027	97,823	-	307,850	3,740	311,590	2,606,454
Total salaries and related costs	326,230	4,274,113	2,029,456	2,054,798	8,684,597	744,100	589,035	-	1,333,135	14,740	1,347,875	10,032,472
Food and recreation activities	11,460	134,623	29,371	27,822	203,276	8,650	1,936	-	10,586	5,050	15,636	218,912
Repairs and maintenance	13,187	102,466	222,419	76,158	414,230	41,092	4,662	-	45,754	-	45,754	459,984
Utilities	4,000	69,992	200,182	121,167	395,341	26,156	-	-	26,156	-	26,156	421,497
Transportation and travel	2,481	34,146	9,031	77,967	123,625	10,429	710	-	11,139	-	11,139	134,764
Facility tax assessments	32,228	3,812	-	-	36,040	-	-	-	-	-	-	36,040
Clothing	1,250	15,406	-	-	16,656	-	-	-	-	-	-	16,656
Program supplies	-	13,450	27,100	-	40,550	2,542	-	-	2,542	-	2,542	43,092
Staff training	0	37,399	19,128	9,076	65,603	42,459	525	-	42,984	-	42,984	108,587
Contracted services	2,720	29,796	780	-	33,296	455	-	-	455	-	455	33,751
Professional fees	1,943	56,557	23,776	74,762	157,038	93,603	250	-	93,853	12,145	105,998	263,036
Office supplies	262	21,902	9,742	52,311	84,217	18,595	674	-	19,269	2,815	22,084	106,301
Household and medical supplies	6,353	65,348	48,141	1,892	121,734	146,225	-	-	146,225	-	146,225	267,959
Telephone	1,531	23,755	21,609	75,933	122,828	24,866	193	-	25,059	-	25,059	147,887
Equipment leases (Note 8)	6,705	77,470	37,315	77,511	199,001	67,965	-	-	67,965	-	67,965	266,966
Rent (Note 9)	-	241,865	1,013,632	4,095,652	5,351,149	117,013	4,455	-	121,468	18,810	140,278	5,491,427
Expensed equipment	-	-	-	35,677	35,677	-	-	-	-	-	-	35,677
Property and general insurance	263	101,406	51,522	103,948	257,139	-	3,343	-	3,343	-	3,343	260,482
Interest expense (Note 6)	748	12,227	341,549	-	354,524	370	-	-	370	-	370	354,894
Client stipends	2,415	3,915	20,172	5,152	31,654	-	-	-	-	-	-	31,654
Depreciation and amortization (Note 4)	17,727	159,299	440,858	-	617,884	739	1,502	-	2,241	-	2,241	620,125
Other expenses	17,813	398,355	39,420	55,310	510,898	124,921	1,025	-	125,946	2,877	128,823	639,721
Subtotal	449,316	5,877,302	4,585,203	6,945,136	17,856,957	$ 1,470,180	$ 608,310	$ -	2,078,490	56,437	2,134,927	19,991,884
Less: direct special event expenses (Note 2K)	-	-	-	-	-	-	-	-	-	(25,360)	(25,360)	(25,360)
TOTAL EXPENSES	$ 449,316	$ 5,877,302	$ 4,585,203	$ 6,945,136	$ 17,856,957	$ 1,470,180	$ 608,310	$ -	$ 2,078,490	$ 31,077	$ 2,109,567	$ 19,966,524

The accompanying notes are an integral part of these consolidated financial statements.

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UNIQUE PEOPLE SERVICES, 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	$ 50,114	$ (151,011)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	603,431	519,174
Amortization for debt service reserve fund	5,577	100,951
Amortization for deferred financing cost	17,567	4,864
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(2,315,556)	(349,958)
Investment in limited partnership	27,599	(106,004)
Prepaid expenses and other assets	(126,126)	(119,945)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	225,160	(246,597)
Due to governmental agencies	378,317	423,885
Net Cash (Used in) Provided by Operating Activities	(1,133,917)	75,359
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(7,393,028)	(1,422,013)
Debt service reserve funds	(483,668)	(56,840)
Net Cash Used in Investing Activities	(7,876,696)	(1,478,853)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	11,615,932	1,400,000
Repayment of long-term debt	(3,493,844)	(626,767)
Interest reserve	(753,000)	-
Net Cash Provided by Financing Activities	7,369,088	773,233
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,641,525)	(630,261)
Cash and Cash Equivalents - Beginning of Year	5,044,620	5,674,881
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,403,095	$ 5,044,620
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 407,273	$ 350,030
Non-Cash Investing Activity:		
Transfer of property and equipment to Lynn's Place L.P.	$ -	$ 1,526,570
Non-Cash Financing Activity:		
Deferred financing cost	$ (272,673)	$ -
Transfer of mortgage payable to Lynn's Place L.P.	$ -	$ (1,337,514)
Interest expense capitalized	$ 63,082	$ -

The accompanying notes are an integral part of these consolidated financial statements.

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The accompanying consolidated financial statements include Unique People Services, Inc. ("Unique"), Unique People Services — AIDS Programs, Inc. ("Unique-AIDS" or "Affiliate"), Lynn's Place Housing Development Fund Company, Inc. ("HDFC") and 2050 G.C. Housing Development Fund Company, Inc. ("2050. G.C. HDFC") (collectively the "Agency"). Unique, Unique-AIDS, the HDFC and 2050 G.C. HDFC are related through common Board membership and substantially identical management.

Unique is a New York not-for-profit corporation formed primarily for the purpose of alleviating human suffering and distress and for the betterment and improvement of mankind, especially those persons who are developmentally disabled. Unique operates four Individual Residential Alternative ("IRA") programs, and one Intermediate Care Facility ("ICF") which provides residential, rehabilitative and case management services to developmentally disabled individuals. On November 15, 2015, the ICF program was converted to an IRA. Additionally, Unique provides community-based housing to adult individuals who suffer with serious and persistent mental illness through community residence/single residence occupancy and supported housing.

Unique-AIDS is a New York not-for-profit corporation formed primarily for the purpose of alleviating human suffering and distress and for the betterment and improvement of mankind, especially those persons who have HIV/AIDS. Unique-AIDS operates residential facilities, scatter site apartments and case management for families, children and single persons with AIDS. Unique-AIDS also operates a care coordination program funded through the New York City Department of Health and Mental Hygiene ("DOHMH") and a housing opportunity for persons with aids program funded through the New York City Human Resources Administration ("NYCHRA").

The HDFC was formed pursuant to the Private-Housing Finance Law and the Not-for-Profit Corporation Law, both of the State of New York, for the purpose of developing a housing project for persons with low income. Unique is the sole corporate member of the HDFC and the member designates the board of directors of the HDFC.

2050 G.C. HDFC was formed pursuant to the Private-Housing Finance Law and the Not-for-Profit Corporation Law, both of the State of New York, for the purpose of developing a housing project for persons with low income. Unique is the sole corporate member of 2050 G.C. HDFC and the member designates the board of directors of 2050 G.C. HDFC.

In April 2015, Lynn's Place General Partner Corporation ("Lynn's Place GP") was formed pursuant to the Business Corporation Law of the State of New York and serves as the general partner to Lynn's Place Development L.P. ("Lynn's Place L.P.") (see Note 8). The HDFC is the sole member of Lynn's Place G.P. During December 2015, upon closing the L.P., the property and related debt was transferred to Lynn's Place L.P. by the HDFC.

Unique, Unique – AIDS, the HDFC and 2050 G.C. HDFC have been granted an exemption from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. Similar exemptions exist at the state and local levels. The Agency is supported primarily by government fees and contracts, Medicaid revenue and participant fees.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of* Accounting** – The Agency's consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP'). All significant intercompany transactions have been eliminated during consolidation.

B. ***Net Assets*** – The Agency's resources are classified and reported based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted – include expendable resources not subject to donor-imposed restrictions.

Temporarily restricted – include resources subject to donor-imposed stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as net assets released from restrictions.

Permanently restricted – include resources subject to donor-imposed stipulations, requiring that the principal be maintained in perpetuity.

C. ***Cash and Cash Equivalents*** – Cash equivalents include all highly liquid instruments purchased with a maturity of three months or less.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ***Contributions*** – The Agency records contributions of cash and other assets when an unconditional promise to give is received from a donor. Contributions are recorded at the fair value of the assets received and are classified as either unrestricted, temporarily restricted or permanently restricted support depending on the existence of any donor restrictions.

Material contributions of noncash assets are recorded at their fair value in the period received.

E. ***Allowance for Uncollectible Receivables*** – The Agency provides an allowance for doubtful accounts for receivables. This estimate is based on management's assessment of the aged basis of its government funding sources, current economic conditions, creditworthiness of its donors and historical experience. A significant portion of the accounts receivable consists of amounts due from New York State and New York City sources. As of June 30, 2017 and 2016, the Agency determined an allowance of approximately $320,000 for each such years was necessary.

F. ***Property and Equipment*** – Property and equipment is stated at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable values. The Agency capitalizes property and equipment with a cost of $5,000 or more and a useful life greater than two years. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lease term or the useful life of the asset, whichever is less.

G. ***Revenue Sources and Recognition*** – Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, the Agency establishes refundable advances from governmental sources. Any revenue for contracts that has not yet been earned is reclassified as deferred revenue on the consolidated statements of financial position. Revenue from fees for service programs is recognized when earned (services are provided daily and/or monthly).

The Agency receives substantially all of its revenue for services provided to approved clients from third-party reimbursement agencies; primarily New York State Office for People with Developmental Disabilities ("OPWDD"), New York State Office of Mental Health ("OMH"), HIV/AIDS Services Administration ("HASA"), DOHMH and NYC HRA. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediary.

The Agency also receives Supplemental Security Income ("SSI") and Social Security Income ("SSA") payments for the participants. A portion of the SSI/SSA payments represents the participants' contributions toward the cost of goods and services and is recognized as revenue when received. The remaining portion of SSI/SSA represents the participants' personal allowance and is recognized as a liability due to clients.

H. ***Prior Year Revenue*** – Retroactive adjustments of reimbursement rates are recorded in revenue. Included in the change in net assets for the years ended June 30, 2017 and 2016 is approximately $33,000 and $42,000 of prior year increases relating to such adjustments which is included in prior year revenue in the consolidated statements of activities.

I. ***Functional Allocation of Expenses*** – The cost of providing the various program and supporting services has been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Because the Agency is a multi-program/multi-funded organization, certain costs have been allocated between functional and supporting programs as determined by management. Such allocations conform to those made in seeking funds from third-party sources.

J. ***Consumer Funds –*** Consumer funds consist of funds held on behalf of clients. Such funds represent living allowances received by clients from the State of New York, as well as other funds deposited for safekeeping. These funds are disbursed at the request of, or on behalf of, clients for their personal use.

K. ***Special Events Direct Costs –*** The direct cost of special events include expenses for the benefit of the donor. For example, meals and facilities rental are considered direct costs of special events.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. ***Use of Estimates –*** The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. ***Deferred Financing Costs:*** Effective July 1, 2017, the Agency 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* to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset (see Note 6). Amortization of the debt issuance costs is reported as interest expense in the accompanying consolidated financial statements.

N. ***Reclassifications***: Certain items in the June 30, 2016 financial statements have been reclassified to conform to the June 30, 2017 presentation. These changes had no impact on the change in net assets for the year ended June 30, 2016.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of June 30, 2017 and 2016:

	2017	2016
New York State Office for People With Developmental Disabilities	$ 1,816,461	$ 783,049
HIV/AIDS Services Administration	1,560,312	666,828
Lynn's Place LP Receivable	519,749	299,749
HIV/AIDS Services Administration – client fees	385,953	387,298
New York City Office of Mental Health – Grant	252,726	6,194
Public Heath Solutions	124,796	153,513
Health Home	80,572	84,398
Housing Opportunities for Persons With AIDS	76,120	105,592
New York City Office of Mental Health – Rent	64,651	49,002
Deutsche bank	25,000	50,000
Others	227	5,388
Accounts receivable, before allowance	4,906,567	2,591,011
Less: allowance for doubtful accounts	(319,731)	(319,731)
Accounts receivable, net	$ 4,586,836	$ 2,271,280

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2017 and 2016:

	2017	2016	Useful Lives
Land	$ 5,886,417	$ 586,417	
Buildings and building improvements	14,345,330	11,843,612	25 years
Leasehold improvements	612,991	612,991	25 years
Furniture and equipment	118,114	118,114	5-10 years
Vehicles	237,060	237,060	5-10 years
Construction in progress (see below)	1,151,131	1,496,739	
	22,351,043	14,894,933	
Less: accumulated depreciation and amortization	(7,872,249)	(7,268,818)	
Net book value	$ 14,478,794	$ 7,626,115	

NOTE 4 – PROPERTY AND EQUIPMENT (Continued)

For the years ended June 30, 2017 and 2016, depreciation and amortization expenses amounted to $603,431 and $519,174, respectively.

Construction in progress primarily consists of renovations of apartments on 160-18 121st Avenue, Jamaica, New York to be used for housing of developmentally disabled individuals and a new construction site located in the Bronx, New York, for a supportive housing project consisting of 95 units primarily to house mixed-income population. (the "Projects"). To fund the Projects, the Agency obtained loans as further described in Note 6. The Projects will be completed in 2018 and 2019, respectively. The future cost to complete is approximately $399,000 and $1,020,000, respectively.

NOTE 5 – DEBT SERVICE RESERVE FUNDS

Debt reserve funds consist of the following:

	2017	2016
Capital reserve accounts – OMH	$ 696,804	$ 634,122
Bank of New York ("BNY") Mellon Debt Reserve	420,983	-
Debt service reserve fund - OPWDD	42,337	47,911
	$ 1,160,124	$ 682,033

Debt service reserve funds represent funds held by OPWDD and OMH. These funds will be applied to the last payment required on the mortgages with Dormitory Authority of the State of New York ("DASNY"), the Facilities Development Corporation ("FDC") and BNY Mellon. This reserve will earn interest to be used to offset the Agency's final payment obligation under the mortgage (as further described in Note 6) for the Agency's residential facilities.

NOTE 6 – LONG-TERM DEBT

Long-term debt consists of the following as of June 30, 2017 and 2016:

	2017	2016	Annual Interest Rate	Due Date
Note payable to a bank in monthly principal installments of $1,686, plus interest, secured by the mortgage for real estate located on 58th Avenue in East Elmhurst, New York.	$ -	$ 23,624	7.90%	2017
Mortgage payable Facilities Development Corporation of New York State ("FDC") with semi-annual payments of $35,334, including interest, secured by real estate located on Vyse Avenue, in the Bronx, New York.	-	76,646	6.31%	2017
Mortgage payable to DASNY-OMH in semiannual payments of $159,562, including interest, secured by real estate located on Southern Boulevard, Bronx, New York	1,380,876	1,615,696	5.41%	2022
Corporation for Supportive Housing mortgage.	6,469,837	-	6.00%	(*)
Note payable to a foundation.	25,000	50,000		(**)
Note payable to a financial institution with quarterly interest only payments. During 2017, the total amount outstanding was repaid by a bond refinancing program through DASNY. The note was secured by real estate located on Lacombe Avenue, Bronx, New York. Prime plus 3% resulted in an interest rate of 6.75% on June 30, 2016.	-	550,000	Prime+3%	2017 (***)
Note payable to a financial institution with quarterly interest only payments. During 2017, the total amount outstanding was repaid by a bond refinancing program through DASNY. The note was secured by real estate located on Sheridan Avenue, Brooklyn, New York. Prime plus 3% resulted in an interest rate of 6.75% on June 30, 2016.	-	550,000	Prime+3%	2017 (***)

NOTE 6 – LONG-TERM DEBT (Continued)

	2017	2016	Annual Interest Rate	Due Date
Note payable to a financial institution with quarterly interest only payments. The total amount outstanding was repaid by a bond refinancing program through DASNY. The note was secured by real estate located on 112th Avenue, Jamaica, New York. Prime plus 3% resulted in an interest rate of 6.75% on June 30, 2016.	-	300,000	Prime+3%	2017 (***)
Mortgage payable to DASNY-OMH in semiannual payments of $214,290, including interest, secured by real estate located on Fairmont Place, Bronx, New York.	4,398,143	4,601,577	4.95%	2031
Bond payable to DASNY including unamortized premium of $32,653 as of June 30, 2017. Monthly payments to DASNY including interest, secured by real estate located on Lacombe Avenue, Bronx, Sheridan Avenue, Brooklyn and 112th Avenue, Jamaica, New York.	3,152,653	-	3.00%	2041 (***)
Note payable to a financial institution with quarterly interest only payments. The total amount outstanding is to be repaid by a bond refinancing program through DASNY. The note is secured by real estate located on 121st Avenue, Jamaica New York. Prime plus 3% resulted in an interest rate of 7.25% on June 30, 2017.	727,608	-	Prime+3%	2018 (****)
	16,154,117	7,767,543		
Less: Deferred Financing Cost	(272,673)	(25,754)		
Notes and Mortgage Payable Net	$ 15,881,444	$ 7,741,789		

(*) During the year ended June 30, 2017, the HDFC obtained a mortgage from the Corporation of Supportive Housing ("CSH") to finance the acquisition of a property. The mortgage, maturing in April 2019, is secured by the property and bears interest at 6% annually. The property is for a new affordable housing project ("Project") consisting of 95 units primarily to house mixed-income populations.

Unique is the guarantor for the CSH loan. The total amount approved for the acquisition and predevelopment cost was $6,800,000 of which $5,716,837 was disbursed by CSH at the property closing including loan origination fees amounting to $100,493 and legal fees expenses totaling $7,000 which was capitalized. In addition, $753,000 was retained by CSH to make monthly interest payments on the loan which is included as interest reserve in the consolidated statements of financial position. During the year ended June 30, 2017, $63,082 of the interest reserve was amortized and the balance outstanding as of June 30, 2017 amounted to $689,918. Subsequent disbursements for the balance of the loan will be based on eligible expenses incurred by the Agency.

(**) During the year ended June 30, 2013, HDFC received a $225,000 commitment from a foundation through its Supportive Housing Acquisition and Rehabilitation Effort ("SHARE") program to provide supportive housing for mentally ill adults. The commitment of $225,000 consists of both a grant amounting to $150,000 and a $75,000 interest-free loan. The loan is not collateralized and is to be repaid in three annual installments of $25,000 commencing on May 31, 2016.

(***) In November 2016, the Agency borrowed $3,152,653 from the DASNY as part of DASNY's Inter-Agency Council Pooled Loan Program Revenue Bonds, Series 2016B ("Series 2016 Bonds"). The bonds are secured by three of the Agency's real property located in New York City. The loan agreement required the Agency to deposit to a debt service reserve fund an amount at least equal to the Agency's allocable portion of the debt service reserve fund requirement which amounted to $98,044 and is included in the cash held by DASNY. The bonds were issued at a premium of $32,653 and amortized on a straight-line basis over the life of the bonds. Pursuant to the loan agreement, the Agency is required to maintain in each fiscal year total net revenues available for debt service sufficient to produce a total debt service coverage ratio of not less than 1.00 to 1.00. As of June 30, 2017, the Agency is in compliance with this covenant.

NOTE 6 – LONG-TERM DEBT (Continued)

The bonds payable mature on July 1 in each of the years in the respective amounts and bear interest at 3% per annum. The future annual principal payments of the Agency's bonds payable for the years ended subsequent to June 30, 2017 is as follows:

2018	$ 86,361
2019	91,361
2020	96,361
2021	96,361
2022	106,361
Thereafter	2,675,848
	$ 3,152,653

As of June 30, 2017, cash held by DASNY amounted to $420,983 representing monthly principal and interest payments made by the Agency to DASNY for the bonds payable during 2017, debt service reserve funds and undisbursed construction funds for the year ended. The amount held includes accumulated interest. DASNY investment income totaling, $794 for the year ended June 30, 2017, is included in other income in the consolidated statement of activities.

(****) The Agency is in the process of securing permanent financing through participating in a DASNY Bond pool. The Agency will be provided additional amounts in their billing rates from governmental sources, the intent of which is to provide the Agency with sufficient funds necessary to pay the debt service for the notes which are due to DASNY. The periodic payments for these notes will be made by OPWDD which then recovers these payments via a deduction from the Agency's Medicaid receipts.

In connection with the bonds payable, the Agency incurred financing costs in the amount of $163,993, which are being amortized over the life of the bond using the straight-line basis which approximates the effective interest method. Interest and amortization expense net of bond premium amortization amounted to $3,893 for the year ended June 30, 2017.

The Agency is provided additional amounts in their billing rates from governmental sources, the intent of which is to provide the Agency with sufficient funds necessary to pay the debt service for the mortgages due to FDC and DASNY, respectively. The periodic payments for these mortgages are made by OPWDD and OMH. OPWDD and OMH then recovers these payments via a deduction from the Agency's Medicaid receipts. Note 7 provides additional information on the balance due to OMH for these payments.

Future annual principal payments of the Agency's other long-term debt are as follows for the years ended subsequent to June 30, 2017:

2018	$ 486,322
2019	6,955,444
2020	511,173
2021	538,087
2022	565,273
Thereafter	3,945,165
	$ 13,001,464

Interest expense for notes and mortgages amounted to $407,273 and $354,894, respectively, for the years ended June 30, 2017 and 2016.

NOTE 7 – DUE TO GOVERNMENTAL AGENCIES AND OTHER

As of June 30, 2017 and 2016, the amounts due to governmental agencies consist of the following:

	2017	2016
Public Heath Solutions	$ 107,482	$ 107,451
New York State Office of Mental Health	2,109,941	1,959,147
HIV/AIDS Services Administration	227,492	-
	$ 2,444,915	$ 2,066,598

Due to governmental agencies and other includes advances from funding sources for which the Agency has yet to provide services.

NOTE 8 – INVESTMENT IN LIMITED PARTNERSHIP

Unique is an agent and sole member of the HDFC which entered into a development agreement with Lynn's Place Development L.P. ("Lynn's Place L.P."), comprising a limited liability company ("investor") with a 99.99% interest, to develop the housing project located in the Bronx, New York. The agreement will be financed by Low Income Housing Tax Credits ("LIHTC") and other grants. Lynn's Place L.P. has one general partner, Lynn's Place General Partner Corporation ("Lynn's Place G.P."). Lynn's Place G.P.'s capital stock is owned by the HDFC. Lynn's Place G.P. has a .01% interest in Lynn's Place L.P. Lynn's Place G.P.'s capital contribution obligation was $600,100. As of June 30, 2017 and 2016, Lynn's Place G.P.'s investment in Lynn's Place L.P. amounting to $78,405 and $106,004 which is included in the consolidated financial statements.

Unique entered into a guaranty agreement (the "Agreement") with the Limited Partner and the General Partner discussed above. The Agreement requires Unique to advance funds to the General Partner to the extent needed by the General Partner to: (i) make operating deficit contributions, (ii) make credit adjuster advances and additional advances and (iii) purchase the interest of the Limited Partner according to the Partnership Agreement. No advances were provided to the General Partner under the Agreement for the years ended June 30, 2017 and 2016.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. ***Funding Source Audits***

Pursuant to the Agency's contractual relationships with certain funding sources, outside governmental agencies have the right to examine the books and records of the Agency involving transactions relating to these contracts. The accompanying consolidated financial statements make no provision for possible disallowances. Although such possible disallowances could be substantial in amount, in the opinion of the Agency, any actual disallowances would be immaterial. In addition, certain agreements provide that some property and equipment either owned by, or on loan to, the Agency will continue to be utilized by the Agency.

B. ***Lease Commitments***

The Agency is obligated under various operating leases for real property and equipment. The Agency has the option to renew certain leases upon expiration. Aggregate minimum rentals for the fiscal years ending after June 30, 2017 are as follows:

	Real Property	Equipment	Total
2018	$ 2,777,000	$ 162,000	$ 2,939,000
2019	857,000	139,000	996,000
2020	59,000	78,000	137,000
2021	56,000	-	56,000
2022	9,000	-	9,000
	$ 3,758,000	$ 379,000	$ 4,137,000

NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)

Rent expense for real property and equipment amounted to $5,669,526 and $279,595, respectively, and $5,491,427 and $266,966, respectively, for the years ended June 30, 2017 and 2016.

C. ***Litigations***

In the normal course of its operations, the Agency is a defendant or co-defendant in various legal proceedings. While the ultimate outcome of such proceedings cannot be determined, management generally does not expect the resolution of such actions to have a materially adverse effect on the Agency's financial position.

D. ***Income Taxes***

The Agency believes it has no uncertain tax positions as of June 30, 2017 and 2016 in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 10 – PENSION PLAN

The Agency maintains a 401(k) pension plan (the "Plan") which covers all employees meeting eligibility requirements. Employees defer a portion of their salaries to the Plan. In addition, for the years ended June 30, 2017 and 2016, the Agency contributed 3% of each employee's compensation to the Plan. Pension expense for the years ended June 30, 2017 and 2016 was $172,745 and $189,911, respectively.

NOTE 11 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Agency to a concentration of credit risk included cash accounts with banks that exceeded the Federal Deposit Insurance Corporation ("FDIC") insurance limits ($250,000) by approximately $3,743,000 and $5,058,000 as of June 30, 2017 and 2016, respectively. This excess includes outstanding checks.

NOTE 12 – TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2017 and 2016, temporarily restricted net assets are available for:

	2017	2016
Generator for HDFC	$ 92,500	$ 92,000
Employee recognition awards	4,971	5,250
	$ 97,471	$ 97,250

Net assets were released from donor restrictions during the years ended June 30, 2017 and 2016 by incurring expenses satisfying the restricted purpose or occurrence specified by the donors.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated for potential recognition and disclosure events subsequent to the date of the consolidated statement of financial position through November 28, 2017, the date the consolidated financial statements were available to be issued.

