NEW ISSUE – BOOK-ENTRY ONLY

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

DASNY

DAC Bond®

$26,900,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
INTERAGENCY COUNCIL POOLED LOAN PROGRAM
REVENUE BONDS, SERIES 2019A

Consisting of:

$25,885,000 Subseries 2019A-1 | **$1,015,000 Subseries 2019A-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 2019A consisting of Subseries 2019A-1 (the "Subseries 2019A-1 Bonds") and Subseries 2019A-2 (Federally Taxable) (the "Subseries 2019A-2 Bonds;" and together with the Subseries 2019A-1 Bonds, the "Series 2019 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 2019 Bonds are payable solely from and secured by a pledge of the Revenues (described below) and the funds and accounts (other than the Arbitrage Rebate Fund) authorized by DASNY's InterAgency Council Pooled Loan Program Revenue Bond Resolution adopted on March 31, 2010 (the "Resolution") and established with respect to the Series 2019 Bonds by the Series 2019A Resolution Authorizing Up To $31,000,000 InterAgency Council Pooled Loan Program Revenue Bonds, Series 2019A, adopted March 6, 2019 (the "Series 2019 Resolution"), including a Debt Service Reserve Fund.

The Revenues pledged to the payment of the Series 2019 Bonds are comprised of certain payments to be made under separate Loan Agreements dated as of March 6, 2019 (each a "Series 2019 Loan Agreement"), between DASNY and each of the following members of the InterAgency Council of Developmental Disabilities Agencies, Inc., each of which is a New York State not-for-profit corporation: Developmental Disabilities Institute, Inc., Eden II School for Autistic Children, Inc., Mercy Home for Children, Inc., Services for the Underserved, Inc. and SUS-Developmental Disabilities Services, Inc. (which shall be considered a single Series 2019 Participant), United Cerebral Palsy of New York City, Inc. d/b/a ADAPT Community Network and Young Adult Institute, Inc. (each a "Series 2019 Participant" and collectively, the "Series 2019 Participants").

Each Series 2019 Loan Agreement is a general obligation of the respective Series 2019 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 2019 Bonds corresponding to such Series 2019 Participant's proportionate share of the proceeds of the Series 2019 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 2019 Loan Agreements are several and not joint obligations of the Series 2019 Participants. Each of the Series 2019 Participant's obligations under its respective Series 2019 Loan Agreement will be secured by a security interest in certain revenues of such Series 2019 Participant granted to DASNY and pledged and assigned to the Trustee.

A DEFAULT BY ANY ONE OR MORE OF THE SERIES 2019 PARTICIPANTS UNDER THEIR RESPECTIVE Series 2019 LOAN AGREEMENTS MAY RESULT IN A DEFAULT UNDER THE RESOLUTION AND THE SERIES 2019 ReSOLUTION WITH RESPECT TO SUCH SERIES 2019 PARTICIPANT'S ALLOCABLE PORTION OF THE SERIES 2019 BONDS; HOWEVER, ANY LIABILITY WITH RESPECT TO SUCH DEFAULT IS LIMITED SOLELY TO THE SERIES 2019 PARTICIPANT OR SERIES 2019 PARTICIPANTS THAT ARE IN DEFAULT, WITHOUT RIGHT OF CONTRIBUTION FROM THE NON-DEFAULTING SERIES 2019 PARTICIPANTS. ANY SUCH DEFAULT, HOWEVER, COULD RESULT IN A DEFAULT IN PAYMENT OF THE Series 2019 BONDS.

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

The Series 2019 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 2019 Bonds. Purchases of beneficial ownership interests in the Series 2019 Bonds may be made only through the DTC book-entry system. Beneficial Owners (as defined herein) of the Series 2019 Bonds will not receive certificates representing their interests in the Series 2019 Bonds. See "PART 3 - THE SERIES 2019 BONDS – Book-Entry-Only System" herein.

Redemption and Purchase in Lieu of Redemption: The Series 2019 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 the certain covenants described herein and the accuracy and completeness of certain representations, certifications of fact and statements of reasonable expectations by DASNY, the Series 2019 Participants, as applicable, and others, interest on the Subseries 2019A-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 2019A-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 2019A-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 2019 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 2019 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 2019 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 2019 Bonds in definitive form in Albany, New York on or about April 10, 2019.

MUNICIPAL CAPITAL MARKETS GROUP, INC.

March 21, 2019

$26,900,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
INTERAGENCY COUNCIL POOLED LOAN PROGRAM
REVENUE BONDS, SERIES 2019A

Consisting of:

$25,885,000 Subseries 2019A-1

Consisting of:

$8,245,000 Serial Bonds

Maturing July 1	Principal Amount	Coupon	Yield	CUSIP[(1)]
2020	$ 275,000	4.00%	1.75%	64990G KN1
2021	255,000	4.00	1.80	64990G KP6
2022	835,000	4.00	2.00	64990G KQ4
2023	890,000	4.00	2.10	64990G KR2
2024	920,000	4.00	2.20	64990G KS0
2025	950,000	4.00	2.25	64990G KT8
2026	965,000	4.00	2.35	64990G KU5
2027	1,035,000	2.45	2.45†	64990G KV3
2028	1,055,000	2.55	2.55†	64990G KW1
2029	1,065,000	2.60	2.60†	64990G KX9

$5,550,000 3.125% Term Bond due July 1, 2034 to Yield 3.25%† CUSIP[(1)] 64990G KY7
$6,160,000 3.375% Term Bond due July 1, 2039 to Yield 3.549%† CUSIP[(1)] 64990G KZ4
$5,930,000 3.500% Term Bond due July 1, 2044 to Yield 3.600% † CUSIP[(1)] 64990G LA8

$1,015,000
Subseries 2019A-2
(Federally Taxable)

$1,015,000 2.84% Term Bond due July 1, 2021 to Yield 2.84% CUSIP[(1)] 64990G LB6

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† Yield calculated to first optional redemption date of July 1, 2026.

No dealer, broker, salesman or other person has been authorized by DASNY, the Series 2019 Participants or the Underwriter to give any information or to make any representations with respect to the Series 2019 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 2019 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 2019 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 2019 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 2019 Participants or the Program Facilitator, (2) the sufficiency of the security for the Series 2019 Bonds, or (3) the value or the investment quality of the Series 2019 Bonds.

Each Series 2019 Participant has reviewed the portions of this Official Statement describing such Series 2019 Participant, its Series 2019 Facilities, its Mortgages, if any, its Collateral Assignment of Leases, if any, its Co-op Security Documents, if any, including "PART 1 – INTRODUCTION" (but solely with respect to the headings "The Series 2019 Participants," "Additional Security – Pledged Revenues and Standby Intercepts," "The Mortgages," "Collateral Assignment of Leases" and "Co-op Security Documents"), "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS – Security for the Series 2019 Bonds - Pledged Revenues – Intercept Funds," " – Security for the Series 2019 Bonds – Mortgages," " – Security for the Series 2019 Bonds – Collateral Assignment of Leases" and " – Security for the Series 2019 Bonds – Co-op Security Documents," "PART 3 – THE SERIES 2019 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2019 Bonds," "PART 4 - THE SERIES 2019 PARTICIPANTS," "PART 5 - SOURCES OF SERIES 2019 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 2019 Bonds that each Series 2019 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 2019 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 2019 PARTICIPANT REVENUE" and "PART 11 - BONDHOLDERS' RISKS." It is a condition to the sale and delivery of the Series 2019 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 2019 Resolution and the Series 2019 Loan Agreements do not purport to be complete. Refer to the Act, the Resolution, the Series 2019 Resolution and the Series 2019 Loan Agreements for full and complete details of their provisions. Copies of the Resolution, the Series 2019 Resolution and the Series 2019 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 2019 Participants have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2019 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2019 BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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DORMITORY AUTHORITY - STATE OF NEW YORK | 515 BROADWAY, ALBANY, N.Y. 12207
GERRARD P. BUSHELL – PRESIDENT | ALFONSO L. CARNEY, JR. – CHAIR

OFFICIAL STATEMENT
relating to
$26,900,000
INTERAGENCY COUNCIL POOLED LOAN PROGRAM
REVENUE BONDS, SERIES 2019A
Consisting of:

$25,885,000 Subseries 2019A-1 **$1,015,000 Subseries 2019A-2 (Federally Taxable)**

PART 1 - INTRODUCTION

Purpose of Official Statement

The purpose of this Official Statement, which includes the cover page, the inside cover page and the appendices hereto, is to provide information about the Dormitory Authority of the State of New York ("DASNY"), Developmental Disabilities Institute, Inc. ("DDI"), Eden II School for Autistic Children, Inc. ("Eden II"), Mercy Home for Children, Inc. ("Mercy Home"), Services for the Underserved, Inc. and SUS-Developmental Disabilities Services, Inc. (which shall be considered a single Series 2019 Participant) (collectively "SUS"), United Cerebral Palsy of New York City, Inc. ("UCP") d/b/a ADAPT Community Network and Young Adult Institute, Inc. ("YAI")(collectively, the "Series 2019 Participants") in connection with the offering by DASNY of its $26,900,000 aggregate principal amount of InterAgency Council Pooled Loan Program Revenue Bonds, Series 2019A, consisting of $25,885,000 Subseries 2019A-1 Bonds and $1,015,000 Subseries 2019A-2 Bonds (Federally Taxable) (collectively, the "Series 2019 Bonds").

The following is a brief description of certain information concerning the Series 2019 Bonds, DASNY and the Series 2019 Participants. A more complete description of such information and additional information that may affect decisions to invest in the Series 2019 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 2019 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 2019 Facilities") of the Series 2019 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 2019 Facilities, (ii) making a deposit to each account of the Debt Service Reserve Fund securing the Series 2019 Bonds (the "Series 2019 Debt Service Reserve Fund") in an amount equal to the aggregate of each Series 2019 Participant's Allocable Portion of the Series 2019 Debt Service Reserve Fund Requirement (defined herein), and (iii) paying certain costs of issuance of the Series 2019 Bonds. The respective Loan Agreements entered into with DASNY by the Series 2019 Participants (the "Series 2019 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 2019 Bonds as the same become due. See "PART 6 – ESTIMATED SOURCES AND USES OF FUNDS." For a description of the Series 2019 Facilities being financed or refinanced with proceeds of the Series 2019 Bonds, see "Appendix A - Description of Series 2019 Participants."

Authorization of Issuance

The Act authorizes DASNY, among other things, to issue its bonds for the purpose of financing or refinancing the costs of the acquisition, construction, reconstruction, renovation, development, improvement, expansion and equipping of certain educational, administrative, day program, residential, and other attendant and related facilities of the not-for-profit members (each a "Participant") of the InterAgency Council of Developmental Disabilities Agencies, Inc., which members include the Series 2019 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 2019 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 2019 Bonds will be issued pursuant to the Act, the Resolution and the Series 2019 Resolution. The term "Resolutions" shall mean the Resolution and the Series 2019 Resolution. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2019 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 2019 Participants) that conduct business throughout the State, but primarily in The City of New York metropolitan area. See "PART 4 - THE SERIES 2019 PARTICIPANTS."

The Series 2019 Participants

Each of the Series 2019 Participants is a not-for-profit corporation organized and existing under the laws of the State. See "PART 4 - THE SERIES 2019 PARTICIPANTS," "PART 5 - SOURCES OF SERIES 2019 PARTICIPANT REVENUE," "Appendix A - Description of Series 2019 Participants," "Appendix B - Audited Financial Statements of Series 2019 Participants," and "Appendix C - Unaudited Financial Information of Series 2019 Participants."

Upon delivery of the Series 2019 Bonds, the Series 2019 Participants will receive loans from DASNY from the proceeds thereof in the following principal amounts, representing each Series 2019 Participant's Allocable Portion of each Subseries of the Series 2019 Bonds:

Series 2019 Participant	**Subseries 2019A-1**	**Subseries 2019A-2**	**Total**
Developmental Disabilities Institute, Inc.	$6,485,000	$235,000	$6,720,000
Eden II School for Autistic Children, Inc.	1,610,000	65,000	1,675,000
Mercy Home for Children, Inc.	2,955,000	130,000	3,085,000
Services for the Underserved, Inc. and SUS-Developmental Disabilities Services, Inc.	3,160,000	125,000	3,285,000
United Cerebral Palsy of New York City, Inc.	5,315,000	240,000	5,555,000
Young Adult Institute, Inc.	6,360,000	220,000	6,580,000

No Series 2019 Participant is responsible for the payment obligations of any other Series 2019 Participant. If a Series 2019 Participant fails to pay amounts due under its Series 2019 Loan Agreement in respect of its Allocable Portion of the Series 2019 Bonds, DASNY's sole remedy will be against the defaulting Series 2019 Participant and no other Series 2019 Participant.

See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2019 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 2019 BONDS - Redemption Provisions - Extraordinary Mandatory Redemption."

The Series 2019 Bonds

The Series 2019 Bonds are dated their date of delivery and bear interest from such date (payable July 1, 2019, 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 2019 BONDS - Description of the Series 2019 Bonds."

Payment of the Series 2019 Bonds

The Series 2019 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 2019 Participants pursuant to their respective Series 2019 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 2019 Bonds. The Revenues are pledged and assigned to the Trustee.

Pursuant to its Series 2019 Loan Agreement, each Series 2019 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 2019 Bonds, in each case corresponding to the proceeds of each maturity of each Subseries of the Series 2019 Bonds loaned to it by DASNY. The obligation of each Series 2019 Participant to make payments under its Series 2019 Loan Agreement constitutes a general obligation of such Series 2019 Participant. The payment obligations of the Series 2019 Participants under their respective Series 2019 Loan Agreements are several, not joint, and are not cross-collateralized with the obligations of any other Series 2019 Participant. For the purposes of a Series

2019 Loan Agreement delivered by more than one entity, such payment obligations are joint and several with respect to the entities comprising such Series 2019 Participant. For a listing of each Series 2019 Participant's Allocable Portion of the principal and Sinking Fund Installments of and interest on the Series 2019 Bonds, see "PART 3 – THE SERIES 2019 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2019 Bonds."

Security for the Series 2019 Bonds

The Series 2019 Bonds will be secured by the pledge and assignment to the Trustee of the Revenues, the proceeds from the sale of the Series 2019 Bonds (until disbursed as provided by the Resolution) and all funds and accounts authorized by the Resolution and established by the Series 2019 Resolution (with the exception of the Arbitrage Rebate Fund), including the Series 2019 Debt Service Reserve Fund, which will be funded at its requirement upon issuance of the Series 2019 Bonds with proceeds of the Series 2019 Bonds. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS - Security for the Series 2019 Bonds."

The Series 2019 Bonds are separately secured from all other Series of Bonds. The Holders of any Series of Bonds other than the Series 2019 Bonds are not entitled to the rights, benefits and security conferred upon the Holders of the Series 2019 Bonds.

The Series 2019 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 2019 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 2019 Participants to DASNY pursuant to its Series 2019 Loan Agreement, subject to Prior Pledges. Certain of the Series 2019 Participants have previously pledged their Public Funds (a portion of which consists of the Pledged Revenues) to DASNY, an industrial development agency or a bank or other financial institution as security for the respective obligations of such Series 2019 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 2019 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 2019 Loan Agreement. The pledge of the Pledged Revenues granted by each such Series 2019 Participant is subject and subordinate to such Prior Pledges in all respects. See "PART 4 - THE SERIES 2019 PARTICIPANTS" and "Appendix A - Description of Series 2019 Participants" for a description of each of the Series 2019 Participants, including their respective Prior Pledges of their respective Pledged Revenues.

Pledged Revenues are all of a Series 2019 Participant's Public Funds attributable to its Series 2019 Facilities. In the case of each Series 2019 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 2019 Participant's Series 2019 Facility or Facilities.

With the exception of renovation costs for certain of UCP's Series 2019 Facilities, as further described in Appendix A, OPWDD has pre-approved pursuant to separate Prior Property Approvals (each a "PPA") each Series 2019 Facility for reimbursement of amounts calculated to be approximately sufficient to pay the principal and interest costs incurred by the related Series 2019 Participant in connection with its financing or refinancing of the acquisition, renovation and furnishing, as applicable, of such Series 2019 Facility, in each case subject to annual appropriation by the State Legislature and so long as such Series 2019 Participant operates the applicable Series 2019 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 2019 Participant, it is expected that the amounts received by such Series 2019 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 2019 Bonds for such Series 2019 Facility; any difference between the two amounts is expected to be covered by the Pledged Revenues of such Series 2019 Participant expected to be received for operating and administrative expenses associated with such Series 2019 Facility. With respect to renovation costs for certain of UCP's Series 2019 Facilities that are not supported by a PPA, UCP expects to pay such non-PPA supported portion of its principal and interest on its Allocable Portion of the Series 2019 Bonds from Public Funds paid by OPWDD and from its general operating revenues. See "PART 5 - SOURCES OF SERIES 2019 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities." For a description of the Series 2019 Facilities or portions thereof not supported by a PPA, see the description of UCP in Appendix A.

The Pledged Revenues will be paid directly to each Series 2019 Participant and may be disposed of by such Series 2019 Participant for any of its corporate purposes. However, pursuant to the Act, the respective Series 2019 Loan Agreements, and separate agreements entered into by DASNY, each Series 2019 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 2019 Participant pursuant to its PPA or PPAs (the "Intercept Funds"), directly to DASNY or the Trustee for application to the payment of such Series 2019 Participant's Allocable Portion of the Outstanding Series 2019 Bonds.

Pledged Revenues of one Series 2019 Participant will not be available to satisfy the obligations of any other Series 2019 Participant. For the purposes of a Series 2019 Loan Agreement delivered by more than one entity, the Pledged Revenues of such Series 2019 Participant shall refer to the Pledged Revenues with respect to any and all entities comprising such Series 2019 Participant. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS - Security for the Series 2019 Bonds - Pledged Revenues - Intercept Funds" and "- Standby Intercepts." See also, "Appendix A - Description of Series 2019 Participants," "Appendix E-1 - Summary of Certain Provisions of the Series 2019 Loan Agreements (other than the Series 2019 Loan Agreement of UCP)" and "Appendix E-2 - Summary of Certain Provisions of the Series 2019 Loan Agreement of UCP."

The ability of each Series 2019 Participant to satisfy its payment obligations under its Loan Agreement with respect to its Allocable Portion of the Series 2019 Bonds and DASNY's ability to realize upon its security interests in the Pledged Revenues of each Series 2019 Participant are largely dependent upon the continued operation by each Series 2019 Participant of its Series 2019 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 2019 Participant and its ability to continue to generate sufficient revenues to support all of its facilities, including its Series 2019 Facilities, (ii) the continued compliance by the Series 2019 Participant with State and local operational standards with respect to its Series 2019 Facilities, and (iii) the continued commitment of Public Funds to support the programs and facilities operated by the Series 2019 Participant, particularly with respect to its Series 2019 Facilities, including continued appropriations by the State in amounts sufficient for OPWDD to make payments to the Series 2019 Participant pursuant to its PPA or PPAs. For a more detailed discussion of risk factors affecting the ability of the Series 2019 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 2019 Bonds, see "PART 11 - BONDHOLDERS' RISKS." See also, "PART 5 - SOURCES OF SERIES 2019 PARTICIPANT REVENUE."

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

A failure by a Series 2019 Participant to timely pay its obligations under its Series 2019 Loan Agreement might result in an event of default under the Resolutions if either (a) such Series 2019 Participant's loan is accelerated in accordance with the provisions of its Series 2019 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 2019 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 2019 Bonds that corresponds to a principal installment on the defaulting Series 2019 Participant's loan under the terms of its Series 2019 Loan Agreement (referred to as the "Defaulted Allocable Portion"). The funds available for the payment of a Defaulted Allocable Portion of the Series 2019 Bonds are limited by the Resolution to only those Revenues payable by or on behalf of such defaulting Series 2019 Participant pursuant to its Series 2019 Loan Agreement, funds on deposit with the Trustee attributable to such Series 2019 Participant and amounts recovered upon the realization on any collateral granted to DASNY as security for such Series 2019 Participant's obligations under its Series 2019 Loan Agreement and pledged to the payment of the Series 2019 Bonds.

After the application of all such amounts to the payment of the Defaulted Allocable Portion of the Series 2019 Bonds following the acceleration or extraordinary mandatory redemption thereof in accordance with the Resolutions, such Defaulted Allocable Portion of the Series 2019 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 2019 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 2019 BONDS - Redemption Provisions - Extraordinary Mandatory Redemption."

NO SERIES 2019 PARTICIPANT IS RESPONSIBLE FOR THE PAYMENT OBLIGATIONS OF ANY OTHER SERIES 2019 PARTICIPANT. IF A SERIES 2019 PARTICIPANT FAILS TO PAY AMOUNTS DUE UNDER ITS SERIES 2019 LOAN AGREEMENT IN RESPECT OF ITS ALLOCABLE PORTION OF THE SERIES 2019 BONDS, DASNY'S SOLE REMEDY WILL BE AGAINST THE DEFAULTING SERIES 2019 PARTICIPANT AND NO OTHER SERIES 2019 PARTICIPANT. FOR THE PURPOSES OF A SERIES 2019 LOAN AGREEMENT DELIVERED BY MORE THAN ONE ENTITY, THE PAYMENT OBLIGATIONS OF SUCH SERIES 2019 PARTICIPANT ARE JOINT AND SEVERAL ONLY WITH RESPECT TO THE ENTITIES COMPRISING SUCH SERIES 2019 PARTICIPANT.

The Mortgages

In the event that a Series 2019 Participant owns its Series 2019 Facilities (except with respect to UCP Co-op Facilities (as defined in "Co-op Security Documents" below), each Series 2019 Participant's obligations under its Series 2019 Loan Agreement will be additionally secured by one or more mortgages (each a "Mortgage"; collectively, the "Mortgages") from such Series 2019 Participant to DASNY, granting a mortgage lien on its Series 2019 Facilities, and by a security interest in the fixtures, furniture and equipment financed with the proceeds of the Series 2019 Bonds located therein or used in connection therewith, such liens and security interests subject to applicable Permitted Encumbrances. In the case of Mercy Home, it will grant to DASNY a mortgage lien and security interest on only one of its two Series 2019 Facilities. In the case of SUS, it will grant to DASNY a mortgage lien and security interest on only one of its three Series 2019 Facilities. In the case of YAI, it will grant to DASNY a mortgage lien and security interest on only four of its five Series 2019 Facilities. In the case of UCP, it will grant to DASNY a mortgage lien and security interest on its five Series 2019 Facilities that are not UCP Co-op

Facilities; UCP will not grant a mortgage lien and security interest to DASNY on the UCP Co-op Facilities.

The Mortgages do not presently provide any security for the Series 2019 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 2019 Loan Agreement provides that DASNY, without the consent of the Trustee or the Holders of the applicable Series 2019 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 2019 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 2019 BONDS - Security for the Series 2019 Bonds - Mortgages.”