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UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND 2016

	As of June 30, 2017						As of June 30, 2016				
	Unique People Services, Inc.	Unique People Services - AIDS Programs, Inc.	Lynn's Place HDFC	2050 G.C. HDFC	Consolidating Eliminations	Consolidated Total	Unique People Services, Inc.	Unique People Services - AIDS Programs, Inc.	Lynn's Place HDFC	Consolidating Eliminations	Consolidated Total
ASSETS											
Cash and cash equivalents	$ 3,179,254	$ 171,655	$ 27,712	$ 24,474	$ -	$ 3,403,095	$ 4,388,429	$ 656,059	$ 132	$ -	$ 5,044,620
Accounts receivable, net	2,686,293	1,875,543	25,000	-	-	4,586,836	1,179,687	1,041,593	50,000	-	2,271,280
Interest reserve	-	-	-	689,918	-	689,918	-	-	-	-	-
Due from affiliate	287,639	-	-	-	(287,639)	-	-	10,750	-	(10,750)	-
Investment in limited partnership	-	-	78,405	-		78,405	-	-	106,004	-	106,004
Prepaid expenses and other assets	299,665	504,427	-	-	-	804,092	205,891	472,075	-	-	677,966
Property and equipment, net	8,794,112	5,093	-	5,679,589	-	14,478,794	7,619,521	6,594	-	-	7,626,115
Debt service reserve funds	1,160,124	-	-	-	-	1,160,124	682,033	-	-	-	682,033
Consumer funds	83,078	-	-	-	-	83,078	62,139	-	-	-	62,139
TOTAL ASSETS	$ 16,490,165	$ 2,556,718	$ 131,117	$ 6,393,981	$ (287,639)	$ 25,284,342	$ 14,137,700	$ 2,187,071	$ 156,136	$ (10,750)	$ 16,470,157
LIABILITIES											
Accounts payable and accrued expenses	$ 863,004	$ 298,866	$ 1,000	$ 2,750	$ -	$ 1,165,620	$ 539,226	$ 401,234	$ -	$ -	$ 940,460
Due to governmental agencies	2,109,941	334,974	-	-	-	2,444,915	1,959,147	107,451	-	-	2,066,598
Due to limited partnership	-	-	-	-	-	-	-	-	-	-	-
Due to affiliate	-	264,739	1,000	21,900	(287,639)	-	10,750	-	-	(10,750)	-
Long-term debt	9,478,290	-	25,000	6,378,154	-	15,881,444	7,691,789	-	50,000	-	7,741,789
Consumer funds	83,078	-	-	-	-	83,078	62,139	-	-	-	62,139
TOTAL LIABILITIES	12,534,313	898,579	27,000	6,402,804	(287,639)	19,575,057	10,263,051	508,685	50,000	(10,750)	10,810,986
NET ASSETS											
Unrestricted	3,858,381	1,658,139	104,117	(8,823)	-	5,611,814	3,777,399	1,678,386	106,136	-	5,561,921
Temporarily restricted	97,471	-	-	-	-	97,471	97,250	-	-	-	97,250
TOTAL NET ASSETS	3,955,852	1,658,139	104,117	(8,823)	-	5,709,285	3,874,649	1,678,386	106,136	-	5,659,171
TOTAL LIABILITIES AND NET ASSETS	$ 16,490,165	$ 2,556,718	$ 131,117	$ 6,393,981	$ (287,639)	$ 25,284,342	$ 14,137,700	$ 2,187,071	$ 156,136	$ (10,750)	$ 16,470,157

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATING SCHEDULES OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	Year Ended June 30, 2017						Year Ended June 30, 2016				
	Unique People Services, Inc.	Unique People Services - AIDS Programs, Inc.	Lynn's Place HDFC	2050 G.C. HDFC	Consolidating Eliminations	Consolidated Total	Unique People Services, Inc.	Unique People Services - AIDS Programs, Inc.	Lynn's Place HDFC	Consolidating Eliminations	Consolidated Total
CHANGES IN UNRESTRICTED NET ASSETS:											
OPERATING REVENUES AND SUPPORT:											
Medicaid income	$ 8,131,662	$ -	$ -	$ -	$ -	$ 8,131,662	$ 6,293,978	$ -	$ -	$ -	$ 6,293,978
Government grant income	4,337,104	6,921,085	-	-	-	11,258,189	4,106,466	7,023,076	-	-	11,129,542
Participant fees	1,439,297	405,053	-	-	-	1,844,350	1,421,898	441,304	-	-	1,863,202
Contributions	10,144	-	-	-	-	10,144	35,763	-	-	-	35,763
Special events, net of direct expenses $32,117 and $25,360, respectively	240,984	-	-	-	-	240,984	133,636	-	-	-	133,636
Other revenue	197,228	8,051	-	-	-	205,279	312,233	3,200	-	-	315,433
Net assets release from restrictions	279	-	-	-	-	279	-	-	-	-	-
Total Operating Revenues and Support	14,356,698	7,334,189	-	-	-	21,690,887	12,303,974	7,467,580	-	-	19,771,554
OPERATING EXPENSES:											
Program services:											
Intermediate care facilities	-	-	-	-	-	-	449,316	-	-	-	449,316
Home and community based services	7,784,168	-	-	-	-	7,784,168	5,877,302	-	-	-	5,877,302
Community residences	4,614,879	-	-	-	-	4,614,879	4,585,203	-	-	-	4,585,203
AIDS programs	-	6,859,202	-	-	-	6,859,202	-	6,945,136	-	-	6,945,136
Management and administration	1,862,921	505,430	2,019	8,823	-	2,379,193	1,470,180	608,310	-	-	2,078,490
Fundraising	36,640	-	-	-	-	36,640	31,077	-	-	-	31,077
Total Operating Expenses	14,298,608	7,364,632	2,019	8,823	-	21,674,082	12,413,078	7,553,446	-	-	19,966,524
Change in Unrestricted Net Assets	58,090	(30,443)	(2,019)	(8,823)	-	16,805	(109,104)	(85,866)	-	-	(194,970)
Prior year revenue	22,892	10,196	-	-	-	33,088	39,557	2,402	-	-	41,959
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:											
Contributions	500	-	-	-	-	500	2,000	-	-	-	2,000
Special events	-	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions	(279)	-	-	-	-	(279)	-	-	-	-	-
Change in Temporarily Restricted Net Assets	221	-	-	-	-	221	2,000	-	-	-	2,000
CHANGE IN TOTAL NET ASSETS	81,203	(20,247)	(2,019)	(8,823)	-	50,114	(67,547)	(83,464)	-	-	(151,011)
Net assets - Beginning of Year	3,874,649	1,678,386	106,136	-	-	5,659,171	3,942,196	1,761,850	106,136	-	5,810,182
NET ASSETS - END OF YEAR	$ 3,955,852	$ 1,658,139	$ 104,117	$ (8,823)	$ -	$ 5,709,285	$ 3,874,649	$ 1,678,386	$ 106,136	$ -	$ 5,659,171

APPENDIX B-V

YOUNG ADULT INSTITUTE, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED JUNE 30, 2019, JUNE 30, 2018 AND JUNE 30, 2017)

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YOUNG ADULT INSTITUTE, INC. AND AFFILIATES

YAI
Seeing beyond disability.

CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION (Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2019 AND 2018

MARKS PANETH
ACCOUNTANTS & ADVISORS

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
with Supplementary Information
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2019 and 2018

CONTENTS

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MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of the
Young Adult Institute, Inc. and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Young Adult Institute, Inc. ("YAI") and its Affiliates: YAI/Rockland County Association for People with Disabilities ("YAI/RCAPD"), Premier HealthCare, Inc. ("PHC") and the International Institute for People with Disabilities of Puerto Rico, Inc. ("IIPD-PR") (YAI and its Affiliates are collectively referred to as the "Agency"), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Agency as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, during the year ended June 30, 2019, the Agency has adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Morison KSi
Independent member

Other Matter - Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules (shown on pages 18-19) are presented for the purposes of additional analysis of the consolidated financial statements, rather than to present the financial position, change in net assets and cash flows of the individual affiliates, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Marks Paneth LLP

New York, NY
November 27, 2019

MARKS PANETH
ACCOUNTANTS & ADVISORS

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents (Notes 2D and 10)	$ 9,783,009	$ 15,036,602
Short-term investments (Notes 2E and 5)	13,263,816	16,952,115
Accounts receivable, net (Notes 2F and 4)	30,832,434	26,216,748
Other receivables, net (Notes 2F and 8A)	12,931,833	780,353
Prepaid expenses and other assets	6,920,266	3,704,682
Property and equipment, net (Notes 2H, 6, 7 and 8B)	44,396,252	37,704,820
Debt service reserve (Note 2N)	2,632,962	2,651,718
TOTAL ASSETS	$ 120,760,572	$ 103,047,038
LIABILITIES		
Accounts payable and accrued expenses	$ 11,431,654	$ 9,217,691
Accrued salary	8,312,579	6,227,526
Accrued vacation	4,265,477	4,178,538
Accrued pension (Note 11)	2,139,603	2,205,311
Other liabilities (Note 8F)	10,199,143	1,525,022
Due to funding sources (Note 8D)	6,786,784	9,970,057
Notes and mortgages payable (Notes 2M and 7)	41,826,974	32,711,031
Capital lease obligations (Note 8B)	958,452	19,389
Deferred rent (Note 2L)	1,117,010	3,511,216
TOTAL LIABILITIES	87,037,676	69,565,781
COMMITMENTS AND CONTINGENCIES (Note 8)		
NET ASSETS (Note 2C)		
Net assets without donor restrictions		
Net invested in property and equipment	17,804,870	17,402,225
Available for operations	15,215,817	15,316,838
Total without donor restrictions	33,020,687	32,719,063
Net assets with donor restrictions (Note 9)	702,209	762,194
TOTAL NET ASSETS	33,722,896	33,481,257
TOTAL LIABILITIES AND NET ASSETS	$ 120,760,572	$ 103,047,038

The accompanying notes are an integral part of these consolidated financial statements.

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YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018	Without Donor Restrictions	With Donor Restrictions
Operating Revenue and Support						
Medicaid (Notes 2G, 2K and 12)	$ 171,807,267	$ -	$ 171,807,267	$ 167,293,418	$ 167,293,418	$ -
Government Grants (Note 2G)	21,156,094	-	21,156,094	20,594,384	20,594,384	-
Medicare and Client Fees (Notes 2G and 12)	10,804,314	-	10,804,314	10,451,114	10,451,114	-
Other Revenues	3,819,973	-	3,819,973	1,750,139	1,750,139	-
Contributions (Note 2I)	888,124	58,645	946,769	1,240,849	735,681	505,168
Special Events (net of direct costs of $587,972 and $354,100 for 2019 and 2018)	190,351	203,049	393,400	300,875	194,185	106,690
Investment Activity (Note 5)	798,942	-	798,942	69,797	69,797	-
Net Assets Released from Restrictions (Note 2C)	321,679	(321,679)	-	-	560,270	(560,270)
Total Operating Revenue and Support	209,786,744	(59,985)	209,726,759	201,700,576	201,648,988	51,588
Operating Expenses:						
Program Services:						
Residential Services	99,074,748	-	99,074,748	89,830,985	89,830,985	-
Day and Community Services	61,083,324	-	61,083,324	62,457,601	62,457,601	-
Clinical Services	21,444,941	-	21,444,941	21,554,624	21,554,624	-
Employment Services	1,900,321	-	1,900,321	1,921,949	1,921,949	-
Total Program Services	183,503,334	-	183,503,334	175,765,159	175,765,159	-
Supporting Services:						
Management and General (Note 2J)	25,354,153	-	25,354,153	23,598,986	23,598,986	-
Fundraising	520,700	-	520,700	600,604	600,604	-
Total Supporting Services	25,874,853	-	25,874,853	24,199,590	24,199,590	-
Total Operating Expenses	209,378,187	-	209,378,187	199,964,749	199,964,749	-
Change In Net Assets From Operations	408,557	(59,985)	348,572	1,735,827	1,684,239	51,588
Non-Operating Activities						
Gain from lease buyout (Note 8A)	8,407,333	-	8,407,333	-	-	-
Benefit obligation in excess of plan assets (Note 8F)	(8,514,266)	-	(8,514,266)	-	-	-
Total Non-Operating Activities	(106,933)	-	(106,933)	-	-	-
CHANGE IN NET ASSETS	301,624	(59,985)	241,639	1,735,827	1,684,239	51,588
Net Assets - Beginning of Year	32,719,063	762,194	33,481,257	31,745,430	31,034,824	710,606
NET ASSETS - END OF YEAR	$ 33,020,687	$ 702,209	$ 33,722,896	$ 33,481,257	$ 32,719,063	$ 762,194

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	For the Year Ended June 30, 2019									
	Program Services					Supporting Services				
	Residential Services	Day and Community Services	Clinical Services	Employment Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2019	Total 2018
Salaries	$ 61,349,078	$ 29,259,389	$ 12,004,916	$ 1,304,469	$ 103,917,852	$ 11,942,353	$ 260,734	$ 12,203,087	$ 116,120,939	$ 111,058,158
Payroll taxes and benefits (Note 11)	16,231,735	7,787,160	2,655,618	339,325	27,013,838	3,177,557	68,010	3,245,567	30,259,405	31,077,666
Total Personnel Costs	77,580,813	37,046,549	14,660,534	1,643,794	130,931,690	15,119,910	328,744	15,448,654	146,380,344	142,135,824
Contracted services	1,379,360	329,008	1,695,454	139	3,403,961	1,318,610	2,966	1,321,576	4,725,537	2,406,698
Professional fees	445,900	212,038	39,807	5,736	703,481	1,842,946	13,686	1,856,632	2,560,113	2,299,551
Program supplies	2,931,842	1,762,073	462,167	1,629	5,157,711	55,039	17,326	72,365	5,230,076	4,815,900
Food	2,557,864	250,831	457	283	2,809,435	197	971	1,168	2,810,603	2,120,713
Transportation (Note 8)	1,628,056	12,586,218	229,608	40,264	14,484,146	99,090	7,327	106,417	14,590,563	13,650,049
Office and equipment expense	808,440	294,434	139,142	8,081	1,250,097	696,513	46,288	742,801	1,992,898	1,960,257
Staff development and expenses	305,071	209,199	115,370	3,672	633,312	506,235	9,699	515,934	1,149,246	952,908
Occupancy (Note 8)	2,329,549	5,135,702	1,979,257	132,005	9,576,513	160,931	-	160,931	9,737,444	10,867,739
Repairs and maintenance	1,741,038	863,600	355,146	10,001	2,969,785	307,510	-	307,510	3,277,295	3,018,230
Insurance	1,016,975	405,581	13,703	9,414	1,445,673	1,239,420	-	1,239,420	2,685,093	2,412,232
Utilities	1,290,660	518,122	130,734	5,996	1,945,512	200,889	-	200,889	2,146,401	2,182,264
Telephone	573,827	323,060	143,887	16,034	1,056,808	288,851	1,081	289,932	1,346,740	1,516,723
Information technology	456,771	388,520	675,760	15,946	1,536,997	1,702,666	29,206	1,731,872	3,268,869	2,913,746
Depreciation and amortization (Notes 2H and 6)	2,697,926	483,400	759,424	6,054	3,946,804	947,025	54,696	1,001,721	4,948,525	4,345,011
Interest	1,167,323	138,741	-	90	1,306,154	628,575	-	628,575	1,934,729	1,571,012
Bad debt	9,341	6,532	40,274	1,135	57,282	-	-	-	57,282	514,853
Miscellaneous	153,992	129,716	4,217	48	287,973	239,746	8,710	248,456	536,429	281,039
TOTAL EXPENSES	$ 99,074,748	$ 61,083,324	$ 21,444,941	$ 1,900,321	$ 183,503,334	$ 25,354,153	$ 520,700	$ 25,874,853	$ 209,378,187	$ 199,964,749

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services					Supporting Services			
	Residential Services	Day and Community Services	Clinical Services	Employment Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2018
Salaries	$ 54,987,225	$ 30,415,414	$ 12,870,399	$ 1,297,861	$ 99,570,899	$ 11,125,290	$ 361,969	$ 11,487,259	$ 111,058,158
Payroll taxes and benefits (Note 11)	15,653,907	8,721,029	2,925,411	348,365	27,648,712	3,329,087	99,867	3,428,954	31,077,666
Total Personnel Costs	70,641,132	39,136,443	15,795,810	1,646,226	127,219,611	14,454,377	461,836	14,916,213	142,135,824
Contracted services	672,149	164,207	960,018	7,838	1,804,212	601,280	1,206	602,486	2,406,698
Professional fees	379,507	200,782	33,159	5,054	618,502	1,641,365	39,684	1,681,049	2,299,551
Program supplies	2,710,676	1,654,233	397,293	2,686	4,764,888	51,012	-	51,012	4,815,900
Food	1,912,176	203,168	425	117	2,115,886	-	4,827	4,827	2,120,713
Transportation (Note 8)	1,434,537	11,837,887	227,135	39,247	13,538,806	105,906	5,337	111,243	13,650,049
Office and equipment expense	788,628	332,419	163,001	15,050	1,299,098	606,066	55,093	661,159	1,960,257
Staff development and expenses	291,903	236,220	60,580	5,815	594,518	347,729	10,661	358,390	952,908
Occupancy (Note 8)	2,196,211	5,014,097	1,746,712	106,711	9,063,731	1,804,008	-	1,804,008	10,867,739
Utilities	1,292,321	522,739	145,072	14,727	1,974,859	207,405	-	207,405	2,182,264
Repairs and maintenance	1,684,320	719,980	316,060	13,688	2,734,048	284,182	-	284,182	3,018,230
Insurance	906,703	428,097	219,790	10,264	1,564,854	847,299	79	847,378	2,412,232
Telephone	593,934	320,589	129,618	27,991	1,072,132	443,408	1,183	444,591	1,516,723
Information technology	518,129	682,306	299,794	16,743	1,516,972	1,381,475	15,299	1,396,774	2,913,746
Depreciation and amortization (Notes 2H and 6)	2,686,291	466,000	921,948	5,750	4,079,989	263,418	1,604	265,022	4,345,011
Interest	1,035,464	110,762	-	-	1,146,226	424,786	-	424,786	1,571,012
Bad debt	-	378,029	133,290	3,534	514,853	-	-	-	514,853
Miscellaneous	86,904	49,643	4,919	508	141,974	135,270	3,795	139,065	281,039
TOTAL EXPENSES	$ 89,830,985	$ 62,457,601	$ 21,554,624	$ 1,921,949	$ 175,765,159	$ 23,598,986	$ 600,604	$ 24,199,590	$ 199,964,749

The accompanying notes are an integral part of these consolidated financial statements.

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YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 241,639	$ 1,735,827
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	4,221,804	4,345,011
Accelerated Depreciation due to move	726,721	-
Non-cash interest expense	276,449	222,386
Unrealized loss (gain) on short-term investments	(291,132)	32,665
Realized gain on short-term investments	(144,776)	(1,279)
Bad debt	57,282	514,853
Loss on disposal of property and equipment	99,919	-
Subtotal	5,187,906	6,849,463
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(4,672,968)	33,311
Prepaid expenses and other assets	(3,215,584)	784,800
Other receivables	(12,151,480)	216,857
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	2,213,963	(94,365)
Accrued salary	2,085,053	(188,986)
Accrued vacation	86,939	1,112,768
Accrued pension	(65,708)	(809,070)
Due to funding sources	(3,183,273)	(6,555,980)
Deferred rent	(2,394,206)	(261,196)
Other liabilities	8,674,121	(2,293,700)
Net Cash Used in Operating Activities	(7,435,237)	(1,206,098)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(11,739,876)	(4,367,415)
Purchases of short-term investments	(8,342,665)	(10,778,138)
Proceeds from sale of short-term investments	12,470,175	12,373,753
Decrease in debt service reserve	15,453	13,742
Net Cash Used in Investing Activities	(7,596,913)	(2,758,058)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes and mortgages	21,322,845	3,921,982
Principal repayments of notes and mortgages	(11,917,187)	(5,298,542)
Bond issuance Cost	(566,163)	-
Principal capital lease obligations	1,043,369	-
Principal repayments of capital lease obligations	(104,307)	(112,748)
Net Cash Provided by (Used in) Financing Activities	9,778,557	(1,489,308)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,253,593)	(5,453,464)
Cash and Cash Equivalents - Beginning of Year	15,036,602	20,490,066
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 9,783,009	$ 15,036,602
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 1,658,280	$ 1,348,626

The accompanying notes are an integral part of these consolidated financial statements.

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The Young Adult Institute, Inc. ("YAI") is organized under the Not-for-Profit Corporation Law of New York State and was incorporated in 1964. YAI has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. YAI has an equivalent exemption at the state and local levels.

YAI serves people of all ages with developmental and learning disabilities, from infants through the elderly, in a variety of community settings and at home through state-of-the-art programs that help to build skills, expand opportunities, and support community living. YAI's many programs and direct services benefit thousands of individuals and their families daily throughout the New York metropolitan area. YAI is funded primarily by Medicaid. YAI's has over 300 programs and direct services that benefit over 21,000 individuals and their families daily in ten counties throughout the New York metropolitan area. YAI is funded primarily by Medicaid.

YAI is part of a network of independent agencies, collectively known as the YAI Network. The network provides programs and support for people with intellectual and developmental disabilities throughout New York City, Westchester County, Rockland County, Long Island, New Jersey, and Puerto Rico. YAI is the sole corporate member of three of these agencies which have been included in the consolidated financial statements (collectively, the "Agency"). Further descriptions follow:

- YAI is the sole corporate member of Premier Healthcare, Inc. ("PHC"). PHC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. PHC has an equivalent exemption at the state and local levels. PHC is an outpatient diagnostic and treatment center offering health care services to the general public with a specialty in medical services for people with developmental and learning disabilities and their families in many sites throughout the New York area. PHC is a quality health care practice providing outpatient clinic services which include: primary health, pediatrics, internal medicine, dentistry (including desensitization), nutrition, gynecology, neurology, podiatry, psychiatry, physical therapy, occupational therapy, ophthalmology, speech pathology and psychology. PHC's primary source of revenue is patient service fees received from Medicaid, Medicare and other third-party payors.

- YAI is the sole corporate member of the YAI/Rockland County Association for People with Disabilities ("YAI/RCAPD"). YAI/RCAPD has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. YAI/RCAPD has an equivalent exemption at the state and local levels. YAI/RCAPD provides a wide variety of employment, residential, family support and social/recreational programs which promote essential social and vocational skills that enable people with learning and other developmental disabilities to lead independent, productive and dignified lives. YAI/RCAPD provides extensive support and education to families and guidance and training to professionals who are assisting people with developmental and learning disabilities. YAI/RCAPD is funded primarily by service fees paid by various New York State agencies and government grants. Effective July 1, 2019, YAI/RCAPD merged into YAI.

- YAI is the sole corporate member of the International Institute for People with Disabilities of Puerto Rico, Inc. ("IIPD-PR"), which was incorporated in 1998 under the Not-for-Profit Corporation Law of the Commonwealth of Puerto Rico. IIPD-PR has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has a similar exemption at the state and local levels. IIPD-PR's mission is to create employment opportunities for people with disabilities. By providing competitive employment opportunities for persons with disabilities, IIPD-PR demonstrated a commitment to independence, community inclusion and productivity for people with special needs. IIPD-PR did not have any programmatic operations during the fiscal years ending June 30, 2019 and 2018.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Accounting and Use of Estimates -*** The Agency's consolidated financial statements have been prepared on the accrual basis of accounting. The Agency adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. ***Basis of Consolidation -*** The Agency's accompanying consolidated financial statements include the activities of: YAI; PHC; YAI/RCAPD and IIPD-PR. YAI has consolidated these entities pursuant to U.S. GAAP due to its financial interest and control over them. All material intercompany transactions and balances have been eliminated upon consolidation.

C. ***Basis of Net Asset Presentation -*** The Agency maintains its net assets under the following three classes:

Without donor restrictions – represents resources available for support of the Agency's operations over which the Board of Trustees has discretionary control as well as investment in property, plant and equipment.

With donor restrictions – represents assets resulting from contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Agency pursuant to those stipulations. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

D. ***Cash and Cash Equivalents -*** The Agency considers highly liquid debt instruments with maturities of three months or less, when acquired, to be cash and cash equivalents. Program participant funds included in cash and cash equivalents amounted to approximately $758,000 and $1,226,000, respectively, for the years ended June 30, 2019 and 2018. Such amounts are also included as a liability in the accompanying consolidated financial statements.

E. ***Short-term Investments and Fair Value Measurements -*** Short-term investments are carried at fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 5.

F. ***Allowance for Uncollectible Receivables -*** The Agency determines whether an allowance for uncollectible receivables should be provided for accounts receivable. Such estimate is based on management's assessment of the aged basis of its receivables, current economic conditions, historical experience, and collections subsequent to year end. As of June 30, 2019 and 2018, the Agency determined an allowance of $2,184,609 and $2,203,462, respectively, for accounts receivable was necessary. In addition, the Agency has established an allowance for doubtful accounts for other receivables due from network agencies of $1,223,376 and $1,182,988 as of June 30, 2019 and 2018, which representing nearly the entire balance due.

G. ***Revenue Recognition -*** The Agency records Medicaid revenue based on established rates multiplied by the number of units of service provided. Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, the Agency records a liability due to funding sources. Other revenue includes management programmatic services provided to other network agencies. Such revenue is recorded based on the support service agreement. Medicaid is accounted for under Accounting Standards Codification Topic 606. Government grants are accounted for under Accounting Standard Update ("ASU") 2018-08. Multi-year governmental contracts included under government grants are cancellable by the funder upon its sole discretion.

H. ***Property and Equipment -*** Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the applicable lease. Property and equipment is capitalized by the Agency provided its cost is $5,000 or more and its useful life is greater than one year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. ***Contributions -*** Unconditional contributions, including promises to give cash and other assets, are reported at their fair value on the date the contribution is received. The Agency reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose of restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Contributions are accounted for under ASU 2018-08.

J. ***Functional Expenses -*** The costs of providing program and supporting services of the Agency have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, expenses that are not directly charged to programs and supporting services are allocated among programs and supporting services. The expenses that are allocated include occupancy and maintenance which is allocated on a square footage basis, as well as payroll taxes and benefits, which are allocated on the basis of estimates of time and effort.

K. ***Prior Period Revenue -*** There are occasions when funding source reimbursements for prior years are adjusted in the current year. Such adjustments may be due to retroactive rate adjustments, funding source audit findings, additional monies available over and above original contract amounts, rate appeal results, etc. Included in Medicaid revenue for the years ended June 30, 2019 and 2018 is an increase of $2,040,224 and $7,182,865, respectively, of prior year revenues relating to such adjustments.

L. ***Deferred Rent -*** The Agency leases real property under various operating leases. The leases include rent escalations. Since the rent increases over time, the Agency records an adjustment to rent expense each year to reflect its straight-lining policy. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent in the accompanying consolidated statements of financial position.

M. ***Bond Issuance Costs -*** Bond issuance costs consist of financing costs which are amortized over the life of the bond. The amortization is on the straight-line method which does not differ materially from the effective interest rate method.

N. ***Debt Service Reserves -*** Under the terms of the Industrial Development Agency ("IDA"), and Dormitory Authority of State of New York ("DASNY"), the Agency is required to deposit with the bond trustee an amount to be held in a debt service reserve fund, which will be utilized to satisfy the last payment required on the mortgage, or can be used prior to that point under the direction of IDA or DASNY to make any loan payments due by reason of default or other causes spelled out in the loan agreement. The debt service reserve is carried at market value in the accompanying consolidated statements of financial position.

O. ***Recent Accounting Pronouncements*** - Financial Accounting Standards Board ("FASB") ASU 2016-14, "Not-for-Profit Entities" was adopted by or the year ended June 30, 2019. ASU 2016-14 provides for a number of changes, including the presentation of two classes of net assets and enhanced disclosure on liquid resources and expense allocation. This change has no impact on the change in net assets for the year ended June 30, 2019. Net assets as of June 30, 2018 were renamed to conform to the new presentation.

FASB ASU 2014-09, "Revenue from Contracts with Customers" (Topic 606) was also adopted by the Agency for the year ended June 30, 2019. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services as described in Note 12.

FASB ASU 2018-08, "Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made" (Topic 958) was also adopted by the Agency for the year ended June 30, 2019. The core guidance is to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a contribution is conditional as further descried in Note 2I.

NOTE 3 – LIQUIDITY AND AVAILABILITY

As of June 30, 2019, financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement financial position date, include the following:

Cash and cash equivalents	$ 9,783,009
Short-term investments	13,263,816
Accounts receivable, net	30,832,434
Other receivables	12,931,833
Total Financial Assets	66,811,092
Less: Other receivables due in more than one year	(5,684,202)
Less: Program participant funds	(758,000)
Less: Net assets with donor restrictions	(702,209)
	$ 59,666,681

The Agency strives to maintain liquid financial assets sufficient to cover expenditures. Revenue from funders are expected to cover most expenses. Financial assets are available to fund any programs or supporting services with unanticipated shortfalls. In addition, as noted in Note 7, the Agency has multiple lines of credit totaling a maximum drawdown of $36 million.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following as of June 30:

	2019	2018
Due from Medicaid	$ 21,474,728	$ 19,244,669
Due from the State of New York	7,634,546	6,297,129
Due from the City of New York	1,272,255	1,435,359
Due from other sources	2,635,514	1,443,053
	33,017,043	28,420,210
Less: allowance for doubtful accounts	(2,184,609)	(2,203,462)
	$ 30,832,434	$ 26,216,748

NOTE 5 – SHORT-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS

Short-term investments consist of the following as of June 30:

	2019	2018
Money market funds	$ 2,021,911	$ 8,322,485
Mutual funds	2,134,739	1,009,606
Corporate bonds	3,797,753	3,016,319
Government bonds	4,770,442	4,089,585
Alternative investments	538,971	514,120
	$ 13,263,816	$ 16,952,115

Investment activity consists of the following for the years ended June 30:

	2019	2018
Interest	$ 363,034	$ 101,183
Realized gain	144,776	1,279
Unrealized gain (loss)	291,132	(32,665)
	$ 798,942	$ 69,797

NOTE 5 – SHORT-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs. The Agency has no level 3 investments.

In determining fair value, the Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. Investments in money markets and U.S. Treasury bills are valued using market prices in active markets (Level 1). Fair value of these investments is determined by management through the investment managers. Level 1 instrument valuations are obtained from real-time quotes in active exchange markets involving identical assets. Corporate bonds, U.S. Government bonds and alternative investments are designated as Level 2 instruments and valuations are obtained from similar market or model derived valuations in which all significant inputs are observable or can be derived primarily from or corroborated with observable market data (credit risk/grade, maturities, etc.).

Financial assets carried at fair value as of June 30, 2019 are classified in the table as follows:

	Level 1	Level 2	Total
Short-term Investments:			
Money market funds	$ 2,021,911	$ -	$ 2,021,911
Mutual funds	2,134,739	-	2,134,739
Corporate bonds	-	3,797,753	3,797,753
Government bonds	-	4,770,442	4,770,442
Alternative investments	-	538,971	538,971
Total Short-Term Investments	4,156,650	9,107,166	13,263,816
Debt Service Reserve Fund:			
U.S. Treasury bills	2,632,962	-	2,632,962
	$ 6,789,612	$ 9,107,166	$ 15,896,778

Financial assets carried at fair value as of June 30, 2018 are classified in the table as follows:

	Level 1	Level 2	Total
Short-term Investments:			
Money market funds	$ 8,322,485	$ -	$ 8,322,485
Mutual funds	1,009,606	-	1,009,606
Corporate bonds	-	3,016,319	3,016,319
Government bonds	-	4,089,585	4,089,585
Alternative investments	-	514,120	514,120
Total Short-Term Investments	9,297,154	7,654,961	16,952,115
Debt Service Reserve Fund:			
U.S. Treasury bills	2,651,718	-	2,651,718
	$ 11,948,872	$ 7,654,961	$ 19,603,833

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30:

	2019	2018	Estimated Useful Lives
Land	$ 11,772,584	$ 10,812,584	
Buildings and building improvements	64,447,640	59,354,338	15-25 years
Leasehold improvements	24,768,160	25,595,251	5-25 years
Furniture and equipment	17,069,390	17,530,447	3-10 years
Construction in progress	6,974,001	3,571,544	
	125,031,775	116,864,164	
Less: accumulated depreciation	(80,635,523)	(79,159,344)	
	$ 44,396,252	$ 37,704,820	

Depreciation and amortization expenses amounted to $4,948,525 and $4,345,011 for the years ended June 30, 2019 and 2018, respectively. During 2019, YAI accelerated the depreciation for leasehold improvements and furniture and equipment related to the central office move amounted to $726,721 of the depreciation and amortization expense. For the year ended June 30, 2019, fixed assets with a total cost of $3,572,265 and total accumulated depreciation of $3,472,346 were disposed. This resulted in a loss of $99,919 on disposal of property and equipment.

Construction in progress consists of construction at new locations and various renovations with a combined additional estimated cost to complete of approximately $12 million and estimated completion dates in fiscal year 2020.

NOTE 7 – NOTES AND MORTGAGES PAYABLE

	2019	2018
A. YAI has available an $18 million working capital line of credit with a bank carrying an interest rate of prime or 30-day London Inter-bank Offered Rate (“LIBOR”) (at YAI's election) plus 2% per annum, which at June 30, 2019 interest rates were between 4.68% and 4.72%. The loan is collateralized by YAI's accounts receivable and matures in December 2019. YAI is in the process of renewing the line of credit. The outstanding balance as of November 27, 2019 amounted to $15,793,606.	$ 10,842,911	$ 7,842,911
B. YAI has available a $14 million line of credit with a bank for the acquisition and renovation of program sites. Upon receipt of New York State prior property approvals, the funds drawn down on this line of credit are subsequently converted into notes. As of June 30, 2019, there were ten notes executed. The notes bear an interest rate of prime or 30-day LIBOR (at YAI's election) plus 2% per annum, resulting in a rate of between 4.68% and 4.72% at June 30, 2019. The notes are collateralized by related property and mature in December 2020. YAI is in the process of renewing the line of credit. The outstanding balance as of November 27, 2019 amounted to $10,324,023.	5,132,305	4,928,613
C. YAI has entered into various loan agreements with the Dormitory Authority of the State of New York. The loans carry interest rates ranging from 1.57% to 4.52% per annum, payable in semi-annual installments and have maturity dates ranging from August 2018 through July 2044. The loans are collateralized by YAI’s underlying real property.	24,668,963	18,486,967

NOTE 7 – NOTES AND MORTGAGES PAYABLE (Continued)

	2019	2018
D. PHC has a $3 million revolving line of credit with a bank. The line has an interest rate equal to the prime rate plus 0.50% per annum. The line of credit is guaranteed by YAI. The outstanding balance as of November 27, 2019 amounted to $2,452,330.	$ 2,042,330	$ 1,282,331
E. YAI/RCAPD had a line of credit with a bank in the amount of $1 million. The line of credit had an interest rate at the lender’s prime rate. The line of credit was guaranteed by YAI. The line of credit was paid off and closed in July 2019.	675,841	650,870
F. YAI/RCAPD financed the purchase and renovation of certain properties through the issuance of Civic Facility Revenue Bonds Series 2006J by the County of Rockland Industrial Development Agency (Special Needs Facilities Pooled Program) carrying average interest rates of: 4.75%, 4.74%, 4.78% and 4.75% per annum maturing in July 2020. The proceeds of the loan were used to finance the purchase and renovation of collateralized properties located in Rockland County, New York.	-	765,001
	43,362,350	33,956,693
Less: unamortized debt issuance costs	(1,535,376)	(1,245,662)
Notes and mortgages payable, net	$ 41,826,974	$ 32,711,031

Most of the loans have provisions for loan covenants. The Agency was in compliance with these covenants as of and during the years ended June 30, 2019 and 2018. The unamortized debt issuance costs increased due to an addition of closing costs of $512,100 for new loans less non-cash interest expense of $222,386.

Required future annual principal payments are payable as follows for the years ending June 30:

2020	$ 16,113,019
2021	7,144,125
2022	1,951,878
2023	2,543,641
2024	1,599,667
Thereafter	14,010,020
	$ 43,362,350

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. The Agency has a number of operating lease agreements. Annual future minimum rentals payable for real and personal property principally under long-term operating leases expiring at varying dates through 2038 follows:

	Real Property	Vehicles and Equipment	Total
2020	$ 7,294,906	$ 1,548,746	$ 8,843,652
2021	3,144,170	1,352,579	4,496,749
2023	2,678,774	895,121	3,573,895
2024	2,481,601	494,248	2,975,849
2025	2,317,244	-	2,317,244
Thereafter	8,949,941	-	8,949,941
	$ 26,866,636	$ 4,290,694	$ 31,157,330

YAI’s 460 West 34th Street lease was due to expire in 2027. During 2019 fiscal year, the landlord bought out YAI’s lease with a surrender agreement for approximately $8.4 million which, is included in other receivables as of June 30, 2019.

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

YAI's 460 West 34th Street lease was due to expire in 2027. During 2019 fiscal year, the landlord bought out YAI's lease with a surrender agreement for approximately $8.4 million which, is included in other receivables as of June 30, 2019.

Rent expense (shown as occupancy and transportation in the accompanying consolidated statements of functional expenses) amounted to the following for the years ended June 30:

	2019	2018
Real property	$ 8,312,242	$ 9,732,662
Vehicles and equipment	1,507,656	938,977
	$ 9,819,898	$ 10,671,639

B. YAI has capital leases for computer and electronic equipment with maturities in 2024, and with the following annual payments:

2020	$ 185,360
2021	197,872
2022	211,229
2023	225,489
2024	138,500
	$ 958,450

C. The Agency believes it has no uncertain tax positions as of June 30, 2019 and 2018 in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

D. The Agency receives a significant portion of its revenue for services provided from third-party reimbursement through government agencies and Medicaid. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the government. The Agency, when appropriate, records an estimated liability to governmental agencies for any excess reimbursement over allowable costs and underspending of interim rates. As of June 30, 2019 and 2018, due to funding source represents overpayments from the 2012-2019 fiscal years for the Agency's programs. Such amounts are expected to be recouped by the funding sources.

E. The Agency is subject to legal proceedings and claims which have arisen in the ordinary course of its business and which have not been fully adjudicated. Management does not believe there will be a material adverse effect upon the financial position of the Agency.

F. During 2019 YAI recorded the benefit obligation for a Supplemental Pension Plan and Trust and Life Insurance Plan and Trust in excess of the assets of the plan for certain previous employees. The liability amounted to approximately $8.5 million and is included in other liabilities in the consolidated statements of financial position. The liability represents the present value of the future obligation calculated with a discount rate of 5.5% and social security life expectancy table.

G. Subsequent to year end, YAI has entered into a sale and purchase agreement of a condominium to relocate its central office. The purchase price for the unit is approximately $26 million, which shall be paid with interest calculated at the rate of 8% per annum and payable in monthly installments, commencing one hundred eighty days following the closing date of September 3, 2019.

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

Installment purchase payments are as follows:

2020	$ 705,615
2021	2,116,844
2022	2,116,844
2023	2,116,844
2024	2,116,844
Thereafter	76,938,218
	$ 86,111,209

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

The Agency's net assets with donor restrictions subject to expenditure for the specified purpose of the passage of time consist of the following as of June 30:

	2019	2018
Community of Learners and Linking Individuals to Necessary Knowledge	$ 692,209	$ 752,194
Endowment fund held in perpetuity	10,000	10,000
	$ 702,209	$ 762,194

During the years ended June 30, 2019 and 2018, the Agency released net assets with donor restriction of $321,679 and $560,270, respectively, by satisfying donor-imposed purpose, passage of time restrictions and appropriation of endowment earnings by the Board of Trustees. Endowment net assets amounted to $10,000 as of both June 30, 2019 and 2018. As of June 30, 2019, and 2018, there were no underwater funds.

NOTE 10 – CONCENTRATION

Cash and cash equivalents that potentially subject the Agency to a concentration of credit risk include cash and short-term investment accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Cash and short-term investment accounts are insured up to $250,000 per depositor. As of June 30, 2019 and 2018, there was approximately $9 million and $15 million of cash and cash equivalents and $12 million and $13 million, respectively, of short-term investments held by one bank that exceeded FDIC limits.

NOTE 11 – RETIREMENT PLANS

On July 1, 2015, the Agency adopted the YAI Network Affiliates 401(a) Plan. Employees are eligible to participate in the plan upon completion of one year of service after July 1, 2015 and when the employee worked at least 1,000 hours. Contributions to this plan are based on amounts determined in accordance with the Internal Revenue Code Section 415. The liability for the Agency amounted to approximately $2,140,000 and $2,205,000 as of June 30, 2019 and 2018, respectively. The expense for the Agency amounted to $2,115,000 and $2,185,000 for the years ended June 30, 2019 and 2018, respectively. In December 2018 the Agency adopted changes to both the YAI Network Affiliates 401(a) Plan and the YAI Network Affiliates 403(b) Plan. The changes included ending employer contributions into the 401(a) plan effective after the year ending June 30, 2019 and replacing that benefit with a 403(b) match effective July 1, 2019.

NOTE 12 – REVENUE FROM CONTRACTS WITH CUSTOMERS

Service Contracts - The Agency receives Medicaid revenue from contracts with the New York State Office for People with Developmental Disabilities (OPWDD) to provide support and services to individuals with developmental and learning disabilities, from infants through the elderly, in a variety of community settings and at home through state-of-the-art programs that help to build skills, expand opportunities, and support community living.. Revenue is reported at the amount that reflects the consideration to which the Agency expects to be entitled in exchange for providing the contracted services. These amounts are due from OPWDD, third-party payors (Medicare), individuals (Client Fees) and others, and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations.

NOTE 12 – REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Generally, the Agency bills OPWDD, third-party payors and individuals after the services are performed or has completed their portion of the contract. Receivables are due in full when billed and revenue is recognized as performance obligations are satisfied.

Performance Obligations - Performance obligations are determined based on the nature of the services provided by the Agency in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided. This method depicts the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Agency measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the OPWDD stipulations.

All performance obligations relate to contracts with a duration of less than one year, therefore, there are no performance obligations or contract balances that are unsatisfied as of June 30, 2019. The performance obligations for these contracts are completed when the service is completed and upon submission of required documentation. The Agency determines the transaction price based on established rates and contracts for services provided.

Program service fees consist of revenues for the following programs:

	Medicaid	Medicare and Client Fees	Total
Residential Services	$ 86,933,165	$ 8,081,980	$ 95,015,145
Day and Community Services	60,157,357	97,910	60,255,267
Clinical Services	21,800,952	2,622,924	24,423,876
Employment Services	826,139	1,500	827,639
Other	2,089,654	-	2,089,654
	$ 171,807,267	$ 10,804,314	$ 182,611,581

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition or disclosure, events subsequent to the date of the consolidated statement of financial position through November 27, 2019, the date the consolidated financial statements were available to be issued.

Effective July 1, 2019, YAI became the sole corporate member of The STAR Program d/b/a Manhattan Star Academy ("MSA"). MSA is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. MSA offers a continuum of care for school-age children with a diverse range of diagnoses, including developmental delays, autism spectrum disorders and speech language disorders.

Effective July 1, 2019, YAI became the sole corporate member of The International Academy of Hope ("iHOPE"). iHOPE is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. iHOPE provides educational and related services to children, adolescents, and young adults from ages 5 years to 21 years old, who have sustained acquired brain injuries or other brain-based disorders who cannot be served in their local school systems.

After receiving approval from the YAI and YAI/RCAPD Board of Trustees, OPWDD, and the New York State Attorney General's Office YAI and YAI/RCAPD entered into a transaction whereby all of YAI/RCAPD's program contracts, assets and liabilities were transferred to YAI. Effective July 1, 2019, YAI/RCAPD ceased operations with the Certificate of Incorporation of YAI being the Certificate of Incorporation of the surviving entity without any amendments or changes. Subsequent to the effective date of the transfer, the business of the combined corporations is conducted through YAI as the surviving organization.

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YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2019

	YAI	YAI/RCAPD	PHC	IIPD-PR	Consolidating Eliminations	Total 2019
ASSETS						
Cash and cash equivalents	$ 9,068,076	$ 275,769	$ 437,415	$ 1,749	$ -	$ 9,783,009
Short-term investments	13,263,816	-	-	-	-	13,263,816
Accounts receivable, net	26,537,970	1,362,240	2,932,224	-	-	30,832,434
Other receivables, net	14,924,775	-	-	-	(1,992,942)	12,931,833
Prepaid expenses and other assets	6,460,561	147,003	307,163	5,539	-	6,920,266
Property and equipment, net	41,829,121	2,125,179	441,952	-	-	44,396,252
Debt service reserve	2,632,962	-	-	-	-	2,632,962
TOTAL ASSETS	$ 114,717,281	$ 3,910,191	$ 4,118,754	$ 7,288	$ (1,992,942)	$ 120,760,572
LIABILITIES						
Accounts payable and accrued expenses	$ 9,930,975	$ 714,134	$ 786,545	$ -	$ -	$ 11,431,654
Accrued salary	7,730,406	157,341	424,832	-	-	8,312,579
Accrued vacation	3,790,515	90,906	384,056	-	-	4,265,477
Accrued pension	2,000,915	44,057	94,631	-	-	2,139,603
Other liabilities	10,199,143	-	-	-	-	10,199,143
Due to funding sources	5,480,034	195,273	1,111,477	-	-	6,786,784
Notes and mortgages payable	39,108,803	675,841	2,042,330	-	-	41,826,974
Capital lease obligations	958,452	-	-	-	-	958,452
Due to related party	-	1,035,128	6,797,878	603,524	(8,436,530)	-
Deferred rent	992,920	34,067	90,023	-	-	1,117,010
TOTAL LIABILITIES	80,192,163	2,946,747	11,731,772	603,524	(8,436,530)	87,037,676
COMMITMENTS AND CONTINGENCIES						
NET ASSETS (DEFICIT)						
Net assets without donor restrictions						
Net invested in property and equipment	15,237,739	2,125,179	441,952	-	-	17,804,870
Available for operations	18,595,170	(1,171,735)	(8,054,970)	(596,236)	6,443,588	15,215,817
Total net assets without donor restrictions	33,832,909	953,444	(7,613,018)	(596,236)	6,443,588	33,020,687
Net Assets with donor restrictions	692,209	10,000	-	-	-	702,209
TOTAL NET ASSETS (DEFICIT)	34,525,118	963,444	(7,613,018)	(596,236)	6,443,588	33,722,896
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	$ 114,717,281	$ 3,910,191	$ 4,118,754	$ 7,288	$ (1,992,942)	$ 120,760,572

See independent auditors' report.

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Young Adult Institute, Inc.			YAI/Rockland County Association for People with Disabilities			Premier Healthcare, Inc.		International Institute for People with Disabilities of Puerto Rico, Inc.			Consolidated Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Total	Unrestricted	Total	Consolidating Eliminations	Without Donor Restrictions	With Donor Restrictions	Total 2019
Operating Revenue and Support														
Medicaid	$ 153,844,277	$ -	$153,844,277	$ 4,551,789	$ -	$ 4,551,789	13,411,201	$ 13,411,201	$ -	$ -	$ -	$171,807,267	$ -	$171,807,267
Government Grants	18,957,757	-	18,957,757	2,198,337	-	2,198,337	-	-	-	-	-	21,156,094	-	21,156,094
Medicare and Client fees	7,732,305	-	7,732,305	449,085	-	449,085	2,622,924	2,622,924	-	-	-	10,804,314	-	10,804,314
Other Revenues	5,843,427	-	5,843,427	-	-	-	-	-	-	-	(2,023,454)	3,819,973	-	3,819,973
Contributions	880,393	58,645	939,038	7,328	-	7,328	403	403	-	-	-	888,124	58,645	946,769
Special Events (net of direct costs of								-						
$587,972 and $354,100 for 2019 and 2018, respectively)	190,351	203,049	393,400	-	-	-	-	-	-	-	-	190,351	203,049.00	393,400
Investment Activity	781,321	-	781,321	14,614	-	14,614	3,007	3,007	-	-	-	798,942	-	798,942
Net Assets Released from Restrictions	321,679	(321,679)	-	-	-	-	-	-	-	-	-	321,679.00	(321,679.00)	-
Total Operating Revenue and Support	188,551,510	(59,985)	188,491,525	7,221,153	-	7,221,153	16,037,535	16,037,535	-	-	(2,023,454)	209,786,744	(59,985)	209,726,759
Operating Expenses:														
Program Services:														
Residential Services	94,598,475	-	94,598,475	4,476,273	-	4,476,273	-	-	-	-		99,074,748	-	99,074,748
Day and Community Services	60,586,699	-	60,586,699	496,625	-	496,625	-	-	-	-	-	61,083,324	-	61,083,324
Clinical Services	8,064,462	-	8,064,462	-	-	-	13,380,479	13,380,479	-	-	-	21,444,941	-	21,444,941
Employment Services	1,194,977	-	1,194,977	705,344	-	705,344	-	-	-	-	-	1,900,321	-	1,900,321
Total Program Services	164,444,613	-	164,444,613	5,678,242	-	5,678,242	13,380,479	13,380,479	-	-	-	183,503,334	-	183,503,334
Supporting Services:														
Management and General	23,338,774	-	23,338,774	1,069,668	-	1,069,668	2,965,371	2,965,371	3,794	3,794	(2,023,454)	25,354,153	-	25,354,153
Fundraising	520,700	-	520,700	-	-	-	-	-	-	-	-	520,700	-	520,700
Total Supporting Services	23,859,474	-	23,859,474	1,069,668	-	1,069,668	2,965,371	2,965,371	3,794	3,794	(2,023,454)	25,874,853	-	25,874,853
Total Operating Expenses	188,304,087	-	188,304,087	6,747,910	-	6,747,910	16,345,850	16,345,850	3,794	3,794	(2,023,454)	209,378,187	-	209,378,187
Change In Net Assets From Operations	247,423	(59,985)	187,438	473,243	-	473,243	(308,315)	(308,315)	(3,794)	(3,794)	-	408,557	(59,985)	348,572
Non-Operating:														
Gain from lease buyout	8,407,333		8,407,333	-	-	-	-	-	-	-	-	8,407,333		8,407,333
Benefit obligation in excess of plan assets	(8,514,266)	-	(8,514,266)	-	-	-	-	-	-	-	-	(8,514,266)	-	(8,514,266)
Total Non-Operating	(106,933)	-	(106,933)	-	-	-	-	-	-	-	-	(106,933)	-	(106,933)
CHANGE IN NET ASSETS	140,490	(59,985)	80,505	473,243	-	473,243	(308,315)	(308,315)	(3,794)	(3,794)	-	301,624	(59,985)	241,639
Net Assets - Beginning of Year	33,692,419	752,194	34,444,613	480,201	10,000	490,201	(7,304,703)	(7,304,703)	(592,442)	(592,442)	6,443,588	32,719,063	762,194	33,481,257
NET ASSETS - END OF YEAR	$ 33,832,909	$ 692,209	$ 34,525,118	$ 953,444	$ 10,000	$ 963,444	$ (7,613,018)	$ (7,613,018)	$ (596,236)	$ (596,236)	$ 6,443,588	$ 33,020,687	$ 702,209	$ 33,722,896

See independent auditors' report.

B-V-13

Young Adult Institute, Inc. and Affiliates

YAI
Seeing beyond disability.

Consolidated Financial Statements
with Supplementary Information
(Together with Independent Auditors' Report)

Years Ended June 30, 2018 and 2017

MARKS PANETH
ACCOUNTANTS & ADVISORS

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
with Supplementary Information
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2018 and 2017

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MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Directors of the
Young Adult Institute, Inc. and Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Young Adult Institute, Inc. ("YAI") and its Affiliates: Rockland County Association for People with Disabilities ("RCAPD"), Premier HealthCare, Inc. ("PHC") and the International Institute for People with Disabilities of Puerto Rico, Inc. ("IIPD-PR") (YAI and its Affiliates are collectively referred to as the "Agency") which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Agency as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Morison KSi
Independent member

Other Matter - Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules (shown on pages 18-19) are presented for the purposes of additional analysis of the consolidated financial statements, rather than to present the financial position, change in net assets and cash flows of the individual affiliates, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Marks Paneth LLP

New York, NY
November 30, 2018

MARKS PANETH
ACCOUNTANTS & ADVISORS

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents (Notes 2D and 11)	$ 15,036,602	$ 20,490,066
Short-term Investments (Notes 2E and 4)	16,952,115	18,579,116
Accounts receivable, net (Notes 2F and 3)	26,216,748	26,764,912
Other receivables, net (Note 2F)	780,353	997,210
Prepaid expenses and other assets	3,704,682	4,489,482
Property and equipment, net (Notes 2H, 5, 6 and 7)	37,704,820	37,682,416
Debt service reserve (Notes 2N and 4)	2,651,718	2,665,460
TOTAL ASSETS	$ 103,047,038	$ 111,668,662
LIABILITIES		
Accounts payable and accrued expenses	$ 9,217,691	$ 9,312,056
Accrued salary	6,227,526	6,416,512
Accrued vacation	4,178,538	3,065,770
Accrued pension (Note 12)	2,205,311	3,014,381
Other liabilities	1,525,022	3,818,722
Due to funding sources (Note 8C)	9,970,057	16,526,037
Notes and mortgages payable (Notes 2M and 7)	32,711,031	33,865,205
Capital lease obligations (Note 6)	19,389	132,137
Deferred rent (Note 2L)	3,511,216	3,772,412
TOTAL LIABILITIES	69,565,781	79,923,232
COMMITMENTS AND CONTINGENCIES (Note 8)		
NET ASSETS (Note 2C)		
Unrestricted		
Invested in property and equipment	17,402,225	15,193,445
Available for operations	15,316,838	15,841,379
Total Unrestricted	32,719,063	31,034,824
Temporarily restricted (Note 9)	752,194	700,606
Permanently restricted (Note 10)	10,000	10,000
TOTAL NET ASSETS	33,481,257	31,745,430
TOTAL LIABILITIES AND NET ASSETS	$ 103,047,038	$ 111,668,662

The accompanying notes are an integral part of these consolidated financial statements.