With respect to (i) Mercy Home’s Series 2019 Facility located at 1370 Union Street, Brooklyn, New York, (ii) SUS’s Series 2019 Facilities located at 185-24 80th Road, Queens, New York and 244-04 Northern Boulevard, Queens, New York, and (iii) YAI’s Series 2019 Facility located at 2000 Flatbush Avenue, Brooklyn, New York (such Series 2019 Facilities are collectively referred to as the “Series 2019 Leased Facilities”) and the UCP Co-op Facilities, the respective Series 2019 Participants will not grant a mortgage lien and security interest to DASNY on such Series 2019 Facilities. With respect to the Series 2019 Leased Facilities, such Series 2019 Participant’s obligations under its Series 2019 Loan Agreement with respect to its Series 2019 Leased Facilities will not be secured by any mortgage or real property security interest. With respect to the UCP Co-op Facilities, such Series 2019 Participant’s obligations under its Series 2019 Loan Agreement with respect to the UCP Co-op Facilities will not be secured by any mortgage, but will be secured by the Co-op Security Documents (as defined and described in “Co-op Security Documents” below). See “PART 11—BONDHOLDERS’ RISKS—Specific Risks Related to the Series 2019 Leased Facilities” for a discussion of why there are no mortgages on the Series 2019 Leased Facilities. See “Co-op Security Documents” below for a brief description of the UCP Co-op Facilities and a discussion of security documents to be delivered in lieu of a mortgage for the UCP Co-op Facilities.

See “Appendix A - Description of Series 2019 Participants” for a description of which Series 2019 Participants (a) own or lease and (b) will grant mortgages (and the nature of such mortgages) on their respective Series 2019 Facilities.

Collateral Assignment of Leases

Mercy Home leases the Series 2019 Facility located at 1370 Union Street, Brooklyn, New York, SUS leases the Series 2019 Facilities located at 185-24 80th Road, Queens, New York and 244-04 Northern Boulevard, Queens, New York, and YAI leases the Series 2019 Facility located at 2000 Flatbush Avenue, Brooklyn, New York. In order for each of Mercy Home, SUS and YAI to secure its obligations under its respective Series 2019 Loan Agreement, each such Series 2019 Participant will collaterally assign to DASNY pursuant to a Collateral Assignment of Leases its right, title and interest (but not its obligations) in the lease or leases for its Series 2019 Facility or Series 2019 Facilities set forth above. The landlord under each such lease has consented to such collateral assignment.

Co-op Security Documents

Certain of UCP’s Series 2019 Facilities (each a “UCP Co-op Facility”) are located at 2075 Wallace Avenue, Bronx, New York, 2077 Wallace Avenue, Bronx, New York, 2079 Wallace Avenue, Bronx, New York, 2081 Wallace Avenue, Bronx, New York (collectively, the “Wallace Properties”), 3636 Greystone Avenue, Bronx, New York (the “Greystone Property”) and 2191 Bolton Street, Bronx, New York (the "Bolton Property" and together with the Wallace Properties and the Greystone Property, the "Co-op Corporation Properties"). The Wallace Properties, the Greystone Property and the Wallace Property are each owned by a separate corporation (each a "Co-op Corporation"). UCP is the sole owner of the shares in the respective Co-op Corporation applicable to the respective UCP Co-op Facility represented by stock certificates issued to UCP (each "Stock"). Each UCP Co-op Facility is leased to UCP, as tenant, from the respective Co-Op Corporation, as landlord, pursuant to a proprietary lease for such UCP Co-op Facility (each a "Proprietary Lease"). In order for UCP to secure its obligations under its Series 2019 Loan Agreement with respect to its interest in the UCP Co-op Facilities, UCP will grant DASNY a security interest pursuant to a Cooperative Interest Security Agreement ("Security Agreement") in (a) the shares of the Co-Op Corporation represented by the Stock issued to UCP and (b) each Proprietary Lease. In addition to delivering the original fully executed Proprietary Lease for each UCP Co-op Facility and the original Stock, UCP shall also deliver to DASNY a blank Stock Power for the shares owned by UCP in each Co-op Corporation, a blank assignment of each Proprietary Lease, a Recognition Agreement and shall cause a UCC-1 Financing Statement with Cooperative Addendum to be properly filed (all of the foregoing together with the Security Agreement, collectively, the "Co-op Security Documents"). Such Co-op Security Documents, together with the Intercept Agreement, reflect typical documentation of a security interest in a cooperative unit, and are generally permitted by each Proprietary Lease.

PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2019 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 2019 Resolution and the Series 2019 Loan Agreements, copies of which are on file with DASNY and the Trustee. See also "Appendix E-1 - Summary of Certain Provisions of the Series 2019 Loan Agreements (other than the Series 2019 Loan Agreement of UCP)," "Appendix E-2 - Summary of Certain Provisions of the Series 2019 Loan Agreement of UCP" 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 2019 Bonds

The Series 2019 Bonds are special, limited obligations of DASNY. The principal, Sinking Fund Installments, and Redemption Price of and interest on the Series 2019 Bonds are payable solely from the Revenues. With respect to the Series 2019 Participants, the Revenues consist of the aggregate of the payments required to be made by each of the Series 2019 Participants under its respective Series 2019 Loan Agreement on account of such Series 2019 Participant's Allocable Portion of (i) the principal, Sinking Fund Installments, and Redemption Price of and interest due on the Series 2019 Bonds, and (ii) the Series 2019 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 2019 Bonds. The aggregate of payments due and payable to DASNY under all of the Series 2019 Loan Agreements will be sufficient to pay (i) the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2019 Bonds when due, (ii) amounts necessary to maintain the Series 2019 Debt Service Reserve Fund at its required level, and (iii) the annual fees of DASNY and the Trustee.

Each Series 2019 Loan Agreement is a general obligation of the respective Series 2019 Participant, pursuant to which such Series 2019 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 2019 Bonds as reflected in the debt service table set forth in "PART 3 – THE SERIES 2019 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2019 Bonds." The payment obligations of the Series 2019 Participants with respect to their respective Allocable Portions of the Series 2019 Bonds are several, not joint. For the purposes of a Series 2019 Loan Agreement delivered by more than one entity, the payment obligations for a Series 2019 Participant shall be joint and several with respect to the entities comprising such Series 2019 Participant. Each Series 2019 Participant is obligated to repay only its Allocable Portion of the Series 2019 Bonds. Each Series 2019 Participant's payments under its respective Series 2019 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 2019 Bonds.

Payments under each of the Series 2019 Loan Agreements are to be made monthly on the 10th day of each month. Each payment under the Series 2019 Loan Agreements is to be equal to one-sixth of the respective Series 2019 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 2019 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2019 Bonds." Each of the Series 2019 Loan Agreements also obligates the respective Series 2019 Participant to pay, at least 45 days prior to a redemption date of Series 2019 Bonds called for redemption, its Allocable Portion of the amount, if any, required to pay the Redemption Price of such Series 2019 Bonds. See "PART 3 – THE SERIES 2019 BONDS – Redemption Provisions."

Security for the Series 2019 Bonds

General

The Series 2019 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 2019 Participants" for a description of each of the Series 2019 Participants, including their respective Prior Pledges of their respective Pledged Revenues.

The Series 2019 Bonds will also be secured by the proceeds from the sale of such Series 2019 Bonds (until disbursed as provided in the Resolutions) and all funds and accounts authorized by the Resolution and established by the Series 2019 Resolution (with the exception of the Arbitrage Rebate Fund), including the Series 2019 Debt Service Reserve Fund.

Pursuant to the terms of the Resolution, the Series 2019 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 2019 Loan Agreements, each Series 2019 Participant has pledged and assigned to DASNY its Pledged Revenues in an amount sufficient to satisfy its payment obligations under its Series 2019 Loan Agreement, subject to any Prior Pledges. With respect to each Series 2019 Participant, the Pledged Revenues are all Public Funds attributable to its respective Series 2019 Facilities. Public Funds are all moneys payable to a Series 2019 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 renovation costs for certain of UCP's Series 2019 Facilities, as further described in Appendix A, all of the Series 2019 Facilities are supported by an OPWDD PPA, which the applicable Series 2019 Participant has received. These PPAs represent OPWDD's pre-approval of the applicable Series 2019 Facilities for reimbursement of certain amounts approximately sufficient to pay the annual principal and interest costs incurred by the related Series 2019 Participant in connection with its financing or refinancing of the acquisition, renovation and furnishing, as applicable, of such Series 2019 Facility, in each case subject to annual appropriation by the State Legislature and so long as such Series 2019 Participant operates the applicable Series 2019 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 2019 Participant that the amounts received by such Series 2019 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 2019 Bonds related to such Series 2019 Facilities; any difference between the two amounts is expected to be covered by the Pledged Revenues of such Series 2019 Participant expected to be received for operating and administrative expenses associated with such Series 2019 Facility. With respect to the renovation costs for certain of UCP's Series 2019 Facilities that are not supported by a PPA, UCP expects to pay such non-PPA supported portions of its principal and interest on its Allocable Portion of the Series 2019 Bonds from Public Funds paid by OPWDD and from its general operating revenues. See "PART 5 - SOURCES OF SERIES 2019 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities." Certain of the Series 2019 Facilities may also be supported by additional OPWDD PPAs, but such other OPWDD PPAs were issued with respect to other projects at such Series 2019 Facilities and not those being financed with the Series 2019 Bonds and, therefore, payments under such other PPAs do not constitute Pledged Revenues.

Standby Intercepts

The Act and each Series 2019 Loan Agreement authorize an intercept mechanism whereby public entities responsible for the payment of Pledged Revenues are authorized and required to pay a Series 2019 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 2019 Loan Agreement, until the occurrence of an event with respect to a Series 2019 Participant described in clause (a) or (b) below, a Series 2019 Participant's Pledged Revenues subject to such an intercept will be paid directly to such Series 2019 Participant and will be available to be applied towards any of its corporate purposes. However, pursuant to the respective Series 2019 Loan Agreements and the respective Intercept Agreements, upon the occurrence of (a) an event of default under a Series 2019 Participant's Series 2019 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 2019 Participant's Series 2019 Loan Agreement, or (b) a drawing of funds from the Series 2019 Debt Service Reserve Fund for the benefit of such Series 2019 Participant that has not been repaid by such Series 2019 Participant as required by its Series 2019 Loan Agreement and the Resolutions, DASNY may, in addition to all other remedies available pursuant to such Series 2019 Participant's Series 2019 Loan Agreement, cause such Series 2019 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 2019 Participant pursuant to its Series 2019 Loan Agreement. See "PART 5 - SOURCES OF SERIES 2019 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities." Intercepted Pledged Revenues of one Series 2019 Participant will not be available to satisfy the payment obligations of any other Series 2019 Participant.

There can be no assurance that the amount of any Series 2019 Participant's intercepted Pledged Revenues will be sufficient to satisfy such Series 2019 Participant's payment obligations with respect to its Allocable Portion of the Series 2019 Bonds. In the event that amounts received upon the intercept of a Series 2019 Participant's Pledged Revenues are insufficient to pay all of a Series 2019 Participant's Allocable Portion of the principal of and interest on the Series 2019 Bonds when due, such amounts received will be applied pro rata to such Series 2019 Participant's Allocable Portion of each Subseries of the Series 2019 Bonds.

The ability of each Series 2019 Participant to satisfy its payment obligations under its Series 2019 Loan Agreement with respect to its Allocable Portion of the Series 2019 Bonds and DASNY's ability to realize upon its security interests in the Series 2019 Participant's Pledged Revenues are largely dependent upon the continued operation by the Series 2019 Participant of its Series 2019 Facilities, which may be adversely affected by a number of risk factors. Such risk factors, which may affect the Series 2019 Participants differently, include, but are not limited to, (i) the financial condition of the Series 2019 Participant and its ability to continue to generate sufficient revenues to support all of its facilities, including its Series 2019 Facilities, (ii) the continued compliance by the Series 2019 Participant with State and local operational standards with respect to its Series 2019 Facilities, (iii) the continued commitment of Public Funds to support the programs and facilities operated by the Series 2019 Participant, particularly with respect to the Series 2019 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 2019 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 2019 Participants to pay amounts owed under their respective Series 2019 Loan Agreements, as well as other risk factors affecting payment on the Series 2019 Bonds, see "PART 11 - BONDHOLDERS' RISKS." See also "PART 5 - SOURCES OF SERIES 2019 PARTICIPANT REVENUE" and "Appendix A - Descriptions of the Series 2019 Participants," which includes for each Series 2019 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 2019 Resolution establishes, the Series 2019 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 2019 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 2019 Bonds (the "Series 2019 Debt Service Reserve Fund Requirement").

Proceeds of the Series 2019 Bonds will be deposited in separate accounts established in the Series 2019 Debt Service Reserve Fund for each Series 2019 Participant in amounts equal to the respective Series 2019 Participant's Allocable Portion of the Series 2019 Debt Service Reserve Fund Requirement. If, on the fourth Business Day preceding an interest payment date for the Series 2019 Bonds, the amount on deposit in the account established for a Series 2019 Participant in the Debt Service Fund is less than the amount necessary to pay such Series 2019 Participant's Allocable Portion of the principal or Sinking Fund Installments of and interest on the Outstanding Series 2019 Bonds payable on such interest payment date, the Trustee is required to transfer moneys from the applicable account of the Series 2019 Debt Service Reserve Fund to the corresponding account of the Debt Service Fund in an amount sufficient to provide for such payment. Each Series 2019 Loan Agreement requires the respective Series 2019 Participant to restore in full any amount withdrawn from the Series 2019 Debt Service Reserve Fund for its benefit within five days after receiving notice of a withdrawal. Each Series 2019 Loan Agreement also requires the respective Series 2019 Participant to restore in full its Allocable Portion of the Series 2019 Debt Service Reserve Fund Requirement within five days after receiving notice of a deficiency in the Series 2019 Debt Service Reserve Fund resulting from a devaluation of the investments held therein. Each Series 2019 Participant is responsible for only its Allocable Portion of the Series 2019 Debt Service Reserve Fund Requirement. Any money in the Series 2019 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 2019 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 2019 Debt Service Reserve Fund Requirement or any Series 2019 Participant's Allocable Portion thereof. See "Appendix F - Summary of Certain Provisions of the Resolutions."

Mortgages and Co-op Security Documents

In the event that a Series 2019 Participant owns its Series 2019 Facilities (except with respect to the UCP Co-op Facilities), such Series 2019 Participant's obligations under its Series 2019 Loan Agreement will be additionally secured by its Mortgage granting to DASNY a mortgage lien on its Series 2019 Facilities, and by a security interest granted to DASNY in the fixtures, furniture and equipment financed with the proceeds of the Series 2019 Bonds now or hereafter located on the mortgaged property, such mortgage liens and security interests subject to applicable Permitted Encumbrances. In the case of Mercy Home, it will grant to DASNY a mortgage lien and security interest on only one of its two Series 2019 Facilities. In the case of SUS, it will grant to DASNY a mortgage lien and security interest on only one of its three Series 2019 Facilities. In the case of YAI, it will grant to DASNY a mortgage lien and security interest on only four of its five Series 2019 Facilities. In the case of UCP, it will grant to DASNY a mortgage lien and security interest on its five Series 2019 Facilities that are not UCP Co-op Facilities; UCP will not grant a mortgage lien and security interest to DASNY on the UCP Co-op Facilities. See "Appendix A - Description of Series 2019 Participants" for a description of the Series 2019 Facilities that are owned by a Series 2019 Participant and subject to its Mortgage and for a description of the Series 2019 Leased Facilities and UCP Co-op Facilities.

UCP's obligations under its Series 2019 Loan Agreement will be additionally secured in favor of DASNY by the Co-op Security Documents with respect to the UCP Co-op Facilities. See "PART 1—INTRODUCTION—Co-op Security Documents" and "Appendix A—Description of Series 2019 Participants" for a further description of the UCP Co-op Facilities and the Co-op Security Documents.

See "PART 11—BONDHOLDERS' RISKS—Specific Risks Related to the Series 2019 Leased Facilities" for a discussion of why there are no mortgages on the Series 2019 Leased Facilities.

DASNY may, but has no present intention to, assign all or a portion of any of the Mortgages or any of the Co-op Security Documents or such security interests to the Trustee. Upon (a) a withdrawal from an applicable account of the Series 2019 Debt Service Reserve Fund that has not been restored by the respective Series 2019 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 2019 Participant's Series 2019 Loan Agreement and the acceleration of the loan thereunder, DASNY is required to assign such Series 2019 Participant's Mortgage or Co-op Security Documents and the related security interest in the fixtures, furnishings and equipment financed with the proceeds of the Series 2019 Bonds to the Trustee for the benefit of the Holders of such Series 2019 Participant's Allocable Portion of the Outstanding Series 2019 Bonds. Unless a Mortgage or any of the Co-op Security Documents is assigned to the Trustee, none of the Mortgages, the Co-op Security Documents 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 2019 Bonds. **Each Mortgage or Co-op Security Documents secures only the obligations of the Series 2019 Participant granting the Mortgage or Co-op Security Documents, and, in the event of a default by a Series 2019 Participant that may lead to the assignment of its Mortgage or its Co-op Security Documents, only the Mortgage or Co-op Security Documents of that defaulting Series 2019 Participant may be assigned**.

Prior to any assignment of a Mortgage or any Co-op Security Documents to the Trustee, each Series 2019 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 2019 Bonds, may (a) consent to the amendment, modification, termination, subordination or satisfaction of such Mortgage or Co-op Security Documents and of any related security interest in furniture, fixtures or equipment financed with the proceeds of the Series 2019 Bonds located in or on or used in connection with the property subject to the Mortgage or Co-op Security Documents, and (b) release the property subject to such Mortgage or Co-op Security Documents or security interest from the liens thereof. Each Series 2019 Participant may incur debt secured on parity with, or subordinate to, the lien of its Mortgage and/or its Co-op Security Documents , 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 or Co-op Security Documents are subject to Permitted Encumbrances. The lien of and security interest in each Series 2019 Participant's owned Series 2019 Facility(ies) as described in its Mortgage may also be limited by certain other factors. The lien of and security interest of UCP in the UCP Co-op Facilities as described in the Co-op Security Documents may also be limited by certain other factors. See "PART 11- BONDHOLDERS' RISKS" and "Appendix A – Description of Series 2019 Participants."

Collateral Assignment of Leases

In order to secure its obligations under its respective Series 2019 Loan Agreement, each of Mercy Home, SUS and YAI will collaterally assign to DASNY pursuant to a Collateral Assignment of Leases its right, title and interest (but not its obligations) in its respective lease or leases for its Series 2019 Leased Facility or Series 2019 Leased Facilities. The landlord under each such lease has consented to such collateral assignment.

Events of Default

Events of Default

The Resolutions provide that events of default thereunder constitute events of default with respect to the Series 2019 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 2019 Bonds of any Subseries; *provided, however,* if the failure to make any such payment is caused by a failure of a Series 2019 Participant to timely pay its Allocable Portion of the principal, Sinking Fund Installments or Redemption Price of or interest on the Series 2019 Bonds pursuant to the terms of its Series 2019 Loan Agreement, then it shall be an event of default under the Resolutions only with respect to the Defaulted Allocable Portion of the Series 2019 Bonds Outstanding, as identified by the Trustee using the method for selection of Bonds upon an extraordinary mandatory redemption thereof as set forth in the Resolution;

(ii) DASNY shall default in the due and punctual performance of its tax covenants contained in the Resolutions with the result that the interest on the Subseries 2019A-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 2019 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 2019 Bonds); or

(iv) an event of default under a Series 2019 Loan Agreement shall have occurred and is continuing and, as a result thereof, all sums payable by a Series 2019 Participant under such Series 2019 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 2019 Loan Agreement shall constitute an event of default under the Resolutions only with respect to the Defaulted Allocable Portion of the Series 2019 Bonds.

With respect to an event of default affecting only the Defaulted Allocable Portion of the Series 2019 Bonds and not any other portion of the Series 2019 Bonds, the Trustee will determine such Defaulted Allocable Portion in the manner described in "PART 3 - THE SERIES 2019 BONDS - Redemption Provisions - Extraordinary Mandatory Redemption."

The Series 2019 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 2019 Bonds, an event of default by a Series 2019 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 2019 Participant's Series 2019 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 2019 Participant's failure to timely pay its Allocable Portion of the Series 2019 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 2019 Bonds, by a notice in writing to DASNY, declare the principal of and interest on all of the Outstanding Series 2019 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 2019 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 2019 Participant to timely pay its Allocable Portion of the Series 2019 Bonds pursuant to its Series 2019 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 2019 Bonds then Outstanding declare the principal of and interest on the Defaulted Allocable Portion of the Series 2019 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 2019 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 2019 Bonds, the Holders of not less than 25% in principal amount of the Outstanding Series 2019 Bonds or 25% in principal amount of Defaulted Allocable Portion of the Series 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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 2019 Participant's Series 2019 Loan Agreement, including such Series 2019 Participant's Pledged Revenues and other amounts derived from the exercise of any remedies under such Series 2019 Loan Agreement and the realization of any security or collateral granted by such defaulting Series 2019 Participant as security for its loan, and (ii) the moneys and securities on deposit in only those accounts established pursuant to the Series 2019 Resolution for the payment of such defaulting Series 2019 Participant's Allocable Portion of the Series 2019 Bonds. Holders of a Defaulted Allocable Portion of the Series 2019 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 2019 Participant for the payment of the Series 2019 Bonds or any other security pledged by such other non-defaulting Series 2019 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 2019 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 2019 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 2019 Bonds on a pro rata basis in accordance with the Resolution, (i) the remaining Defaulted Allocable Portion of the Series 2019 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 2019 Bonds shall be deemed to have been discharged and satisfied, and (iii) the Holders of the Defaulted Allocable Portion of the Series 2019 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 2019 Bonds. Upon such payment and/or cancellation of a Defaulted Allocable Portion of the Outstanding Series 2019 Bonds, DASNY shall execute and the Trustee shall authenticate a new Series 2019 Bond or Series 2019 Bonds in a principal amount equal to the Outstanding principal amount of the Series 2019 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 2019 Bonds of less than all of the principal of and interest on a Defaulted Allocable Portion of the Series 2019 Bonds then Outstanding following an acceleration or extraordinary mandatory redemption of such Defaulted Allocable Portion of the Series 2019 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 2019 Bonds under the Resolutions.

General

The Series 2019 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 2019 BONDS

Set forth below is a narrative description of certain provisions relating to the Series 2019 Bonds. These provisions have been summarized, and this description does not purport to be complete. Reference should be made to the Resolution, the Series 2019 Resolution and the Series 2019 Loan Agreements, copies of which are on file with DASNY and the Trustee. See also "Appendix E-1 - Summary of Certain Provisions of the Series 2019 Loan Agreements (other than the Series 2019 Loan Agreement of UCP)," "Appendix E-2 - Summary of Certain Provisions of the Series 2019 Loan Agreement of UCP" and "Appendix F - Summary of Certain Provisions of the Resolutions" for a more complete description of certain provisions of the Series 2019 Bonds.

General

The Series 2019 Bonds will be issued pursuant to the Resolutions. The Series 2019 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 2019 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 2019 Bonds, payments of principal, Sinking Fund Installments, Redemption Price and interest on the Series 2019 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 2019 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 2019 Bonds, the Series 2019 Bonds will be exchangeable for fully registered Series 2019 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 2019 Bonds

The Series 2019 Bonds will be dated their date of delivery and will bear interest from such date (payable on July 1, 2019, 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 2019 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 2019 Bonds may be exchanged for other Series 2019 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 2019A-1 Bonds maturing on or after July 1, 2027 are subject to redemption, on or after July 1, 2026, as a whole or in part at any time at the option of DASNY, at a Redemption Price of par, plus accrued interest to the redemption date.