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YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Total 2017	Unrestricted	Temporarily Restricted	Permanently Restricted
REVENUE AND SUPPORT								
Medicaid (Notes 2G and 2K)	$ 167,293,418	$ -	$ -	$ 167,293,418	$ 162,511,388	$ 162,511,388	$ -	$ -
Government Contracts (Note 2G)	20,594,384	-	-	20,594,384	19,985,946	19,985,946	-	-
Medicare and Client Fees (Note 2G)	10,451,114	-	-	10,451,114	9,830,514	9,830,514	-	-
Vocational Rehabilitation	-	-	-	-	34,200	34,200	-	-
Other Revenues	1,750,139	-	-	1,750,139	1,736,671	1,736,671	-	-
Contributions (Note 2I)	735,681	505,168	-	1,240,849	760,780	590,761	170,019	-
Special Events (net of direct costs of $354,100 and $280,751 for 2018 and 2017)	194,185	106,690	-	300,875	439,296	325,532	113,764	-
Investment Activity (Note 4)	69,797	-	-	69,797	101,097	101,097	-	-
Net Assets Released from Restrictions (Note 2C)	560,270	(560,270)	-	-	-	679,862	(679,862)	-
TOTAL REVENUE AND SUPPORT	201,648,988	51,588	-	201,700,576	195,399,892	195,795,971	(396,079)	-
EXPENSES:								
Program Services:								
Residential Services	89,830,985	-	-	89,830,985	86,188,459	86,188,459	-	-
Day and Community Services	62,457,601	-	-	62,457,601	61,528,924	61,528,924	-	-
Clinical Services	21,554,624	-	-	21,554,624	21,006,826	21,006,826	-	-
Employment Services	1,921,949	-	-	1,921,949	1,741,892	1,741,892	-	-
Total Program Services	175,765,159	-	-	175,765,159	170,466,101	170,466,101	-	-
Supporting Services:								
Management and General (Note 2J)	23,598,986	-	-	23,598,986	23,538,859	23,538,859	-	-
Fundraising	600,604	-	-	600,604	537,870	537,870	-	-
Total Supporting Services	24,199,590	-	-	24,199,590	24,076,729	24,076,729	-	-
TOTAL EXPENSES	199,964,749	-	-	199,964,749	194,542,830	194,542,830	-	-
CHANGE IN NET ASSETS	1,684,239	51,588	-	1,735,827	857,062	1,253,141	(396,079)	-
Net Assets - Beginning of Year	31,034,824	700,606	10,000	31,745,430	30,888,368	29,781,683	1,096,685	10,000
NET ASSETS - END OF YEAR	$ 32,719,063	$ 752,194	$ 10,000	$ 33,481,257	$ 31,745,430	$ 31,034,824	$ 700,606	$ 10,000

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	For the Year Ended June 30, 2018									
	Program Services					Supporting Services				
	Residential Services	Day and Community Services	Clinical Services	Employment Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2018	Total 2017
Salaries	$ 54,987,225	$ 30,415,414	$ 12,870,399	$ 1,297,861	$ 99,570,899	$ 11,125,290	$ 361,969	$ 11,487,259	$ 111,058,158	$ 105,391,424
Payroll taxes and benefits (Note 12)	15,653,907	8,721,029	2,925,411	348,365	27,648,712	3,329,087	99,867	3,428,954	31,077,666	29,778,661
Total Personnel Costs	70,641,132	39,136,443	15,795,810	1,646,226	127,219,611	14,454,377	461,836	14,916,213	142,135,824	135,170,085
Contracted services	672,149	164,207	960,018	7,838	1,804,212	601,280	1,206	602,486	2,406,698	3,289,918
Professional fees	379,507	200,782	33,159	5,054	618,502	1,641,365	39,684	1,681,049	2,299,551	3,633,731
Program supplies	2,710,676	1,654,233	397,293	2,686	4,764,888	51,012	-	51,012	4,815,900	4,266,426
Food	1,912,176	203,168	425	117	2,115,886	-	4,827	4,827	2,120,713	1,986,027
Transportation (Note 8)	1,434,537	11,837,887	227,135	39,247	13,538,806	105,906	5,337	111,243	13,650,049	12,177,705
Office and equipment expense	788,628	332,419	163,001	15,050	1,299,098	606,066	55,093	661,159	1,960,257	1,981,835
Staff development and expenses	291,903	236,220	60,580	5,815	594,518	347,729	10,661	358,390	952,908	795,470
Occupancy (Note 8)	2,196,211	5,014,097	1,746,712	106,711	9,063,731	1,804,008	-	1,804,008	10,867,739	11,205,547
Repairs and maintenance	1,684,320	719,980	316,060	13,688	2,734,048	284,182	-	284,182	3,018,230	3,450,300
Insurance	906,703	428,097	219,790	10,264	1,564,854	847,299	79	847,378	2,412,232	1,556,022
Utilities	1,292,321	522,739	145,072	14,727	1,974,859	207,405	-	207,405	2,182,264	2,437,425
Telephone	593,934	320,589	129,618	27,991	1,072,132	443,408	1,183	444,591	1,516,723	1,537,189
Information technology	518,129	682,306	299,794	16,743	1,516,972	1,381,475	15,299	1,396,774	2,913,746	2,510,897
Depreciation and amortization (Notes 2H and 5)	2,686,291	466,000	921,948	5,750	4,079,989	263,418	1,604	265,022	4,345,011	4,396,432
Interest	1,035,464	110,762	-	-	1,146,226	424,786	-	424,786	1,571,012	1,720,071
Bad debts	-	378,029	133,290	3,534	514,853	-	-	-	514,853	2,292,452
Miscellaneous	86,904	49,643	4,919	508	141,974	135,270	3,795	139,065	281,039	135,298
TOTAL EXPENSES	$ 89,830,985	$ 62,457,601	$ 21,554,624	$ 1,921,949	$ 175,765,159	$ 23,598,986	$ 600,604	$ 24,199,590	$ 199,964,749	$ 194,542,830

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services					Supporting Services			
	Residential Services	Day and Community Services	Clinical Services	Employment Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2017
Salaries	$ 51,540,412	$ 30,094,058	$ 12,305,504	$ 1,114,031	$ 95,054,005	$ 10,187,053	$ 150,366	$ 10,337,419	$ 105,391,424
Payroll taxes and benefits (Note 12)	14,968,642	8,750,341	2,826,656	299,853	26,845,492	2,886,340	46,829	2,933,169	29,778,661
Total Personnel Costs	66,509,054	38,844,399	15,132,160	1,413,884	121,899,497	13,073,393	197,195	13,270,588	135,170,085
Contracted services	1,205,625	393,719	1,135,112	10,904	2,745,360	544,558	-	544,558	3,289,918
Professional fees	351,697	124,503	34,318	4,758	515,276	3,037,490	80,965	3,118,455	3,633,731
Program supplies	2,500,612	1,353,485	357,245	6,276	4,217,618	48,808	-	48,808	4,266,426
Food	1,754,925	200,839	962	194	1,956,920	-	29,107	29,107	1,986,027
Transportation (Note 8)	1,344,544	10,495,751	222,124	33,810	12,096,229	78,415	3,061	81,476	12,177,705
Office and equipment expense	829,949	334,227	215,598	11,757	1,391,531	541,349	48,955	590,304	1,981,835
Staff development and expenses	207,701	232,185	44,835	9,340	494,061	298,739	2,670	301,409	795,470
Occupancy (Note 8)	2,348,329	5,049,623	1,765,651	118,064	9,281,667	1,923,880	-	1,923,880	11,205,547
Utilities	1,261,355	536,879	342,260	29,541	2,170,035	267,390	-	267,390	2,437,425
Repairs and maintenance	1,727,812	712,926	153,028	13,751	2,607,517	840,925	1,858	842,783	3,450,300
Insurance	782,960	431,080	110,087	14,331	1,338,458	217,564	-	217,564	1,556,022
Telephone	582,794	310,254	112,212	27,101	1,032,361	504,828	-	504,828	1,537,189
Information technology	378,181	530,109	310,771	21,000	1,240,061	1,163,313	107,523	1,270,836	2,510,897
Depreciation and amortization (Notes 2H and 5)	2,643,074	425,759	856,126	8,607	3,933,566	405,799	57,067	462,866	4,396,432
Interest	1,055,160	144,645	5,790	-	1,205,595	514,476	-	514,476	1,720,071
Bad debts	672,555	1,400,762	200,745	18,390	2,292,452	-	-	-	2,292,452
Miscellaneous	32,132	7,779	7,802	184	47,897	77,932	9,469	87,401	135,298
TOTAL EXPENSES	$ 86,188,459	$ 61,528,924	$ 21,006,826	$ 1,741,892	$ 170,466,101	$ 23,538,859	$ 537,870	$ 24,076,729	$ 194,542,830

The accompanying notes are an integral part of these consolidated financial statements.

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YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 1,735,827	$ 857,062
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	4,345,011	4,396,432
Non-cash interest expense	222,386	244,334
Unrealized loss on short-term investments	32,665	29,049
Realized gain on short-term investments	(1,279)	(1,169)
Bad debts	514,853	2,292,452
Loss on disposal of property and equipment	-	4,725
Subtotal	6,849,463	7,822,885
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Accounts receivable	33,311	724,958
Prepaid expenses and other assets	784,800	331,649
Other receivables	216,857	740,463
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	(94,365)	1,122,457
Accrued salary	(188,986)	688,852
Accrued vacation	1,112,768	26,121
Accrued pension	(809,070)	708,980
Due to funding sources	(6,555,980)	2,190,485
Deferred rent	(261,196)	202,517
Other liabilities	(2,293,700)	1,206,430
Net Cash (Used in) Provided by Operating Activities	(1,206,098)	15,765,797
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(4,367,415)	(4,169,868)
Purchases of short-term investments	(10,778,138)	(1,335,172)
Proceeds from sale of short-term investments	12,373,753	279,000
Decrease in debt service reserve	13,742	448,120
Net Cash Used in Investing Activities	(2,758,058)	(4,777,920)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes and mortgages	3,921,982	1,689,000
Principal repayments of notes and mortgages	(5,298,542)	(7,511,607)
Principal repayments of capital lease obligations	(112,748)	(903,799)
Net Cash Used in Financing Activities	(1,489,308)	(6,726,406)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,453,464)	4,261,471
Cash and Cash Equivalents - Beginning of Year	20,490,066	16,228,595
CASH AND CASH EQUIVALENTS- END OF YEAR	$ 15,036,602	$ 20,490,066
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 1,348,626	$ 1,720,071

The accompanying notes are an integral part of these consolidated financial statements.

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The Young Adult Institute, Inc. ("YAI") is organized under the Not-for-Profit Corporation Law of New York State and was incorporated in 1964. YAI has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. YAI has an equivalent exemption at the state and local levels.

YAI serves people of all ages with developmental and learning disabilities, from infants through the elderly, in a variety of community settings and at home through state-of-the-art programs that help to build skills, expand opportunities, and support community living. YAI's many programs and direct services benefit thousands of individuals and their families daily throughout the New York metropolitan area. YAI is funded primarily by Medicaid. YAI's has over 300 programs and direct services that benefit over 21,000 individuals and their families daily in ten counties throughout the New York metropolitan area. YAI is funded primarily by Medicaid.

YAI is part of a network of independent agencies, collectively known as the YAI Network. The network provides programs and support for people with intellectual and developmental disabilities throughout New York City, Westchester County, Rockland County, Long Island, New Jersey, and Puerto Rico. YAI is the sole corporate member of three of these agencies which have been included in the consolidated financial statements. Further descriptions follow:

- YAI is the sole corporate member of Premier Healthcare, Inc. ("PHC"). PHC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. PHC has an equivalent exemption at the state and local levels. PHC is an outpatient diagnostic and treatment center offering health care services to the general public with a specialty in medical services for people with developmental and learning disabilities and their families in many sites throughout the New York area. PHC is a quality health care practice providing outpatient clinic services which include: primary health, pediatrics, internal medicine, dentistry (including desensitization), nutrition, gynecology, neurology, podiatry, psychiatry, physical therapy, occupational therapy, ophthalmology, speech pathology and psychology. PHC's primary source of revenue is patient service fees received from Medicaid, Medicare and other third-party payors.

- YAI is the sole corporate member of the Rockland County Association for People with Disabilities ("RCAPD"). RCAPD has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. RCAPD has an equivalent exemption at the state and local levels. RCAPD provides a wide variety of employment, residential, family support and social/recreational programs which promote essential social and vocational skills that enable people with learning and other developmental disabilities to lead independent, productive and dignified lives. RCAPD provides extensive support and education to families and guidance and training to professionals who are assisting people with developmental and learning disabilities. RCAPD is funded primarily by service fees paid by various New York State agencies and government grants.

- YAI is the sole corporate member of the International Institute for People with Disabilities of Puerto Rico, Inc. ("IIPD-PR"), which was incorporated in 1998 under the Not-for-Profit Corporation Law of the Commonwealth of Puerto Rico. IIPD-PR has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has a similar exemption at the state and local levels. IIPD-PR's mission is to create employment opportunities for people with disabilities. By providing competitive employment opportunities for persons with disabilities, IIPD-PR demonstrated a commitment to independence, community inclusion and productivity for people with special needs. IIPD-PR did not have any programmatic operations during fiscal year ending June 30, 2018.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Accounting and Use of Estimates -*** The Agency's consolidated financial statements have been prepared on the accrual basis of accounting. The Agency adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Consolidation - The Agency's accompanying consolidated financial statements include the activities of: YAI; PHC; RCAPD and IIPD-PR. YAI has consolidated these entities pursuant to U.S. GAAP due to its financial interest and control over them. All material intercompany transactions and balances have been eliminated upon consolidation.

C. *Basis of Net Asset Presentation -* The Agency maintains its net assets under the following three classes:

Unrestricted - This represents net assets not subject to donor-imposed stipulations and that have no time restrictions. Such resources are available for support of the Agency's operations over which the Board of Directors has discretionary control.

Temporarily Restricted - This represents net assets subject to donor-imposed stipulations that will be met by actions of the Agency or by the passage of time. When a stipulated time restriction ends or purpose restriction is accomplished, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Permanently Restricted - This represents net assets subject to donor-imposed stipulations that they be maintained permanently by the Agency. Generally, the donors of these assets permit the Agency to use all or part of the income earned for unrestricted or donor-specified purposes.

D. *Cash and Cash Equivalents -* The Agency considers highly liquid debt instruments with maturities of three months or less, when acquired, to be cash and cash equivalents. Program participant funds included in cash and cash equivalents amounted to approximately $1,226,000 and $1,489,000, respectively, for the years ended June 30, 2018 and 2017. Such amounts are also included as a liability in the accompanying consolidated financial statements.

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E. *Short-term Investments and Fair Value Measurements -* Short-term investments are carried at fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 4.

F. *Allowance for Uncollectible Receivables -* The Agency determines whether an allowance for uncollectible receivables should be provided for accounts receivable. Such estimate is based on management's assessment of the aged basis of its receivables, current economic conditions, historical experience, and collections subsequent to year end. As of June 30, 2018 and 2017, the Agency determined an allowance of $2,203,462 and $2,103,290, respectively, for accounts receivable were necessary. In addition, the Agency has established an allowance for doubtful accounts for other receivables due from network agencies of $1,182,988 as of both June 30 ,2018 and 2017 representing nearly the entire balance due.

G. *Revenue Recognition -* The Agency records Medicaid revenue based on established rates multiplied by the number of units of service provided. Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, the Agency records a liability due to funding sources. Other revenue includes management programmatic services provided to other network agencies. Such revenue is recorded based on the support service agreement.

H. *Property and Equipment -* Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the applicable lease. Property and equipment is capitalized by the Agency provided its cost is $5,000 or more and its useful life is greater than one year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. *Contributions -* Unconditional contributions, including promises to give cash and other assets, are reported at their fair value on the date the contribution is received. The Agency reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose of restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

J. *Functional Expenses -* The costs of providing program and supporting services of the Agency have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and general supporting services benefited. Included in management and general are costs associated with providing management services for other agencies which reimburse YAI for services provided.

K. *Prior Period Revenue -* There are occasions when funding source reimbursements for prior years are adjusted in the current year. Such adjustments may be due to retroactive rate adjustments, funding source audit findings, additional monies available over and above original contract amounts, rate appeal results, etc. Included in Medicaid revenue for the years ended June 30, 2018 and 2017 is an increase of $7,182,865 and $1,302,840, respectively, of prior year revenues relating to such adjustments.

L. *Deferred Rent -* The Agency leases real property under various operating leases. The leases include rent escalations. Since the rent increases over time, the Agency records an adjustment to rent expense each year to reflect its straight-lining policy. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent in the accompanying consolidated statements of financial position.

M. *Bond Issuance Costs -* Bond issuance costs consist of financing costs which are amortized over the life of the bond. The amortization is on the straight line method which does not differ materially from the effective interest rate method.

N. *Debt Service Reserves -* Under the terms of the Industrial Development Agency ("IDA"), and Dormitory Authority State of New York ("DASNY"), the Agency is required to deposit with the bond trustee an amount to be held in a debt service reserve fund, which will be utilized to satisfy the last payment required on the mortgage, or can be used prior to that point under the direction of IDA or DASNY to make any loan payments due by reason of default or other causes spelled out in the loan agreement. The debt service reserve is carried at market value in the accompanying consolidated statements of financial position.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following as of June 30:

	2018	2017
Due from Medicaid	$ 19,244,669	$ 19,613,256
Due from the State of New York	6,297,129	6,275,293
Due from the City of New York	1,435,359	1,136,994
Due from other sources	1,456,610	1,842,659
	28,433,767	28,868,202
Less: allowance for doubtful accounts	(2,203,462)	(2,103,290)
	$ 26,230,305	$ 26,764,912

NOTE 4 – SHORT-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS

Short-term investments consist of the following as of June 30:

	2018	2017
Money market funds	$ 8,287,548	$ 17,833,528
Mutual funds	1,009,606	-
Corporate bonds	3,016,319	745,588
Government bonds	4,089,585	-
Blackstone alternative multi-strategy fund	549,057	-
	$ 16,952,115	$ 18,579,116

Investment activity consists of the following for the years ended June 30:

	2018	2017
Interest	$ 99,183	$ 128,977
Realized gain	1,279	1,169
Unrealized loss	(32,665)	(29,049)
	$ 67,797	$ 101,097

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs. The Agency has no level 3 investments.

In determining fair value, the Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. Investments in money markets and U.S. Treasury bills are valued using market prices in active markets (Level 1). Fair value of these investments are determined by management through the investment managers. Level 1 instrument valuations are obtained from real-time quotes in active exchange markets involving identical assets. Corporate bonds, U.S. Government bonds and Blackstone alternative multi-strategy fund are designated as Level 2 instruments and valuations are obtained from similar market or model derived valuations in which all significant inputs are observable or can be derived primarily from or corroborated with observable market data (credit risk/grade, maturities, etc.).

NOTE 4 – SHORT-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value as of June 30, 2018 are classified in the table as follows:

	Level 1	Level 2	Total
Short-term Investments:			
Money market funds	$ 8,287,548	$ -	$ 8,287,548
Mutual funds	1,009,606	-	1,009,606
Corporate bonds	-	3,016,319	3,016,319
Government bonds	-	4,089,585	4,089,585
Blackstone alternative multi-strategy fund	-	549,057	549,057
Total Short-Term Investments	9,347,154	7,604,961	16,952,115
Debt Service Reserve Fund:			
U.S. Treasury bills	2,651,718	-	2,651,718
	$ 11,998,872	$ 7,604,961	$ 19,603,833

Financial assets carried at fair value as of June 30, 2017 are classified in the table as follows:

	Level 1	Level 2	Total
Short-term Investments:			
Money market funds	$ 17,833,528	$ -	$ 17,833,528
Corporate bonds	-	745,588	745,588
Total Short-Term Investments	17,833,528	745,588	18,579,116
Debt Service Reserve Fund:			
U.S. Treasury bills	2,665,460	-	2,665,460
	$ 20,498,988	$ 745,588	$ 21,244,576

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30:

	2018	2017	Estimated Useful Lives
Land	$ 10,812,584	$ 10,522,584	
Buildings and building improvements	59,354,338	56,271,803	15-25 years
Leasehold improvements	25,595,251	25,460,977	5-25 years
Furniture and equipment	17,530,447	16,875,672	3-10 years
Construction in progress (see below)	3,571,544	3,365,713	
	116,864,164	112,496,749	
Less: accumulated depreciation	(79,159,344)	(74,814,333)	
	$ 37,704,820	$ 37,682,416	

Depreciation and amortization expenses amounted to $4,345,011 and $4,396,432 for the years ended June 30, 2018 and 2017. respectively. For the year ended June 30, 2017, fixed assets with a total cost of $939,532 and total accumulated depreciation of $934,807 were disposed. This resulted in a loss of $4,725 on disposal of property and equipment.

Construction in progress consists of construction at new locations and various renovations with a combined additional estimated cost to complete of approximately $7.2 million and estimated completion dates in fiscal years 2019 and 2020.

NOTE 6 – CAPITAL LEASE OBLIGATIONS

YAI has capital lease agreements to fund the purchase of buildings, building improvements and equipment through two issuances in 2001 and 2002.

The New York City Industrial Development Agency ("NYCIDA"), a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York, issued and sold revenue bonds (Special Needs Pooled Program) carrying interest rates ranging from 6.26% to 6.30% per annum payable in semi-annual installments with maturities in 2017. The proceeds of the loans were used to finance the purchase and renovation of various collateralized properties in New York. As part of the agreement with NYCIDA, YAI transferred the titles to all the facilities. NYCIDA has leased the facilities back to YAI for a term and at an amount concurrent with the bond repayment schedules. At the conclusion of the lease terms, YAI has the option to purchase each of the leased properties for $1.

The capital lease agreements require YAI to comply with certain terms and conditions. YAI was in compliance with all applicable financial covenants as of June 30, 2018 and 2017.

Pursuant to the capital lease agreement, the debt service reserve fund was established with a balance of $0 and $28,973 as of June 30, 2018 and 2017, respectively, and included in the consolidated statements of financial position under debt service reserves. In addition, YAI has capital leases for computer and electronic equipment with maturities in 2019. The expected payment for 2019 is $19,390.

NOTE 7 – NOTES AND MORTGAGES PAYABLE

	2018	2017
A. YAI has available an $18 million working capital line of credit with a bank carrying an interest rate of prime or 30-day LIBOR (at YAI's election) plus 2% per annum, which at June 30, 2018 was 4.23%. The loan is collateralized by YAI's accounts receivable and matures in December 2019. YAI is in the process of renewing the line of credit. The outstanding balance as of November 30, 2018 amounted to $7,842,911.	$ 7,842,911	$ 8,842,911
B. YAI has available an $8 million line of credit with a bank for the acquisition and renovation of program sites. Upon receipt of New York State prior property approvals, the funds drawn down on this line of credit are subsequently converted into notes. As of June 30, 2018, there were nine notes executed. The notes bear an interest rate of prime or 30-day LIBOR (at YAI's election) plus 2% per annum, resulting in a rate of between 4.21 and 4.23% at June 30, 2018. The notes are collateralized by related property and mature in December 2019. YAI is in the process of renewing the line of credit. The outstanding balance as of November 30, 2018 amounted to $6,188,350.	4,928,613	2,434,393
C. YAI has entered into various loan agreements with the Dormitory Authority of the State of New York. The loans carry interest rates ranging from 1.5% to 7.82% per annum, payable in semi-annual installments and have maturity dates ranging from August 2018 through July 2040. The loans are collateralized by YAI's underlying real property.	18,486,967	21,198,460
D. PHC has a $3 million revolving line of credit with a bank. The line has an interest rate equal to prime rate plus 0.50% per annum. The line of credit is guaranteed by YAI. The outstanding balance as of November 30, 2018 amounted to $1,282,330.	1,282,331	1,267,734

NOTE 7 – NOTES AND MORTGAGES PAYABLE (Continued)

	2018	2017
E. RCAPD has a line of credit with a bank in the amount of $1 million that will expire in March 2019. The line of credit bears an interest rate at the lender's prime rate. The line of credit is guaranteed by YAI. The outstanding balance as of November 30, 2018 amounted to $636,359.	$ 650,870	$ 609,754
F. RCAPD financed the purchase and renovation of certain properties through the issuance of Civic Facility Revenue Bonds Series 2006J by the County of Rockland Industrial Development Agency (Special Needs Facilities Pooled Program) carrying average interest rates of: 4.75%, 4.74%, 4.78% and 4.75% per annum maturing in July 2020. The proceeds of the loan were used to finance the purchase and renovation of collateralized properties located in Rockland County, New York.	765,001	980,001
	33,956,693	35,333,253
Less unamortized debt issuance costs	(1,245,662)	(1,468,048)
Notes and mortgages payable, net	$ 32,711,031	$ 33,865,205

Most of the loans have provisions for loan covenants. The Agency was in compliance with these covenants as of and during the years ended June 30, 2018 and 2017.

Required future annual principal payments are payable as follows for the years ending June 30:

2019	$ 3,448,891
2020	16,905,790
2021	1,761,820
2022	1,686,878
2023	2,258,641
Thereafter	7,894,673
	$ 33,956,693

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. The Agency has a number of operating lease agreements. Annual future minimum rentals payable for real and personal property principally under long-term noncancellable operating leases expiring at varying dates through 2038 follows:

	Real Property	Vehicles and Equipment	Total
2019	$ 8,376,755	$ 1,120,914	$ 9,497,669
2020	6,803,572	808,834	7,612,406
2021	4,871,105	449,271	5,320,376
2022	4,800,316	57,254	4,857,570
2023	4,711,331	-	4,711,331
Thereafter	18,042,088	-	18,042,088
	$ 47,605,167	$ 2,436,273	$ 50,041,440

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NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

Rent expense (shown as occupancy and transportation in the accompanying consolidated statements of functional expenses) amounted to the following for the years ended June 30:

	2018	2017
Real property	$ 9,732,662	$ 9,896,347
Vehicles and equipment	938,977	1,149,422
	$ 10,671,639	$ 11,045,769

B. The Agency believes it has no uncertain tax positions as of June 30, 2018 and 2017 in accordance with Accounting Standard Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

C. The Agency receives a significant portion of its revenue for services provided from third-party reimbursement through government agencies and Medicaid. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the government. The Agency, when appropriate, records an estimated liability to governmental agencies for any excess reimbursement over allowable costs and underspending of interim rates. As of June 30, 2018 and 2017, due to funding source represents overpayments from the 2012-2018 fiscal years for the Agency's programs. Such amounts are expected to be recouped by the funding sources.

D. The Agency is subject to legal proceedings and claims which have arisen in the ordinary course of its business and which have not been fully adjudicated. Management does not believe there will be a material adverse effect upon the financial position of the Agency.

E. In 2013, a former senior management employee and his spouse (collectively, "Plaintiffs") filed a complaint against YAI and the trustees of the Supplemental Pension Plan and Trust for Certain Management Employees of YAI (the "SERP"). On June 1, 2017, the District Court entered a Judgment providing a lump sum of about $3.4 million for past-due payments under the SERP, and a monthly lifetime benefit with survivor benefit to his spouse of approximately $44,000, a survivor benefit to his spouse in, and benefit under the Life Insurance Plan and Trust ("LIPT") of about $3.2 million. Plaintiffs also submitted a motion for an award of over $3.2 million in attorney's fees and $330,000 in costs.

   YAI appealed the District Court's June 1, 2017 judgment to the United States Court of Appeals for the Second Circuit. As part of the appeal process, YAI obtained a letter of credit from a bank for the amount of approximately $1.8 million. On August 9, 2018, the Second Circuit affirmed the District Court's decision. Following the appellate loss, YAI filed a motion for rehearing en banc, which was denied on October 4, 2018. On October 23, 2018, YAI successfully obtained a stay of the mandate from the Second Circuit. As such, Plaintiffs were barred from collecting on the judgment against YAI until the United States Supreme Court issues final disposition. In response, Plaintiffs filed a motion for reconsideration, and to enlarge the amount required for YAI to post in the bond, which was rejected by the Second Circuit on November 15, 2018.

   The next step is for YAI to file a petition for a writ of certiorari to the United States Supreme Court. If the Supreme Court declines to hear the case, the parties may hear by early February of 2019, and the decision of the Second Circuit will therefore remain intact. If the Supreme Court grants certiorari (thus agreeing to hear the case), then the case will continue for many months.

   Management has taken the position that due to the uncertainty of the outcome and YAI's intent to appeal the Second Circuit's decision to the Supreme Court, as of June 30, 2018, no liability should be recorded related to this matter. Once all appeals have been exhausted, YAI's ultimate financial liability shall be limited to the difference, if any, between the final judgment and the then available funds in the SERP and LIPT.

NOTE 9 –TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2018 and 2017, temporarily restricted net assets consist of $752,194 and $700,606 restricted to programs including the Community of Learners and Linking Individuals to Necessary Knowledge ("LINK") program.

NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of a $10,000 permanently restricted endowment fund maintained by RCAPD for each of the years ended June 30, 2018 and 2017.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (referred as "underwater"). When underwater endowment funds exist, the amount that is below the initial value is classified as a reduction of unrestricted net assets. As of June 30, 2018, and 2017, there were no underwater funds.

NOTE 11 – CONCENTRATION

Cash and cash equivalents that potentially subject the Agency to a concentration of credit risk include cash and short-term investment accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Cash and short-term investment accounts are insured up to $250,000 per depositor. As of June 30, 2018 and 2017, there was approximately $15 and $19 million of cash and cash equivalents and $13 and $17 million, respectively, of short-term investments held by one bank that exceeded FDIC limits.

NOTE 12 – RETIREMENT PLANS

On July 1, 2015, the Agency adopted the YAI Network Affiliates 401(a) Plan. Employees are eligible to participate in the plan upon completion of one year of service after July 1, 2015 and when the employee worked at least 1,000 hours. Contributions to this plan are based on amounts determined in accordance with the Internal Revenue Service Code Section 415. The liability for the Agency amounted to approximately $2,205,000 and $3,014,000 as of June 30, 2018 and 2017, respectively. The expense for the Agency amounted to $2,185,000 and $2,555,000 for the years ended June 30, 2018 and 2017, respectively.

NOTE 13 – DUE TO MEDICAID

As required by statute, the New York State Department of Health ("DOH") has begun transitioning Medicaid payments to diagnostic and treatment centers licensed under Article 28 of the New York Public Health Law ("D&TCs") to the Ambulatory Patient Group ("APG") payment methodology. On February 25, 2013, PHC along with other D&TCs, received notice from DOH that the capital component of PHC's Medicaid payment rate for the period September 1, 2009 through December 31, 2012 had been retroactively rebased, purportedly in accordance with annual D&TC cost reports submitted by PHC for successive years. In the same notice, DOH advised PHC that it intended to commence a take-back equal to 15 percent of PHC's Medicaid remittances to recoup payments received during that period in excess of PHC's recalculated rate. During 2017, DOH agreed to reduce the amount due resulting in a decrease of the liability of approximately $4.1 million. The amount outstanding as of June 30 2018 and 2017 was $2,012,236 and $6,202,261, respectively.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition or disclosure, events subsequent to the date of the statement of financial position through November 30, 2018, the date the consolidated financial statements were issued.

In August 2018, YAI was issued Interagency Council Pooled Loan Program Series 2018 A-1 & A-2 bonds by the DASNY for par value of approximately $2.25 million. The bonds are used for 134-19 157th Street and 186 Southaven Avenue.

YOUNG ADULT INSTITUTE, INC. AND AFFILIATE
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2018

	YAI	RCAPD	PHC	IIPD-PR	Consolidating Eliminations	Total 2018
ASSETS						
Cash and cash equivalents	$ 14,315,782	$ 251,675	$ 466,442	$ 2,703	$ -	$ 15,036,602
Short-term Investments	16,952,115	-	-	-	-	16,952,115
Accounts receivable, net	23,330,764	872,575	2,013,409	-	-	26,216,748
Other receivables, net	1,376,552	-	-	-	(596,199)	780,353
Prepaid expenses and other assets	3,178,158	112,610	405,199	8,715	-	3,704,682
Property and equipment, net	35,493,589	1,340,065	871,166	-	-	37,704,820
Debt service reserve	2,343,359	308,359	-	-	-	2,651,718
TOTAL ASSETS	$ 96,990,319	$ 2,885,284	$ 3,756,216	$ 11,418	$ (596,199)	$ 103,047,038
LIABILITIES						
Accounts payable and accrued expenses	8,312,138	$ 365,577	$ 539,526	$ 450	$ -	$ 9,217,691
Accrued salary	5,656,747	165,632	405,147	-	-	6,227,526
Accrued vacation	3,732,071	114,047	332,420	-	-	4,178,538
Accrued pension	2,075,344	45,924	84,043	-	-	2,205,311
Other liabilities	1,525,022	-	-	-	-	1,525,022
Due to funding sources	7,817,420	140,401	2,012,236	-	-	9,970,057
Notes and mortgages payable	30,064,363	1,364,337	1,282,331	-	-	32,711,031
Capital lease obligations	19,389	-	-	-	-	19,389
Due to related party	-	167,053	6,269,324	603,410	(7,039,787)	-
Deferred rent	3,343,212	32,112	135,892	-	-	3,511,216
TOTAL LIABILITIES	62,545,706	2,395,083	11,060,919	603,860	(7,039,787)	69,565,781
COMMITMENTS AND CONTINGENCIES						
NET ASSETS (DEFICIT)						
Unrestricted						
Invested in property and equipment	15,596,102	934,957	871,166	-	-	17,402,225
Available for operations	18,096,317	(454,756)	(8,175,869)	(592,442)	6,443,588	15,316,838
Total Unrestricted	33,692,419	480,201	(7,304,703)	(592,442)	6,443,588	32,719,063
Temporarily restricted	752,194	-	-	-	-	752,194
Permanently restricted	-	10,000	-	-	-	10,000
TOTAL NET ASSETS	34,444,613	490,201	(7,304,703)	(592,442)	6,443,588	33,481,257
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	$ 96,990,319	$ 2,885,284	$ 3,756,216	$ 11,418	$ (596,199)	$ 103,047,038

See independent auditors' report.

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Young Adult Institute, Inc.			Rockland County Association for People with Disabilities			Premier Healthcare, Inc.		International Institute for People with Disabilities of Puerto Rico, Inc.			Consolidated Total			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Permanently Restricted	Total	Unrestricted	Total	Unrestricted	Total	Consolidating Eliminations	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018
REVENUE AND SUPPORT															
Medicaid	$145,726,224	$ -	$145,726,224	4,628,222	$ -	$ 4,628,222	16,938,972	$ 16,938,972	$ -	$ -	$ -	$167,293,418	$ -	$ -	$167,293,418
Government Contracts	19,186,176	-	19,186,176	1,408,208	-	1,408,208	-	-	-	-	-	20,594,384	-	-	20,594,384
Medicare and Client fees	7,833,767	-	7,833,767	480,859	-	480,859	2,136,488	2,136,488	-	-	-	10,451,114	-	-	10,451,114
Other Revenues	3,905,051	-	3,905,051	-	-	-	12,339	12,339	-	-	(2,167,251)	1,750,139	-	-	1,750,139
Contributions	712,592	505,168	1,217,760	20,498	-	20,498	2,591	2,591	-	-	-	735,681	505,168	-	1,240,849
Special Events (net of direct costs of $354,100 and $280,751 for 2018 and 2017)	186,048	106,690	292,738	8,137	-	8,137	-	-	-	-	-	194,185	106,690.00	-	300,875
Investment Activity	67,126	-	67,126	799	-	799	1,872	1,872	-	-	-	69,797	-	-	69,797
Net Assets Released from Restrictions	560,270	(560,270)	-	-	-	-	-	-	-	-	-	560,270.00	(560,270.00)	-	-
TOTAL REVENUE AND SUPPORT	178,177,254	51,588	178,228,842	6,546,723	-	6,546,723	19,092,262	19,092,262	-	-	(2,167,251)	201,648,988	51,588	-	201,700,576
EXPENSES:															
Program Services:															
Residential Services	85,583,868	-	85,583,868	4,247,117	-	4,247,117	-	-	-	-		89,830,985	-	-	89,830,985
Day and Community Services	61,729,499	-	61,729,499	728,102	-	728,102	-	-	-	-	-	62,457,601	-	-	62,457,601
Clinical Services	7,335,343	-	7,335,343	-	-	-	14,219,281	14,219,281	-	-	-	21,554,624	-	-	21,554,624
Employment Initative Services	1,106,237	-	1,106,237	815,712	-	815,712	-	-	-	-	-	1,921,949	-	-	1,921,949
Total Program Services	155,754,947	-	155,754,947	5,790,931	-	5,790,931	14,219,281	14,219,281	-	-	-	175,765,159	-	-	175,765,159
Supporting Services:															
Management and General	21,861,513	-	21,861,513	1,242,054	-	1,242,054	2,658,605	2,658,605	4,065	4,065	(2,167,251)	23,598,986	-	-	23,598,986
Fundraising	600,604	-	600,604	-	-	-	-	-	-	-	-	600,604	-	-	600,604
Total Supporting Services	22,462,117	-	22,462,117	1,242,054	-	1,242,054	2,658,605	2,658,605	4,065	4,065	(2,167,251)	24,199,590	-	-	24,199,590
TOTAL EXPENSES	178,217,064	-	178,217,064	7,032,985	-	7,032,985	16,877,886	16,877,886	4,065	4,065	(2,167,251)	199,964,749	-	-	199,964,749
CHANGE IN NET ASSETS	(39,810)	51,588	11,778	(486,262)	-	(486,262)	2,214,376	2,214,376	(4,065)	(4,065)	-	1,684,239	51,588	-	1,735,827
Net Assets - Beginning of Year	33,732,229	700,606	34,432,835	966,463	10,000	976,463	(9,519,079)	(9,519,079)	(588,377)	(588,377)	6,443,588	31,034,824	700,606	10,000	31,745,430
NET ASSETS - END OF YEAR	$ 33,692,419	$ 752,194	$ 34,444,613	$ 480,201	$ 10,000	$ 490,201	$ (7,304,703)	$ (7,304,703)	$ (592,442)	$ (592,442)	$ 6,443,588	$ 32,719,063	$ 752,194	$ 10,000	$ 33,481,257

See independent auditors' report.

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

CONTENTS

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New York
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Washington, DC
Florida

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.

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

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

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

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.

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.

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

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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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APPENDIX C

UNAUDITED FINANCIAL INFORMATION OF SERIES 2020 PARTICIPANTS

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APPENDIX C-I

EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF DECEMBER 31, 2019)

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Eden II School for Autistic Children, Inc.
Financial Statements

December 31, 2019

2/10/2020

Eden II School For Autistic Children, Inc.
Statements of Financial Position

	December 31, 2019	June 30, 2019
ASSETS		
Cash and cash equivalents	390,591	965,682
Program services receivable, net	4,782,494	4,755,135
Grants and contracts receivables, net	1,184,652	1,201,718
Prepaid expenses and other assets	319,948	469,007
Assets whose use is limited	1,322,108	2,238,447
Property and equipment, net	17,421,054	17,540,367
Right to use assets- buildings	3,614,718	-
Right to use assets- equipment	401,959	-
TOTAL ASSETS	**29,437,523**	**27,170,356**
LIABILITIES		
Accounts payable and accrued expenses	826,608	1,440,897
Accrued compensation	3,202,585	2,927,296
Due to state and local agencies	1,369,768	1,739,519
Due to related party	1,105,476	1,246,317
Line of credit - FAAP	900,000	900,000
Bonds Payable	7,086,056	7,792,751
Loan Payable	750,000	750,000
Line of credit - bank	762,000	-
Operating lease liability	4,016,677	-
TOTAL LIABILITIES	20,019,169	16,796,780
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted net assets	8,881,856	9,491,425
Temporarily restricted net assets	536,497	882,151
Total Net Assets	9,418,354	10,373,576
Total Liabilities and Net Assets	**29,437,523**	**27,170,356**
	-	-

2/10/2020

Printed 2/10/2020

Eden II School For Autistic Children Inc.
Statement of Activities

Six months ending December 31, 2019	Actual	Budget	Variance
REVENUE AND SUPPORT:			
Program and public support services	16,126,699	16,817,311	(690,611)
Grant and Contract Services	237,860	175,308	62,551
Contributions	37,443	143,500	(106,057)
Other Revenue	222,859	174,676	48,183
Net assets released from restriction	476,033	417,667	58,366
TOTAL REVENUE AND SUPPORT	17,100,894	17,728,462	(627,568)
EXPENSES:			
Program Services:			
Educational	5,743,248	5,888,246	144,998
Residential	4,864,084	5,222,015	357,931
Adult Habilitation	3,010,457	3,163,886	153,429
Family Support	826,179	872,068	45,889
Community Outreach	1,041,459	1,075,506	34,047
Total Program Services	15,485,427	16,221,721	736,294
Supporting Services:			
Management & General	1,991,999	2,033,214	41,215
Development	227,278	237,442	10,164
Total Supporting Services	2,219,277	2,270,656	51,379
Total EXPENSES	17,704,704	18,492,377	787,673
CHANGE IN UNRESTRICTED NET ASSETS BEFORE NON-OPERATING ACTIVITIES	**(603,810)**	**(763,915)**	**160,105**
NON-OPERATING ACTIVITIES:			
Unrealized gain/(loss) on trustee held funds	(5,757)	-	(5,757)
Total Non-operating activities	(5,757)	-	(5,757)
CHANGE IN UNRESTRICTED NET ASSETS	(609,567)	(763,915)	154,348
Net unrestricted assets - beginning of the year	9,491,425		
UNRESTRICTED NET ASSETS- END OF YEAR	8,881,858		
Changes in Temporarily Restricted Net Assets:			
Restricted contributions	130,378	-	130,378
Net assets released to operations	(476,033)	(405,095)	(70,938)
CHANGE IN TEMPORARIALY RESTRICTED NET ASSETS	(345,655)	(405,095)	59,441
Net temporarily restricted net assets - beginning of year	882,152		
TEMPORARIALY RESTRICTED NET ASSETS - END OF YEAR	536,497		

Eden II School For Autistic Children, Inc.
Statement of Operating Activities
Six months ending December 31, 2019

Changes in Unrestricted Net Assets	Educational	Residential	Adult Habilitation	Family Support	Community Outreach	Management & General	Development	Actual	Budget	Positive (Negative) Variance
Revenue:										
Program and public support services	5,827,273	5,280,927	3,267,264	736,820	1,012,545	1,870	-	16,126,699	16,817,311	(690,611)
Grant and Contract Services	103,010	-	-	121,350	13,500	-	-	237,860	175,308	62,551
Contributions	374	500	8,167	-	3,875	-	24,528	37,443	143,500	(106,057)
Other Revenue	8,616	78,648	1,947	205	11	8,365	125,067	222,859	174,676	48,183
Net assets released from restriction	444,034	-	7,863	-	22,598	-	1,539	476,033	417,667	58,366
Total Operating Revenue (A)	6,383,306	5,360,075	3,285,241	858,375	1,052,528	10,235	151,133	17,100,894	17,728,462	(627,568)
Expenses										
Salaries	3,856,209	3,245,538	1,972,282	623,206	765,637	1,132,838	139,750	11,735,460	12,110,818	375,358
Fringe benefits	901,551	816,595	514,068	130,241	205,754	303,521	34,645	2,906,374	2,965,810	59,436
Non-Payroll	542,296	603,720	500,231	44,394	68,726	450,042	41,446	2,250,855	2,528,362	277,507
Interest	52,663	56,207	5,446	3,945	291	31,556	1,743	151,850	168,976	17,126
Bad Debt Expense	-	-	-	-	(2,722)	-	-	(2,722)	-	2,722
Total Cash Operating Expenses	5,352,719	4,722,061	2,992,027	801,785	1,037,686	1,917,957	217,584	17,041,818	17,773,966	732,149
Revenue over(under) cash expenses (B)	**1,030,588**	**638,015**	**293,214**	**56,590**	**14,843**	**(1,907,722)**	**(66,450)**	**59,076**	**(45,504)**	**104,581**
Non-Cash & Non-Operating Revenue (Expense)										
Depreciation	(390,530)	(142,023)	(18,430)	(24,394)	(3,774)	(74,042)	(9,694)	(662,887)	(718,411)	55,524
Unrealized gain/(loss) on trustee held funds	-	(5,123)	(609)	(19)	-	(7)	-	(5,757)	-	(5,757)
Total Non-Operating Items	(390,530)	(147,146)	(19,038)	(24,413)	(3,774)	(74,049)	(9,694)	(668,644)	(718,411)	49,767
Change in Unrestricted Net Assets:	**640,058**	**490,869**	**274,175**	**32,177**	**11,069**	**(1,981,771)**	**(76,145)**	**(609,567)**	**(763,915)**	**154,348**
Operating Gross Profit Percentage (B/A)	16.1%	11.9%	8.9%	6.6%	1.4%	-18638.5%	-44.0%	0.3%	-0.3%	
Operating Contribution w/Admin Allocation	321,679	12,630	(103,047)	(49,598)	(122,588)			59,076		
Contribution w/Depreciation & Admin Allocation based on program expenses	(123,181)	(150,412)	(125,286)	(77,598)	(127,334)			(603,810)		

Eden II School For Autistic Children, Inc.
Statement of Functional Expenses

Six months ending December 31, 2019

	Program Services						Support Services					
	Educational	Residential	Adult Habilitation	Family Support	Community Outreach	Total Program Services	Management & General	Development	Total Support Services	Total Expenses	Budget	Variance
Salaries	3,856,209	3,245,538	1,972,282	623,206	765,637	10,462,872	1,132,838	139,750	1,272,588	11,735,460	12,110,818	375,358
Fringe benefits	901,551	816,595	514,068	130,241	205,754	2,568,209	303,521	34,645	338,166	2,906,374	2,965,810	59,436
Total Salaries, Wages and Fringe Benefits	4,757,760	4,062,134	2,486,350	753,446	971,391	13,031,080	1,436,359	174,395	1,610,754	14,641,834	15,076,628	434,794
Food	-	108,186	86	479	-	108,751	9	-	9	108,761	123,331	14,570
Repairs and Maintenance	147,060	135,823	117,379	3,426	9,472	413,160	22,711	2,888	25,599	438,759	445,209	6,450
Utilities	55,887	57,345	34,603	4,015	2,795	154,646	18,068	3,304	21,372	176,018	206,294	30,276
Travel	2,353	2,505	4,873	14,081	543	24,354	7,029	217	7,246	31,601	46,638	15,037
Staff training and Development	11,764	2,973	4,503	213	5,825	25,277	24,561	9	24,570	49,848	62,378	12,531
Consultants and Contractual Services	15,430	9,900	-	603	-	25,933	87,575	4,080	91,655	117,588	102,534	(15,055)
Consumable Supplies	77,124	144,467	76,733	14,023	9,375	321,721	78,617	17,853	96,470	418,191	581,086	162,895
Insurance	25,665	30,679	26,269	3,171	171	85,955	92,842	485	93,327	179,282	189,807	10,525
Professional Fees	5,214	3,855	2,352	179	243	11,843	54,983	73	55,056	66,898	74,064	7,165
Rent	199,319	58,409	233,257	3,669	36,299	530,953	12,934	1,439	14,373	545,325	566,988	21,663
Interest	52,663	56,207	5,446	3,945	291	118,551	31,556	1,743	33,300	151,850	168,976	17,126
Facility Tax	-	48,675	-	-	-	48,675	-	-	-	48,675	49,676	1,001
Miscellaneous	2,480	903	178	536	4,004	8,100	50,713	11,097	61,810	69,910	80,358	10,448
Bad Debt Expense	-	-	-	-	(2,722)	(2,722)	-	-	-	(2,722)	-	2,722
Operating Subtotal	5,352,719	4,722,061	2,992,027	801,785	1,037,686	14,906,277	1,917,957	217,584	2,135,541	17,041,818	17,773,966	732,149
Depreciation	390,530	142,023	18,430	24,394	3,774	579,150	74,042	9,694	83,736	662,887	718,411	55,524
Total Functional Expenses	**5,743,248**	**4,864,084**	**3,010,457**	**826,179**	**1,041,459**	**15,485,427**	**1,991,999**	**227,278**	**2,219,277**	**17,704,704**	**18,492,377**	**787,673**

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APPENDIX C-II

FAMILY RESIDENCES AND ESSENTIAL ENTERPRISES, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF DECEMBER 31, 2019)

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Statement of Financial Position

Family Residences and Essential Enterprises, Inc

For the period ended December 31, 2019 and December,31,2018

	December 31, 2019	December 31, 2018
Assets:		
Cash	441,602	1,140,153
Investments	6,130,981	5,394,961
Due from Network Partners	1,206,382	1,603,088
Accounts Receivable	13,925,825	12,018,640
Accrued Receivable	1,118,424	1,163,776
Inventory-Materials	-	3,439
Prepaid Expense	1,148,930	707,919
Other Current Assets	874,179	767,490
Total Current Assets:	**24,846,324**	**22,799,467**
Property, Plant, and Equipment	37,617,243	34,414,233
Construction in Progress	4,920,818	6,887,121
Restricted Cash	462,964	488,166
Restricted Investments DSRF	719,779	712,901
Other Non Current Assets	724,543	1,197,861
Other Restricted Investments	1,806,152	1,806,152
Other Long Term Investments	45,000	45,000
Total Non Current Assets:	**46,296,499**	**45,551,434**
Total Assets	**$ 71,142,823**	**$ 68,350,901**
Liabilities:		
Accounts Payable Trade	2,000,230	3,208,037
Due To Network Partners	233,647	228,266
Line of Credit	4,800,000	5,250,000
Current Portion of LT Debt	2,561,513	2,521,211
Accrued Expenses	1,277,835	283,947
Accrued Salary and Payroll Payable	5,707,250	5,498,814
Other Current Liabilities	1,198,086	1,023,249
Deferred Revenue, Current	2,589,439	1,542,586
Total Current Liabilities:	**20,368,000**	**19,556,111**
Long-Term Liabilities:		
Notes Payable	7,619,254	9,484,963
Mortgages Payable	5,439,968	90,017
Bonds Payable	16,315,963	17,909,818
Total Long Term Debt:	**29,375,186**	**27,484,798**
Other Non Current Liabilities:		
Reserves and Recoveries, non-current	4,170,966	4,809,732
Other Liabilities, Long Term	2,032,241	1,998,736
Interest Rate Swap Valuation	(122,713)	(122,713)
Total Other Non Current Liabilities:	**6,080,494**	**6,685,755**
Total Long-Term Liabilities:	**35,455,679**	**34,170,553**
Total Liabilities	**55,823,679**	**53,726,664**
Net Assets	14,624,237	14,348,561
Current Year Addition:	694,907	275,676
Total Net Assets	**15,319,144**	**14,624,237**
Total Liabilities and Net Assets	**$ 71,142,823**	**$ 68,350,901**

Statement of Activities

Family Residences and Essential Enterprises, Inc

For the period ended December 31, 2019

	YTD Actual Dec-19	YTD Budget Dec-19	Variance	Prior YTD Actual Dec-18	Change over Prior Year
Revenue					
Participant Fees	1,164,289	1,252,070	(87,782)	1,254,565	(90,277)
SSI/SSA	7,014,886	7,115,310	(100,424)	6,705,327	309,560
Medicaid	91,963,515	91,526,002	437,513	88,200,174	3,763,341
Medicare	15,377	15,000	377	11,340	4,037
State Payments	1,953,258	2,425,438	(472,180)	2,609,200	(655,942)
Sales	175,636	287,295	(111,659)	213,296	(37,660)
Food Stamps	808,879	607,179	201,701	509,788	299,091
Federal Grants	794,132	449,752	344,380	669,888	124,244
State Grants	718,702	971,602	(252,900)	327,866	390,836
Private Grants	297,740	151,919	145,821	406,187	(108,447)
Net Contract Funding	8,779,457	8,807,818	(28,361)	8,367,665	411,791
Other Program Revenue	20,508	-	20,508	(22,909)	43,417
Total Program Services Revenue	**113,706,380**	**113,609,385**	**96,995**	**109,252,388**	**4,453,992**
Contributions	287,243	125,000	162,243	195,724	91,518
Investment Revenue	337,642	100,000	237,642	121,532	216,110
Rental Revenue	556,767	425,752	131,015	464,541	92,225
Realized Gain/Loss	38,336	75,000	(36,664)	86,257	(47,921)
Other Income	94,522	66,121	28,401	113,824	(19,302)
Total Other Revenue	**1,314,509**	**791,873**	**522,636**	**981,878**	**332,631**
Less: Allowance for Bad Debt	(80,000)	(25,000)	(55,000)	(202,965)	122,965
Total Revenue	**114,940,889**	**114,376,258**	**564,631**	**110,031,301**	**4,909,588**
Expenses					
Total Salaries and Contracted Services	**63,701,158**	**63,209,934**	**(491,224)**	**61,294,890**	**(2,406,268)**
Total Fringe Benefits:	**17,776,483**	**17,950,846**	**174,364**	**16,767,485**	**(1,008,997)**
OTPS					
Food and Household	2,327,263	2,382,852	55,589	2,357,985	30,722
Participant Incidentals	111,074	117,042	5,968	114,855	3,782
Program Expense	822,923	831,898	8,975	850,214	27,292
Staff Development	199,608	146,368	(53,240)	234,493	34,886
Transportation	4,978,073	4,877,143	(100,930)	4,720,139	(257,934)
Vehicle Expense	608,454	680,380	71,926	649,517	41,063
Utilities	1,626,246	1,646,601	20,355	1,584,209	(42,037)
Telephone	1,016,958	1,014,040	(2,918)	1,030,855	13,898
IT Expense	1,872,357	1,746,964	(125,394)	1,781,202	(91,155)
Expensed Furniture & Equipment	699,191	838,934	139,743	714,574	15,383
Repair & Maintenance	2,879,609	2,777,565	(102,044)	2,945,739	66,131
Office Supplies	305,712	313,140	7,429	266,617	(39,095)
Recruitment	85,405	67,490	(17,915)	74,795	(10,610)
Professional Fees	1,482,399	1,370,836	(111,563)	928,004	(554,396)
General Insurance	124,317	179,403	55,087	163,410	39,093
Miscellaneous	920,394	800,598	(119,796)	778,241	(142,153)
Total OTPS	**20,059,981**	**19,791,254**	**(268,728)**	**19,194,850**	**(865,131)**