The Subseries 2019A-2 Bonds are not subject to optional redemption.

Extraordinary Mandatory Redemption

Each Defaulted Allocable Portion of the Series 2019 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 2019 Participant as security for its loan upon an acceleration of such loan under its Series 2019 Loan Agreement. The Series 2019 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 2019 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 2019 Bonds on the redemption date less the amount of accrued interest to be paid on such Defaulted Allocable Portion of the Series 2019 Bonds on such date, by (B) the principal amount of the Defaulted Allocable Portion of the Series 2019 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 2019 Bonds to be redeemed based upon the schedule of amortization of the defaulting Series 2019 Participant's loan which has been accelerated. All Series 2019 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 2019 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 2019 Bond by the total principal scheduled to be paid in the year of maturity of such Series 2019 Bond on all loans made with the proceeds of the Series 2019 Bonds, including the defaulted loan.

The particular Series 2019 Bonds of each affected maturity to be redeemed will be selected in the manner described below under "- Selection of Series 2019 Bonds to be Redeemed."

Special Redemption

The Series 2019 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 2019 Facility of such Series 2019 Participant, (b) from unexpended proceeds of the Series 2019 Bonds upon abandonment of all or a portion of a Series 2019 Facility due to a legal or regulatory impediment and (c) the proceeds of the sale of a Series 2019 Facility.

Mandatory Sinking Fund Redemption

The Subseries 2019A-1 Bonds maturing on July 1, 2034, July 1, 2039 and July 1, 2044 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 2019A-1 Bonds specified for each such year below:

Subseries 2019A-1 Bonds Maturing July 1, 2034		**Subseries 2019A-1 Bonds Maturing July 1, 2039**		**Subseries 2019A-1 Bonds Maturing July 1, 2044**	
Year	Sinking Fund Installment	Year	Sinking Fund Installment	Year	Sinking Fund Installment
2030	$1,035,000	2035	$1,225,000	2040	$1,105,000
2031	1,090,000	2036	1,250,000	2041	1,150,000
2032	1,100,000	2037	1,310,000	2042	1,180,000
2033	1,130,000	2038	1,235,000	2043	1,225,000
2034†	1,195,000	2039†	1,140,000	2044†	1,270,000

†Final maturity.

The Subseries 2019A-2 Bonds maturing on July 1, 2021 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 2019A-2 Bonds specified for each such year below:

Subseries 2019A-2 Bonds Maturing July 1, 2021	
Year	Sinking Fund Installment
2020	$475,000
2021†	540,000

†Final maturity.

The Series 2019 Participants may elect to have the Series 2019 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 2019 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 2019 Bonds of the Subseries and maturity so purchased will be reduced for such year.

Selection of Series 2019 Bonds to be Redeemed

In the case of redemptions of Subseries 2019A-1 Bonds described above under " - Optional Redemption," DASNY will select the maturities of the Allocable Portion of the Subseries 2019A-1 Bonds to be redeemed. In the case of redemption of Series 2019 Bonds described above under " - Special Redemption," Series 2019 Bonds will be redeemed to the extent practicable pro rata among maturities of the Allocable Portion of the Series 2019 Bonds, but only in integral multiples of $5,000 within each maturity. If less than all of the Series 2019 Bonds of a maturity are to be redeemed (pursuant to an optional, special, extraordinary mandatory or mandatory sinking fund redemption), the Series 2019 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 2019 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 2019 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 2019 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 2019 Bond to be redeemed to receive notice of redemption thereof will not affect the validity of the proceedings for the redemption of such Series 2019 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 2019 Bonds.

If, on the redemption date, moneys for the redemption of the Series 2019 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 2019 Bonds of such Subseries and maturity will cease to accrue from and after the redemption date and such Series 2019 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 2019 Bonds, see "Appendix F - Summary of Certain Provisions of the Resolutions."

Purchase in Lieu of Optional Redemption

The Subseries 2019A-1 Bonds maturing on or after July 1, 2027 are also subject to purchase prior to maturity, at the election of DASNY, on or after July 1, 2026, in any order, in whole or in part at any time, at the 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 2019A-1 Bonds to be so purchased.

Notice of Purchase and its Effect

Notice of the purchase of Subseries 2019A-1 Bonds will be given by DASNY in the name of one or more of the Series 2019 Participants to the registered owners of the Subseries 2019A-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 2019A-1 Bonds to be purchased are required to be tendered on the applicable Purchase Date to the Trustee. Subseries 2019A-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 2019A-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 2019A-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 2019A-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 2019A-1 Bonds to be purchased, the former registered owners of such Subseries 2019A-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 2019A-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 2019A-1 Bonds in accordance with their terms.

In the event not all of the Outstanding Subseries 2019A-1 Bonds of a maturity are to be purchased, the Subseries 2019A-1 Bonds of such maturity to be purchased will be selected by lot in the same manner as Subseries 2019A-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 2019 Bonds. The Series 2019 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 2019 Bond certificate will be issued for each maturity of the respective Subseries of Series 2019 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 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2019 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 2019 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 2019 Bonds, except in the event that use of the book-entry system for the Series 2019 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019 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 2019 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 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2019 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 2019 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 2019 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 2019 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 2019 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 2019 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2019 Bonds, giving any notice permitted or required to be given to registered owners under the Resolutions, registering the transfer of the Series 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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 2019 Bonds may thereafter be exchanged for an equal aggregate principal amount of Series 2019 Bonds in any other authorized denominations and of the same Subseries and maturity as set forth in the Resolution, upon surrender thereof at the principal corporate trust office of the Trustee, who will then be responsible for maintaining the registration books of DASNY.

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

Principal, Sinking Fund Installment and Interest Requirements for the Series 2019 Bonds

The following table sets forth the amounts required to be paid by each of the Series 2019 Participants during each twelve-month period ending June 30 of the Bond Years shown for the payment of the interest on the Series 2019 Bonds payable on January 1 of such year and the principal and Sinking Fund Installments of and interest on the Series 2019 Bonds payable on the succeeding July 1.

Total Debt Service by Series 2019 Participant

	Developmental Disabilities Institute, Inc.		Eden II School for Autistic Children, Inc.		Mercy Home for Children, Inc.	
FY Ending	Principal & Sinking Fund Installments	Interest	Principal & Sinking Fund Installments	Interest	Principal & Sinking Fund Installments	Interest
6/30/2019	$ 0	$ 50,693.12	$ 0	$12,632.85	$ 0	$ 23,207.23
6/30/2020	180,000	225,302.80	35,000	56,146.00	90,000	103,143.26
6/30/2021	190,000	219,378.80	45,000	55,094.00	90,000	100,297.26
6/30/2022	195,000	213,228.80	45,000	53,700.00	100,000	97,451.26
6/30/2023	215,000	205,428.80	50,000	51,900.00	100,000	93,451.26
6/30/2024	220,000	196,828.80	50,000	49,900.00	105,000	89,451.26
6/30/2025	225,000	188,028.80	55,000	47,900.00	110,000	85,251.26
6/30/2026	225,000	179,028.80	55,000	45,700.00	115,000	80,851.26
6/30/2027	240,000	170,028.80	55,000	43,500.00	120,000	76,251.26
6/30/2028	250,000	164,148.80	60,000	42,152.50	120,000	73,311.26
6/30/2029	255,000	157,773.80	60,000	40,622.50	120,000	70,251.26
6/30/2030	255,000	151,143.80	60,000	39,062.50	130,000	67,131.26
6/30/2031	275,000	143,175.02	65,000	37,187.50	130,000	63,068.76
6/30/2032	275,000	134,581.26	65,000	35,156.26	135,000	59,006.26
6/30/2033	280,000	125,987.52	70,000	33,125.00	135,000	54,787.50
6/30/2034	300,000	117,237.52	70,000	30,937.50	145,000	50,568.76
6/30/2035	305,000	107,862.54	70,000	28,750.00	150,000	46,037.52
6/30/2036	310,000	97,568.78	75,000	26,387.50	150,000	40,975.00
6/30/2037	330,000	87,106.28	75,000	23,856.26	155,000	35,912.52
6/30/2038	335,000	75,968.78	80,000	21,325.00	115,000	30,681.26
6/30/2039	350,000	64,662.54	80,000	18,625.00	120,000	26,800.00
6/30/2040	285,000	52,850.00	85,000	15,925.00	120,000	22,750.00
6/30/2041	290,000	42,875.00	90,000	12,950.00	125,000	18,550.00
6/30/2042	300,000	32,725.00	90,000	9,800.00	130,000	14,175.00
6/30/2043	310,000	22,225.00	95,000	6,650.00	135,000	9,625.00
6/30/2044	325,000	11,375,000	95,000	3,325.00	140,000	4,900.00

Total Debt Service by Series 2019 Participant (continued)

	Services for the Underserved, Inc. and SUS-Developmental Disabilities Services, Inc.		United Cerebral Palsy of New York City, Inc.		Young Adult Institute, Inc.	
FY Ending	Principal & Sinking Fund Installments	Interest	Principal & Sinking Fund Installments	Interest	Principal & Sinking Fund Installments	Interest
6/30/2019	$ 0	$ 24,824.81	$ 0	$ 41,872.74	$ 0	$ 49,553.55
6/30/2020	120,000	110,332.50	135,000	186,101.02	190,000	220,238.04
6/30/2021	125,000	106,228.50	155,000	181,977.02	190,000	213,798.04
6/30/2022	135,000	101,982.50	155,000	177,285.02	205,000	207,590.04
6/30/2023	145,000	96,582.50	160,000	171,085.02	220,000	199,390.04
6/30/2024	150,000	90,782.50	170,000	164,685.02	225,000	190,590.04
6/30/2025	150,000	84,782.50	180,000	157,885.02	230,000	181,590.04
6/30/2026	155,000	78,782.50	180,000	150,685.02	235,000	172,390.04
6/30/2027	170,000	72,582.50	190,000	143,485.02	260,000	162,990.04
6/30/2028	170,000	68,417.50	195,000	138,830.02	260,000	156,620.04
6/30/2029	170,000	64,082.50	195,000	133,857.52	265,000	149,990.04
6/30/2030	120,000	59,662.50	200,000	128,787.52	270,000	143,100.04
6/30/2031	125,000	55,912.52	210,000	122,537.54	285,000	134,662.52
6/30/2032	125,000	52,006.26	215,000	115,975.04	285,000	125,756.26
6/30/2033	130,000	48,100.02	220,000	109,256.28	295,000	116,850.02
6/30/2034	135,000	44,037.52	230,000	102,381.30	315,000	107,631.28
6/30/2035	140,000	39,818.76	245,000	95,193.76	315,000	97,787.52
6/30/2036	145,000	35,093.76	245,000	86,925.02	325,000	87,156.28
6/30/2037	150,000	30,200.00	255,000	78,656.26	345,000	76,187.54
6/30/2038	95,000	25,137.50	260,000	70,050.00	350,000	64,543.78
6/30/2039	95,000	21,931.26	260,000	61,275.02	235,000	52,731.28
6/30/2040	100,000	18,725.00	280,000	52,500.00	235,000	44,800.00
6/30/2041	105,000	15,225.00	290,000	42,700.00	250,000	36,575.00
6/30/2042	105,000	11,550.00	300,000	32,550.00	255,000	27,825.00
6/30/2043	110,000	7,875.00	310,000	22,050.00	265,000	18,900.00
6/30/2044	115,000	4,025.00	320,000	11,200.00	275,000	9,625.00

PART 4 - THE SERIES 2019 PARTICIPANTS

Descriptions of the Series 2019 Participants, their operations and the Series 2019 Facilities they will finance or refinance with the proceeds of the Series 2019 Bonds are set forth in Appendix A hereto. Copies of the most recent audited financial statements for each of the Series 2019 Participants are set forth in Appendix B hereto, and copies of recent unaudited financial information for each of the Series 2019 Participants are set forth in Appendix C hereto. Prospective purchasers of the Series 2019 Bonds should carefully review Appendix A, Appendix B and Appendix C.

Each of the Series 2019 Participants is a not-for-profit corporation, organized and existing under the laws of the State. All of the Series 2019 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 2019 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 2019 Participant's charitable purposes. When revenues are not sufficient to cover expenses, the Series 2019 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 2019 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 2019 Participants owns and/or leases and operates one or more facilities, including the Series 2019 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 2019 Participants has represented that it has the appropriate licenses and authority to provide its services under State statutes. The Series 2019 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 2019 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 2019 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 2019 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 2019 Participants**. See "PART 5 - SOURCES OF SERIES 2019 PARTICIPANT REVENUE."

The Series 2019 Participants have engaged the Program Facilitator to act as the facilitator for the InterAgency Council Pooled Loan Program. For its services, each Series 2019 Participant will pay the Program Facilitator a fee of .25% of the principal amount of its Allocable Portion of the Series 2019 Bonds at closing for new money loans and an annual fee of .125% of all of its outstanding Allocable Portion of Series 2019 Bonds. The Program Facilitator fee will not exceed $15,000 per year for any Series 2019 Participant. Each Series 2019 Participant is a member of the Program Facilitator.

Except for renovation costs for certain of UCP's Series 2019 Facilities, all of the Series 2019 Facilities financed by the Series 2019 Bonds are supported by PPAs funded by OPWDD. With respect to renovation costs for certain of UCP's Series 2019 Facilities that are not supported by a PPA, UCP expects to pay such non-PPA supported portions of its principal and interest on its Allocable Portion of the Series 2019 Bonds from Public Funds paid by OPWDD and from its general operating revenues.

All of the Series 2019 Participants have over 20 years of experience providing services. See "PART 5 - SOURCES OF SERIES 2019 PARTICIPANT REVENUE." Also see "Appendix A - Description of Series 2019 Participants" for descriptions of (i) which Series 2019 Participants (a) have Prior Pledges of their respective Pledged Revenues, (b) own or have a Co-op Interest in their respective Series 2019 Facilities, (c) will grant mortgages (and the nature of such mortgages) on their respective Series 2019 Facilities, (d) will grant Co-op Security Agreements on their respective Series 2019 Facilities and (e) will grant Collateral Assignments of Leases on their respective Series 2019 Leased Facilities and (ii) the Series 2019 Leased Facilities and the UCP Co-op Facilities.

PART 5 - SOURCES OF SERIES 2019 PARTICIPANT REVENUE

General

OPWDD and other State agencies provide a portion of the revenues of the Series 2019 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 2019 Participants. See "Appendix A - Description of Series 2019 Participants." Other government funding sources for one or more of the Series 2019 Participants are also described in Appendix A.

New York State Office for People with Developmental Disabilities

The following information concerning OPWDD and the PPA process included in this Part 5 has been provided by the Program Facilitator and is subject to change. The Program Facilitator obtained the information from publicly available information, including the New York State Annual Information Statement dated July 2, 2018 (the "2018 AIS"), the Update to New York State Annual Information dated December 4, 2018 (the "2018 AIS Update"), the New York State Statement of Updated Annual Information Pursuant To Continuing Disclosure Agreements For FY 2018 (Ended March 31, 2018) dated July 26, 2018 (the "2018 Updated CDA Information"), and the Enacted Budget Financial Plans of the State for State fiscal years 2016 through 2019 ("Enacted Budget Plans"), as well as OPWDD's website.

Neither OPWDD nor any other State office, division, department, agency or officer, including the State Division of Budget, has authorized the Program Facilitator to provide the information concerning OPWDD and its operations for inclusion in this Official Statement or otherwise consented to such inclusion or agreed to execute a continuing disclosure agreement with respect to the Series 2019 Bonds described in this Official Statement. According to the State website on which the 2018 AIS, the 2018 AIS Update and the 2018 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 2018 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 2019 Bonds are being issued. While the Program Facilitator believes the information obtained from the 2018 Updated CDA Information provides material information for prospective investors in the Series 2019 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 2019 Bonds. Furthermore, none of the State, DASNY or any other State agency or official has any *obligation to continue updating the information in the 2018 Updated CDA Information when the bonds for which the 2018 Updated CDA Information is provided are no longer outstanding.*

General

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

OPWDD is charged with developing a comprehensive, cost-effective, and integrated system to serve the full range of needs of individuals with developmental disabilities. OPWDD operates five regional offices, which oversee the provision of not-for-profit services, and six State operations offices, which are responsible for State-delivered programs and services. The 13 service districts within the State operations offices administer community-based and, where applicable, institutionally-based service programs for persons with developmental disabilities within regional catchment areas. Institutional programs offer residential care and habilitative services in campus settings, informally known as developmental centers, and at special population units located throughout the State. The community-based service programs, funded and regulated by OPWDD, reflect the cooperative efforts of local governments, not-for-profit service providers, including the Series 2019 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 2019 Facilities financed with the proceeds of the Series 2019 Bonds. Such regulation and licensing includes determining the need for the facility, review of plans and specifications for construction, inspections and audits and the establishment of a reimbursement rate for services.

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

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

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

Source: 2018 *Updated CDA Information*

Historical Total State Funding

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

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

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

State Fiscal Year 2018-19 Enacted Budget

The State Fiscal Year 2018-19 Enacted Budget (the “Enacted Budget”) provides approximately $336 million in increased local assistance funding for DMH agencies. The spending increase is related to, among other things, support direct care professionals and clinical staff employed by not-for-profit organizations delivery services on behalf of OPWDD, OMH and OASAS, and new community investments, new service investments in the OPWDD system. The additional funding increase is offset by technical adjustments to the Medicaid Global Cap, as a greater share of OPWDD-related spending will be financed from Global Cap resources. These technical adjustments have no impact on service delivery or operations of OMH, OPWDD, OASAS or the Justice Center.

State Fiscal Year 2019-20 Executive Budget

The State Fiscal Year 2019-2020 Executive Budget (the "Executive Budget") provides approximately $183 million in increased local assistance funding for DMH agencies. Mental hygiene spending increases reflect enhancements in community mental health services, community-based employment and residential opportunities for individuals with disabilities, increased funding to not-for-profit providers for minimum wage increases, and additional resources to address the heroin and opioid crisis. The additional funding increase is offset by a shift of program expenses to the Medicaid Global Cap, as additional DOH Medicaid savings will allow for a greater share of OPWDD and OMH Medicaid spending to be paid for under the Global Cap. The State Operating Funds growth is more than offset by the fact that a significant portion of mental hygiene spending is funded with available resources from the Medicaid Global Cap. This technical adjustment lowers reported mental hygiene spending and increases Medicaid spending by an identical amount. These technical adjustments have no impact on mental hygiene service delivery or operations.

Prior Property Approval Process

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

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

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

PPA Regulatory Compliance Process

OPWDD 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 2019 Facilities that have PPAs are New PPA Lien Projects, except for DDI's Series 2019 Facility located at 75 Landing Meadow Road, Smithtown, New York (since the PPA for such Series 2019 Project does not relate to a "substantial renovation"); however certain of these New PPA Lien Projects (the "Renovation Projects") will also require additional renovations the costs of which have not been approved by OPWDD. For a description of which Series 2019 Facilities include Renovation Projects, see “Appendix A - Description of Series 2019 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) or in the case of a UCP Co-op Facility, an “approved lien.”

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 or in the case of a Cooperative Facility, an “approved lien” (as approved in writing by OPWDD). The Mortgages granted on the Series 2019 Facilities are Approved Mortgages and the security interests granted on the Series 2019 Facilities which are Cooperative Facilities are “approved liens.”

OPWDD also enters into Regulatory Compliance Contracts and Capital Component Security and Lien Agreements with regard to Co-op Facilities.

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

Pursuant to the State’s Mental Hygiene Law, the State Commissioner of OPWDD (the “Commissioner”) has the authority to appoint a Temporary Operating Receiver (“TOR”) when OPWDD determines that a temporary operator is necessary to ensure continuity of services at a facility, such as the Series 2019 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 2019 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 2019 Facilities

In addition to the statutory receivership remedy described above, each Series 2019 Loan Agreement provides for a contractual remedy upon the failure of a Series 2019 Participant to operate its Series 2019 Facilities in accordance with regulatory standards. Each Series 2019 Participant has covenanted and agreed in its Series 2019 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 2019 Facilities in accordance with the valid operating certificate issued by OPWDD for such Series 2019 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 2019 Facility for the remaining term during which such Series 2019 Participant has agreed to operate such certified program at the Series 2019 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 2019 Participant under its Series 2019 Loan Agreement with respect to such Series 2019 Facility as they become due and owing. See "Appendix D - Summary of Certain Provisions of the Series 2019 Loan Agreements" for further details of OPWDD's rights with respect to the Series 2019 Facilities and DASNY's remedy upon an event of default by a Series 2019 Participant under its Series 2019 Loan Agreement to request OPWDD to exercise such rights.

PART 6 - ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of proceeds of the Series 2019 Bonds:

	Subseries 2019A-1 Bonds	Subseries 2019A-2 Bonds
Estimated Sources of Funds		
Proceeds of Series 2019 Bonds	$25,855,000.00	$1,015,000.00
Net Original Issue Premium	87,047.15	0.00
Total Sources of Funds	$25,972,047.15	$1,015,000.00
Estimated Uses of Funds		
Deposit to Project Loan Fund	$24,371,821.05	$27,596.69
Deposit to Series 2019 Debt Service Reserve Fund	838,238.53	25,147.15
Deposit to Series 2019 Account of Debt Service Fund	9,746.63	0.00
Underwriter's Discount	519,440.94	172,776.81
Costs of Issuance	232,800.00	789,479.35
Total Uses of Funds	$25,972,047.15	$1,015,000.00

PART 7 - DASNY

Background, Purposes and Powers

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

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

To carry out its programs, DASNY is authorized to issue and sell negotiable bonds and notes to finance the construction of facilities for such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions. At December 31, 2018, DASNY had approximately $55.2 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 507 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 46 field sites across the State.

Governance

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

PAUL S. ELLIS, ESQ., *Secretary,* New York.

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

JONATHAN H. GARDNER, ESQ., Buffalo.

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

WELLINGTON Z. CHEN, Queens.

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

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

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

GERARD ROMSKI, ESQ., Mount Kisco.

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

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

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

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

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

George Washington University School of Medicine. He also holds a Juris Doctor degree from Fordham University School of Law and a Master of Laws degree from Columbia Law School.

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

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

The principal staff of DASNY is as follows:

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

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

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

MICHAEL E. CUSACK is General Counsel to DASNY. Mr. Cusack is responsible for all legal services including legislation, litigation, contract matters, and the legal aspects of all DASNY financings.

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

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

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

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

Claims and Litigation

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

Other Matters

New York State Public Authorities Control Board

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

Legislation

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

Environmental Quality Review

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

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of DASNY for the fiscal year ended March 31, 2018. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

PART 8 - LEGALITY OF THE SERIES 2019 BONDS FOR INVESTMENT AND DEPOSIT

Under State law, the Series 2019 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 2019 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 2019 Bonds are negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution, the Series 2019 Resolution and in the Series 2019 Bonds.

PART 10 - TAX MATTERS

Subseries 2019A-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 the certain covenants described herein and the accuracy and completeness of certain representations, certifications of fact and statements of reasonable expectations by DASNY, the Series 2019 Participants, as applicable, and others, interest on the Subseries 2019A-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 2019A-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 2019A-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 2019A-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 2019 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 Code imposes various requirements that must be met in order that interest on the Subseries 2019A-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 2019A-1 Bonds and the rebate of certain earnings in respect of such investments to the United States. DASNY, each of the Series 2019 Participants, as applicable, and others have made certain representations, certifications of fact, and statements of reasonable expectations and DASNY and each of the Series 2019 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 2019A-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 2019 Participants regarding, among other matters, the current status of the Series 2019 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 2019 Participant to comply with any such covenant, the interest on the Subseries 2019A-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 2019A-1 Bonds, regardless of the date on which the event causing such inclusion occurs. Further, although the interest on the Subseries 2019A-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 2019A-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 2019A-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 2019A-1 Bonds.

Certain Collateral Federal Income Tax Consequences

Prospective purchasers of the Subseries 2019A-1 Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of the Subseries 2019A-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 2019A-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 2019A-1 Bond over the issue price of such maturity of a Subseries 2019A-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 2019A-1 Bonds is the first price at which a substantial amount of such maturity of Subseries 2019A-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

Subseries 2019A-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 2019A-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 2019A-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 2019A-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 2019A-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 2019A-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 2019A-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 2019A-1 Bonds may occur. Prospective purchasers of the Subseries 2019A-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 2019A-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 2019A-1 Bonds ends with the issuance of the Subseries 2019A-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 2019A-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 2019A-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 2019A-1 Bonds, and may cause DASNY, the Series 2019 Participants, as applicable, or the Beneficial Owners to incur significant expense.

Prospective purchasers of the Subseries 2019A-1 Bonds should consult their own tax advisors regarding the foregoing matters.

Subseries 2019A-2 Bonds

Opinion of Co-Bond Counsel

In the opinion of Barclay Damon LLP, Co-Bond Counsel to DASNY, interest on the Subseries 2019A-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 2019A-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 2019 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 2019A-2 Bonds by original purchasers of the Subseries 2019A-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 2019A-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 2019A-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 2019A-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 2019A-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 2019A-2 Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

As used herein, the term "U.S. Holder" means a Beneficial Owner of a Subseries 2019A-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 2019A-2 Bonds

Interest on the Subseries 2019A-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 2019A-2 Bonds.

Original issue discount with respect to a Subseries 2019A-2 Bond is equal to the excess of the stated redemption price at maturity of a Subseries 2019A-2 Bond over the initial offering price thereof to the public at which price a substantial amount of all Subseries 2019A-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 2019A-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 2019A-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 2019A-2 Bonds and any net gain recognized upon a disposition of a Subseries 2019A-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 2019A-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 2019A-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 2019A-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 2019A-2 Bonds subsequent to any such defeasance could also be affected. U.S. Holders of the Subseries 2019A-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 2019A-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 2019A-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 2019A-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 2019A-2 Bonds under state law and could affect the market value or marketability of the Subseries 2019A-2 Bonds.

Prospective purchasers of the Subseries 2019A-2 Bonds should consult their own tax advisors regarding the foregoing matters.

PART 11 - BONDHOLDERS' RISKS

General

The Series 2019 Bonds involve a certain degree of risk. Prospective investors in the Series 2019 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 2019 Bonds. This Official Statement contains only summaries of the Resolution, the Series 2019 Resolution, the Series 2019 Loan Agreements and the related documents. Prospective investors are urged to read such documents in their entirety prior to investing in the Series 2019 Bonds. Copies of such documents may be obtained from the Underwriter prior to the issuance of the Series 2019 Bonds. See Appendix A for a discussion of the financial condition and results of operations of the Series 2019 Participants, Appendix B for copies of the audited financial statements of the Series 2019 Participants, and Appendix C for copies of recent unaudited financial information for each of the Series 2019 Participants.

Set forth below are certain risk factors affecting an investment in the Series 2019 Bonds, including, among others, risk factors that could adversely affect a Series 2019 Participant's operations, revenues and expenses, including those relating to its Series 2019 Facilities, to an extent which cannot be determined at this time. Such risk factors should be considered before any investment in the Series 2019 Bonds is made. These risk factors should not be considered definitive or exhaustive.

Special, Limited Obligations of DASNY

The Series 2019 Bonds are special, limited obligations of DASNY payable solely from revenues expected to be received by DASNY from the Series 2019 Participants under the applicable Series 2019 Loan Agreement and from amounts held in the funds established pursuant to the Resolutions (other than the Arbitrage Rebate Fund). The Series 2019 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 2019 Participants

The obligations of each Series 2019 Participant under its Series 2019 Loan Agreement are independent of the obligations of each other Series 2019 Participant under their respective Series 2019 Loan Agreements. A failure by a Series 2019 Participant to timely pay its obligations under its Series 2019 Loan Agreement might result in an event of default under the Resolutions with respect to such Series 2019 Participant's Allocable Portion of the Series 2019 Bonds. Upon the happening and continuance of an event of default affecting only a Defaulted Allocable Portion of the Series 2019 Bonds, payment on such Defaulted Allocable Portion of Series 2019 Bonds will be limited to amounts received from or payable by or on behalf of such Series 2019 Participant and amounts derived upon the realization of any security or collateral granted by such defaulting Series 2019 Participant. With respect to Series 2019 Bonds comprising part of a Defaulted Allocable Portion of the Series 2019 Bonds, Holders of such Series 2019 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 2019 Participant for the payment of other Series 2019 Bonds or any other security pledged by such other non-defaulting Series 2019 Participants as security for their loans. The Series 2019 Bonds that comprise a Defaulted Allocable Portion of the Series 2019 Bonds will be selected by the Trustee in the same manner as Series 2019 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 2019 BONDS - Events of Default - Special Provisions Relating to Defaults," "PART 3 - THE SERIES 2019 BONDS - Redemption Provisions" and "Appendix F - Summary of Certain Provisions of the Resolutions."

Reliance on Credit of the Series 2019 Participants

The Series 2019 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 2019 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 2019 Facilities supported by such PPA or PPAs (with any difference between the two amounts covered by the Pledged Revenues of such Series 2019 Participant expected to be received for operating and administrative expenses associated with such Series 2019 Facility), there can be no assurance that the funds received by a particular Series 2019 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 2019 Participant's Allocable Portion of the Series 2019 Bonds attributable to the Series 2019 Facilities to which the PPA or PPAs relate (whether because of non-appropriation of funds by the State, failure of a Series 2019 Participant to operate its Series 2019 Facility or Facilities in accordance with operational standards, a prior pledge of such PPA or otherwise). Additionally, in connection with renovation costs for certain of UCP's Series 2019 Facilities that are not supported by a PPA, there can be no assurance that UCP's operating revenues will be sufficient for the repayment of such portion of UCP's Allocable Portion of the Series 2019 Bonds.

The payment obligations of the Series 2019 Participants are several, not joint. The Holders of the Series 2019 Bonds must therefore rely upon the credit of each Series 2019 Participant for the payment of the Series 2019 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 2019 BONDS - Security for the Series 2019 Bonds," and "PART 5 - SOURCES OF SERIES 2019 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities." For the purposes of a Series 2019 Loan Agreement delivered by more than one entity, the payment obligations for a Series 2019 Participant shall be joint and several with respect to the entities comprising such Series 2019 Participant.

Each Series 2019 Participant covenants in its Series 2019 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 2019 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 2019 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 2019 Loan Agreement if such Series 2019 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 2019 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 2019 Participant is unable to demonstrate compliance.

Revenues of Series 2019 Participants

Future revenues of each Series 2019 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 2019 Bonds depends upon the receipt by the Trustee of the Loan Repayments under the Series 2019 Loan Agreements. Some of the risks that could affect the ability of one or more of the Series 2019 Participants to pay such amounts are failure of (i) the legislature of the State, or any of the counties or cities in which Series 2019 Participants operate, to approve sufficient appropriations for the purchase of services from the Series 2019 Participants; (ii) the State or various county and city departments to make timely payments to the Series 2019 Participants of appropriated amounts caused by revenue short falls or other State or local fiscal considerations; (iii) the Series 2019 Participants to fulfill their obligations which entitle them to receive payments, including payments under their respective PPAs; (iv) the Series 2019 Participants to maintain the appropriate certifications from the required licensing or certifying entity(ies) to provide services as required; and (v) the Series 2019 Participants to obtain the renewal of their contracts to provide services.

In addition, a Series 2019 Participant's license and/or certification may be revoked for failure to comply with standards of operation applicable to such Series 2019 Participant, or a Series 2019 Participant may cease operations of its respective Series 2019 Facility due to insolvency. In such events, OPWDD and DASNY may not be able to timely identify and install a replacement operator to assume the operation of the applicable Series 2019 Facility, and thus there may be insufficient revenues to pay principal and interest on the Series 2019 Bonds.

For the purposes of a Series 2019 Loan Agreement delivered by more than one entity, only certain of such entities comprising such Series 2019 Participant may receive revenues as described in this section. See Appendix A for further details.

Further, the enactment of additional legislation imposing new regulatory challenges, increasing costs of operation or reducing reimbursement rates could adversely affect the financial condition of Series 2019 Participants. Any one of such adverse events may result in insufficient revenues to pay the principal and interest on the Series 2019 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 2019 Participants, the applicable Series 2019 Participant and DASNY shall enter into one or more separate loan agreements. The Series 2019 Bonds are separately secured from all other Series of Bonds and the Holders of any Series of Bonds other than the Series 2019 Bonds are not entitled to the rights, benefits and security conferred upon the Holders of the Series 2019 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 2019 Bonds, an event of default by a Series 2019 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 2019 Participant's Series 2019 Loan Agreement. See "PART 1 - INTRODUCTION - Authorization of Issuance" and "- Security for the Series 2019 Bonds" and "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS."

Enforceability of Remedies; Effect of Bankruptcy of a Series 2019 Participant

The Series 2019 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 2019 Bonds described herein upon any default will depend upon the exercise of various remedies specified by the Resolutions, the respective Series 2019 Loan Agreements, the respective Mortgages, if any, the respective Co-op Security Documents, if any, or other security agreements, if applicable, and the then-value of the collateral and other regulatory approvals. These and other remedies may, in many respects, require judicial actions which are often subject to discretion and delay.

Under existing law, the remedies specified by the Resolutions, the Series 2019 Loan Agreements, the Mortgages and the Co-op Security Documents 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 2019 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 2019 Bonds are subject to various provisions of Title 11 of the United States Code (the "Bankruptcy Code"). If a Series 2019 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 2019 Participant and its property, including the commencement of foreclosure proceedings under its Mortgage or its Co-op Security Documents, if applicable. Such Series 2019 Participant would not be permitted or required to make payments of principal or interest under its Series 2019 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 2019 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 2019 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 2019 Participant's Allocable Portion of the Series 2019 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 2019 Participant, which could affect the likelihood or timing of obtaining such relief. In addition, if the Mortgage or Co-op Security Documents of such defaulting Series 2019 Participant is assigned by DASNY to the Trustee as described herein and the value of the related Mortgaged Property or the related Co-op Unit, as applicable, is less than the principal amount of such Series 2019 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 or the Co-op Unit, as applicable, 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 2019 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 2019 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 and Co-op Security Documents

Mortgages and Co-op Security Documents Not Currently Security for Series 2019 Bonds

The Mortgages and the Co-op Security Documents do not presently provide any security for the Series 2019 Bonds. However, under certain circumstances described herein, one or more of the Mortgages or the Co-op Security Documents may be assigned to the Trustee. Prior to any assignment of a Mortgage or any Co-op Security Documents to the Trustee, each applicable Series 2019 Loan Agreement provides that (a) DASNY, without the consent of the Trustee or the Holders of the Series 2019 Bonds, may consent to the amendment, modification, termination, subordination or satisfaction of such Mortgage or such Co-op Security Documents, as applicable, and of any security interest in furniture, fixtures or equipment financed with the proceeds of the Series 2019 Bonds located in or on or used in connection therewith and (b) the property subject to such Mortgage or such Co-op Security Documents, as applicable, or security interest may be released from the lien thereof. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS - Security for the Series 2019 Bonds – Mortgages and Co-op Security Documents."

Pledge of Property Under Mortgages and Co-op Security Documents

The security interest in (a) the Mortgaged Property granted under a Mortgage and (b) the Co-op Units granted under any Co-op Security Documents 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 2019 Participant and included in the Mortgaged Property or the Co-op Unit 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 2019 Loan Agreements, the applicable Mortgages or the applicable Co-op Security Documents and (viii) claims by creditors that the mortgaged or secured indebtedness in excess of the then-fair market value of the Mortgaged Property or the Co-op Unit is unsecured to the extent of such excess.

Insufficiency of Mortgage Foreclosure or other Sale Proceeds; Environmental Impairment of Property

One of the options under each applicable Series 2019 Participant's Series 2019 Loan Agreement, and one of the options under the Resolution, is to institute foreclosure proceedings to enforce the lien on and sell such Series 2019 Participant's Mortgaged Property, if any, or to institute proceedings to enforce the security interest in such Series 2019 Participant's Co-op Units in the event of a default under its Series 2019 Loan Agreement, its Mortgage(s), its Co-op Security Documents or the Resolutions. However, due to the limited uses for which a Series 2019 Participant's Mortgaged Property and Co-op Units may be utilized, none of DASNY, the Program Facilitator, the Trustee, the applicable Series 2019 Participant, or the Underwriter makes any assurance or representation that DASNY or the Trustee will be able to effect a sale of a Series 2019 Participant's Mortgaged Property or Co-op Unit(s), or, if such Mortgaged Property or Co-op Unit is sold, that the proceeds received upon a foreclosure or other sale, along with all moneys of such Series 2019 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 2019 Bonds attributable to such defaulting Series 2019 Participant.

In exercising the rights of foreclosure or other sale under a Mortgage or applicable Co-op Security Documents, 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 or Co-op Unit. If the audit indicates the existence of hazardous materials with respect to the Mortgaged Property or Co-op Unit, the Trustee or DASNY, as applicable, may conclude that it is not in the best interests of the Bondholders to foreclose or otherwise exercise its security interest on such property due to liability for removal of hazardous materials. In such an event, the Trustee or DASNY may decline to exercise foreclosure or other rights with respect to Mortgaged Property under a Mortgage or with respect to a Co-op Unit under any Co-op Security Documents 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 or any Co-op Unit 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 2019 Bonds that would otherwise have been available absent the existence of such hazardous materials.

Another option under a Series 2019 Participant's Series 2019 Loan Agreement is to institute proceedings to enforce the lien on and sell the Series 2019 Participant's Equipment (as defined in each Mortgage) in the event of a default under its Series 2019 Loan Agreement, its Mortgage(s), its Co-op Security Documents or the Resolutions. However, due to the limited uses for which a Series 2019 Participant's Equipment may be utilized, none of DASNY, the Program Facilitator, the Trustee, the applicable Series 2019 Participant, or the Underwriter makes any assurances or representations that DASNY or the Trustee will be able to sell a Series 2019 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 2019 Participant established under the Resolution, would be sufficient to pay in full the principal of, or interest on, the Series 2019 Bonds attributable to such defaulting Series 2019 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 2019 Participants. Such approval was not sought in connection with the execution, delivery and performance by the Series 2019 Participants of the Mortgages, the Co-op Security Documents or the pledges of assets and revenues that are contemplated by the Resolutions and the Series 2019 Loan Agreements. It is the opinion of counsel to the Series 2019 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 or other action may raise as an affirmative defense the failure to obtain NFPCL §510 court approval.

Release of Series 2019 Facilities from Lien of Mortgages and Co-op Security Documents

Each Series 2019 Loan Agreement, each Mortgage, each set of Co-op Security Documents and the Resolutions provide a Series 2019 Participant the ability to prepay a portion of its loan attributable to a Series 2019 Facility and, upon the redemption or defeasance of the related Series 2019 Bonds to have such Series 2019 Facility released from the lien of the applicable Mortgage or applicable Co-op Security Documents. There is no assurance that the security, if any, provided by the remaining Series 2019 Facilities subject to the lien of such Mortgage or such Co-op Security Documents will be sufficient to pay the then outstanding principal and interest (or other amounts due) with respect to such Series 2019 Participant's Allocable Portion of the Series 2019 Bonds. In the event of a default by one Participant, none of DASNY, the Trustee, the Program Facilitator or any Bondholder will have any recourse to, claim against or right of contribution from any other non-defaulting Series 2019 Participant.

In view of the foregoing, investors should rely on their own examination of the creditworthiness and financial condition of each of the Series 2019 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 and/or Co-op Security Documents, in the event that the Mortgages and/or the Co-op Security Documents are assigned to the Trustee by DASNY.

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

The Series 2019 Participants are subject to Federal, State and local actions, including, among others, actions by the various State, county and city departments. The Series 2019 Bonds are payable from operating revenues of the Series 2019 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 2019 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 2019 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 2019 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 2019 Bonds, will materially adversely affect a Series 2019 Participant's ability to make its Loan Repayments and, consequently, the repayment of the Series 2019 Bonds attributable to such Series 2019 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 2019 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 2019 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 2019 Participants and therefore, their ability to pay debt service on their Allocable Portion of the Series 2019 Bonds.

Completion of the Projects; Zoning; Certificate of Occupancy

The acquisition of all of the Series 2019 Facilities are complete. Each of the Series 2019 Facilities has received a certificate of occupancy from the applicable local jurisdiction, except for the Mercy Home Series 2019 Facility located at 1370 Union Street, Brooklyn, New York (no certificate of occupancy required) and the UCP Co-op Facilities (no certificates of occupancy required for individual cooperative units). Updated certificates of occupancy, certificates of compliance or letters of completion are required for the DDI Series 2019 Facilities located at 8 Cynthia Court, East Setauket (Town of Brookhaven), New York, 12 Campbell Drive, Dix Hills (Town of Huntington), New York, 229 Stony Hollow Road, Greenlawn (Town of Huntington), New York and 75 Landing Meadow Road, Smithtown, New York, the Eden II Series 2019 Facility located at 205 Eltingville Boulevard, Staten Island, New York, the Mercy Home Series 2019 Facilities located at 1058 Herkimer Street, Brooklyn, New York and 1370 Union Street, Brooklyn, New York, the SUS Series 2019 Facilities located at 5205 Henry Hudson Parkway West, Bronx, New York, 185-24 80th Road, Jamaica (a/k/a Jamaica Estates), New York and 244-04 Northern Boulevard, Douglaston (a/k/a Little Neck), New York, and the YAI Series 2019 Facilities located at 83 Daly Road, East Northport (Town of Huntington), New York, 579 Old Country Road, Huntington Station (Town of Huntington), New York, 1366 North Windsor Avenue, Bay Shore (Town of Islip), New York and 2000 Flatbush Avenue, Brooklyn, New York.

Each Series 2019 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 2019 Participant to obtain an appropriate Certificate where the same is required could materially adversely affect the financial position of such Series 2019 Participant. Moreover, the failure of a Series 2019 Participant's Series 2019 Facilities to receive a Certificate when required could materially adversely impact either the Series 2019 Participant's, the Trustee's or another party's right to use or occupy the Series 2019 Facility, before or after the exercise of default remedies.

OPWDD operating certificates, which permit the Series 2019 Participants to operate their Series 2019 Facilities for their intended purposes, have been issued by OPWDD for each of the Series 2019 Facilities except for the DDI Series 2019 Facilities located at 8 Cynthia Court, East Setauket (Town of Brookhaven), New York and 12 Campbell Drive, Dix Hills (Town of Huntinton), New York, the Eden II

Series 2019 Facility located at 205 Eltingville Boulevard, Staten Island, New York, the Mercy Home Series 2019 Facilities located at 1058 Herkimer Street, Brooklyn, New York and 1370 Union Street, Brooklyn, New York, the SUS Series 2019 Facilities located at 5205 Henry Hudson Parkway West, Bronx, New York, 185-24 80th Road, Jamaica (a/k/a Jamaica Estates), New York and 244-04 Northern Boulevard, Douglaston (a/k/a Little Neck), New York, the UCP Co-op Facility located at 2191 Bolton Street, Apt. 4D, Bronx, New York, and the YAI Series 2019 Facility located at 2000 Flatbush Avenue, Brooklyn, New York.

Additional Indebtedness

Under its Series 2019 Loan Agreement, each Series 2019 Participant has the ability to incur additional debt. An event of default by a Series 2019 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 2019 Participant's Series 2019 Loan Agreement. See "Appendix E-1 - Summary of Certain Provisions of the Series 2019 Loan Agreements (other than the Series 2019 Loan Agreement of UCP)" and "Appendix E-2 - Summary of Certain Provisions of the Series 2019 Loan Agreement of UCP."

Prior Pledges of Pledged Revenues

The Series 2019 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 2019 Participants to DASNY pursuant to its Series 2019 Loan Agreement, subject to Prior Pledges. Certain of the Series 2019 Participants have previously pledged their Public Funds (a portion of which consists of the Pledged Revenues) to DASNY, an industrial development agency to secure other obligations. Certain of the Series 2019 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 2019 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 2019 Participant's Allocable Portion of the Series 2019 Bonds is subject, and subordinate, to such Prior Pledges in all respects. See "Appendix A - Description of Series 2019 Participants" for a description of each of the Series 2019 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 2019 Loan Agreement, a Series 2019 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 2019 Participant and its ability to satisfy its Loan Repayment obligations. See "Appendix E-1 - Summary of Certain Provisions of the Series 2019 Loan Agreements (other than the Series 2019 Loan Agreement of UCP)" and "Appendix E-2 - Summary of Certain Provisions of the Series 2019 Loan Agreement of UCP."

A Series 2019 Participant may also grant a subordinate mortgage as security for bonds issued by DASNY after the date of issuance of the Series 2019 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 2019 Facility, and any loan agreement, or amendment to the applicable

Series 2019 Loan Agreement, between DASNY and such Series 2019 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 2019 Participant is subject to various requirements affecting its operation. The failure of a Series 2019 Participant to maintain its tax-exempt status may affect the Series 2019 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 2019 Loan Agreement. Further, a loss of a Series 2019 Participant's status as a Section 501(c)(3) organization, failure of a Series 2019 Participant to comply with certain legal requirements of the Code, or adoption of amendments to the Code applicable to such Series 2019 Participant that restrict the use of tax-exempt bonds for facilities, such as one or more of its Series 2019 Facilities, could cause interest on the Subseries 2019A-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 2019A-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 2019A-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 2019A-1 Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Subseries 2019A-1 Bonds. See "PART 10 - TAX MATTERS." The Subseries 2019A-1 Bonds are not subject to redemption, nor will the interest rate on the Subseries 2019A-1 Bonds be changed, if interest on the Subseries 2019A-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 2019A-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 2019 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 2019 Participant and the effect of any such review on such Series 2019 Participant's ability to make its payments under its Series 2019 Loan Agreement.