Statement of Activities

Family Residences and Essential Enterprises, Inc

For the period ended December 31, 2019

	YTD Actual Dec-19	YTD Budget Dec-19	Variance	Prior YTD Actual Dec-18	Change over Prior Year
Equipment and Property					
Interest Expense	1,696,209	1,623,421	(72,787)	1,322,888	(373,320)
Property Insurance	1,997,229	2,025,240	28,010	1,895,761	(101,469)
Depreciation & Amortization	4,559,263	4,553,702	(5,561)	4,181,107	(378,156)
Rental/Lease Expense	4,579,447	4,451,041	(128,406)	4,354,950	(224,497)
Other Property Expense	315,475	285,561	(29,914)	288,617	(26,858)
Unfunded Depreciation	19,335	5,854	(13,481)	5,854	(13,481)
Total Equipment and Property	**13,166,957**	**12,944,819**	**(222,139)**	**12,049,176**	**(1,117,781)**
Total Expenses:	**114,704,579**	**113,896,852**	**(807,726)**	**109,306,402**	**(5,398,177)**
Net Excess\Deficit from Operations:	**236,310**	**479,406**	**(243,095)**	**724,900**	**(488,589)**
Prior Period Adjustments	108,757	-	108,757	(155,433)	264,190
Non-Allowable Expenses	(582,012)	(58,758)	(523,254)	(160,241)	(421,771)
Contributions	505,000	-	505,000	-	505,000
Unrealized Gain/Loss	426,852	-	426,852	(133,549)	560,401
Net Non Operating:	**458,596**	**(58,758)**	**517,354**	**(449,224)**	**907,820**
Net Excess (Deficit)	**$ 694,907**	**$ 420,648**	**$ 274,259**	**$ 275,676**	**$ 419,231**

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APPENDIX C-III

SERVICES FOR THE DEVELOPMENTALLY CHALLENGED, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF DECEMBER 31, 2019)

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SERVICES FOR THE DEVELOPMENTALLY CHALLENGED INC.
Profit & Loss
July through December 2019

	Jul - Dec 19
Ordinary Income/Expense	
Income	
Afterschool Encore	36,714.52
Comm Hab	225,020.59
Day Hab Services	398,284.96
Donations	11,665.96
Family Support	28,101.00
Food Stamps	12,545.00
In-Home	18,722.86
Interest Income	1,382.31
IRA Revenue	905,753.10
Just Kids	23,348.74
OPWDD	1,875.00
Weekend	65,729.98
Total Income	1,729,144.02
Gross Profit	1,729,144.02
Expense	
Auto	21,290.09
Bank Service Charges	451.14
Carting	1,433.56
Cleaning	1,140.00
Client Travel	7,644.19
Computer Expense	18,119.40
Cooking	127.62
Day Hab	6,712.10
Depreciation Expense	32,762.79
Dues and Subscriptions	3,773.00
Equipment Rental	2,483.76
Food	60,910.11
Fundraising	3,000.00
Household Supplies	28,444.86
Insurance	64,984.22
Insurance - Fringe Benefits	137,235.79
Interest Expense	1,419.96
Licenses and Permits	2,154.37
Medical Supplies	4,454.83
Meeting Expense	118.77
Office Supplies	8,548.59
Participant Incidentials	3,539.09
Payroll Service Fees	12,967.06
Payroll Tax	7,058.71
Payroll Tax Expenses	92,631.73
Postage and Delivery	631.83
Professional Fees	16,512.50

SERVICES FOR THE DEVELOPMENTALLY CHALLENGED INC.
Profit & Loss
July through December 2019

	Jul - Dec 19
Program Expense	10,184.59
Rent	64,572.72
Repairs & Maintenance	14,258.47
Salaries	1,220,119.64
Staff Traning & Development	9,387.46
Telephone	17,485.16
Transportations	357.50
Utilities	13,334.40
Water	6,574.36
Total Expense	1,896,824.37
Net Ordinary Income	-167,680.35
Other Income/Expense	
Other Income	
Other Income	52,866.03
Total Other Income	52,866.03
Net Other Income	52,866.03
Net Income	**-114,814.32**

SERVICES FOR THE DEVELOPMENTALLY CHALLENGED INC.
Balance Sheet
As of December 31, 2019

		Dec 31, 19
ASSETS		
Current Assets		
Checking/Savings		
Capital One		12,840.75
Capital One - 7646		258,636.98
Capital One - Terry Oneill Fund		83,199.68
Capital One 1427 - SS		50,666.23
Chase		17,189.76
Chase 5678 - Checking		97,843.20
Citibank - 1900		-52,796.93
Citibank - Payroll		99.97
Citibank 6194 - Savings		190,968.78
Total Checking/Savings		658,648.42
Accounts Receivable		
Accounts Receivable		551,594.71
Total Accounts Receivable		551,594.71
Other Current Assets		
A/ R - Allowance		-2,048.01
Security Deposits		
5670 Riverdale Ave	1,575.00	
Jetcab LLc	5,200.00	
Total Security Deposits		6,775.00
Total Other Current Assets		4,726.99
Total Current Assets		1,214,970.12
Fixed Assets		
2015 T & C		52,020.12
2017 Ford Van		34,483.00
2017 Ford Van 2		28,199.50
904 Quincy		726,860.00
A/D - 2017 Ford Van		-13,686.03
A/D - Building		-511,029.00
A/D - Chrysler		0.40
A/D - Computers		-36,837.09
A/D - Day Hab Start Up		-26,237.52
A/D - Ford		-21,371.00
A/D - Furniture & Fixtures		-77,520.89
A/D - Re Closing & Start Up		-264,868.15
A/D -2015 T & C		4,142.79
A/D Furniture & Fixtures-Rest		-14,900.00
A/D Leasehold Improvements		-199,963.40
Building - Sylvan		625,000.00
Chrysler 200		0.12
Computers		55,040.72
Day Hab Start Up		26,237.76
Ford		21,371.50
Furniture & Fixtures		101,774.95
Furniture & Fixtures-Restricted		14,900.00
Leasehold Improvements		230,634.13
Re- Closing & Start Up		264,868.15
Total Fixed Assets		1,019,120.06
Other Assets		
904 Quincy Ave		224,703.33

SERVICES FOR THE DEVELOPMENTALLY CHALLENGED INC.
Balance Sheet
As of December 31, 2019

		Dec 31, 19
Prepaid Expenses		
Insurance	21,250.00	
Total Prepaid Expenses		21,250.00
Total Other Assets		245,953.33
TOTAL ASSETS		**2,480,043.51**
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Other Current Liabilities		
Accrued Expenses		44,792.69
Aflac Payable		3,796.00
Auto Loan Payable T & C		
2015 200	52,019.92	
Total Auto Loan Payable T & C		52,019.92
Federal Payroll Tax Payable		-1.45
Mortgage Payable - Quincy		760,000.00
OPWDD Pass Through		15,000.00
Vacation Accrued		53,406.55
Total Other Current Liabilities		929,013.71
Total Current Liabilities		929,013.71
Long Term Liabilities		
Mortgage Payable - Sylvan		27,505.00
Total Long Term Liabilities		27,505.00
Total Liabilities		956,518.71
Equity		
Retained Earnings		1,638,339.12
Net Income		-114,814.32
Total Equity		1,523,524.80
TOTAL LIABILITIES & EQUITY		**2,480,043.51**

APPENDIX C-IV

UNIQUE PEOPLE SERVICES, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF DECEMBER 31, 2019)

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Unique People Services, Inc.
Statements of Financial Position
As of December 31, 2019

	31-Dec-19
Assets	
Cash and cash equivalents	2,197,348
Accounts receivable, net	6,081,049
Due from related party	421,124
Prepaid expenses and other assets	369,443
Property and equipment, net	8,333,706
Total Assets	17,402,670
Liabilities	
Accounts payable and accrued expenses	1,154,815
Notes and Mortgages Payable	9,662,122
Due to governmental agencies	2,559,664
Total Liabilities	13,376,601
Net Assets	
Unrestricted	4,026,069
Total Net Assets	4,026,069
Total Liabilities and Net Assets	17,402,670

Unique People Services, Inc.
Statements of Activities
for the month ended December 31, 2019

	31-Dec-19
Operating Revenue and Support	
Government Grant Income	8,755,944
Participant fees	624,844
Other revenues	558,593
Total Operating Revenue and Support	9,939,381
Total Operating Expenses	
Program services	9,398,483
Management and administration	828,378
Total Operating Expenses	10,226,861
Change in Net Assets from operations	(287,480)
Prior year revenue	
Change in total Net Assets	(287,480)
Net Assets - Beginning of Year	4,313,549
Net Assets - End of July 2019	4,026,069

APPENDIX C-V

YOUNG ADULT INSTITUTE, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF DECEMBER 31, 2019)

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YAI Seeing beyond disability.

Statement of Financial Position
As of December 31, 2019

	Unaudited 12/31/19
Assets:	
Cash & Cash Equivalents	2,732,671
Investments	13,073,274
Accounts Receivable	32,216,967
Other Receivables	19,761,734
Prepaid expenses and other receivables	5,246,266
Property and equipment	44,105,633
Debt Service Reserve	2,537,727
Total Assets	**119,674,272**
Liabilities:	
Accounts payable and accrued expenses	7,432,969
Accrued Pension	3,094,129
Accrued Salary	6,140,266
Accrued Vacation	3,790,515
Capital lease obligations	1,837,770
Deferred Rent	992,920
Due to Funding Sources	5,294,119
Other Liabilities	7,226,043
Notes and mortgages payable	49,403,717
Total Liabilities	**85,212,448**
Net Assets	
Net assets with donor restrictions	2,390,619
Net assets without donor restrictions	32,071,204
Total Net Assets	**34,461,823**
Total Liabilities & Net Assets	**119,674,272**

YAI Seeing beyond disability.

Statement of Activities
Fiscal year period July 1, 2019 to December 31,2019

	Net Assets Total
Revenue and Support:	
Medicaid & Medicare	82,292,606
Government Contracts	7,621,768
Client Fees	5,371,650
Other Revenues	2,930,425
Contributions	2,298,216
Total Revenue and Support	**100,514,665**
Expenses:	
Salary & Fringe Benefits	70,784,643
OTPS	29,793,317
Total Expenses	**100,577,959**
Change in Net Assets	**(63,294)**
Beginning Balance Net Assets	34,525,118
Ending Balance Net Assets	**34,461,824**

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 2020A Resolution or the Loan Agreements and used in this Official Statement.

Account means each account created and established in any fund under the Resolution as created and established pursuant to the Applicable Series Resolution, including each Project Loan Account and each Debt Service Account.

Accounts Receivable means, with reference to a Participant, all of a Participant's accounts receivable derived from the use or operation of any of its properties, including the Project Property, but excluding Pledged Revenues.

Act means the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as amended, and constituting Title 4 of Article 8 of the Public Authorities Law), as amended from time to time, including but not limited to, Chapter 471 of the Laws of 2009, Chapter 299 of the Laws of 2017, the Health Care Financing Consolidation Act and as incorporated thereby the New York State Medical Care Facilities Finance Act, being Chapter 392 of the Laws of New York 1973, as amended, McKinney's Unconsolidated Laws, Sections 7411 to 7432, inclusive.

Administration Agreement means the Administration Agreement, dated as of April 1, 2020, 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 2020A Bonds, as may be amended and supplemented from time to time, regarding the deduction, withholding and/or payment of Public Funds, in an amount required by the Loan Agreement to DASNY or the Trustee.

Investment Agreement means an agreement for the investment of moneys with a Qualified Financial Institution.

Letter of Credit means, with respect to an Applicable Series of Bonds, an irrevocable letter of credit, or as appropriate, a confirmation or confirming letter of credit, issued in favor of DASNY or the Trustee, as the case may be, in form and substance satisfactory to DASNY, and the Applicable Insurer, if any, or the Trustee, as the case may be, which is issued by a Qualified Financial Institution, and is accompanied by a legal opinion or opinions addressing the enforceability thereof.

Loan means each loan made by DASNY to the Participants pursuant to the provisions of the Resolution, the Applicable Series Resolution and the Applicable Loan Agreement relating thereto in an amount equal to the Participant's Allocable Portion of the principal amount of a Series of Bonds. Each Loan shall relate to a particular Project or Projects for a particular Participant including amounts required to pay such Participant's Allocable Portion of the Costs of Issuance, Costs of the Project related to such Loan and the Debt Service Reserve Fund Requirement, if any, established for such Series of Bonds.

Loan Agreement or **Loan Agreements** mean each of the Loan Agreements or other agreement, between DASNY and the Applicable Participant in connection with each Loan made under the Resolution, as the same may from time to time be amended, supplemented or otherwise modified as permitted by the Resolution and by the Loan Agreement.

Loan Repayments means the scheduled monthly payments of principal of and interest on the Loan paid by a Participant pursuant to the Applicable Loan Agreement.

Management Consultant means, with reference to a Participant, a nationally recognized accounting or management consulting firm or other similar firm, experienced in reviewing and assessing operations of organizations similar to the Participants, acceptable to DASNY.

Moody's means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns.

Mortgage means, collectively, any fee or leasehold mortgage or mortgages granted by any of the Participants, or a party related to any Participant, to DASNY in connection with the granting of a particular Loan under the Resolution, in form and substance satisfactory to DASNY, on the Mortgaged Property mortgaged in connection therewith, as security for the performance of said Participants' obligations under the Applicable Loan Agreement, as such Mortgage may be amended or modified as provided in such Loan Agreement.

Mortgaged Property means the land or interest therein described in any Mortgage and the buildings and improvements thereon or thereafter erected thereon and the fixtures, furnishings and equipment owned by the Applicable Participant and now or hereafter located therein or thereon.

Non-PPA Expenses means, with reference to a Participant, all operating and nonoperating expenses of such Participant other than PPA Expenses.

Non-PPA Facility means, with reference to a Participant, any Project Property of such Participant or portion thereof which is, or was, not subject to the Prior Property Approval process incorporated in New York State Codes, Rules and Regulations, Title 14, Parts 681, 686 and 690, as amended from time to time.

Non-PPA Indebtedness means, with reference to a Participant, any Indebtedness incurred by such Participant to finance, in whole or in part, a Non-PPA Facility. Indebtedness incurred by such Participant with respect to a Project Property only a portion of which constitutes a Non-PPA Facility shall constitute Non-PPA Indebtedness to the extent such Indebtedness financed the Non-PPA Facility portion of such Project Property.

Non-PPA Revenues means, with reference to a Participant, all operating and nonoperating revenues of such Participant other than PPA Revenues.

OASAS means the New York State Office of Addiction Services and Supports (formerly known as the New York State Office of Alcoholism and Substance Abuse Services), any successor or assign.

Official Statement means an official statement or other offering document relating to and in connection with the sale of any Bonds of a Series.

OMH means the New York State Office of Mental Health, any successor or assign.

OPWDD means the New York State Office for People with Developmental Disabilities (formerly known as the New York State Office of Mental Retardation and Developmental Disabilities), any successor or assign.

Outstanding, when used in reference to an Applicable Series of Bonds means, as of a particular date, all Bonds of such Series authenticated and delivered under the Resolution and under the Applicable Series Resolution except: (i) any such Bond cancelled by the Trustee at or before such date; (ii) any such Bond or Bonds deemed to have been paid in accordance with the Resolution; and (iii) any such Bond or Bonds in lieu of or in substitution for which another such Bond shall have been authenticated and delivered pursuant to the Resolution.

Participant or **Participants** collectively means each or all of the not-for-profit members of the Program Facilitator for whose benefit DASNY shall have issued Bonds under the Resolution and with whom DASNY shall have executed one or more Loan Agreements as particularly defined in the Applicable Series Resolution.

Paying Agent means, with respect to a Series of Bonds, the Trustee and any other bank or trust company and its successor or successors, appointed pursuant to the provisions of the Resolution or of the Applicable Series Resolution, the Applicable Bond Series Certificate or any other resolution of DASNY adopted prior to authentication and delivery of such Bonds for which such Paying Agent or Paying Agents shall be so appointed.

Permitted Collateral means:

(i) Government Obligations described in clauses (i) or (ii) of the definition of Government Obligations;

(ii) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations;

(iii) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) is rated in the highest short term rating category by at least one Rating Service and (c) is issued by a domestic corporation whose unsecured senior debt is rated by at least one nationally recognized statistical rating service no lower than in the second highest rating category;

(iv) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company (a) that has an equity capital of at least $125,000,000, (b) is rated by Bests Insurance Guide or a nationally recognized statistical rating service in the highest rating category, and (c) which regularly deals in such agreements, bonds or instruments; and

(v) bankers' acceptances that (a) mature within three hundred sixty-five (365) days after its date of issuance, and (b) are issued by a bank rated in the highest short term rating category by at least one Rating Service.

Permitted Encumbrances means with respect to a Participant, (i) the Applicable Loan Agreement; (ii) the Resolutions; (iii) the Mortgage, if any; (iv) any instrument recorded pursuant to the Loan Agreement; (v) any encumbrances or matters set forth in the Applicable Loan Agreement, including matters referred to in any title insurance policy described in the Loan Agreement and accepted by DASNY; (vi) any mortgage or other lien or encumbrance in connection with any additional Bonds issued under the Resolution approved in writing by DASNY; (vii) liens for real estate taxes, assessments, levies and other governmental charges, the payment of which is not in default; (viii) with respect to each Participant, utility, access and other easements and rights-of-way, restrictions and exceptions that will not interfere with or impair the Participant's use of its Project Property; (ix) as to any Project Property, such minor defects, irregularities, encumbrances, easements, rights-of-way (including agreements with any railroad the purpose of which is to service a railroad siding) and clouds on title as normally exist with respect to property similar in character to the Project Property and as do not, in the opinion of counsel acceptable to DASNY, either singly or in the aggregate, materially impair the property affected thereby for the purpose for which it was acquired and operated under this Loan Agreement; (x) any mechanics', workmen's, repairmen's, materialmen's, contractors', warehousemen's, carriers', suppliers' or vendors' lien or right in respect thereof if payment is not yet due and payable, all if and to the extent permitted by the Mortgage, if any; (xi) with respect to each Participant, any subordinate mortgage granted as security for bonds issued by DASNY or another issuer of bonds after the date of issuance of the Bonds, up to an amount approved by OPWDD, OMH or OASAS, as applicable, for the purpose of financing the cost of renovating, constructing, equipping or completing a Project or a Project Property, and any loan agreement, or any related company lease and installment sale agreement between the Participant and the issuer of such bonds leasing or selling such Project Property, any indenture of trust between such issuer and a trustee with respect to such bonds, or any building loan agreement among the Issuer of such bonds, the Participant and a trustee, in each case in connection with such financing; and (xii) any other encumbrances or matters approved in writing by DASNY after the date of delivery of the Bonds.

Permitted Investments means:

(i) Government Obligations;

(ii) Federal Agency Obligations;

(iii) Exempt Obligations;

(iv) uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State;

(v) collateralized certificates of deposit that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than $125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, are rated by at least one nationally recognized statistical rating service in at least the second highest rating category, and (b) fully collateralized by Permitted Collateral;

(vi) Investment Agreements that are fully collateralized by Permitted Collateral; and

(vii) Permitted Collateral of the type described in clauses (iii) and (v) of the definition of Permitted Collateral.

Person means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

Pledged Revenues means, with reference to a Participant, the revenues of the Participant constituting the Public Funds attributable to the Applicable Project or the Project Property.

PPA Expenses means, with reference to a Participant, all operating and nonoperating expenses properly incurred by such Participant with respect to a PPA Facility in accordance with the Prior Property Approval received by such Participant with respect to such PPA Facility.

PPA Facility means, with reference to a Participant, any facility of such Participant which was, or will be, approved by OPWDD pursuant to the Prior Property Approval process incorporated in New York State Codes, Rules and Regulations, Title 14, Parts 681, 686 and 690, as amended from time to time.

PPA Revenues means, with reference to a Participant, revenues received by such Participant with respect to a PPA Facility intended to amortize the PPA Expenses incurred with respect to such PPA Facility.

Prior Pledges means, with reference to the Pledged Revenue of a Participant, any liens, pledges, charges, encumbrances and security interests made and given by a Participant to secure prior obligations of such Participant as described in such Loan Agreement, and any replacement of any credit facility referenced in such Loan Agreement which does not exceed the total amount available to the Participant under such existing credit facility.

Prior Property Approval or **PPA** means the pre-approval by OPWDD of a Project Property of a Participant for reimbursement of amounts calculated to be sufficient to pay the principal and interest costs incurred by the Participant in connection with its financing or refinancing of the acquisition, renovation and furnishing, as applicable, of such Project Property, in each case subject to annual appropriation by the State Legislature and so long as the Participant operates the Project Property in accordance with certain defined standards.

Program Facilitator means Interagency Council of Developmental Disabilities Agencies, Inc., as program facilitator under the Administration Agreement, and its successors in such capacity.

Project or **Projects** means, with respect to each Participant and each Loan under the Resolution, the acquisition, financing, refinancing, construction, reconstruction, renovation, development, improvement, expansion and equipping of certain educational, administrative, clinical, day program and residential facilities to be located in the State, which may include more than one part, financed in whole or in part from the proceeds of the sale of an Applicable Series of Bonds or any portion thereof, as more particularly described and designated the Applicable Series Resolution.

Project Loan Account means each of the respective accounts or subaccounts so designated, created and established in the Applicable Project Loan Fund by an Applicable Series Resolution.

Project Loan Fund means the fund so designated and established for a Series of Bonds by an Applicable Series Resolution.

Project Property or **Series 2020A Facility** means the administrative, educational, clinical, day program and residential facilities and other attendant and related facilities owned or leased by a Participant and used in furtherance of the Participant's corporate purposes, including real property constituting the sites of such facilities and personal property located thereat, that are the subject of a Project described in the Applicable Loan Agreement. In the event that such Applicable Loan Agreement describes two or more Projects, depending on the context, the property that is the subject of one of the Projects or the properties that are the subject of all of the Projects (also referred to herein as the "Project Properties").

Public Funds means, with reference to a Participant, all moneys appropriated, apportioned or otherwise payable to a Participant by the Federal government, any agency thereof, the State, any agency of the State, a political subdivision, as defined in Section 100 of the General Municipal Law, any social services district in the State or any other governmental entity, including any Applicable State Agency.

Purchased Bonds means Bonds of a Series purchased by or at the direction of an Applicable Participant pursuant to the provisions of the Applicable Series Resolution or Applicable Bond Series Certificate as authorized by the Resolution.

Qualified Financial Institution means any of the following entities that has an equity capital of at least $125,000,000 or whose obligations are unconditionally guaranteed by an affiliate or parent having an equity capital of at least $125,000,000:

(i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (a) that is on the Federal Reserve Bank of New York list of primary government securities dealers and (b) whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt;

(ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of the United States of America, any state of the United States of America, whose unsecured long term debt or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, is, at the time an investment with it is made, rated by at least one Rating Service no lower than in the second highest rating category;

(iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity or which is a subsidiary of a foreign insurance company, whose senior unsecured long term debt or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, is, at the time an investment with it is made, rated by at least one Rating Service no lower than in the second highest rating category;

(iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, the Student Loan Marketing Association or any successor thereto, or any other federal agency or instrumentality approved by DASNY; or

(v) a corporation whose obligations, including any investments of any moneys held hereunder purchased from such corporation, are insured by an insurer that meets the applicable rating requirements set forth above.

Rating Service means each of Fitch, Moody's and S&P, in each case, which has assigned a rating to Outstanding Bonds of the Applicable Series at the request of DASNY, or their respective successors and assigns.

Record Date means, unless otherwise defined with respect to Bonds of a Series in an Applicable Series Resolution or Applicable Bond Series Certificate, the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding an interest payment date.

Redemption Price means, when used with respect to a Series of Bonds, the principal amount of such Bonds plus the applicable premium, if any, payable upon redemption thereof pursuant to the Resolution or to the Applicable Series Resolution or Applicable Bond Series Certificate; provided, however, when used with respect to an extraordinary mandatory redemption of a Defaulted Allocable Portion of a Series of Bonds, Redemption Price shall have the meaning set forth in the Resolution.

Refunding Bonds means all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered on original issuance pursuant to the Resolution, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds.

Reserve Fund Facility means a surety bond, insurance policy or Letter of Credit authorized by or pursuant to a Series Resolution establishing a Debt Service Reserve Fund to be delivered in lieu of or substitution of all or a portion of the moneys otherwise required to be held in such Debt Service Reserve Fund.

Resolution means the InterAgency Council Pooled Loan Program Revenue Bond Resolution, as the same may be from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions hereof.

Revenues mean, with respect to a particular Series of Bonds, all payments received or receivable by DASNY (including Contribution Amounts and Public Funds) pursuant to each of the Applicable Loan Agreements, which payments are to be paid to the Trustee, except (i) payments to such Trustee for the administrative costs and expenses or fees of such Trustee, (ii) payments to such Trustee for deposit to the Arbitrage Rebate Fund, and (iii) the Annual Administrative Fee.

S&P means Standard & Poor's Ratings Service, a division of The McGraw Hill Corporation, a corporation organized and existing under the laws of the State, and its successors and assigns.

Serial Bonds means the Bonds so designated in an Applicable Series Resolution or an Applicable Bond Series Certificate.

Series means all of the Bonds authenticated and delivered on original issuance and pursuant the Resolution and an Applicable Series Resolution, and any Bonds of such Series thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

Series Participants means the Participants and each other member of the Program Facilitator which borrows from DASNY a portion of the proceeds of the Bonds.

Series Resolution means a resolution of the members of DASNY authorizing the issuance of a Series of Bonds, adopted by DASNY pursuant to the Resolution.

Series 2020A Resolution means DASNY's Series 2020A Resolution Authorizing Up To $29,000,000 InterAgency Council Pooled Loan Program Revenue Bonds, Series 2020A, adopted by DASNY on March 4, 2020, 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 2020 LOAN AGREEMENTS

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SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2020 LOAN AGREEMENTS

The following is a brief summary of certain provisions of one Series 2020 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 2020A-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 2020A-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 2019A-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. [1]

(Section 11)

Collection of Pledged Revenues

Commencing on the date on which the Bonds are first issued and continuing until the Loan is no longer outstanding, 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

[1] DASNY has agreed in the Series 2020A Loan Agreement for each of Services for the Developmentally Challenged Inc. and Unique People Services, Inc. to allow each of Services for the Developmentally Challenged Inc. and Unique People Services, Inc.to secure a working capital lien of receivables, including Public Funds, prior to the lien on Pledge Revenues created their respective Series 2020A Loan Agreement.

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 2020A-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 2020A-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 2020A-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 2020A-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 2020A-1 Bonds will not cause interest on the Subseries 2020A-1 Bonds to be included in the gross income of the owners of such Subseries 2020A-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 2020A-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 2020A-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 2020A 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 2020A Resolution establishes a Debt Service Reserve Fund to be held and maintained by the Trustee with respect to the Series 2020A 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 2020A 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 2020A Bonds or Permitted Investments in an amount sufficient to satisfy each Applicable Series 2020A Participant's Allocable Portion of the Debt Service Reserve Fund Requirement as set forth in the Applicable Bond Series Certificate. An Applicable Series 2020A 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 2020A Bonds for all or any part of the Debt Service Reserve Fund Requirement or any Applicable Series 2020A 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 2020A are not rated by Moody's and S&P by whichever of said rating services that then rates the Outstanding Series 2020A 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 2020A Participant's Allocable Portion of a Debt Service Reserve Fund is less than such Applicable Series 2020A 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 2020A Participant of such deficiency. Such Applicable Series 2020A 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 2020A 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 2020A Participant's Allocable Portion of, respectively, interest on the Outstanding Series 2020A 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 2020A 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 2020A Bonds upon the acceleration of such Series 2020A Participant's Loan pursuant to the Applicable Loan Agreement.

Upon the exercise by a Series 2020A 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 2020A 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 2020A 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 2020A 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 2020A 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 2020A 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 2020A Resolution)

Arbitrage Rebate Fund

The Trustee shall deposit to the Applicable Account in the Arbitrage Rebate Fund any moneys delivered to it by each of the Applicable Participants for deposit therein and, notwithstanding any other provisions of the Resolution, shall transfer to the Arbitrage Rebate Fund, in accordance with the directions of DASNY, moneys on deposit in any other funds held by such Trustee under the Resolution at such times and in such amounts as shall be set forth in such directions.

Moneys on deposit in the Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the direction of DASNY to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as DASNY shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which DASNY determines to be in excess of the amount required to be so rebated shall be deposited to the Debt Service Fund in accordance with the directions of DASNY.

If and to the extent required by the Code, DASNY shall periodically, at such times as may be required to comply with the Code, determine the amount of Excess Earnings with respect to an Applicable Series of Bonds and direct the Trustee to (i) transfer from the Applicable Account of any other of the funds held by the Trustee under and deposit to the Arbitrage Rebate Fund, all or a portion of the Excess Earnings with respect to such Series of Bonds and (ii) pay out of the Arbitrage Rebate Fund to the Department of the Treasury of the United States or America the amount, if any, required by the Code to be rebated thereto.

(Section 5.08)

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if, upon the computation of assets in the Applicable Debt Service Account of the Debt Service Fund, the Applicable Project Loan Account of the Project Loan Fund and of an Applicable Participant's Allocable Portion of the Debt Service Reserve Fund, if applicable, the amounts held therein are sufficient to pay the principal or Redemption Price of a Participant's Allocable Portion of all Outstanding Bonds of the Applicable Series and the interest accrued and to accrue on such Bonds to the next date of redemption when all such Bonds shall be redeemable, the Trustee shall so notify DASNY and the Applicable Participant. Upon receipt of such notice, DASNY may request the Trustee to redeem Outstanding Bonds of the Applicable Series in an amount which corresponds to such Participant's Allocable Portion thereof. The Trustee shall, upon receipt of such request in writing by DASNY, proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds hereby and by the Applicable Series Resolution as provided in Article IV hereof.

(Section 5.09)

Security for Deposits

All moneys held under the Resolution by the Trustee shall be continuously and fully secured, for the benefit of DASNY and the Holders of a Series of Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; *provided, however*, (a) that if the securing of such moneys is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Trustee or any Paying Agent to give security for the deposit of any moneys with it or them pursuant to the Resolution and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on a Series of Bonds, or for the Trustee to give security for any moneys which shall be represented by obligations purchased or other investments made under the provisions hereof as an investment of such moneys.

(Section 6.01)

Investment of Funds and Accounts

(a) Money held under the Resolution by the Trustee, and, if there is an Event of Default, under an Applicable Loan Agreement, if permitted by law, shall, as nearly as may be practicable, be invested by the Trustee, upon direction of DASNY given or confirmed in writing (which direction shall specify the amount thereof to be so invested), in Government Obligations, Federal Agency Obligations or Exempt Obligations; *provided, however,* that each such investment shall permit the money so deposited or invested to be available for use at the times at which DASNY reasonably believes such money will be required for the purposes hereof.

(b) Except as may be otherwise provided in a Series Resolution, in lieu of the investment of moneys in obligations authorized in paragraph (a) above, the Trustee shall, to the extent permitted by law, upon direction of DASNY given or confirmed in writing, invest moneys in the Project Loan Fund and the Debt Service Reserve Fund, if applicable, and any account held therein in any Permitted Investment; *provided, however*, that each such investment shall permit the money so deposited or invested to be available for use at the times at which DASNY reasonably believes such money will be required for the purposes hereof, *provided, further*, that (a) any Permitted Collateral required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, (b) the Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of DASNY, and (c) the Permitted Collateral shall be free and clear of claims of any other person.

(c) Permitted Investments purchased as an investment of money in any fund or account held by the Trustee under the provisions of the Resolution shall be deemed at all times to be a part of such fund or account and the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged, as the case may be, to such fund or account.

(d) Except as may otherwise be provided in a Series Resolution, in computing the amount in any fund or account held by the Trustee under the provisions of the Resolution, each Permitted Investment shall be valued at par or the market value thereof, plus accrued interest, whichever is lower, except that investments held in the Debt Service Reserve Fund, if any, shall be valued at par or the cost thereof, plus accrued interest, whichever is lower.

(e) Notwithstanding anything in the Resolution to the contrary, DASNY, in its discretion, may direct the Trustee to, and the Trustee shall, sell, present for redemption or exchange any investment held by the Trustee pursuant the Resolution and the proceeds thereof may be reinvested as provided in the Resolution summarized herein. Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolution whenever it shall be necessary in order to provide money to meet any payment or transfer from the fund or account in which such investment is held. The Trustee shall advise DASNY and the Applicable Participants in writing, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account hereunder and of the details of all investments held for the credit of each fund and account in its custody under the provisions of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of paragraphs (a), (b) and (c) above. The details of such investments shall include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee shall also describe all withdrawals, substitutions and other transactions occurring in each such fund and account in the previous month.

(f) Except with respect to Bonds the interest on which was intended to be included in gross income under Section 103 of the Code, no part of the proceeds of a Series of Bonds or any other funds or accounts of DASNY shall be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Bond to be an “arbitrage bond” within the meaning of Section 148(a) of the Code.

(Section 6.02)

Creation of Liens

Except as may otherwise be provided in the Resolution or in an Applicable Series Resolution, DASNY shall not create or cause to be created any lien or charge prior or equal to that of the Bonds of a Series on the proceeds from the sale of such Series of Bonds, the Revenues pledged for such Series of Bonds, the rights of DASNY to receive payments to be made under the Applicable Loan Agreement that are to be deposited with the Trustee, the Applicable Pledged Revenues (subject to Prior Pledges) or the funds and accounts established by the Resolution and pursuant to the Applicable Series Resolution which are pledged by the Resolution; *provided, however*, that nothing contained in the Resolution shall prevent DASNY from issuing bonds, notes or other obligations under other and separate resolutions so long as the charge or lien created by such resolution is not prior or equal to the charge or lien created by the Resolution.

(Section 7.06)

Enforcement of Duties and Obligations of the Participants

DASNY shall take all legally available action to cause each of the Participants to perform fully all duties and acts and comply fully with the covenants of such Participant required by the respective Loan Agreements in the manner and at the times provided in such Loan Agreements; *provided, however*, that DASNY may delay, defer or waive enforcement of one or more provisions of said Loan Agreements (other than provisions requiring the payment of moneys or the delivery of securities to the Trustee for deposit to any fund or account established under the Resolutions) if DASNY determines such delay, deferment or waiver will not materially adversely affect the interests of the Holders of the Bonds of a Series.

(Section 7.07)

Amendment of Loan Agreements

A Loan Agreement may not be amended, changed, modified, altered or terminated nor may any provision thereof be waived if any such amendment, change, modification, alteration, termination or waiver would adversely affect the interest of the Holders of Outstanding Bonds of the Applicable Series in any material respect without the prior written consent of the Holders of at least a majority in aggregate principal amount of the Bonds of such Applicable Series then Outstanding; *provided, however*, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of the Applicable Series remain Outstanding the consent of the Holders of such Bonds shall not be required; and *provided*, *further*, that no such amendment, change, modification, alteration, or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds of a Series the consent of the Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made by the Applicable Participant under such Loan Agreement that is to be deposited with the Trustee or extend the time of payment thereof. Any consent given pursuant to this paragraph by the Holders of Bonds shall, except as otherwise provided in the paragraphs summarized herein, be given in the same manner required by for amendments to the Resolution.

Except as otherwise provided in under this heading "*Amendment of Loan Agreements*," a Loan Agreement may be amended, changed, modified or altered without the consent of the Holders of Outstanding Bonds of the Applicable Series or the Trustee. Specifically, and without limiting the generality of the foregoing, a Loan Agreement may be amended, changed, modified or altered without the consent of the Trustee and the Holders of Outstanding Bonds of the Applicable Series (i) to provide changes in connection with the acquisition, construction, reconstruction, rehabilitation, renovation and improvement or otherwise, the providing, furnishing and equipping of any facilities constituting a part of a Project or which may be added to such Project or the issuance of Bonds, or (ii) with the consent of the Trustee, to cure any ambiguity, or to correct or supplement any provisions contained in any Loan Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in such Loan Agreement. Upon execution by DASNY of any amendment, a copy thereof certified by DASNY shall be filed with the Trustee.

For the purposes of this section entitled "*Amendment of Loan Agreements*," Outstanding Bonds of the Applicable Series shall be deemed to be adversely affected by an amendment, change, modification or alteration of the Applicable Loan Agreement if the same adversely affects or diminishes the rights of the Holders of such Bonds. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of the Applicable Series would be adversely affected by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on DASNY and all Holders of such Bonds. For all purposes of this section entitled "*Amendment of Loan Agreements*," the Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee with respect to whether any amendment, change, modification or alteration adversely affects the interests of any Holders of Bonds of the Applicable Series then Outstanding.

(Section 7.11)

Modification and Amendment without Consent

Notwithstanding any other provisions of the Resolution, DASNY may adopt at any time or from time to time a Supplemental Resolution for any one or more of the following purposes, and any such Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of DASNY:

(a) To add additional covenants and agreements of DASNY for the purpose of further securing the payment of the Bonds of Series, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of DASNY contained in the Resolution or in the Applicable Series Resolution;

(b) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by DASNY which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(c) To surrender any right, power or privilege reserved to or conferred upon DASNY by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of DASNY contained in the Resolution;

(d) To confirm, as further assurance, any pledge under, and the subjection to any lien, claim or pledge created or to be created by the provisions of, the Resolution, or any Series Resolution, the Revenues, or any pledge of any other moneys, securities or funds;

(e) To modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respects, provided that such modifications shall not be effective until after all Bonds of an Applicable Series Outstanding as of the date of adoption of such Supplemental Resolution and affected thereby shall cease to be Outstanding, and all Bonds of such Series issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent resolutions; or

(f) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Holders of Bonds of a Series in any material respect.

(Section 9.02)

Supplemental Resolutions Effective With Consent

The provisions of the Resolution and of a Series Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of the Holders of the affected Series of Bonds in accordance with and subject to the provisions of the Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of DASNY.

(Section 9.03)

Powers of Amendment

Any modification or amendment of the Resolution or of any Series Resolution that modifies or amends the rights and obligations of DASNY and the Holders of the Bonds of a Series under the Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Resolution and summarized in the following paragraph, (i) of the Holders of at least a majority in principal amount of the Bonds Outstanding of such Series affected thereby at the time such consent is given, or (ii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least a majority in principal amount of the Bonds of the Series, maturity and interest rate entitled to such Sinking Fund Installment, Outstanding at the time such consent is given; *provided, however*, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of the Applicable Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this paragraph. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond of a Series or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds of a Series the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of the Resolution summarized in this paragraph, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds of a particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on DASNY and all Holders of the Bonds of such Series. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether the Bonds of a particular Series or maturity would be so affected by any such modification or amendment of the Resolution.

(Section 10.01)

Consent of Bondholders

DASNY may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Resolution summarized in the preceding paragraph to take effect when and as provided in the Resolution. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Holders of the Series of Bonds affected thereby for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed or caused to be mailed by the Trustee at the direction of DASNY to such Bondholders (but failure to mail such copy to any particular Bondholder shall not affect the validity of such Supplemental Resolution when consented to as provided in the Resolution). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consent of the Holders of the percentages of Outstanding Bonds of the Series specified in the provisions of the Resolution and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by DASNY in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon DASNY and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as provided in the Resolution. Each such consent shall be effective only if accompanied by proof of the holding or owning at the date of such consent of the Bonds of a Series with respect to which such consent is given, which proof shall be such as is permitted by the Resolution. A certificate or certificates by the Trustee filed with DASNY that it has examined such proof and that such proof is sufficient in accordance with the Resolution shall be conclusive proof that the consents have been given by the Holders of the Bonds of a Series described in the certificate or certificates of the Trustee. Any consent given by and a Holder of Bonds of a Series shall be binding upon such Holder giving such consent and, anything in the Resolution hereof to the contrary notwithstanding, upon any such subsequent Holder of such Bond and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by such Bondholder giving such consent or such subsequent Holder thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee provided for in the Resolution is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with DASNY to the effect that no revocation thereof is on file with the Trustee. At any time after such Holders of the required percentages of Bonds shall have filed their consents to such Supplemental Resolution, the Trustee shall make and file with DASNY a written statement that such Holders have filed such consents. Such written statement shall be conclusive evidence that such consents have been so filed. At any time thereafter notice, stating in substance that such Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by DASNY on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds of the Applicable Series and will be effective as provided in the Resolution, shall be given to such Bondholders by the Trustee at the direction of DASNY by mailing or causing the mailing of such notice to the Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding) and, in the sole discretion of DASNY, by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of such Bonds shall have filed their consents to such Supplemental Resolution and the written statement of the Trustee provided for in the Resolution is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in the Resolution). If such notice is published, the Trustee shall file with DASNY proof of the publication thereof, and, if the same shall have been mailed to the Holders of such Bonds, of the mailing thereof. A transcript, consisting of the papers required or permitted by the Resolution to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon DASNY, the Trustee, the Applicable Paying Agent, the Holders of such Series of Bonds upon the filing with the Trustee of proof of the mailing of such notice or at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; *provided, however*, that DASNY, the Trustee and the Applicable Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

For the purposes of these provisions of the Resolution, the purchasers of the Bonds of a Series, whether purchasing as underwriters or remarketing agent for resale or otherwise, upon such purchase, may consent to a modification or amendment permitted by the Resolution in the manner provided in the Resolution, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; *provided, however*, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series.

(Section 10.02)

Events of Default

An event of default shall exist under the Resolution and under a Series Resolution (referred to in the Resolution as an "Event of Default") if:

(a) with respect to a Series of Bonds, payment of (i) an installment of interest on any Bond shall not be made by DASNY when the same shall become due and payable; or (ii) the principal, Sinking Fund Installments or Redemption Price of any Bond shall not be made by DASNY when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; *provided, however*, if the failure to make any such payment is caused by a failure of an Applicable Participant to timely pay its Allocable Portion of the principal, Sinking Fund Installments or Redemption Price of or interest on the Bonds pursuant to the terms of the Allocable Loan Agreement, then it shall be an event of default under the Resolution only with respect to the Defaulted Allocable Portion of such Series of Bonds Outstanding, as identified by the Trustee using the method for selection of Bonds upon an extraordinary mandatory redemption thereof set forth in the Resolution; or

(b) with respect to a Series of Bonds, DASNY shall default in the due and punctual performance of its tax covenants contained in the Resolutions with the result that the interest on the a result thereof, the interest on the Bonds of such Series shall no longer be excludable from gross income under Section 103 of the Code; or

(c) with respect to a Series of Bonds, DASNY shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions for the benefit of the Holders of such Bonds contained in the Resolution or in the Bonds of such Series or in the Applicable Series Resolution on the part of DASNY to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to DASNY by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of such Series, or if such default is not capable of being cured within thirty (30) days, if DASNY fails to commence within said thirty (30) days and diligently prosecute the cure thereof; or

(d) with respect to a Series of Bonds, an "Event or Default" (as defined in each Loan Agreement), shall have occurred and is continuing under an Applicable Loan Agreement and all sums payable by the Applicable Participant under the Applicable Loan shall have been declared to be immediately due and payable, which declaration shall not have been annulled; *provided, however*, that such "Event of Default" under an Applicable Loan Agreement shall constitute an event of default under the Resolution only with respect to the Defaulted Allocable Portion of such Series of Bonds Outstanding, as identified by the Trustee using the method for selection of Bonds upon an extraordinary mandatory redemption thereof set forth in the Resolution.

An event of default under the Resolution in respect of a Series of Bonds shall not in and of itself be or constitute an event of default in respect of any other Series of Bonds.

An event of default shall not be deemed to have occurred pursuant to paragraph (a) under the caption "*Events of Default*" above solely as a result of (i) payments made to Bondholders from draws under a Reserve Fund Facility, which draws remain unreimbursed, or (ii) payments made to Bondholders of less than all of the principal of and interest on the Defaulted Allocable Portion of the Outstanding Bonds of an Applicable Series following (A) an acceleration of such Defaulted Allocable Portion of the Applicable Series of Bonds pursuant to the Resolution or (B) the extraordinary mandatory redemption of such Defaulted Allocable Portion of the Applicable Series of Bonds pursuant to the Resolution, and, in each case, the application by the Trustee of all funds available for the payment thereof pursuant to the provisions summarized below under the caption "*Limitation on Revenues and Security Available for Payments After Certain Defaults; Priority of Payments After Default; Cancellation and Replacement of Certain Bonds.*"

(Section 11.02)

Acceleration of Maturity

Upon the happening and continuance of any event of default specified in the Resolution, other than an event of default specified in paragraph (a) under the caption "Events of Default" above resulting from an Applicable Participant's failure to timely pay its Allocable Portion of the Bonds of the Applicable Series pursuant to the Applicable Loan Agreement, or an event of default specified in paragraphs (b) or (d) under the caption "Events of Default" above, then and in every such case the Trustee shall, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series, by a notice in writing to DASNY, declare the principal of and interest on the Outstanding Bonds of such Applicable Series to be due and payable immediately. At the expiration of thirty (30) days after notice of such declaration has been given, such principal and interest shall become and be immediately due and payable, anything in the Resolution or in the Applicable Series Resolution or in the Bonds of such Applicable Series to the contrary notwithstanding. At any time after the principal of the Bonds of such Applicable Series shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee may, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series, by written notice to DASNY, annul such declaration and its consequences if: (i) moneys shall have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds of such Applicable Series (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and Applicable Paying Agent incurred in connection with such Applicable Series of Bonds; (iii) all other amounts then payable by DASNY under the Resolution in connection with such Applicable Series of Bonds and under the Applicable Series

Resolution shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of such covenant, condition or agreement contained in the Resolution or in the Applicable Series Resolution or in such Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration made under the provisions summarized in this paragraph) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

Upon the happening and continuance of an event of default specified in paragraph (a) under the caption "Events of Default" above resulting from a failure of an Applicable Participant to timely pay its Allocable Portion of the Bonds of the Applicable Series pursuant to the Applicable Loan Agreement, or upon the happening and continuance of an event of default specified in paragraph (d) under the caption "Events of Default" above, then and in every such case the Trustee shall, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Defaulted Allocable Portion of the Outstanding Bonds of the Applicable Series, by a notice in writing to DASNY, declare the principal of and interest on the Defaulted Allocable Portion of the Outstanding Bonds of such Applicable Series to be due and payable immediately. At the expiration of thirty (30) days after notice of such declaration has been given, such principal and interest shall become and be immediately due and payable, anything in the Resolution or in the Applicable Series Resolution or in the Bonds of such Applicable Series to the contrary notwithstanding. At any time after the Defaulted Allocable Portion of the principal of the Bonds of such Applicable Series shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee may, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Defaulted Allocable Portion of the Outstanding Bonds of the Applicable Series, by written notice to DASNY, annul such declaration and its consequences if: (i) moneys shall have accumulated in the Applicable Debt Service Account or Accounts of the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Defaulted Allocable Portion of the Outstanding Bonds of such Applicable Series (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and Applicable Paying Agent incurred in connection with such Defaulted Allocable Portion of such Applicable Series of Bonds; (iii) all other amounts then payable by DASNY under the Resolution in connection with such Defaulted Allocable Portion of the Applicable Series of Bonds and under the Applicable Series Resolution shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of such covenant, condition or agreement contained in the Resolution or in the Applicable Series Resolution or in such Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration made under the provisions summarized in this paragraph) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any event of default specified in the Resolution, then and in every such case, the Trustee may proceed, and (i) upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of an Applicable Series, or principal amount of the Defaulted Allocable Portion of the Outstanding Bonds of an Applicable Series, as applicable, or (ii) in the case of an event of default specified in paragraph (b) under the caption "*Events of Defaults*" above, upon the written request of the Holders of not less than a majority in principal amount of the Outstanding Bonds of an Applicable Series affected thereby, the Trustee shall proceed (subject to the provisions of the Resolution), to protect and enforce its rights and the rights of the Holders of Bonds of such Applicable Series under the Resolution or under the Applicable Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or under such Applicable Series Resolution or in aid or execution of any power in the Resolution or in the Applicable Series Resolution granted, or for an accounting against DASNY as if DASNY were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights, including the foreclosure of any Applicable Mortgage assigned to the Trustee pursuant to the provisions of the Resolution summarized herein.

In the enforcement of any remedy under the Resolution and under an Applicable Series Resolution, the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then, or during any default becoming, and at any time remaining, due from DASNY for principal or interest or otherwise under any of the provisions of the Resolution or of an Applicable Series Resolution or of an Applicable Series of Bonds, with interest or overdue payment of the principal of and interest on such Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolution and under any Applicable Series Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce judgment or decree against DASNY but solely as provided in the Resolution, in the Applicable Series Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in the manner provided by law, the moneys adjudged or decreed to be payable.

(Section 11.04)

Limitation on Revenues and Security Available for Payments After Certain Defaults; Priority of Payments After Default; Cancellation and Replacement of Certain Bonds

(a) Notwithstanding any provision of the Resolution to the contrary, upon the happening and continuance of an event of default specified in paragraph (a) under the caption "*Events of Defaults*" above resulting from a failure of an Applicable Participant to timely pay its Allocable Portion of the Applicable Series of Bonds pursuant to the Applicable Loan Agreement, or upon the happening and continuance of an event of default specified in paragraph (d) under the caption "*Events of Defaults*" above, then and in every such case, payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Defaulted Allocable Portion of the Applicable Series of Bonds (either by their terms, by acceleration of maturity or by the extraordinary mandatory redemption thereof) shall be limited solely to (i) the Revenues received or receivable by DASNY pursuant the defaulting Participant's Applicable Loan Agreement, including the such Participant's Pledged Revenues and other amounts derived from the exercise of any remedies under the Applicable Loan Agreement and the realization of any security or collateral granted by such defaulting Participant as security for its Applicable Loan, and (ii) moneys and securities on deposit in the Applicable Accounts of the funds authorized hereby and established pursuant to the Applicable Series Resolution for the payment of such defaulting Participant's Allocable Portion of the Applicable Series of Bonds (other than any Account in the Arbitrage Rebate Fund), and the Holders of such Defaulted Allocable Portion of the Applicable Series of Bonds shall have no right to any payments from any other Revenues or any other funds held by the Trustee hereunder for the payment of such Series of Bonds.

(b) Subject to paragraph (a) above, if at any time the moneys held by the Trustee in the funds and accounts under the Resolution and under an Applicable Series Resolution shall not be sufficient to pay the principal of and interest on the Bonds of a Series as the same become due and payable (either by their terms or by acceleration of maturity), such moneys together with any moneys then available or thereafter becoming available for such purpose, whether through exercise of the remedies provided for in the Resolution or otherwise, shall be applied (after payment of all amounts owing to the Trustee hereunder) as follows:

(i) Unless the principal of all the Bonds of a Series has become or been declared due and payable, all such moneys shall be applied:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due in the order of such maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to the difference in the respective rates of interest specified in such Bonds; or

SECOND: To the payment to the persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds of such Series which shall have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available shall not be sufficient to pay in full all of such Bonds due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(ii) If the principal of all of the Bonds of a Series or the principal of all of the Defaulted Allocable Portion of the Bonds of a Series shall have become or been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon such Bonds or Defaulted Allocable Portion of such Bonds, as the case may be, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond of such Series over any other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to the difference in the respective rates of interest specified in said Bonds.

These provisions summarized above are in all respects subject to the provisions of the Resolution.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of the Resolution summarized herein, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The setting aside of such moneys in trust for application in accordance with the provisions of this section shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to DASNY, to any Holder of Bonds of a Series or to any other person for any delay in applying any such moneys so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be on an interest payment date unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. The Trustee shall not be required to make payment to the Holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement.

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

(Section 11.05)

Bondholders' Direction of Proceedings.

Anything in the Resolution to the contrary notwithstanding, the Holders of (i) not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of a Series or the principal amount of the Defaulted Allocable Portion of the Outstanding Bonds of a Series, as applicable, in the case of an event of default specified in paragraphs (a), (c) or (d) under the caption "*Events of Default*" above, or (ii) a majority in principal amount of the Outstanding Bonds of a Series affected thereby, in the case of an event of default specified in paragraph (b) under the caption "*Events of Default*" above, shall have the right by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Resolution and under Applicable Series Resolution, provided, such direction shall not be otherwise than in accordance with law or the provisions of the Resolution and of Applicable Series Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

(Section 11.07)

Limitation of Rights of Individual Bondholders

No Holder of any of the Bonds of a Series shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution or under any Series Resolution, or for any other remedy under the Resolution unless such Holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of (i) not less than twenty five per centum (25%) in principal amount of the Outstanding Bonds of a Series, in the case of an event of default specified in paragraphs (a) or (c) under the caption "*Events of Default*" above, (ii) a majority in principal amount of the Outstanding Bonds of a Series, in the case of an event of default specified in paragraph (b) under the caption "Events of Default" above, or (iii) not less than twenty five per centum (25%) in principal amount of the Defaulted Allocable Portion of the Outstanding Bonds of a Series, in the case of an event of default specified in paragraph (d) under the caption "Events of Default" above, shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless, also there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are by the Resolution declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy under the Resolution and at equity and in law. It is understood and intended that no one or more Holders of the Bonds of a Series secured by the Resolution and by a Series Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or to enforce any right under the Resolution except in the manner provided in the Resolution, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Holders of the Outstanding Bonds of such Series. Notwithstanding any other provision of the Resolution, the Holder of any Bond of a Series shall have the right which is absolute and unconditional to receive payment of the principal of (or Redemption Price, if any) and interest on such Bond on the stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

(Section 11.08)

Defeasance

(a) If DASNY shall pay or cause to be paid to the Holders of the Bonds of a Series or any portion thereof the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, thereof and interest thereon, at the times and in the manner stipulated therein, in the Resolution, and in the Applicable Series Resolution and Applicable Bond Series Certificate, then the pledge of the Revenues or other moneys and securities pledged to such Series of Bonds or any portion thereof and all other rights granted by the Resolution to such Series of Bonds or any portion thereof shall be discharged and satisfied. In such event, the Trustee shall, upon the request of DASNY, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by DASNY, and all moneys or other securities held by it pursuant to the Resolution and to the Applicable Series Resolution which are not required for the payment or redemption of Bonds of such Series or any portion thereof not theretofore surrendered for such payment or redemption shall be paid or delivered by the Trustee as follows: *first*, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of DASNY; *second*, to each Applicable Facility Provider which has certified to the Trustee and DASNY that moneys advanced under a Reserve Fund Facility together with any interest thereon have not been repaid, pro rata, based upon the respective amounts certified by each such Applicable Facility Provider; *third*, to DASNY the amount certified by DASNY to be then due or past due pursuant to an Applicable Loan Agreement for fees and expenses of DASNY or pursuant to any indemnity; and, *fourth*, the balance thereof to the Applicable Participants, as directed in writing by DASNY. Such moneys or securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution, by the Applicable Series Resolution or by an Applicable Loan Agreement.