Specific Risks Related to Series 2019 Leased Facilities

In order to secure its respective obligations under its respective Series 2019 Loan Agreement, a Series 2019 Participant that leases its Series 2019 Facility will collaterally assign to DASNY pursuant to a Collateral Assignment of Leases its right, title and interest (but not its obligations) in the lease for its

Series 2019 Facility (each a "Lease"). The landlord under each Lease has consented to such collateral assignment. Upon and during an uncured Event of Default under such Series 2019 Participant's Series 2019 Loan Agreement, DASNY may further assign the applicable Lease to a financially sound State-approved not-for-profit corporation selected by DASNY (each a "Replacement Tenant") for purposes of operating a State-approved program within such Series 2019 Facility similar to the program currently operated therein by the Series 2019 Participant. The applicable Replacement Tenant would assume the Series 2019 Participant's liabilities and obligations under such Lease on terms acceptable to the landlord. Notwithstanding the Collateral Assignment of Leases, the Series 2019 Participant shall remain liable under its Lease to perform all of its obligations thereunder. Certain practical and legal considerations, however, including, but not limited to, bankruptcy risks, could inhibit or materially delay the ability to locate a Replacement Tenant for such Series 2019 Leased Facility, or otherwise preclude the receipt of sufficient revenues to repay such Series 2019 Participant's Allocable Portion of the Series 2019 Bonds. See "Appendix A – Description of Series 2019 Participants" for further details on which Series 2019 Facilities are Series 2019 Leased Facilities.

Specific Risks Related to the UCP Co-op Facilities

Certain of UCP's Series 2019 Facilities are Co-op Units in which UCP has a Co-op Interest. Should an event of default occur under UCP's Series 2019 Loan Agreement, DASNY may enforce its rights under the Co-op Security Documents; however, any sale and/or lease of any such UCP Co-op Facilities after such enforcement proceedings is subject to the approval of the Co-op Corporation's board and subject to the terms of the Co-op Corporation's bylaws, which provide the Co-op Corporation's board broad discretion in approving or denying a future sale and/or lease. Certain other practical and legal considerations could also inhibit or materially delay or otherwise preclude the receipt of sufficient revenues to repay UCP's Allocable Portion of the Series 2019 Bonds. See "Appendix A - Description of Series 2019 Participants" for further details on the UCP Co-op Facilities.

Right of Reacquisition of the Johnson Avenue Facility, the Steuben Avenue Facility and/or the Swinton Avenue Facility of UCP

UCP acquired title to the Series 2019 Facilities located at 2782 Johnson Avenue, Bronx, New York (the "Johnson Avenue Facility"), 3327 Steuben Avenue, Bronx, New York (the "Steuben Avenue Facility") and 424 Swinton Avenue, Bronx, New York (the "Swinton Avenue Facility" and together with the Johnson Avenue Facility and the Steuben Avenue Facility, the "UCP Facilities Subject to Reacquisition") through a bankruptcy sale (the "FEGS Bankruptcy Sale") involving Federal Employment and Guidance Service, Inc. ("FEGS"). FEGS acquired the UCP Facilities Subject to Reacquisition from the State of New York, acting by and through the Office of Mental Retardation and Developmental Disabilities, as predecessor to OPWDD (the "Seller") for $1.00 on September 8, 2004. The deed pursuant to which FEGS acquired title to the UCP Facilities Subject to Reacquisition contained a right of reacquisition by the Seller in the event that FEGS, its successors and assigns fail to utilize the UCP Facilities Subject to Reacquisition as authorized not-for-profit community mental hygiene services facilities 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. UCP has requested the Seller to enter into a subordination agreement in order to subordinate the Seller's right of reacquisition to the lien granted by UCP's Mortgage on the UCP Facilities Subject to Reacquisition. There is no guarantee that UCP will be able to obtain such subordination agreement from the Seller or that UCP's title to the UCP Facilities Subject to Reacquisition will not continue to be subject to the right of reacquisition.

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 2019 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 2019 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 2019 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 2019 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 2019 Bonds; provided, however, that certain legal matters with respect to the tax status of interest on the Series 2019A-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 2019 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 2019 Bonds or questioning or affecting the validity of the Series 2019 Bonds or the proceedings and authority under which they are to be issued.

See “Appendix A - Description of Series 2019 Participants” for a description of any litigation which may have a material adverse effect on the Series 2019 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 2019 Participant will enter into a written agreement (collectively, the “Continuing Disclosure Agreements”) for the benefit of the Holders of the Series 2019 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 2019 Participants’ compliance with their continuing disclosure undertakings made pursuant to Rule 15c2-12, see “Appendix A - Description of Series 2019 Participants.”

PART 16 - UNDERWRITING

The Series 2019 Bonds are being purchased by Municipal Capital Markets Group, Inc. (the “Underwriter”). The Underwriter has agreed, subject to certain conditions, to purchase the Series 2019 Bonds from DASNY at a purchase price of $26,294,829.40 and to make a public offering of the Series 2019 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 2019 Bonds if any Series 2019 Bonds are purchased. The Series 2019 Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2019 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 2019 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 2019 Bonds have been rated “Aa2” by Moody’s. The rating on the Series 2019 Bonds is based upon the obligation of the Series 2019 Participants under the Series 2019 Loan Agreements to make certain payments from the Revenues, and on the security interest in the Pledged Revenues granted by such Series 2019 Participants to DASNY under the Series 2019 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 2019 Bonds.

PART 18 - INDEPENDENT PUBLIC ACCOUNTANTS

Developmental Disabilities Institute, Inc. has provided its financial statements as of and for the years ended December 31, 2017, December 31, 2016 and December 31, 2015 and the other Series 2019 Participants have provided their respective financial statements as of and for the years ended June 30, 2018, June 30, 2017 and June 30, 2016. These financial statements, included in Appendix B to this Official Statement, have been audited by independent certified public accounting firms, as stated in their respective reports appearing therein. Notwithstanding the receipt of any consents to append the financial statements to this Official Statement, none of the auditors performed any procedures relating to any of the information contained in this Official Statement.

PART 19 - MISCELLANEOUS

References in this Official Statement to the Act, the Resolutions, the Series 2019 Loan Agreements, the Mortgages and the Co-Op Security Documents do not purport to be complete. Refer to the Act, the Resolutions, the Series 2019 Loan Agreements, the Mortgages and the Co-op Security Documents for full and complete details of their provisions. Copies of the Resolutions, the Series 2019 Loan Agreements, the Mortgages and the Co-op Security Documents are on file with DASNY and the Trustee.

The agreements of DASNY with Holders of the Series 2019 Bonds are fully set forth in the Resolutions. Neither any advertisement of the Series 2019 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2019 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 2019 Participants and their respective Series 2019 Facilities contained in this Official Statement has, in each case, been furnished by the Series 2019 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 2019 Participants," "Appendix B - Audited Financial Statements of Series 2019 Participants" and "Appendix C - Unaudited Financial Information of Series 2019 Participants" were supplied by the Series 2019 Participants.

"Appendix D - Certain Definitions," "Appendix E-1 - Summary of Certain Provisions of the Series 2019 Loan Agreements (other than the Series 2019 Loan Agreement of UCP)," "Appendix E-2 - Summary of Certain Provisions of the Series 2019 Loan Agreement of UCP," "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 2019 Participant has reviewed the parts of this Official Statement describing such Series 2019 Participant, its Series 2019 Facilities, its Mortgages, if any, its Co-op Security Documents, if any, its Collateral Assignment of Leases, if any, including, without limitation, "PART 1 – INTRODUCTION" (but solely with respect to the headings "The Series 2019 Participants," "Additional

Security – Pledged Revenues and Standby Intercepts," "The Mortgages," "Co-op Security Documents" and "Collateral Assignment of Leases," "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS – Security for the Series 2019 Bonds - Pledged Revenues – Intercept Funds," "– Security for the Series 2019 Bonds – Mortgages and Co-op Security Documents" and "– Security for the Series 2019 Bonds – Collateral Assignment of Leases," "PART 3 – THE SERIES 2019 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2019 Bonds," "PART 4 - THE SERIES 2019 PARTICIPANTS," "PART 5 - SOURCES OF SERIES 2019 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 2019 Bonds that each Series 2019 Participant certify as of the dates of sale and delivery of the Series 2019 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 2019 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 2019 Participant.

The Program Facilitator has reviewed the parts of this Official Statement describing itself and the information contained in "PART 5 - SOURCES OF SERIES 2019 PARTICIPANT REVENUE," and "PART 11 - BONDHOLDERS' RISKS." It is a condition to the sale and delivery of the Series 2019 Bonds that the Program Facilitator certify as of the dates of sale and delivery of the Series 2019 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.

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

DORMITORY AUTHORITY OF THE STATE OF NEW YORK

By: /s/ Gerrard P. Bushell
Authorized Officer

APPENDIX A

DESCRIPTION OF SERIES 2019 PARTICIPANTS

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DEVELOPMENTAL DISABILITIES INSTITUTE, INC.

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

The financial statements of DDI are prepared on a consolidated basis among DDI and its affiliate. However, the financial information contained in this Appendix is limited to the operations of DDI, as the affiliate of DDI will not have any obligation to make payments under the Loan Agreement. The Series 2019 Participant is only DDI.

DDI's funding sources for its 2018 Fiscal Year were: OPWDD (approximately 62%), DOH (approximately 5%), State Department of Education (approximately 32%) and miscellaneous other sources (approximately 1%).

Description of Facilities and Financing Plan. DASNY will lend DDI $6,720,000 from the proceeds of the Series 2019 Bonds ("DDI's Allocable Portion"). Such amount will be used to finance or refinance debt incurred in connection with the Facilities and Projects described below, as well as for related legal fees, capitalized interest, costs of issuance and debt service reserve requirements.

- The "8 Cynthia Court Facility" is a 2,460 square-foot, 2-story building located at 8 Cynthia Court, East Setauket (Town of Brookhaven), New York. Approximately $1,175,181 will be used to finance the "8 Cynthia Court Project," which consists of the acquisition and rehabilitation of the 8 Cynthia Court Facility for use as a residence for six adults with developmental disabilities.

- The "12 Campbell Drive Facility" is a 2,050 square-foot, 1-story building located at 12 Campbell Drive, Dix Hills (Town of Huntington), New York. Approximately $1,174,749 will be used to finance the "12 Campbell Drive Project," which consists of the acquisition and rehabilitation of the 12 Campbell Drive Facility for use as a residence for six adults with developmental disabilities.

- The "7 Welbourn Lane Facility" is a 1,674 square-foot, 1-story building located at 7 Welbourn Lane, Coram (Town of Brookhaven), New York. Approximately $710,918 will be used to finance the "7 Welbourn Lane Project," which consists of the acquisition and rehabilitation of the 7 Welbourn Lane Facility for use as a residence for four adults with developmental disabilities.

- The "73 Henearly Drive Facility" is a 2,688 square-foot, 2-story building located at 73 Henearly Drive, Miller Place (Town of Brookhaven), New York. Approximately $861,580 will be used to finance the "73 Henearly Drive Project," which consists of the acquisition and rehabilitation of the 73 Henearly Drive Facility for use as a residence for six adults with developmental disabilities.

- The "229 Stony Hollow Road Facility" is a 2,215 square-foot, 1-story building located at 229 Stony Hollow Road, Greenlawn (Town of Huntington), New York. Approximately $1,155,727 will be used to finance the "229 Stony Hollow Road Project," which consists of the acquisition and rehabilitation of the 229 Stony Hollow Road Facility for use as a residence for six adults with developmental disabilities.

- The "75 Landing Meadow Road Facility" (together with the 8 Cynthia Court Facility, the 12 Campbell Drive Facility, the 7 Welbourn Lane Facility, the 73 Henearly Drive Facility and the 229 Stony Hollow Road Facility, the "Facilities") is a 28,382 square-foot, 2-story building located at 75 Landing Meadow Road, Smithtown, New York. Approximately $1,025,412 will be used to finance the "75 Landing Meadow Road Project" (together with the 8 Cynthia Court Project, the 12 Campbell Drive Project, the 7 Welbourn Lane Project, the 73 Henearly Drive Project and the 229 Stony Hollow Road Project, the "Projects"), which consists of the rehabilitation of the 75 Landing Meadow Road Facility to serve as a voluntary operated day habilitation for eighty individuals with developmental disabilities.

The remainder of DDI's Allocable Portion in the amount of approximately $616,433 will be used for legal fees, costs of issuance and debt service reserve requirements.

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

The Facilities are all New PPA Lien Projects. See the information in this Official Statement entitled "PART 5 - SOURCES OF SERIES 2019 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process" for further information concerning New PPA Lien Projects.

Certificates of Occupancy or Certificates of Compliance have been received from the applicable local jurisdictions for all of the DDI Facilities. DDI has not received as required a new or updated Certificate of Occupancy or Certificate of Compliance from the Town of Brookhaven for the 8 Cynthia Court Facility, from the Town of Huntington for the 12 Campbell Drive Facility or the 229 Stony Hollow Road Facility or from the Town of Smithtown for the 75 Landing Meadow Road Facility; DDI has received a new or updated Certificate of Occupancy or Certificate of Compliance from the Town of Brookhaven for the 7 Welbourn Lane Facility and 73 Henearly Drive Facility. DDI has received Operating Certificates from OPWDD for the 7 Welbourn Lane Facility, the 73 Henearly Drive Facility, the 229 Stony Hollow Road Facility and the 75 Landing Meadow Road Facility. DDI has not received Operating Certificates from OPWDD for the 8 Cynthia Court Facility or 12 Campbell Drive Facility. See the information in this Official Statement entitled "PART 11 - BONDHOLDERS' RISKS - Completion of the Projects; Zoning; Certificate of Occupancy."

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

Other Properties. DDI also owns 42 other properties and leases 9 other residential and day program properties throughout Long Island.

Employees. DDI employs 1,150 full-time and 762 part-time employees in Nassau County and Suffolk County, New York. DDI does not expect that the operation of the Facilities will require it to employ additional personnel.

Debt Service Coverage.

Calculated in accordance with the definition set forth in the Loan Agreement between DASNY and DDI, the Actual Debt Service Coverage Ratio of DDI for Fiscal Year 2018 and the Pro Forma Debt Service Coverage Ratio (which includes DDI's Allocable Portion of the Series 2019 Bonds) are as follows:

	2017	**2017**
	Actual	**Pro Forma**
Revenues	$99,650,921	$99,650,921
Expenses	97,915,258	97,915,258
Net Income (after adj.)	1,735,663	1,735,663
Less Extraordinary Revenue Items	0	0
Plus Extraordinary Expense Items	0	0
Plus Depreciation and Amortization	3,096,901	3,096,901
Plus Current Interest Expense	1,052,294	1,052,294
New PPA Revenues (unaudited)		420,429
Cash Flow for Debt Service	5,884,858	6,305,287
Maximum Annual Debt Service (unaudited)	4,435,360	4,855,789
Debt Service Coverage Ratio (DSCR)	1.33	1.30

Financials. Audited financial statements for DDI and its affiliate for the fiscal years ended December 31, 2015, December 31, 2016 and December 31, 2017 were prepared by BDO USA, LLP and are attached as Appendix B-I. Interim unaudited financial information for DDI and its affiliate prepared by DDI's Management covering the period from January 1, 2018 through December 31, 2018 is attached as Appendix C-I. Significant accounting policies are contained in the notes to the audited financial statements, as well as Consolidating Statements for DDI and its affiliate.

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

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

The following is a summary of financial information for DDI for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by DDI's Management and derived from DDI's audited financial statements. The data contained in the following table should be read in conjunction with the audited financial statements and related notes presented in Appendix B-I; audited financial statements for the fiscal years ended December 31, 2014 and December 31, 2013 are available upon request. Note that only the operations of DDI are presented below, which results may differ from the reported figures in the audited financial statements respecting DDI and its affiliate.

Fiscal Year Ended December 31,

	2013	2014	2015	2016	2017
Current Assets	$26,593,658	$31,546,099	$34,115,578	$39,985,881	$38,786,628
Net Fixed Assets	24,293,712	27,477,574	28,059,733	27,545,851	27,625,661
Other	10,009,559	5,513,765	5,501,309	4,817,620	4,942,800
Total	60,896,929	64,537,438	67,676,620	72,349,352	71,355,089
Current Liabilities	15,303,626	15,120,862	15,962,549	20,280,743	18,772,727
Other Liabilities	32,346,456	31,442,975	31,423,161	28,280,699	27,291,619
Net Assets	13,246,847	17,973,601	20,920,910	23,787,910	25,920,743
Total	60,896,929	64,537,438	67,676,620	72,349,352	71,355,089
Operating Revenue:					
Program Revenue	89,625,577	92,863,886	98,848,011	99,811,644	98,960,074
Nonprogram Revenue	(1,095,764)	1,931,341	1,301,650	2,449,441	216,529
Total	88,529,813	94,795,227	100,149,661	102,261,085	99,176,603
Operating Expenses	88,003,223	90,068,473	97,832,352	98,764,085	97,673,770
Change in Net Assets	526,590	4,726,754	2,317,309	3,497,000	1,502,833
Net Assets, Beginning of Year	12,720,257	13,246,847	17,973,601	20,290,910	23,787,910
Net Assets, End of Year	13,246,847	17,973,601	20,290,910	23,787,910	25,290,743
Cash & Equivalents	8,038,368	9,824,211	14,555,228	15,981,145	13,685,926

Management Discussion of Results of Operations.

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

(2) Sources of Liquidity: (a) Internal - DDI had current assets of $38,786,628 and $39,985,881 at the end of fiscal years 2017 and 2016, respectively, (b) External - DDI has available a $9 million revolving line of credit with TD Bank, N.A. for operating or capital expenses.

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

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund-raising, and interest for fiscal years 2017 and 2016 were $60,603 and $51,512, respectively. See Appendix C-I for interim unaudited financial information through December 31, 2018.

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

Liquidity and Capital Resources. As of December 31, 2017 and December 31, 2016, DDI had $13,685,926 and $15,981,145 in unrestricted cash and cash equivalents and $19,083,777 and $17,641,986 in net accounts receivable, respectively.

As of December 31, 2018, DDI had an available revolving line of credit of $9 million with TD Bank, N.A. The proceeds of the line of credit may be used for operating or capital expenses. The line of credit is secured by a lien on DDI's accounts receivable, subject to certain subordination agreements, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. There was no outstanding balance on such line of credit as of December 31, 2018.

Long-Term Debt. As of December 31, 2017 and December 31, 2016, DDI had $24,746,294 and $26,475,074, respectively, in outstanding long-term indebtedness including mortgages, bonds, loans and capital lease obligations, some of which debt is secured by a security interest in DDI's Public Funds. See Notes 11, 12, 13 and 14 of DDI's Audited Financial Statement for fiscal year ending December 31, 2017 under the titles of "Capital Lease Obligations," "Line of Credit," "Mortgages and Loans Payable" and "Bonds Payable." DDI has not incurred any long-term debt subsequent to December 31, 2018.

Prior Pledges. DDI's line of credit for $9 million with TD Bank, N.A. is secured by a lien on DDI's accounts receivable, subject to certain subordination agreements, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. Of DDI's total outstanding long-term debt as of December 31, 2017 and December 31, 2016, $23,630,531 and $25,773,505 is secured by a security interest in certain receivables of and real properties owned by DDI, which may include DDI's Public Funds, and thus constitutes a Prior Pledge as to such funds. DDI's total Prior Pledges (including short term and long term debt) as of December 31, 2018 amount to $29,780,302.

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

Management.

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

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

Continuing Disclosure. As described in this paragraph, during the past five years, DDI failed to provide certain secondary market disclosure pursuant to Rule 15c2-12 in connection with its previous continuing disclosure undertakings. Such failures include (i) late filings of its audited financial statements with respect to each of its fiscal years ended December 31, 2014, December 31, 2015 and December 31, 2017; and (ii) late filing of its Annual Information with respect to each of its fiscal years ended December 31, 2014, December 31, 2015 and December 31, 2017. DDI has adopted procedures to ensure the timely filing of required information pursuant to its continuing disclosure undertakings in the future.

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EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.

General Operations. Eden II School for Autistic Children, Inc. ("Eden") was founded in 1976. Operating out of 14 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 2018 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 $1,675,000 from the proceeds of the Series 2019 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 2,444 square-foot, 2-story building located at 205 Eltingville Boulevard, Staten Island, New York. The Project consists of the acquisition and rehabilitation of the Facility for use as a residence for seven 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 2019 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process" for further information concerning New PPA Lien Projects.

A Certificate of Occupancy has been received form the City of New York for the Facility. Eden has not received as required a new or updated Certificate of Occupancy or a Letter of Completion from the City of New York for the Facility and has not 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 9 other properties and leases another 5 properties throughout New York City and Long Island.

Employees. Eden employs 449 full-time and 212 part-time employees. Eden expects that the operation of the Facility will require it to employ 18 to 24 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 2018 and the Pro Forma Debt Service Coverage Ratio (which includes Eden's Allocable Portion of the Series 2019 Bonds) are as follows:

	2018 Actual	2018 Pro Forma
Revenues	$32,718,077	$32,718,077
Expenses	33,036,776	33,036,776
Net Income (after adj.)	(318,699)	(318,699)
Less Extraordinary Revenue Items	0	0
Plus Extraordinary Expense Items	0	0
Plus Depreciation and Amortization	1,490,572	1,490,572
Plus Current Interest Expense	585,046	585,046
New PPA Revenues (unaudited)		103,125
Cash Flow for Debt Service	1,756,919	1,860,044
Maximum Annual Debt Service (unaudited)	1,343,207	1,446,332
Debt Service Coverage Ratio (DSCR)	1.31	1.29

Financials. Audited financial statements for Eden for the fiscal years ended June 30, 2016 and June 30, 2017 were prepared by BDO USA, LLP and for fiscal year ended June 30, 2018 by Marks Paneth LLP and are attached as Appendix B-II. Interim unaudited financial information for Eden prepared by Eden's Management covering the period from July 1, 2018 through December 31, 2018 is attached as Appendix C-II. 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-II; audited financial statements for the fiscal years ended June 30, 2015 and June 30, 2014 are available upon request.

	Fiscal Year Ended June 30,				
	2014	**2015**	**2016**	**2017**	**2018**
Current Assets	$7,868,099	$7,129,661	$8,699,864	$7,584,564	$9,038,904
Net Fixed Assets	16,140,495	18,802,219	18,769,983	17,409,194	15,998,764
Other	2,269,241	2,350,504	2,669,771	1,489,890	1,492,034
Total	26,277,835	28,282,384	30,139,618	26,483,648	26,529,702
Current Liabilities	4,635,693	4,700,693	6,169,791	5,661,243	9,823,103
Other Liabilities	13,678,612	14,900,687	15,630,672	12,816,648	9,019,541
Net Assets	7,963,530	8,681,004	8,339,155	8,005,757	7,687,058
Total	26,277,835	28,282,384	30,139,618	26,483,648	26,529,702
Operating Revenue:					
Program Revenue	26,545,730	27,322,332	30,090,725	31,042,869	32,713,102
Nonprogram Revenue	3,165,804	792,735	404,447	99,251	4,975
Total	29,711,534	28,115,067	30,495,172	31,142,120	32,718,077
Operating Expenses	28,096,278	27,397,593	30,836,991	31,475,518	33,036,776
Change in Net Assets	1,615,256	717,474	(341,819)	(333,398)	(318,699)
Net Assets, Beginning of Year	6,348,274	7,963,530	8,680,974	8,339,155	8,005,757
Net Assets, End of Year	7,963,530	8,681,004	8,339,155	8,005,757	7,687,058
Cash & Equivalents	743,618	603,678	890,162	383,692	552,563

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 $9,038,904 and $7,584,564 at the end of fiscal years 2018 and 2017, 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 ("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 2018 and 2017 were $438,057 and $269,737, respectively. See Appendix C-II for interim unaudited financial information through December 31, 2018.