(b) Notwithstanding any provision of the Resolution to the contrary, if any Participant shall have prepaid its respective Loan pursuant to the Applicable Loan Agreement and in accordance therewith shall pay or cause to be paid its Allocable Portion of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest on the Applicable Series of Bonds or portions thereof at the times and in the manner stipulated therein, in the Resolution, and in the Applicable Series Resolution and the Applicable Bond Series Certificate, then the pledge of the Revenues or other moneys and securities pledged with respect to such Loan or any portion thereof and all other rights granted under the Applicable

Loan Agreement and any Mortgage or security interest relating thereto shall be discharged and satisfied; provided that the moneys used for such prepayment shall not constitute an avoidable transfer under Section 547 of the United States Bankruptcy Code, as amended, in the event of a bankruptcy by such Participant. Moneys derived from a refunding, borrowed from a third party financial institution or set aside by the Participant for such purpose in a segregated account for at least 124 days and not commingled with any other moneys of the Participant shall be deemed to be moneys that do not constitute an avoidable transfer under Section 547 of the Bankruptcy Code. In such event, the Trustee shall, upon the request of DASNY, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by the Participant and DASNY, and all moneys or other securities held by the Trustee pursuant to the Resolution and to the Applicable Series Resolution which are not required for the payment or redemption of the Participant's Allocable Portion of the Bonds of such Applicable Series to be defeased or any portion thereof not theretofore surrendered for such payment or redemption shall be paid or delivered by the Trustee as follows: *first*, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of DASNY; *second*, to each Applicable Facility Provider which has certified to the Trustee and DASNY that moneys advanced under a Reserve Fund Facility which constitutes any part of such Participant's Allocable Portion of the related Debt Service Reserve Fund, if any, together with any interest thereon, have not been repaid, pro rata, based upon the respective amounts certified by each such Applicable Facility Provider; *third*, to DASNY the amount certified by DASNY to be then due or past due pursuant to the Applicable Loan Agreement relating to the Applicable Loan to be prepaid for fees and expenses of DASNY or pursuant to any indemnity; and, *fourth*, the balance thereof to such Participant. Such securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution, by the Applicable Series Resolution or by the Applicable Loan Agreement.

(c) Bonds of a Series or any portion thereof for which moneys shall have been set aside and shall be held in trust by the Trustee for the payment or redemption thereof (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraphs (a) or (b) above. All Outstanding Bonds of a Series or portions thereof or any maturity within such Series or a portion of a maturity within such Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraphs (a) or (b) above if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, DASNY shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give as provided in the Resolution notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities, the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, any moneys or securities deposited pursuant to the provisions of this paragraph (c) shall be held by the Trustee in separate trust accounts established with respect to each Applicable Loan prepaid under the Resolution, (iii) the Trustee shall have received the consent to each deposit of each Applicable Facility Provider which has issued a Reserve Fund Facility which constitutes any part of such Participant's Allocable Portion of the related Debt Service Reserve Fund, if any, and which has given written notice to DASNY that amounts advanced thereunder or the interest thereon have not been paid to such Applicable Facility Provider, and (iv) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, DASNY shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of such Bonds at their respective last known addresses, if any, appearing on the registration books, and, if directed by an Authorized Officer of DASNY, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds that the deposit required by (ii) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this paragraph (c) and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds. DASNY shall give written notice to the Trustee of its selection of the maturity for which payment shall be made in accordance with the Resolution. The Trustee shall select which Bonds of such Series and which maturity thereof shall be paid in accordance with the Resolution in the manner provided therein. Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to the Resolution nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds; *provided, however*, that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on such Bonds on and prior to such redemption date or maturity date thereof, as the case may be; *provided, further*, that money and Defeasance Securities may be withdrawn and used by DASNY for any purpose upon (i) the simultaneous substitution therefor of either money in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide money which without regard to reinvestment, together with the money, if any, held by or deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (ii) receipt by the Trustee of a letter or other written report of a firm of independent certified public accountants verifying the accuracy of the arithmetical computations which establish the adequacy of such money and Defeasance Securities for such purpose. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amount required hereinabove to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: *first*, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of DASNY; *second*, to each Applicable Facility Provider who has certified to the Trustee and DASNY that moneys advanced under a Reserve Fund Facility issued by it which constitutes any part of such Participant's Allocable Portion of the related Debt Service Reserve Fund, if any, together with any interest thereon, have not been repaid, pro rata, based upon the respective amounts certified by each such Facility Provider; *third*, to DASNY the amount certified by DASNY to be then due or past due pursuant to the Applicable Loan Agreement for fees and expenses of DASNY or pursuant to any indemnity; and, *fourth*, the balance thereof to the Applicable Participants, and any such moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Applicable Loan Agreement.

(d) Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or Paying Agent in trust for the payment and discharge of any of the Bonds of a Series which remain unclaimed for two (2) years after the date when such moneys become due and payable, upon such Bonds either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after said date when such Bonds become due and payable, shall at the written request of DASNY, be repaid by the Trustee or Paying Agent to DASNY as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Holders of Bonds of such Series shall look only to DASNY for the payment of such Bonds; *provided, however*, that, before being required to make any such payment to DASNY, the Trustee or Paying Agent may, at the expense of DASNY, cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than forty (40) nor more than ninety (90) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to DASNY.

(Section 12.01)

APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT

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AGREEMENT TO PROVIDE CONTINUING DISCLOSURE

**DORMITORY AUTHORITY OF THE STATE OF NEW YORK
INTERAGENCY COUNCIL POOLED LOAN PROGRAM REVENUE BONDS,
SERIES 2020A**

PARTICIPANT: [Participant]

This **AGREEMENT TO PROVIDE CONTINUING DISCLOSURE** (the "Disclosure Agreement"), dated as of April 28, 2020 is executed and delivered by the Participant identified above (the "Obligated Person"), The Bank of New York Mellon, as Trustee (the "Trustee") and Digital Assurance Certification, L.L.C. ("DAC"), as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) issued by the Dormitory Authority of the State of New York (the "Issuer" or "DASNY") and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the parties hereto through use of the DAC system and are not intended to constitute "advice" within the meaning of the United States Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). DAC is not obligated hereunder to provide any advice or recommendation to the Obligated Person or anyone on the Obligated Person's behalf regarding the "issuance of municipal securities" or any "municipal financial product" as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Resolution (hereinafter defined). The capitalized terms shall have the following meanings:

"Annual Filing Date" means the date, set in Sections 2(a) and 2(f) of this Disclosure Agreement, by which the Annual Report is to be filed with the MSRB.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"Annual Report" means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

"Audited Financial Statements" means the financial statements (if any) of the Obligated Person for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Bonds" means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure required to be or voluntarily submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Obligated Person and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Dissemination Agent" means Digital Assurance Certification, L.L.C., acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Obligated Person pursuant to Section 9 hereof.

"Disclosure Representative" means the chief financial officer of the Obligated Person or his or her designee, or such other person as the Obligated Person shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"Failure to File Event" means the Obligated Person's failure to file an Annual Report on or before the Annual Filing Date.

"Financial Obligation" means a (i) a debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Force Majeure Event" means: (i) acts of God, war or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access System maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

"Holder" means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

"Information" means collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

"Issuer" means the Dormitory Authority of the State of New York, as conduit issuer of the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the United States Securities Exchange Act of 1934, as amended.

"Notice Event" means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

"Obligated Person" means any person who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

"Official Statement" means that Official Statement prepared by the Issuer and the Obligated Person in connection with the Bonds, as listed on Exhibit A.

"Program Facilitator" means the InterAgency Council of Developmental Disabilities Agencies, Inc.

"Resolution" means DASNY's bond resolution(s) pursuant to which the Bonds were issued.

"Trustee" means The Bank of New York Mellon and its successors and assigns.

"Voluntary Event Disclosure" means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

"Voluntary Financial Disclosure" means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. 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 [_], 2020 such date and each anniversary thereof, the "Annual Filing Date." Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide the Annual Report to the MSRB through its Electronic Municipal Market Access ("EMMA") System for municipal securities disclosures. The Annual Financial Information and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail), with a copy to the Program Facilitator, to remind the Obligated Person of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Obligated Person shall, not later than two (2) business days prior to the Annual Filing Date, either: (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Financial Information, Audited Financial Statements, if available, and unaudited financial statements, if Audited Financial Statements are not available in accordance with subsection (d) below and the Certification, or (ii) instruct the Disclosure Dissemination Agent in writing, with a copy to the Trustee, that a Failure to File Event may occur, state the date by which the Annual Financial Information and Audited Financial Statements for such year are expected to be provided, and, at the election of the Obligated Person, instruct the Disclosure Dissemination Agent to send a notice to the MSRB in substantially the form attached as Exhibit B on the Annual Filing Date, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Obligated Person hereby irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Obligated Person are prepared but not available prior to the Annual Filing Date, the Obligated Person shall provide unaudited financial statements for filing prior to the Annual Filing Date in accordance with Section 3(b) hereof and, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy for the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

(i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Section 2(a) and 2(b) with the MSRB;

(iii)upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;

(iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:

1. Principal and interest payment delinquencies;
2. Non-Payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, IRS notices or events affecting the tax-exempt status of the securities;
7. Modifications to rights of securities holders, if material;
8. Bond calls, if material;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities, if material;
11. Ratings changes;
12. Tender offers;
13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;
14. Merger, consolidation, or acquisition of the Obligated Person, if material;
15. Appointment of a successor or additional trustee, or the change of name of a trustee, if material;

16. Incurrence of a Financial Obligation, if material; and

17. Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation reflecting financial difficulties.

(v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as "Failure to provide annual financial information as required" when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;

(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Obligated Person pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. "amendment to continuing disclosure undertaking;"

2. "change in obligated person;"

3. "notice to investors pursuant to bond documents;"

4. "certain communications from the Internal Revenue Service;"

5. "secondary market purchases;"

6. "bid for auction rate or other securities;"

7. "capital or other financing plan;"

8. "litigation/enforcement action;"

9. "change of tender agent, remarketing agent, or other on-going party;"

10. "derivative or other similar transaction;" and

11. "other event-based disclosures;"

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Obligated Person pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. “quarterly/monthly financial information;”

2. “change in fiscal year/timing of annual disclosure;”

3. “change in accounting standard;”

4. “interim/additional financial information/operating data;”

5. “budget;”

6. “investment/debt/financial policy;”

7. “information provided to rating agency, credit/liquidity provider or other third party;”

8. “consultant reports;” and

9. “other financial/operating data;”

(viii) provide the Obligated Person and the Program Facilitator evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Obligated Person may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, the Trustee and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

Each Annual Report shall contain:

(a) Annual Financial Information with respect to the Obligated Person which shall contain the information set forth in Exhibit D hereto, together with a narrative explanation as may be necessary to avoid misunderstanding regarding the presentation of such Annual Financial Information concerning the Obligated Person; and

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles ("GAAP") or alternate accounting principles as described in the Official Statement will be included in the Annual Report. If Audited Financial Statements are not available, the Obligated Person shall be in compliance under this Disclosure Agreement if unaudited financial statements, prepared in accordance with GAAP or alternate accounting principles as described in the Official Statement, are included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Obligated Person is an "obligated person" (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or are available from the MSRB Internet Website. If the document incorporated by reference is a Final Official Statement, it must be available from the MSRB. The Obligated Person will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information shall include an explanation, in narrative form, of such modifications.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices and determinations with respect to the tax status of the 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;

15. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

16. Incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material; and

17. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

The Obligated Person shall, in a timely manner not in excess of ten business days after its occurrence, notify the Trustee, the Program Facilitator and the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Upon actual knowledge of the occurrence of a Notice Event, the Trustee shall promptly notify the Obligated Person and also shall notify the Disclosure Dissemination Agent in writing of the occurrence of such Notice Event. Each such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the desired text of the disclosure, the written authorization for the Disclosure Dissemination Agent to disseminate such information, and identify the desired date for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Obligated Person or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Obligated Person or the Disclosure Representative, such notified party will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Obligated Person determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Obligated Person desires to make, contain the written authorization of the Obligated Person for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed as prescribed in subsection (a) or as prescribed in subsection (b) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with 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 the Obligated Person is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or to file any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Person from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Section 7, or including any other information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement. If the Obligated Person chooses to include any information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement or to file Voluntary Event Disclosure or Voluntary Financial Disclosure, the Obligated Person shall have no obligation under this Disclosure Agreement to update such information or include it in any future

Annual Report, Voluntary Financial Disclosure, Voluntary Event Disclosure, Failure to File Event Notice or Notice Event notice.

SECTION 8. Termination of Reporting Obligation.

The obligations of the Obligated Person and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Obligated Person is no longer an Obligated Person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent.

The Obligated Person hereby appoints DAC as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Obligated Person may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Obligated Person or DAC, the Obligated Person agrees to appoint a successor Disclosure Dissemination Agent or, alternatively, agrees to assume all responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Obligated Person shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Obligated Person.

SECTION 10. Remedies in Event of Default.

In the event of a failure of the Obligated Person or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Obligated Person has provided such information to the Disclosure Dissemination Agent as provided in this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information, or any other information, disclosures or notices provided to it by the Obligated Person and shall not be deemed to be acting in any fiduciary capacity for the Obligated Person, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Obligated Person's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine or liability for failing to determine whether the Obligated Person has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Obligated Person at all times.

THE OBLIGATED PERSON AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT AND THE TRUSTEE AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITY WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LOSSES, EXPENSES AND LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AND THE TRUSTEE'S (AND ITS OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS') NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Obligated Person under this Section shall survive 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 it shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by the Obligated Person.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format through the EMMA System and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. <u>No Issuer or Trustee Responsibility</u>.

The Obligated Person and the Disclosure Dissemination Agent acknowledge that neither the Issuer nor the Trustee have undertaken any responsibility, and shall not be required to undertake any responsibility, with respect to any reports, notices or disclosures required by or provided pursuant to this Disclosure Agreement (other than, with respect to the Trustee only, those notices required under Section 4 hereof) and shall have no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures (other than, with respect to the Trustee only, those notices required under Section 4 hereof). DASNY (as conduit issuer) is not, for purposes of and within the meaning of the Rule, (i) committed by contract or other arrangement to support payment of all, or part of, the obligations on the Bonds, or (ii) a person for whom annual financial information and notices of material events will be provided. The Trustee shall be indemnified and held harmless in connection with this Disclosure Agreement to the same extent provided in the Resolution for matters arising thereunder.

SECTION 13. Amendment; Waiver.

Notwithstanding any other provision of this Disclosure Agreement, the Obligated Person, the Trustee and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to each of the Obligated Person, the Trustee and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided none of the Obligated Person, the Trustee or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Obligated Person, the Trustee and the Disclosure Dissemination Agent shall have the right to amend this Disclosure Agreement for any of the following purposes:

(i) to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time;

(ii) to add or change a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(iii) to evidence the succession of another person to the Obligated Person or the Trustee and the assumption by any such successor of the covenants of the Obligated Person or the Trustee hereunder;

(iv) to add to the covenants of the Obligated Person or the Disclosure Dissemination Agent for the benefit of the Holders, or to surrender any right or power herein conferred upon the Obligated Person or the Disclosure Dissemination Agent; and

(v) for any purpose for which, and subject to the conditions pursuant to which, amendments may be made under the Rule, as amended or modified from time to time, or any formal authoritative interpretations thereof by the Securities and Exchange Commission.

SECTION 14. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the Obligated Person, the Trustee, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Governing Law.

This Disclosure Agreement shall be governed by the laws of the State of New York (without regard to its conflicts of laws provisions).

SECTION 16. Counterparts.

This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[remainder of page intentionally left blank]

The Disclosure Dissemination Agent, the Trustee and the Obligated Person have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Disclosure Dissemination Agent

By:______________________________________
Name:____________________________________
Title:_____________________________________

[PARTICIPANT],
Obligated Person

By:______________________________________
Name:____________________________________
Title:_____________________________________

THE BANK OF NEW YORK MELLON,
as Trustee

By: ______________________________________
Name: ____________________________________
Title: _____________________________________

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer:	Dormitory Authority of the State of New York
Obligated Person(s):	[Participant]
Name of Bond Issue:	InterAgency Council Pooled Loan Program Revenue Bonds, Series 2020A
Date of Issuance:	April 28, 2020
Date of Official Statement:	April 16, 2020

Maturity	CUSIP No.
July 1, 2021	64990G B68
July 1, 2022	64990G B76
July 1, 2023	64990G B84
July 1, 2024	64990G B92
July 1, 2025	64990G C26
July 1, 2026	64990G C34
July 1, 2027	64990G C42
July 1, 2028	64990G C59
July 1, 2029	64990G C67
July 1, 2030	64990G C75
July 1, 2035	64990G C83
July 1, 2040	64990G C91
July 1, 2045	64990G D25
July 1, 2045	64990G D41

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 2020A
Date of Issuance:	April 28, 2020

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 April 28, 2020, by and among the Obligated Person, The Bank of New York Mellon, as Trustee, and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Obligated Person has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____________[if known].

Dated:______________________________

Digital Assurance Certification, L.L.C., as
Disclosure Dissemination Agent, on behalf of the
Obligated Person

____

cc: Obligated Person
Program Facilitator

EXHIBIT C-1
EVENT NOTICE COVER SHEET

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and Obligated Person's Names:

____

Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

____

Number of pages attached: _____

Description of Notice Events (Check One):

1.______"Principal and interest payment delinquencies;"
2.______"Non-Payment related defaults, if material;"
3.______"Unscheduled draws on debt service reserves reflecting financial difficulties;"
4.______"Unscheduled draws on credit enhancements reflecting financial difficulties;"
5.______"Substitution of credit or liquidity providers, or their failure to perform;"
6.______"Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7.______"Modifications to rights of securities holders, if material;"
8.______"Bond calls, if material;"
9.______"Defeasances;"
10._____"Release, substitution, or sale of property securing repayment of the securities, if material;"
11._____"Rating changes;"
12._____"Tender offers;"
13._____"Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14._____"Merger, consolidation, or acquisition of the obligated person, if material;" and
15._____"Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"
16.____"Incurrence of a Financial Obligation of the obligated person, if material;"
17.____"Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the obligated preson reflecting financial difficulties."

____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the obligated person or its agent to distribute this information publicly:

Signature:

____

Name: ____________________________________ Title: ____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Continuing Disclosure Agreement dated as of ____________ by and among the Obligated Person, the Trustee and DAC.

Issuer's and Obligated Person's Names:

____

Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

____

Number of pages attached: _____

Description of Voluntary Event Disclosure (Check One):

1.______"amendment to continuing disclosure undertaking;"
2.______"change in obligated person;"
3.______"notice to investors pursuant to bond documents;"
4.______"certain communications from the Internal Revenue Service;"
5.______"secondary market purchases;"
6.______"bid for auction rate or other securities;"
7.______"capital or other financing plan;"
8.______"litigation/enforcement action;"
9.______"change of tender agent, remarketing agent, or other on-going party;"
10._____"derivative or other similar transaction;" and
11._____"other event-based disclosures."

I hereby represent that I am authorized by the obligated person or its agent to distribute this information publicly:

Signature:

____

Name: ____________________________________ Title: ____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB, pursuant to the Continuing Disclosure Agreement dated as of ____________ by and among the Obligated Person, the Trustee and DAC.

Issuer's and Obligated Person's Names:

____

Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

____

Number of pages attached: _____

Description of Voluntary Financial Disclosure (Check One):

1.______"quarterly/monthly financial information;"
2.______"change in fiscal year/timing of annual disclosure;"
3.______"change in accounting standard;"
4.______"interim/additional financial information/operating data;"
5.______"budget;"
6.______"investment/debt/financial policy;"
7.______"information provided to rating agency, credit/liquidity provider or other third party;"
8.______"consultant reports;" and
9.______"other financial/operating data."

I hereby represent that I am authorized by the obligated person or its agent to distribute this information publicly:

Signature:

____

Name: ______________________________________Title: ______________________________________

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT D
FORM OF ANNUAL FINANCIAL INFORMATION

Name of Issuer:	Dormitory Authority of the State of New York
Obligated Person(s):	[Participant]
Name of Bond Issue:	InterAgency Council Pooled Loan Program Revenue Bonds, Series 2020A
Date of Issuance:	April 28, 2020
Date of Official Statement:	April 16, 2020
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

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 2020A Bonds, Barclay Damon LLP, Albany, New York, Co-Bond Counsel to DASNY, proposes to issue its legal opinion in substantially the following form:

[__________], 2020

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 $19,860,000 aggregate principal amount of InterAgency Council Pooled Loan Program Revenue Bonds, Series 2020A (the "Series 2020A Bonds"), consisting of $18,840,000 Subseries 2020A-1 Bonds and $1,020,000 Subseries 2020A-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 2020A Bonds are issued under and pursuant to the Act and the InterAgency Council Pooled Loan Program Revenue Bond Resolution of DASNY adopted March 31, 2010, as supplemented (the "Resolution") and DASNY's Series 2020A Resolution Authorizing Up To $29,000,000 InterAgency Council Pooled Loan Program Revenue Bonds, Series 2020A adopted March 4, 2020 (the "Series 2020A Resolution" and, together with the Resolution, the "Resolutions"). The Series 2020A Bonds are being issued for the purposes set forth in the Resolutions.

DASNY has entered into separate Loan Agreements with each of Eden II School for Autistic Children, Inc., Family Residences and Essential Enterprises, Inc., Services for the Developmentally Challenged Inc., Unique People Services, Inc. and Young Adult Institute, Inc. (collectively, the "Series 2020A Participants"), each dated as of March 4, 2020 (collectively, the "Loan Agreements"), providing, among other things, for loans to the Series 2020A Participants from the proceeds of the Series 2020A 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 2020A Bonds thereunder.

(2) The Resolution has been duly and lawfully adopted by DASNY. The Series 2020A 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 2020A 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 2020A 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 2020A 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 2020A Bonds are not a debt of the State of New York, and the State of New York is not liable thereon. The Series 2020A Bonds are not payable out of the funds of DASNY other than those pledged for the payment of the Series 2020A 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 2020A Participants, constitute legal, valid and binding obligations of DASNY enforceable in accordance with their terms.

(6) Under existing law, interest on the Subseries 2020A-1 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and interest on the Subseries 2020A-1 Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed under the Code.

In rendering the opinions set forth in paragraph (6) above, we have relied upon certain representations, certifications of fact, and statements of reasonable expectations made by DASNY, each of the Series 2020A Participants, as applicable, and others, and we have assumed compliance by DASNY and each of the Series 2020A Participants, as applicable, with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Subseries 2020A-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 2020A Participants, or of the failure by DASNY or the Series 2020A Participants to comply with any such covenant, the interest on the Subseries 2020A-1 Bonds could become includable in gross income for federal income tax purposes retroactive to the date of original execution and delivery of such Subseries 2020A-1 Bonds, regardless of the date on which the event causing such inclusion occurs. In addition, we have relied on the opinion of counsel to the Series 2020A Participants regarding, among other matters, the current status of the Series 2020A Participants as organizations described in Section 501(c)(3) of the Code. Further, although the interest on the Subseries 2020A-1 Bonds is excluded 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 2020A-1 Bond. The tax effect of receipt or accrual of the interest will depend upon the tax status of a holder of a Subseries 2020A-1 Bond and such holder's other items of income, deduction or credit. We express no opinion with respect to any such effect.

(7) Interest on the Subseries 2020A-2 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code.

(8) Under existing statutes, interest on the Series 2020A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivisions thereof (including The City of New York and the City of Yonkers).

We express no opinion regarding any other federal, state or local tax consequences with respect to the Series 2020A Bonds except as stated in paragraphs (6), (7) and (8). Our opinion speaks as of the date hereof and does not contain or provide any opinion or assurance regarding the future activities of DASNY, any Series 2020A Participant or about the effect of future changes in the Code, the applicable regulations, rulings, judicial decisions, the interpretation thereof or the enforcement thereof by the Internal Revenue Service. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, the exclusion of interest on the Subseries 2020A-1 Bonds from gross income for federal income tax purposes.

We have examined a fully executed Subseries 2020A-1 Bond and a fully executed Subseries 2020A-2 Bond and, in our opinion, the form of said Series 2020A 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 2020A 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 2020A 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:

[__________], 2020

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 $19,860,000 aggregate principal amount of InterAgency Council Pooled Loan Program Revenue Bonds, Series 2020A (the "Series 2020A Bonds"), consisting of $18,840,000 Subseries 2020A-1 Bonds and $1,020,000 Subseries 2020A-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 2020A Bonds are issued under and pursuant to the Act and the InterAgency Council Pooled Loan Program Revenue Bond Resolution of DASNY adopted March 31, 2010, as supplemented (the "Resolution") and DASNY's Series 2020A Resolution Authorizing Up To $29,000,000 InterAgency Council Pooled Loan Program Revenue Bonds, Series 2020A adopted March 4, 2020 (the "Series 2020A Resolution" and, together with the Resolution, the "Resolutions"). The Series 2020A Bonds are being issued for the purposes set forth in the Resolutions.

DASNY has entered into separate Loan Agreements with each of Eden II School for Autistic Children, Inc., Family Residences and Essential Enterprises, Inc., Services for the Developmentally Challenged Inc., Unique People Services, Inc. and Young Adult Institute, Inc. (collectively, the "Series 2020A Participants"), each dated as of March 4, 2020 (collectively, the "Loan Agreements"), providing, among other things, for loans to the Series 2020A Participants from the proceeds of the Series 2020A 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 2020A Bonds thereunder.

(2) The Resolution has been duly and lawfully adopted by DASNY. The Series 2020A 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 2020A 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 2020A 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 2020A 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 2020A Bonds are not a debt of the State of New York, and the State of New York is not liable thereon. The Series 2020A Bonds are not payable out of the funds of DASNY other than those pledged for the payment of the Series 2020A 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 2020A Participants, constitute legal, valid and binding obligations of DASNY enforceable in accordance with their terms.

We have examined a fully executed Subseries 2020A-1 Bond and a fully executed Subseries 2020A-2 Bond and, in our opinion, the form of said Series 2020A 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 2020A 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 2020A

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