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

Liquidity and Capital Resources. As of June 30, 2018 and June 30, 2017, Eden had $552,563 and $383,692 in unrestricted cash and cash equivalents and $7,525,683 and $6,809,690 in net accounts receivable, respectively.

As of December 31, 2018, 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, 2018 was $600,000.

As of December 31, 2018, 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. There was no outstanding balance on such line of credit as of December 31, 2018.

Long-Term Debt. As of June 30, 2018 and June 30, 2017, Eden had $9,019,541 and $12,816,648, 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 7, 8, 9 and 10 of Eden's Audited Financial Statement for fiscal year ending June 30, 2018 under the titles of "Bonds Payable, Net," "Mortgages and Notes Payable, Net," "Line of Credit" and "Loan Payable." Eden anticipates borrowing $750,000 on March 12, 2019 from FJC for the purchase of a residence to serve as an individualized residential alternative.

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, 2018 and June 30, 2017, $9,340,682 and $9,082,190 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, 2018 amount to $9,159,035.

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, Donald Russo, Vice Chairman, Shanx Ravisankar, Treasurer, and David Glick, Secretary. Other members of the Board are: William Juliano, James Caldarella, Michele Carr, Anthony Citarrella, Jeanette Collins, James Cronin, Michael Giangregorio, Lou Anne Haley, Grace Han, Denise Holzka, Steve Kirschbaum, Barbara Maxwell, Nicole Memoli, Angela Natale, Bernardo Pace and Terry Tarangelo. The Board of Directors meets at least four times a year. A majority of the trustees in office shall 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 a continuing care retirement community and acute care hospitals. He also has over 10 years of experience at the national accounting firm of Deloitte & Touche. Besides being a Certified Public Accountant, he is also a Certified Internal Auditor. He received a Bachelor of Business Administration from the University of Notre Dame.

Continuing Disclosure.

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

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MERCY HOME FOR CHILDREN, INC.

General Operations. Mercy Home for Children, Inc. ("MHC") has been working with vulnerable people for more than 150 years, providing services first to children and youth in need, then expanding to adults. Historically, MHC has focused on meeting basic needs, but over the past 40 years, MHC has focused on innovative services that draw out and engage individuals with autism spectrum disorder and intellectual and developmental disabilities to enhance their skills, bolster their autonomy and improve their self-esteem. MHC was founded in 1862 by the Sisters of Mercy, in Brooklyn, New York to provide compassionate care for children who were victims of war, disease, poverty, or who suffered the loss of a parent. MHC's vision and all of its current work are a product of the initial concerns of the Sisters of Mercy, particularly their focus on working on behalf of the marginalized, dismantling racism, working for peace through nonviolence and believing firmly in the dignity of every person, including immigrants, the poor and women. Today, MHC embraces this vision by helping people with intellectual and developmental disabilities to live their lives fully. In 1977, MHC established the first Developmental Therapy Unit in New York City for children with autism spectrum disorder. MHC currently operates 13 family-style homes in Brooklyn, Queens, and Nassau County, New York. MHC 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 MHC are prepared on a consolidated basis among MHC and its affiliate. However, the financial information contained in this Appendix is limited to the operations of MHC, as the affiliate of MHC will not have any obligation to make payments under the Loan Agreement. The Series 2019 Participant is only MHC.

MHC's funding sources for its 2018 Fiscal Year were: OPWDD (approximately 95%) and miscellaneous other sources (approximately 5%).

Description of Facilities and Financing Plan. DASNY will lend MHC $3,085,000 from the proceeds of the Series 2019 Bonds ("MHC'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 "1058 Herkimer Street Facility" is a 3,984 square-foot, 3-story building located at 1058 Herkimer Street, Brooklyn, New York. Approximately $2,222,237 will be used to finance the "1058 Herkimer Street Project," which consists of the acquisition and rehabilitation of the 1058 Herkimer Street Facility for use as a residence for ten adults with developmental disabilities.

- The "1370 Union Street Facility" (together with the 1058 Herkimer Street Facility, the "Facilities") is a 2,749 square-foot, 3-story building located at 1370 Union Street, Brooklyn, New York. Approximately $587,145 will be used to finance the "1370 Union Street Project" (together with the 1058 Herkimer Street Project, the "Projects"), which consists of the rehabilitation of the 1370 Union Street Facility for use as a residence for six adults with developmental disabilities.

The remainder of MHC's Allocable Portion in the amount of approximately $275,618 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 MHC 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 both New PPA Lien Projects. See the information in this Official Statement entitled "PART 5 - SOURCES OF SERIES 2019 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process" for further information concerning New PPA Lien Projects.

A Certificate of Occupancy has been received from the City of New York for the 1058 Herkimer Street Facility. A Certificate of Occupancy is not required for the 1370 Union Street Facility. MHC has not received as required a new or updated Certificate of Occupancy or Letter of Completion from the City of New York for the 1058 Herkimer Street Facility or Letter of Completion for the 1370 Union Street Facility. MHC has also not received Operating Certificates from OPWDD for either the 1058 Herkimer Street Facility or the 1370 Union Street Facility. See the information in this Official Statement entitled "PART 11 - BONDHOLDERS' RISKS - Completion of the Projects; Zoning; Certificate of Occupancy."

MHC owns the 1058 Herkimer Street Facility and leases the 1370 Union Street Facility. MHC will grant DASNY a mortgage on the real property with respect to the 1058 Herkimer Street Facility, a security interest in the furniture, fixtures and equipment financed with bond proceeds and constituting a portion of the 1058 Herkimer Street Facility, and a lien on the Public Funds attributable to the 1058 Herkimer Street Facility. MHC will collaterally assign to DASNY pursuant to a Collateral Assignment of Leases its right, title and interest (but not its obligations) in the lease for the 1370 Union Street Facility and grant DASNY a lien on the Public Funds attributable to the 1370 Union Street Facility. The landlord under the lease for the 1370 Union Street Facility has consented to such collateral assignment. The term of the lease together with all lease renewal options available to MHC for the 1370 Union Street Facility exceeds the term of MHC's Allocable Portion of the Series 2019 Bonds.

Other Properties. MHC also owns 8 other properties and leases 7 other residential and day program properties throughout Kings County, Queens County and Nassau County, New York.

Employees. MHC employs 164 full-time and 131 part-time employees in Kings County, Queens County and Nassau County, New York. MHC 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 MHC, the Actual Debt Service Coverage Ratio of MHC for Fiscal Year 2018 and the Pro Forma Debt Service Coverage Ratio (which includes MHC's Allocable Portion of the Series 2019 Bonds) are as follows:

	2018 Actual	2018 Pro Forma
Revenues	$18,235,286	$18,235,286
Expenses	19,052,532	19,052,532
Net Income (after adj.)	(817, 246)	(817, 246)
Less Extraordinary Revenue Items	0	0
Plus Extraordinary Expense Items	348,000	348,000
Plus Depreciation and Amortization	327,622	327,622
Plus Current Interest Expense	134,591	134,591
New PPA Revenues (unaudited)	0	197,451
Cash Flow for Debt Service	(7,033)	190,418
Maximum Annual Debt Service (unaudited)	424,792	622,243
Debt Service Coverage Ratio (DSCR)	-0.02	0.31 [1]

[1] Note that the Loan Agreement includes a covenant for MHC to maintain in each Fiscal Year 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, with which MHC expects to be in compliance. The above pro forma illustration is a look back to Fiscal Year 2018, the most recent fiscal year for which audited financial statements are available. Fiscal Year 2018 was a "Base Year" for OPWDD providers. Per the Rate Rationalization process (the current methodology by which reimbursement rates are calculated for providers in New York State) that began in Fiscal Year 2014, providers who end a Base Year with a surplus can expect to have their reimbursement rates cut in subsequent years. The Base Fiscal Year 2018 year results will affect Fiscal Year 2020 rates. Consequently, many providers intentionally manage spending during a Base Year to prevent future rate cuts which results in the lower Total Debt Service Coverage Ratio shown above. OPWDD has been working with providers as part of its continuing "Rate Rationalization and Budget Neutrality" efforts in order to "right size" the reimbursement rates paid to OPWDD funded providers based upon their geographic location within the state, the size of their agency, the number of individuals served, and the complexity of care required (including age of individuals, ambulation and other abilities).

Financials. Audited financial statements for MHC for the fiscal years ended June 30, 2016 and June 30, 2017 were prepared by Loeb & Troper LLP and for MHC and its affiliate for fiscal year ended June 30, 2018 by Baker Tilly Virchow Krause, LLP and are attached as Appendix B-III. Interim unaudited financial information for MHC and prepared by MHC's Management covering the period from July 1, 2018 through December 31, 2018 is attached as Appendix C-III. Significant accounting policies are contained in the notes to the audited financial statements. Consolidating Statements for MHC and its affiliate are not included in the audited financial statements for fiscal year ended June 30, 2018 because the affiliate is not yet operational.

<u>Management's Summary of Financial Information and Results of Operations.</u>

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

The following is a summary of financial information for MHC for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by MHC's Management and derived from MHC'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, 2015 and June 30, 2014 are available upon request. Note that only the operations of MHC are presented below with respect to fiscal year ended June 30, 2018, as MHC's affiliate is not yet operational and will not have any obligation to make payments under the Loan Agreement.

	Fiscal Year Ended June 30,				
	2014	**2015**	**2016**	**2017**	**2018**
Current Assets	$16,270,728	$16,798,022	$14,614,784	$14,881,370	$14,655,013
Net Fixed Assets	3,629,084	3,425,368	3,820,635	3,535,959	7,320,094
Other	1,607,247	2,622,881	579,565	286,490	234,238
Total	21,507,059	22,846,271	19,014,984	18,703,819	22,209,345
Current Liabilities	5,982,305	8,251,768	4,561,824	2,891,577	6,374,352
Other Liabilities	2,861,594	2,607,004	2,156,047	2,438,814	3,715,683
Net Assets	12,663,160	11,987,499	12,297,113	13,373,428	12,119,310
Total	21,507,059	22,846,271	19,014,984	18,703,819	22,209,345
Operating Revenue:					
Program Revenue	18,292,272	16,830,005	17,151,280	17,157,689	17,488,040
Nonprogram Revenue	2,207,075	911,599	1,599,701	1,722,026	747,246
Total	20,499,347	17,741,604	18,750,981	18,879,715	18,235,286
Operating Expenses	19,621,901	18,608,489	18,070,975	18,521,571	19,052,532
Prior Year Rate Adjustment	0	191,224	(370,392)	718,171	0
Change in Net Assets	877,446	(675,661)	309,614	1,076,315	(817,246)
Net Assets, Beginning of Year	11,785,714	12,663,160	11,987,499	12,297,113	12,936,556*
Net Assets, End of Year	12,663,160	11,987,499	12,297,113	13,373,428	12,119,310
Cash & Equivalents	4,187,331	5,965,944	1,544,272	1,765,020	1,710,444

* See Note 15 to MHC's audited financial statements for fiscal year ended June 30, 2018.

Management Discussion of Results of Operations.

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

(2) Sources of Liquidity: (a) Internal - MHC had current assets of $14,655,013 and $14,881,370 at the end of fiscal years 2018 and 2017, respectively. (b) External - MHC has available a $9.1 million line of credit with Wells Fargo Clearing Services, LLC secured by certain investments and a $500,000 line of credit with Ridgewood Savings Bank secured by a savings account.

(3) Known Trends or Uncertainties Likely to have an Impact on Revenue or Income: MHC is not aware of any trends or uncertainties that have had or are reasonably likely to have a material impact on MHC'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 $586,806 and $627,306, respectively. See Appendix C-III for interim unaudited financial information through December 31, 2018.

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

Liquidity and Capital Resources. As of June 30, 2018 and June 30, 2017, MHC had $1,710,444 and $1,765,020 in unrestricted cash and cash equivalents and $1,379,739 and $1,690,635 in net accounts receivable, respectively.

As of December 31, 2018, MHC had an available a $9.1 million line of credit with Wells Fargo Clearing Services, LLC. The proceeds of the line of credit are to be used for operating expenses. The line of credit is secured by a lien on certain of MHC's investment accounts. There outstanding balance on such line of credit as of December 31, 2018 was $3,551,805.

As of December 31, 2018, MHC had an available line of credit of $500,000 with Ridgewood Savings Bank. The proceeds of the line of credit may be used for operating expenses and other business purposes. The line of credit is secured by a lien on MHC's savings accounts. There was no outstanding balance on such line of credit as of December 31, 2018.

Long-Term Debt. As of June 30, 2018 and June 30, 2017, MHC had $4,288,673 and $2,435,137, respectively, in outstanding long-term indebtedness including mortgages, loans and capital lease obligations, some of which debt is secured by a security interest in MHC's Public Funds. See Notes 4, 5, 6, 7 and 8 of MHC's Audited Financial Statement for fiscal year ending June 30, 2018 under the titles of "Line of Credit Payable," "Priority Line of Credit Payable," "Mortgages Payable," "Capital Lease Payable" and "Loan Payable." MHC has not incurred any long-term debt subsequent to June 30, 2018.

Prior Pledges. Of MHC's total outstanding long-term debt as of June 30, 2018 and June 30, 2017, $4,288,673 and $2,435,137 is secured by a security interest in certain receivables of and real properties owned by MHC, which may include MHC's Public Funds, and thus constitutes a Prior Pledge as to such funds. MHC's total Prior Pledges (including short term and long term debt) as of December 31, 2018 amount to $3,846,425.

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

Management.

Directors and Officers: The affairs of MHC are governed by a Board of Directors of up to thirty persons. The officers are comprised of: Donna Whiteford, Chairperson, James Slattery, Vice Chairperson, Anthony Simeone, Treasurer and Sister Frances Picone, Secretary. Other members of the Board are: Sister Theresa Agliardi, Reverend Michael Perrry, Sister Camille D'Arienzo, Sister Margaret Dempsey, Sister Linda Esposito, Robert Flanagan, Frank Fellone III, Rose Travers, Celeste Wasielewski, David Orlinsky, Richard Santulli and Honorable Matthew D'Emic. The Board of Directors meets at least four times a year. A majority of the members of the Board constitute a quorum. The members of the Board serve without compensation.

Executive and Administrative Officers: Janice Aris is the Executive Director of MHC. She holds Masters degrees in Social Sciences, Social Work and Public Administration from Long Island University. Prior to working at MHC, Mrs. Aris was the Vice President of Services for People with I/DD Operations for Catholic Charities Neighborhood Services. MHC has several other key employees including Elinor LaTouche, Chief Operations Officer and Minglan Cai, Executive Vice President of Finance.

Continuing Disclosure.

As described in this paragraph, during the past five years, MHC has failed to provide certain secondary market disclosure pursuant to Rule 15c2-12 in connection with its previous continuing disclosure undertakings. Such failures include (i) late filings of its audited financial statements with respect to its fiscal year ended June 30, 2014 due to unlinked CUSIP numbers; and (ii) not filing a notice of its failure to timely file audited financial statements for fiscal year ended June 30, 2014 due to unlinked CUSIP numbers. MHC has adopted procedures to ensure the timely filing of required information pursuant to its continuing disclosure undertakings in the future.

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

General Operations. Services for the UnderServed, Inc. ("SUS") and its eleven affiliates were founded in and after 1978. Operating out of 109 facilities and its corporate offices at 305 7th Avenue, New York, New York, SUS and its affiliates provide a wide range of in-home and residential services to the developmentally disabled, mentally ill, people living with AIDS and other communities of New York City. The mission of SUS and its affiliates is to provide support and assistance to individuals with special needs to live with dignity in the community, direct their own lives and attain personal fulfillment. In order to achieve their mission, SUS and its affiliates provide services with the following goals: (i) to assist individuals to develop to their fullest level of independence; (ii) to allow individuals choice in determining what their lives will be like; (iii) to help families stay together by providing relief, training and support of care givers which enhance the family's quality of life; and (iv) to provide excellent services as defined by the consumers of service. SUS is a not-for-profit organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and comparable New York State Law.

SUS-Developmental Disabilities Services, Inc. ("SUS-DD") is a subsidiary of SUS and is the entity that, along with SUS, will receive the loan from the proceeds of the Series 2019 Bonds. SUS-DD is also a not-for-profit organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and comparable New York State Law. SUS is the sole member of SUS-DD, and the board of directors of SUS controls the membership rights and obligations of SUS-DD. The financial statements of SUS are prepared on a consolidated basis among SUS and its affiliates, including SUS-DD. However, the financial information in this Appendix is limited to the operations of SUS and SUS-DD, as the other affiliates of SUS will not have any obligation to make payments under the Loan Agreement. The Series 2019 Participant is only SUS and SUS-DD.

SUS and SUS-DD's funding sources for their 2018 Fiscal Year were: OPWDD (approximately 5%), New York State Office of Mental Health (approximately 30%), New York State Office of Alcoholism and Substance Abuse Services (approximately 10%), U.S. Department of Housing and Urban Development (approximately 10%), New York City Department of Homeless Services (approximately 25%), New York City Department of Health and Mental Hygiene (approximately 10%) and miscellaneous other sources (approximately 10%).

Description of Facilities and Financing Plan. DASNY will lend SUS and SUS-DD $3,285,000 from the proceeds of the Series 2019 Bonds ("SUS and SUS-DD'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 "5205 Henry Hudson Parkway West Facility" is a 2,527 square-foot, 2.5-story building located at 5205 Henry Hudson Parkway West, Bronx, New York. Approximately $1,806,526 will be used to finance the "5205 Henry Hudson Parkway West Project," which consists of the acquisition and rehabilitation of the 5205 Hendry Hudson Parkway West Facility for use as a residence for eight adults with developmental disabilities.

- The "185-24 80th Road Facility" is a 2,556 square-foot, 2-story building located at 185-24 80th Road, Jamaica, New York. Approximately $440,124 will be used to finance the "185-24 80th Road Project," which consists of the rehabilitation of the 185-24 80th Road Facility for use as a residence for eight adults with developmental disabilities.

- The “244-04 Northern Boulevard Facility” (together with the 5205 Henry Hudson Parkway West Facility and the 185-24 80th Road Facility, the “Facilities”) is a 3,786 square-foot, 2-story building located at 244-04 Northern Boulevard, Douglaston, New York. Approximately $736,842 will be used to finance the “244-04 Northern Boulevard Project” (together with the 5205 Henry Hudson Parkway West Project and the 185-24 80th Road Project, the “Projects”), which consists of the rehabilitation of the 244-04 Northern Boulevard Facility for use as a residence for eight adults with developmental disabilities.

The remainder of SUS and SUS-DD’s Allocable Portion in the amount of approximately $301,508 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 SUS has received. This means the Facilities are pre-approved by OPWDD for reimbursement by OPWDD for principal and interest costs incurred in connection with the acquisition and/or renovation and furnishing of the Facilities and financing or refinancing costs incurred in connection therewith.

The Facilities are all New PPA Lien Projects. See the information in this Official Statement entitled “PART 5 - SOURCES OF SERIES 2019 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process” for further information concerning New PPA Lien Projects.

Certificates of Occupancy have been received from the City of New York for all of the Facilities. SUS and SUS-DD have not received as required new or updated Certificates of Occupancy or Letters of Completion from the City of New York or Operating Certificates from OPWDD for the Facilities. See the information in this Official Statement entitled “PART 11 - BONDHOLDERS’ RISKS - Completion of the Projects; Zoning; Certificate of Occupancy.”

SUS-DD owns the 5205 Henry Hudson Parkway West Facility and leases the 185-24 80th Road Facility and 244-04 Northern Boulevard Facility. SUS-DD will grant DASNY a mortgage on the real property with respect to the 5205 Henry Hudson Parkway West Facility, a security interest in the furniture, fixtures and equipment financed with bond proceeds and constituting a portion of the 5205 Henry Hudson Parkway West Facility, and a lien on the Public Funds attributable to the 5205 Henry Hudson Parkway West Facility. SUS-DD will collaterally assign to DASNY pursuant to Collateral Assignments of Leases its right, title and interest (but not its obligations) in the leases for the 185-24 80th Road Facility and 244-04 Northern Boulevard Facility, and SUS and SUS-DD will grant DASNY a lien on the Public Funds attributable to the 185-24 80th Road Facility and 244-04 Northern Boulevard Facility. The landlords under the respective leases for the 185-24 80th Road Facility and 244-04 Northern Boulevard Facility have each consented to such collateral assignment. The respective term of each of the leases together with all lease renewal options available to SUS and SUS-DD for the 185-24 80th Road Facility and 244-04 Northern Boulevard Facility exceeds the term of SUS and SUS-DD’s Allocable Portion of the Series 2019 Bonds.

Other Properties. SUS-DD and other SUS affiliates own 75 other properties and lease another 34 residential and day program properties in the Boroughs of New York City and lease office space in Manhattan and Brooklyn. These do not include individual apartments which SUS rents on behalf of its consumers.

Employees. SUS employs a staff of 2,070, of which 1,910 are full-time employees and 160 are part-time employees. SUS does not expect that the operation of the Facilities will require it to employ additional personnel.

Debt Service Coverage.

Calculated in accordance with the definition set forth in the Loan Agreement among DASNY SUS and SUS-DD, the Actual Debt Service Coverage Ratio of SUS and SUS-DD for Fiscal Year 2018 and the Pro Forma Debt Service Coverage Ratio (which includes SUS and SUS-DD's Allocable Portion of the Series 2019 Bonds) are as follows:

	2018 Actual	2018 Pro Forma
Revenues	$94,961,000	$94,961,000
Expenses	97,976,000	97,976,000
Net Income (after adj.)	(3,015,000)	(3,015,000)
Less Extraordinary Revenue Items	0	0
Plus Extraordinary Expense Items	0	0
Plus Depreciation and Amortization	2,031,000	2,031,000
Plus Current Interest Expense	979,000	979,000
New PPA Revenues (unaudited)	0	242,583
Cash Flow for Debt Service	(5,000)	237,583
Maximum Annual Debt Service (unaudited)	1,823,000	2,065,583
Debt Service Coverage Ratio (DSCR)	-0.003	0.115 (1)

(1) Note that the Loan Agreement includes a covenant for SUS and SUS-DD to maintain in each Fiscal Year 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, with which SUS and SUS-DD expect to be in compliance. The above pro forma illustration is a look back to Fiscal Year 2018, the most recent fiscal year for which audited financial statements are available. Fiscal Year 2018 was a "Base Year" for OPWDD providers. Per the Rate Rationalization process (the current methodology by which reimbursement rates are calculated for providers in New York State) that began in Fiscal Year 2014, providers who end a Base Year with a surplus can expect to have their reimbursement rates cut in subsequent years. The Base Fiscal Year 2018 year results will affect Fiscal Year 2020 rates. Consequently, many providers intentionally manage spending during a Base Year to prevent future rate cuts which results in the lower Total Debt Service Coverage Ratio shown above. OPWDD has been working with providers as part of its continuing "Rate Rationalization and Budget Neutrality" efforts in order to "right size" the reimbursement rates paid to OPWDD funded providers based upon their geographic location within the state, the size of their agency, the number of individuals served, and the complexity of care required (including age of individuals, ambulation and other abilities).

Financials. Audited financial statements for SUS and its affiliates, including SUS-DD, for the fiscal years ended June 30, 2016, June 30, 2017 and June 30, 2018 were prepared by BDO USA, LLP and are attached as Appendix B-IV. Interim unaudited financial information for SUS and its affiliates prepared by SUS and SUS-DD's Management covering the period from July 1, 2018 through December 31, 2018 is attached as Appendix C-IV. Significant accounting policies are contained in the notes to the audited financial statements. Consolidating Statements for SUS and its affiliates are included in the audited financial statements for fiscal years ended June 30, 2016 and June 30, 2017 but not for fiscal year ended June 30, 2018.

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

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

The following is a summary of financial information for SUS and SUS-DD for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by SUS and SUS-DD's Management and derived from SUS and SUS-DD'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, 2015 and June 30, 2014 are available upon request. Note that only the operations of SUS and SUS-DD are presented below, which results may differ from the reported figures in the audited financial statements respecting SUS and all of its affiliates.

Fiscal Year Ended June 30,

	2014	2015	2016	2017	2018
Current Assets	$7,346,767	$15,040,000	$14,348,000	11,022,000	21,778,000
Net Fixed Assets	19,029,525	18,223,000	20,300,000	21,752,000	22,507,000
Other	14,350,903	17,262,000	34,826,000	47,458,000	44,892,000
Total	40,727,195	50,525,000	69,674,000	80,232,000	89,175,000
Current Liabilities	14,379,149	13,884,000	24,748,000	13,453,000	23,188,000
Other Liabilities	15,493,218	16,213,000	23,861,000	35,540,000	37,765,000
Net Assets	10,854,828	20,428,000	21,065,000	31,239,000	28,222,000
Total	40,727,195	50,525,000	69,674,000	80,232,000	89,175,000
Operating Revenue:					
Program Revenue	41,855,751	48,034,000	53,837,000	59,618,000	71,940,000
Nonprogram Revenue	8,308,786	12,484,000	15,027,000	17.309,000	23,021,000
Total	50,164,537	60,518,000	68,864,000	76,927,000	94,961,000
Operating Expenses	48,464,034	59,039,000	68,227,000	78,487,000	97,976,000
Change in Net Assets	1,700,503	1,479,000	637,000	(1,560,000)	(3,015,000)
Other Changes to Net Assets	0	8,094,000	0	11,734,000	0
Net Assets, Beginning of Year	9,154,325	10,855,000	20,428,000	21,065,000	31,239,000
Net Assets, End of Year	10,854,828	20,428,000	21,065,000	31,239,000	28,222,000
Cash & Equivalents	5,423,100	8,229,000	6,430,000	1,031,000	7,517,000

Management Discussion of Results of Operations.

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

(2) Sources of Liquidity: (a) Internal - SUS and SUS-DD had current assets of $21,776,000 and $11,022,000 at the end of fiscal years 2018 and 2017, respectively, (b) External - SUS has available with TD Bank, N.A. as lead agent and Bank United, N.A. a $20 million revolving line of credit for operating expenses and a $6 million revolving line of credit for working capital.

(3) Known Trends or Uncertainties Likely to have an Impact on Revenue or Income: SUS and SUS-DD are not aware of any trends or uncertainties that have had or are reasonably likely to have a material impact on SUS or SUS-DD'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 $270,000 and $1,007,000, respectively. See Appendix C-IV for interim unaudited financial information through December 31, 2018.

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

Liquidity and Capital Resources. As of June 30, 2018 and June 30, 2017, SUS and SUS-DD had $7,517,000 and $1,031,000 in unrestricted cash and cash equivalents and $12,701,000 and $9,316,000 in net accounts receivable, respectively.

As of December 31, 2018, SUS had an available revolving line of credit of $6 million with TD Bank, N.A. and Bank United, N.A. The proceeds of the line of credit are to be used for capital project interim financing. The line of credit is secured by a lien on accounts receivable and other business assets, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. The outstanding balance on such line of credit as of December 31, 2018 was $1,531,000.

As of December 31, 2018, SUS also had an available revolving line of credit of $20 million with TD Bank, N.A. and Bank United, N.A. The proceeds of the line of credit are to be used for operating expenses. The line of credit is secured by a lien on SUS's accounts receivable and other business assets, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. The outstanding balance on such line of credit as of December 31, 2018 was $5 million.

Long-Term Debt. As of June 30, 2018 and June 30, 2017, SUS and SUS-DD had $22,060,000 and $11,115,000, respectively, in outstanding long-term indebtedness including mortgages, bonds, loans and capital lease obligations, some of which debt is secured by a security interest in SUS and SUS-DD's Public Funds. See Notes 8, 9, 10 and 11 of SUS's Audited Financial Statement for fiscal year ending June 30, 2018 under the titles of "Lines of Credit," "Mortgages Payable," "Loans Payable" and "Bonds Payable." SUS and SUS-DD have not incurred any long-term debt subsequent to June 30, 2018.

Prior Pledges. SUS's lines of credit for $6 million and $20 million with TD Bank, N.A. and Bank United, N.A. are secured by liens on SUS's accounts receivable and other business assets, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. Of SUS and SUS-DD's total outstanding long-term debt as of June 30, 2018 and June 30, 2017, $48,060,000 and $39,115,000 is secured by a security interest in certain receivables of and real properties owned by SUS and SUS-DD, which may include SUS and SUS-DD's Public Funds, and thus constitutes a Prior Pledge as to such funds.

SUS and SUS-DD's total Prior Pledges (including short term and long term debt) as of December 31, 2018 amount to $46,248,000.

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

Management.

Directors and Officers: The affairs of SUS are governed by a Board of Directors of not less than seven and up to sixteen persons. The officers are comprised of: Gareth Old, Chair, Jennifer Press Marden, Vice-Chair, Ed Hubbard, Treasurer and Scott Millimet, Secretary. Other members of the Board are: Michelle Ballan, Josh Bider, Amelia Wright Brewer, Earl Brown, Chris Cheney, Scott Drevnig, Sherrie Dulworth, Peter Friedland, Lawrence Hamdan, Jacquie Holmes, Andrew Hurwitz, Joshua Liston, John McKesson, Linda Nguyen, Carolyn Powell, Joann Sacks, Phillip Saperia, Deborah Wolfe and Andrew Zimmern. The Board of Directors meets at least four times a year. A majority of the members of the Board constitute a quorum. The members of the Board serve without compensation.

Executive and Administrative Officers: Donna Colonna has been employed by SUS since 1997 and has been the President and Chief Executive Officer of SUS since January 2002. She holds a M.S. degree from Pace University and a B.A. from Hunter College. Over the years Ms. Colonna has served in industry leadership positions in statewide and NYC trade associations and has served on numerous government committees that have shaped policy and program implementation. She served on the Association for Community Living (ACL - a statewide mental health association) board for 10 years and as President of ACL. She has also served on the board of NYAPRS (NYS Association of Psychiatric Rehabilitation Services - a statewide consumer/provider advocacy group). She is currently on the boards of the InterAgency Council of Developmental Disabilities Agencies, Inc. and the Coalition for Behavioral Health Care, Inc., both of which are important trade associations each representing about 150 service providers. SUS has several other key employees including Perry Permutter, Chief Financial Officer and Trish Marsik, Chief Operating Officer.

Continuing Disclosure.

As described in this paragraph, during the past five years, SUS and SUS-DD have failed to provide certain secondary market disclosure pursuant to Rule 15c2-12 in connection with its previous continuing disclosure undertakings. Such failures include (i) late filings of its audited financial statements with respect to each of its fiscal years ended June 30, 2015 and June 30, 2018 due to unlinked CUSIP numbers; and (ii) not filing notices of its failure to timely file audited financial statements for each of its fiscal years ended June 30, 2015 and June 30, 2018 due to unlinked CUSIP numbers; (iii) failure to file its Annual Information with respect to each of its fiscal years ended June 30, 2015 and June 30, 2018 due to unlinked CUSIP numbers; and (iv) not filing notices of its failure to timely file Annual Information for each of its fiscal years ended June 30, 2015 and June 30, 2018. SUS and SUS-DD have adopted procedures to ensure the timely filing of required information pursuant to its continuing disclosure undertakings in the future.

UNITED CEREBRAL PALSY OF NEW YORK CITY, INC.

General Operations. United Cerebral Palsy of New York City, Inc. ("UCP") d/b/a ADAPT Community Network was founded in 1946 by parents of children with disabilities. UCP's mission is to provide the highest quality services in health care, education, employment, housing and technology resources to support people with cerebral palsy and related disabilities in leading independent and productive lives. Approximately 23,100 individuals receive services annually from UCP. These services include preschool and school-age programs, residential programs, day programs, vocational programs and medical and support services. UCP 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 UCP are prepared on a consolidated basis among UCP and its affiliates. However, the financial information contained in this Appendix is limited to the operations of UCP, as the affiliates of UCP will not have any obligation to make payments under the Loan Agreement. The Series 2019 Participant is only UCP.

The funding sources for UCP for its 2018 Fiscal Year were: OPWDD (approximately 70%), the New York State Education Department (approximately 12.5%), the New York State Department of Health ("DOH") (approximately 15%) and other miscellaneous sources (approximately 2.5%).

Description of Facilities and Financing Plan. DASNY will lend UCP $5,555,000 from the proceeds of the Series 2019 Bonds ("UCP'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 "2075 Wallace Avenue Facility" consists of Apartments 244, 343 and 642, each approximately 700 square feet, located at 2075 Wallace Avenue, Bronx, New York. Approximately $206,625 will be used to finance the "2075 Wallace Avenue Project," which consists of the acquisition and rehabilitation of the 2075 Wallace Avenue Facility for use as residences for three adults with developmental disabilities.

- The "2077 Wallace Avenue Facility" consists of Apartments 355, 655 and 657, each approximately 700 square feet, and Apartments 454 and 754, each approximately 900 square feet, located at 2077 Wallace Avenue, Bronx, New York. Approximately $414,137 will be used to finance the "2077 Wallace Avenue Project," which consists of the acquisition and rehabilitation of the 2077 Wallace Avenue Facility for use as residences for seven adults with developmental disabilities.

- The "2079 Wallace Avenue Facility" consists of Apartments 377 and 577, each approximately 700 square feet, located at 2079 Wallace Avenue, Bronx, New York. Approximately $138,341 will be used to finance the "2079 Wallace Avenue Project," which consists of the acquisition and rehabilitation of the 2079 Wallace Avenue Facility for use as residences for two adults with developmental disabilities.

- The "2081 Wallace Avenue Facility" consists of Apartments 265, 364, 565, 669, 762 and 764, each approximately 700 square feet, and Apartments 465, 664 and 768, each approximately 900 square feet, located at 2081 Wallace Avenue, Bronx, New York. Approximately $661,555 will be used to finance the "2081 Wallace Avenue Project," which consists of the acquisition and rehabilitation of the 2081 Wallace Avenue Facility for use as residences for twelve adults with developmental disabilities.

- The “2782 Johnson Avenue Facility” is a 2,242 square-foot, 3-story building located at 2782 Johnson Avenue, Bronx, New York. Approximately $383,478 will be used to finance the “2782 Johnson Avenue Project,” which consists of the acquisition and rehabilitation of the 2782 Johnson Avenue Facility for use as a residence for ten adults with developmental disabilities.

- The “3277 Perry Avenue Facility” is a 2,536 square-foot, 2-story building located at 3277 Perry Avenue, Bronx, New York. Approximately $411,640 will be used to finance the “3277 Perry Avenue Project,” which consists of the acquisition and rehabilitation of the 3277 Perry Avenue Facility for use as a residence for eight adults with developmental disabilities.

- The “3327 Steuben Avenue Facility” is a 4,734 square-foot, 3-story building located at 3327 Steuben Avenue, Bronx, New York. Approximately $659,641 will be used to finance the “3327 Steuben Avenue Project,” which consists of the acquisition and rehabilitation of the 3327 Steuben Avenue Facility for use as a residence for ten adults with developmental disabilities.

- The “3636 Greystone Avenue Facility” consists of Apartments 3J and 4E, each approximately 1,300 square feet, located at 3636 Greystone Avenue, Bronx, New York. Approximately $607,622 will be used to finance the “3636 Greystone Avenue Project,” which consists of the acquisition and rehabilitation of the 3636 Greystone Avenue Facility for use as residences for eight adults with developmental disabilities.

- The “424 Swinton Avenue Facility” is a 3,300 square-foot, 3-story building located at 424 Swinton Avenue, Bronx, New York. Approximately $593,089 will be used to finance the “424 Swinton Avenue Project,” which consists of the acquisition and rehabilitation of the 242 Swinton Avenue Facility for use as a residence for ten adults with developmental disabilities.

- The “5606 Sylvan Avenue Facility” is a 1,453 square-foot, 2-story building located at 5606 Sylvan Avenue, Bronx, New York. Approximately $549,265 will be used to finance the “5606 Sylvan Avenue Project,” which consists of the acquisition and rehabilitation of the 5606 Sylvan Avenue Facility for use as a residence for six adults with developmental disabilities.

- The “2191 Bolton Street Facility” (together with the 2075 Wallace Avenue Facility, the 2077 Wallace Avenue Facility, the 2079 Wallace Avenue Facility, the 2081 Wallace Avenue Facility, the 2782 Johnson Avenue Facility, the 3277 Perry Avenue Facility, the 3327 Steuben Avenue Facility, the 3636 Greystone Avenue Facility, the 424 Swinton Avenue Facility and the 5606 Sylvan Avenue Facility, the “Facilities”) consists of Apartments 1D, 2C, 2J and 4D, each approximately 775 square feet, and Apartment 6C, approximately 800 square feet, located at 2191 Bolton Street, Bronx, New York. Approximately $372,161 will be used to finance the “2191 Bolton Street Project” (together with the 2075 Wallace Avenue Project, the 2077 Wallace Avenue Project, the 2079 Wallace Avenue Project, the 2081 Wallace Avenue Project, the 2782 Johnson Avenue Project, the 3277 Perry Avenue Project, the 3327 Steuben Avenue Project, the 3636 Greystone Avenue Project, the 424 Swinton Avenue Project and the 5606 Sylvan Avenue Project, the “Projects”), which consists of the acquisition and rehabilitation of the 2191 Bolton Street Facility for use as residences for six adults with developmental disabilities.

The remainder of UCP's Allocable Portion in the amount of approximately $557,446 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, with the exception of renovation costs for the Mortgaged Properties (as defined below), are supported by PPAs, which UCP 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 Facility and financing or refinancing costs incurred in connection therewith. Renovation costs totaling approximately $342,000 in the aggregate for the Mortgaged Properties are not supported by PPAs; with respect to these renovation costs, UCP expects to pay its Allocable Portion of the Series 2019 Bonds from Public Funds paid by OPWDD and from its general operating revenues. All payment obligations including renovations continue to be covered by the OPWDD stand-by intercept agreement.

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

UCP has received Certificates of Occupancy from the City of New York for the Mortgaged Properties and Operating Certificates for the Mortgaged Properties from OPWDD. Certificates of Occupancy are not required for the Co-op Corporation Properties (as defined below). UCP has received an Operating Certificate for the Co-op Corporation Properties from OPWDD, with the exception of Apartment 4D in the 2191 Bolton Street Facility. See the information in this Official Statement entitled "PART 11 - BONDHOLDERS' RISKS - Completion of the Projects; Zoning; Certificate of Occupancy."

UCP owns each of the 2782 Johnson Avenue Facility, the 3277 Perry Avenue Facility, the 3327 Steuben Avenue Facility, the 424 Swinton Avenue Facility and the 5606 Sylvan Avenue Facility (collectively, the "Mortgaged Properties"). UCP will grant DASNY a mortgage on the real property with respect to each of the Mortgaged Properties, a security interest in the furniture, fixtures and equipment financed with bond proceeds and constituting a portion of the Mortgaged Properties, and a lien on the Public Funds attributable to the Mortgaged Properties.

The 2075 Wallace Avenue Facility, the 2077 Wallace Avenue Facility, the 2079 Wallace Avenue Facility, the 2081 Wallace Avenue Facility, the 3636 Greystone Avenue Facility and the 2191 Bolton Street Facility (each a "UCP Co-op Facility" and, collectively, the "Co-op Corporation Properties") are each owned by a separate corporation (each a "Co-op Corporation"). UCP is the sole owner of shares in the respective Co-op Corporation applicable to the respective UCP Co-op Facility represented by stock certificates issued to UCP (each "Stock"). Each UCP Co-op Facility is leased by UCP, as tenant, from the respective Co-Op Corporation, as landlord, pursuant to a proprietary lease for each UCP Co-op Facility (each a "Proprietary Lease"). In order for UCP to secure its obligations under its Loan Agreement with respect to its interest in the UCP Co-op Facilities, UCP will grant DASNY a security interest pursuant to a Cooperative Interest Security Agreement ("Security Agreement") in all of the shares of the Co-Op Corporation represented by the Stock issued to UCP and in each Proprietary Lease. In addition to delivering the original fully executed Proprietary Lease for each UCP Co-op Facility and the original Stock, UCP shall also deliver to DASNY a blank Stock Power for the shares owned by UCP in each Co-op Corporation, a blank assignment of each Proprietary Lease, a Recognition Agreement and shall cause a UCC-1 Financing Statement with Cooperative Addendum to be properly filed (all of the foregoing together with the Security Agreement, collectively, the "Co-op Security Documents").

Other Properties. UCP also owns 64 other properties and leases 183 other residential and day program properties in the Boroughs of New York City including properties financed by the Series 2019 Bonds.

Employees. UCP employs 1,436 full-time and 548 part-time employees. UCP does not expect that the operation of the Facilities will require it to employ additional personnel.

Debt Service Coverage.

Calculated in accordance with the definition set forth in the Loan Agreement between DASNY and UCP, the Actual Debt Service Coverage Ratio of UCP for Fiscal Year 2018 and the Pro Forma Debt Service Coverage Ratio (which includes UCP's Allocable Portion of the Series 2019 Bonds) are as follows:

	2018 Actual	**2018 Pro Forma**
Revenues	$169,557,476	$169,557,476
Expenses	169,282,306	169,282,306
Net Income (after adj.)	275,170	275,170
Less Extraordinary Revenue Items	(5,492,785)	(5,492,785)
Plus Extraordinary Expense Items	0	0
Plus Depreciation and Amortization	4,777,972	4,777,972
Plus Current Interest Expense	2,190,579	2,190,579
New PPA Revenues (unaudited)	0	340,194
Cash Flow for Debt Service	1,750,936	2,091,130
Maximum Annual Debt Service (unaudited)	4,989,720	5,329,914
Debt Service Coverage Ratio (DSCR)	0.35	0.39[(1)]

[(1)] Note that the Loan Agreement includes a covenant for UCP to maintain in each Fiscal Year 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, with which UCP expects to be in compliance. The above pro forma illustration is a look back to Fiscal Year 2018, the most recent fiscal year for which audited financial statements are available. Fiscal Year 2018 was a "Base Year" for OPWDD providers. Per the Rate Rationalization process (the current methodology by which reimbursement rates are calculated for providers in New York State) that began in Fiscal Year 2014, providers who end a Base Year with a surplus can expect to have their reimbursement rates cut in subsequent years. The Base Fiscal Year 2018 year results will affect Fiscal Year 2020 rates. Consequently, many providers intentionally manage spending during a Base Year to prevent future rate cuts which results in the lower Total Debt Service Coverage Ratio shown above. OPWDD has been working with providers as part of its continuing "Rate Rationalization and Budget Neutrality" efforts in order to "right size" the reimbursement rates paid to OPWDD funded providers based upon their geographic location within the state, the size of their agency, the number of individuals served, and the complexity of care required (including age of individuals, ambulation and other abilities).

Financials. Audited financial statements for UCP and its affiliates for the fiscal years ended June 30, 2016, June 30, 2017 and June 30, 2018 were prepared by Baker Tilly Virchow Krause, LLP and are attached as Appendix B-V. Interim unaudited financial information for UCP and its affiliates prepared by UCP's Management covering the period from July 1, 2018 through December 31, 2018 is attached as Appendix C-V. Consolidating Statements for UCP and its affiliates are included in the audited financial statements for fiscal years ended June 30, 2017 and June 30, 2018 but not for fiscal year ended June 30, 2016.

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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 UCP for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by UCP's Management and derived from UCP's audited financial statements. The data contained in the following table should be read in conjunction with the audited financial statements and related notes presented in Appendix B-V; audited financial statements for the fiscal years ended June 30, 2015 and June 30, 2014 are available upon request. Note that only the operations of UCP are presented below, which results may differ from the reported figures in the audited financial statements respecting UCP and all of its affiliates.

Fiscal Year Ended June 30,

	2014	**2015**	**2016**	**2017**	**2018**
Current Assets	$33,116,113	$83,542,373	$92,077,778	$69,129,143	$69,166,133
Net Fixed Assets	33,020,721	68,753,309	60,238,824	67,173,243	68,755,490
Other	2,760,365	98,853,298	101,314,680	2,243,311	2,266,385
Total	68,897,199	251,148,980	253,631,282	138,545,697	140,188,008
Current Liabilities	21,496,314	34,022,763	21,641,246	20,079,044	20,546,897
Other Liabilities	33,639,931	92,880,224	95,390,565	95,605,045	96,504,333
Net Assets	13,760,954	124,245,993	136,599,471	22,861,608	23,136,778
Total	68,897,199	251,148,980	253,631,282	138,545,697	140,188,008
Operating Revenue:					
Program Revenue	99,409,469	233,281,355	140,097,574	149,339,978	150,906,004
Nonprogram Revenue	3,869,973	4,105,697	2,865,361	8,494,544	13,158,687
Total	103,279,442	237,387,052	142,962,935	157,834,522	164,064,691
Operating Expenses	109,255,185	118,488,611	137,361,906	159,168,855	169,282,306
Change in Net Assets	(5,975,743)	118,898,441	5,601,029	(1,334,333)	(5,217,615)
FASB 158 Effect	3,689,584	(8,413,402)	(4,219,729)	3,296,707	5,492,785
Other Change to Net Assets	0	0	10,972,178	(1,298,796)	0
Net Assets, Beginning of Year	16,047,114	13,760,954	124,245,993	22,198,030*	22,861,608
Net Assets, End of Year	13,760,954	124,245,993	136,599,471	22,861,608	23,136,778
Cash & Equivalents	6,150,670	18,268,290	16,973,416	20,645,132	17,260,197

* In FY2015 realized a $129,604,000 gain on the sale of certain buildings. In FY2017, an intra-affiliate transfer of $114,401,441 was made from UCP to its affiliate, the New York City Foundation for Cerebral Palsy, Inc.

Management Discussion of Results of Operations.

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

(2) Sources of Liquidity: (a) Internal - UCP had current assets of $69,166,133 and $69,129,143 at the end of fiscal years 2018 and 2017, respectively. (b) External - UCP has available an $8 million fixed asset line of credit and $8 million working capital line of credit with TD Bank.

(3) Known Trends or Uncertainties Likely to have an Impact on Revenue or Income: Other than as described in Part 11 entitled "BONDHOLDERS RISKS' - Federal Medicaid Reform," UCP is not aware of any trends or uncertainties that have had or are reasonably likely to have a material impact on UCP'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 $7,211,418 and $3,267,935, respectively. See Appendix C-V for interim unaudited financial information through December 31, 2018.

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

Liquidity and Capital Resources. As of June 30, 2018 and June 30, 2017, UCP had $17,260,197 and $20,645,132 in unrestricted cash and cash equivalents and $16,832,990 and $15,808,191 in net accounts receivable, respectively.

UCP has available an $8 million fixed asset line of credit with TD Bank for the purposes of providing interim financing for acquisition and renovation of residential properties, which is unsecured. The line of credit is available through November 30, 2019. There was an outstanding balance on the line of credit of $4,558,000 as of December 31, 2018.

UCP has available an $8 million working capital line of credit with TD Bank for operating expenses, which is unsecured. The line of credit is available through March 31, 2019. There was no outstanding balance on the line of credit as of December 31, 2018.

Long-Term Debt. As of June 30, 2018 and June 30, 2017, UCP had $56,466,648 and $52,381,127, respectively, in outstanding long-term indebtedness including loans, capital leases payable and mortgages, some of which debt is secured by a security interest in UCP's Public Funds. See Notes 7, 8 and 9 of UCP's Audited Financial Statement for fiscal year ending June 30, 2018 under the titles of "Lines of Credit Payable and Term Loan Payable," "Capital Leases Payable" and "Mortgages Payable." UCP has not incurred any long-term debt subsequent to June 30, 2018.

Prior Pledges. Of UCP's total outstanding long-term debt as of June 30, 2018 and June 30, 2017, $56,446,648 and $52,381,127 is secured by a security interest in certain receivables of and real properties owned by UCP, which may include UCP's Public Funds, and thus constitutes a Prior Pledge as to such funds. UCP's total Prior Pledges (including short term and long term debt) as of December 31, 2018 amount to $70,578,000.

Contingencies; Pending or Potential Litigation. According to UCP 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 UCP 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 UCP Management, materially adversely affect the ability of UCP to carry out the transactions contemplated in the Loan Agreement, the Mortgages, the Co-op Security Documents and the Intercept Agreement.

Management.

Directors and Officers: The affairs of UCP are governed by a Board of Directors not less than seven and of up to thirty persons. The officers are comprised of: Gary Geresi, President, Martin C. Hausman, Honorary Chairman, Tamsen Fadal, Honorary Vice Chair, Kenneth Carmel, Vice Chairman, James Kase, Executive Vice-President, Kenneth R. Auerbach, Vice-President and Treasurer and Kelly E. Kaminski, Vice-President and Secretary. Other members of the Board are: Peter Auerbach, Jason Carlough, Houda Foster, John Lombardo, Sabina McCarthy, James Hausman, Richard Levy and Jay Silver. The Board of Directors meets at least three times a year. A majority of the members of the Board constitute a quorum. The members of the Board serve without compensation.

Executive and Administrative Officers: Edward R. Matthews is the Chief Executive Officer. Mr. Matthews has worked in the developmental disabilities field since 1974. He has worked extensively for New York State in developing community run programs for people with disabilities. He is the past President of the Interagency Council of Developmental Disabilities Agencies, Inc. in New York City, a coordinating body and trade association consisting of over 150 agencies providing services to people with developmental disabilities. He holds undergraduate and graduate degrees in psychology from Fordham and St. John's University, respectively. UCP has several other key employees including Linda B. Laul, Chief Operating Officer and Rajesh Shah, Chief Financial Officer.

Continuing Disclosure.

As described in this paragraph, during the past five years, UCP has failed to provide certain secondary market disclosure pursuant to Rule 15c2-12 in connection with its previous continuing disclosure undertakings. Such failures include (i) late filings of its audited financial statements with respect to each of its fiscal years ended June 30, 2014, June 30, 2015, June 30, 2017 and June 30, 2018 due to unlinked CUSIP numbers; and (ii) not filing notices of its failure to timely file audited financial statements for each of its fiscal years ended June 30, 2014, June 30, 2015, June 30, 2017 and June 30, 2018 due to unlinked CUSIP numbers; (iii) failure to file its Annual Information with respect to each of its fiscal years ended June 30, 2014, June 30, 2015, June 30, 2017 and June 30, 2018 due to unlinked CUSIP numbers; and (iv) not filing notices of its failure to timely file Annual Information for each of its fiscal years ended June 30, 2014, June 30, 2015, June 30, 2017 and June 30, 2018. UCP has adopted procedures to ensure the timely filing of required information pursuant to its continuing disclosure undertakings in the future.

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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 2019 Participant is only YAI.

YAI's funding sources for its 2018 Fiscal Year were: OPWDD (approximately 97.5%) and miscellaneous other sources (approximately 2.5%).

Description of Facilities and Financing Plan. DASNY will lend YAI $6,580,000 from the proceeds of the Series 2019 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 "83 Daly Road Facility" is a 2,752 square-foot, 1-story building located at 83 Daly Road, East Northport (Town of Huntington), New York. Approximately $1,163,172 will be used to finance the "83 Daly Road Project," which consists of the acquisition and rehabilitation of the 83 Daly Road Facility for use as a residence for six adults with developmental disabilities.

- The "579 Old Country Road Facility" is a 2,525 square-foot, 1-story building located at 579 Old Country Road, Huntington Station (Town of Huntington), New York. Approximately $1,180,737 will be used to finance the "579 Old Country Road Project," which consists of the acquisition and rehabilitation of the 579 Old Country Road Facility for use as a residence for six adults with developmental disabilities.

- The "1366 N. Windsor Avenue Facility" is a 1,610 square-foot, 1.5-story building located at 1366 N. Windsor Avenue, Bay Shore (Town of Islip), New York. Approximately $752,022 will be used to finance the "1366 N. Windsor Avenue Project," which consists of the acquisition and rehabilitation of the 1366 N. Windsor Facility for use as a residence for four adults with developmental disabilities.

- The "16 Waterview Drive Facility" is a 3,458 square-foot, 2-story building located at 16 Waterview Drive, Ossining, New York. Approximately $1,187,808 will be used to finance the "16 Waterview Drive Project," which consists of the acquisition and rehabilitation of the 16 Waterview Drive Facility for use as a residence for six adults with developmental disabilities.

- The "2000 Flatbush Avenue Facility" (together with the 83 Daly Road Facility, the 579 Old Country Road Facility, the 1366 N. Windsor Avenue Facility and the 16 Waterview

Drive Facility, the "Facilities") consists of the first, second and third floors of a 7,658 square-foot, 3-story building located at 2000 Flatbush Avenue, Brooklyn, New York. Approximately $1,707,840 will be used to finance the "2000 Flatbush Avenue Project" (together with the 83 Daly Road Project, the 579 Old Country Road Project, the 1366 N. Windsor Avenue Project and the 16 Waterview Drive Project, the "Projects"), which consists of the lease and rehabilitation of the 2000 Flatbush Avenue Facility for use as a residence for thirteen adults with developmental disabilities.

The remainder of YAI's Allocable Portion in the amount of approximately $588,421 will be used for legal fees, costs of issuance and debt service reserve requirements.

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

The Facilities are New PPA Lien Projects. See the information in this Official Statement entitled "PART 5 - SOURCES OF SERIES 2019 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process" for further information concerning New PPA Lien Projects.

Certificates of Occupancy or Certificates of Compliance have been received from the applicable local jurisdictions for all of the Facilities. YAI has not received as required a new or updated Certificate of Occupancy or Certificate of Compliance from the Town of Huntington for the 83 Daly Road Facility and the 579 Old Country Road Facility or the Town of Islip for the 1366 N. Windsor Avenue Facility, nor a new or updated Certificate of Occupancy or Letter of Completion from the City of New York for the 2000 Flatbush Avenue Facility. YAI has received a new Certificate of Occupancy from the Village of Ossining for the 16 Waterview Drive Facility and Operating Certificates from OPWDD for the 83 Daly Road Facility, the 579 Old Country Road Facility, the 1366 N. Windsor Avenue Facility and the 16 Waterview Drive Facility. YAI has not received an Operating Certificate from OPWDD for the 2000 Flatbush Avenue Facility. See the information in this Official Statement entitled "PART 11 - BONDHOLDERS' RISKS - Completion of the Projects; Zoning; Certificate of Occupancy."

YAI owns the 83 Daly Road Facility, the 579 Old Country Road Facility, the 1366 N. Windsor Avenue Facility and the 16 Waterview Drive Facility (the "Mortgaged Facilities") and leases the 2000 Flatbush Avenue Facility. YAI will grant DASNY a mortgage on the real property with respect to each of the Mortgaged Facilities, security interests in the furniture, fixtures and equipment financed with bond proceeds and constituting a portion of the Mortgaged Facilities, and a lien on the Public Funds attributable to the Mortgaged Facilities. YAI will collaterally assign to DASNY pursuant to a Collateral Assignment of Leases its right, title and interest (but not its obligations) in the lease for the 2000 Flatbush Avenue Facility and grant DASNY a lien on the Public Funds attributable to the 2000 Flatbush Avenue Facility. The landlord under the lease for the 2000 Flatbush Avenue Facility has consented to such collateral assignment. The term of the lease together with all lease renewal options available to YAI for the 2000 Flatbush Avenue Facility exceeds the term of YAI's Allocable Portion of the Series 2019 Bonds.

Other Properties. YAI also owns approximately 76 and leases approximately 95 other properties in the Boroughs of New York City and Nassau, Rockland, Suffolk and Westchester Counties.

Employees. YAI employs approximately 1,805 full-time and 1,245 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.

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 2018 and the Pro Forma Debt Service Coverage Ratio (which includes YAI's Allocable Portion of the Series 2019 Bonds) are as follows:

	2018 Actual	**2018 Pro Forma**
Revenues	$178,228,842	$178,228,842
Expenses	178,217,064	178,217,064
Net Income (after adj.)	11,778	11,778
Less Extraordinary Revenue Items	0	0
Plus Extraordinary Expense Items	0	0
Plus Depreciation and Amortization	3,997,410	3,997,410
Plus Current Interest Expense	1,240,736	1,240,736
New PPA Revenues (unaudited)	0	422,990
Cash Flow for Debt Service	5,249,924	5,672,914
Maximum Annual Debt Service (unaudited)	3,779,861	4,202,851
Debt Service Coverage Ratio (DSCR)	1.3889	1.3498

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

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<u>Management's Summary of Financial Information and Results of Operations</u>.

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, 2015 and June 30, 2014 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,

	2014	**2015**	**2016**	**2017**	**2018**
Current Assets	$54,311,494	$64,475,266	$62,999,968	$65,618,161	$58,845,012
Net Fixed Assets	34,839,214	32,833,234	34,535,025	34,881,726	35,493,589
Other	14,996,595	8,694,842	4,624,395	2,352,081	2,651,718
Total	104,147,303	106,003,342	102,159,388	102,851,968	96,990,319
Current Liabilities	40,947,295	54,232,523	30,876,496	37,201,430	32,461,954
Other Liabilities	41,464,918	26,773,320	38,605,423	31,217,703	30,083,752
Net Assets	21,735,090	24,997,499	32,677,469	34,432,835	34,444,613
Total	104,147,303	106,003,342	102,159,388	102,851,968	96,990,319
Operating Revenue:					
Program Revenue	176,672,348	183,823,593	176,976,779	172,888,534	176,651,218
Nonprogram Revenue	0	0	2,112,526	1,272687	1,577,624
Total	176,672,348	183,823,593	179,089,305	174,161,221	178,228,842
Operating Expenses	174,211,464	180,928,721	171,409,335	172,405,855	178,217,064
Change in Net Assets	2,460,884	2,903,361	7,679,970	1,755,366	11,778
Non-Operating Changes	316,350	359,048	0	0	0
Net Assets, Beginning of Year	18,957,856	21,735,090	24,997,499	32,677,469	34,432,835
Net Assets, End of Year	21,735,090	24,997,499	32,677,469	34,432,835	34,444,613
Cash & Equivalents	25,088,088	17,109,932	13,100,241	18,585,550	14,315,782

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 $58,845,012 and $65,618,161 at the end of fiscal years 2018 and 2017, 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 $8 million line of credit with Bank of America, N.A. and Israel Discount Bank of New York for acquisition and renovation of program sites.

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

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund-raising, and interest for fiscal years 2018 and 2017 were $1,510,498 and $1,179,274, respectively. See Appendix C-VI for interim unaudited financial information through December 31, 2018.

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

Liquidity and Capital Resources. As of June 30, 2018 and June 30, 2017, YAI had $14,315,782 and $18,585,550 in unrestricted cash and cash equivalents and $23,330,764 and $23,686,406 in net accounts receivable, respectively.

As of December 31, 2018, YAI has available an $18 million working capital line of credit with Bank of America, N.A. and Israel Discount Bank of New York for operating expenses. The line of credit is secured by a lien on YAI's accounts receivable and all of its assets, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. There was an outstanding balance of $7,842,911 as of December 31, 2018.

As of December 31, 2018, YAI has available an $8 million line of credit with Bank of America, N.A. and Israel Discount Bank of New York for the acquisition and renovation of program sites. Upon receipt of PPAs from New York State, the funds drawn down on this line are converted into notes secured by related real property and accounts, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. There was a collective balance of $6,635,088 on 23 outstanding notes as of December 31, 2018.

Long-Term Debt. As of June 30, 2018 and June 30, 2017, YAI had $30,083,752 and $31,217,703, respectively, in outstanding long-term indebtedness including mortgages, bonds and capital leases payable, some of which debt is secured by a security interest in YAI's Public Funds. See Notes 6 and 7 of YAI's Audited Financial Statement for fiscal year ending June 30, 2018 under the titles of "Capital Lease Obligations" and "Notes and Mortgages Payable." YAI has incurred $2,250,000 in additional long-term debt subsequent to June 30, 2018.

Prior Pledges. YAI's working capital line of credit for $18 million with Bank of America, N.A. and Israel Discount Bank of New York and line of credit for $8 million with Bank of America, N.A. and Israel Discount Bank of New York are secured by a lien on YAI's investment accounts, accounts receivable and real property, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. Of YAI's total outstanding long-term debt as of June 30, 2018 and June 30, 2017, $30,083,752 and $31,217,703 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, 2018 amount to $32,161,086.

Contingencies; Pending or Potential Litigation. According to YAI Management, the litigation disclosed in Note 8, under the title of "Commitments and Contingencies," of YAI's Audited Financial Statement for fiscal year ending June 30, 2018 and attached hereto as Appendix B-VI, was denied review by the United States Supreme Court. Accordingly, the decision by the United States Court of Appeals for the Second Circuit affirming the monetary judgment entered at the district court level remains undisturbed, and YAI has begun making payments on the judgment from funds available in YAI's Supplemental Pension Plan and Trust and Life Insurance Plan and Trust established for employees. Other than the aforementioned, according to YAI Management, there is no other action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending or threatened to challenge the authority or ability of YAI to continue to operate its facilities or to challenge title to its properties or seeking damages in excess of applicable insurance coverage or wherein an adverse determination might, in the opinion of YAI Management, materially adversely affect the ability of YAI to carry out the transactions contemplated in the Loan Agreement, the Mortgage, the Collateral Assignment of Leases and the Intercept Agreement.

Management.

Directors and Officers: The affairs of YAI are governed by a Board of Trustees of not less than five and up to fifty persons. The officers are comprised of: Jeffery Mordos, Chairman, David Stafford, Vice Chairman, and Kevin Hogan, Treasurer. Other members of the Board are Jeffrey Lieberman, Lee Alexander, Eliot Green, Jane Levine, 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 2019 PARTICIPANTS

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APPENDIX B-I

DEVELOPMENTAL DISABILITIES, INC.

AUDITED FINANCIAL STATEMENTS

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

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Developmental Disabilities Institute, Inc. and Affiliate

Combined Financial Statements and Supplementary Information
Year Ended December 31, 2017

Developmental Disabilities Institute, Inc. and Affiliate

Combined Financial Statements and Supplementary Information

Year Ended December 31, 2017

Contents

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Independent Auditor's Report

Board of Directors
Developmental Disabilities Institute, Inc.
and Affiliate
Smithtown, New York

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Developmental Disabilities Institute, Inc. and Affiliate (collectively, the "Agency and Affiliate"), which comprise the combined statement of financial position as of December 31, 2017, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Developmental Disabilities Institute, Inc. and Affiliate as of December 31, 2017, and the results of changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit of the combined financial statements was conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Report on Summarized Comparative Information

We have audited the Agency and Affiliate's 2016 combined financial statements and our report, dated May 19, 2017, expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

May 23, 2018

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Financial Position
(with comparative totals for 2016)

December 31,	**2017**	2016
Assets		
Current:		
Cash and cash equivalents (Note 3)	**$14,373,935**	$16,436,539
Assets limited as to use, current portion (Note 3)	**2,514,991**	2,953,460
Investments, at fair value (Notes 3 and 4)	**4,996**	4,996
Accounts receivable, net of allowance for doubtful accounts (Note 5)	**19,083,777**	17,641,986
Government and other grants receivable (Note 3)	**1,011,873**	738,789
Contributions and pledges receivable, current portion (Notes 3 and 6)	**146,217**	170,113
Prepaid expenses and other assets	**2,702,297**	2,623,646
Total Current Assets	**39,838,086**	40,569,529
Security Deposits	**198,286**	198,286
Other Investment (Note 19)	**28,688**	-
Contributions and Pledges Receivable, Net, Less Current Portion (Notes 3 and 6)	**54,145**	82,953
Assets Limited as to Use, Less Current Portion (Note 4)	**4,708,558**	4,789,757
Fixed Assets, Net (Notes 3, 7, 13 and 14)	**27,625,661**	27,545,851
	$72,453,424	$73,186,376
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 4,447,122**	$ 3,801,400
Accrued interest payable (Note 14)	**177,208**	135,957
Accrued payroll and related benefits	**6,313,736**	7,553,789
Accrued pension payable (Note 8)	**879,584**	1,411,759
Deferred revenue, current portion (Note 3)	**2,634,869**	3,047,163
Capital lease obligations, current portion (Note 11)	**765,696**	639,826
Mortgages and loans payable, current portion (Note 13)	**184,349**	203,280
Bonds payable, current portion (Note 14)	**1,972,176**	1,868,232
Due to governmental agencies, current portion (Notes 3 and 10)	**1,397,987**	1,619,544
Total Current Liabilities	**18,772,727**	20,280,950
Deferred Revenue, Less Current Portion (Note 3)	**1,967,061**	1,845,076
Capital Lease Obligations, Less Current Maturities (Note 11)	**1,053,121**	872,621
Mortgages and Loans Payable, Less Current Maturities (Note 13)	**1,724,224**	1,903,267
Bonds Payable, Less Current Maturities (Note 14)	**19,046,728**	20,987,848
Due to Governmental Agencies, Less Current Portion (Notes 3 and 10)	**3,500,485**	2,671,887
Total Liabilities	**46,064,346**	48,561,649
Commitments and Contingencies (Notes 3, 7, 9, 10, 11, 12, 13, 14, 15 and 16)		
Net Assets:		
Unrestricted net assets (Note 3)	**25,967,515**	24,207,669
Temporarily restricted net assets (Notes 3, 17 and 18)	**421,563**	417,058
Total Net Assets	**26,389,078**	24,624,727
	$72,453,424	$73,186,376

See accompanying notes to combined financial statements.

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Activities
(with comparative totals for 2016)

Year ended December 31,

	Unrestricted	Temporarily Restricted	Total 2017	Total 2016
Program Revenues:				
Fees for services	$95,260,259	$ -	**$95,260,259**	$93,667,038
Government and other grants	1,605,822	-	**1,605,822**	1,643,595
Clinic revenue	-	-	**-**	2,802,955
Other program revenues	2,093,993	-	**2,093,993**	1,698,056
Net assets released from restrictions (Note 17)	42,962	(42,962)	**-**	-
Total Program Revenues	99,003,036	(42,962)	**98,960,074**	99,811,644
Expenses:				
Program services:				
Education services	31,910,552	-	**31,910,552**	32,321,183
Clinic services	-	-	**-**	3,702,449
Adult day services	18,311,200	-	**18,311,200**	17,327,926
Children's residential services	10,635,824	-	**10,635,824**	10,885,451
Adult residential services	28,943,230	-	**28,943,230**	27,669,160
Other programs	1,199,492		**1,199,492**	713,808
Total Program Services	91,000,298	-	**91,000,298**	92,619,977
Supporting services:				
Management and general	6,663,472	-	**6,663,472**	6,144,108
Fundraising	241,488	-	**241,488**	355,464
Total Supporting Services	6,904,960	-	**6,904,960**	6,499,572
Total Expenses	97,905,258	-	**97,905,258**	99,119,549
Change in Net Assets Before Nonoperating Revenues and Expenses	1,097,778	(42,962)	**1,054,816**	692,095
Nonoperating Revenues and Expenses:				
Capital campaign income	-	71,812	**71,812**	222,392
Capital campaign expenses	-	(97,750)	**(97,750)**	(512,574)
Net Expenses From Capital Campaign	-	(25,938)	**(25,938)**	(290,182)
Special events revenues	464,288	-	**464,288**	389,091
Direct cost to donors	(126,526)	-	**(126,526)**	(111,029)
Net Revenues From Special Events	337,762	-	**337,762**	278,062
Contributions	98,955	73,405	**172,360**	62,247
Gain on sale of fixed assets	59,270	-	**59,270**	29,926
Loss on other investment	(21,312)	-	**(21,312)**	-
Interest income	50,466	-	**50,466**	41,594
Other income	88,170	-	**88,170**	76,400
Prior period income	48,757	-	**48,757**	2,293,754
Total Nonoperating Revenues and Expenses	662,068	47,467	**709,535**	2,491,801
Change in Net Assets	1,759,846	4,505	**1,764,351**	3,183,896
Net Assets, Beginning of Year	24,207,669	417,058	**24,624,727**	21,440,831
Net Assets, End of Year	**$25,967,515**	**$421,563**	**$26,389,078**	$24,624,727

See accompanying notes to combined financial statements.

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Functional Expenses
(with comparative totals for 2016)

Year ended December 31,

	Program Services						Supporting Services			Total	
	Education Services	Adult Day Services	Children's Residential Services	Adult Residential Services	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	**2017**	2016
Salaries and Related Expenses:											
Salaries	$21,341,080	$10,546,145	$ 6,065,423	$17,622,958	$ 341,485	$55,917,091	$3,659,922	$131,983	$3,791,905	**$59,708,996**	$60,023,446
Payroll taxes and employee benefits	7,319,287	3,656,325	1,913,837	5,968,959	112,873	18,971,281	1,221,277	38,641	1,259,918	**20,231,199**	20,788,132
Total Salaries and Related Expenses	28,660,367	14,202,470	7,979,260	23,591,917	454,358	74,888,372	4,881,199	170,624	5,051,823	**79,940,195**	80,811,578
Other Expenses:											
Fee-for-services professionals	34,973	26,371	84,531	276,985	26,972	449,832	126,388	-	126,388	**576,220**	845,459
Building occupancy	486,303	956,724	9	9,017	239,883	1,691,936	19,978	-	19,978	**1,711,914**	1,595,220
Telephone	172,171	207,211	49,955	137,007	33,104	599,448	42,121	1,322	43,443	**642,891**	690,322
Travel	45,083	64,952	11,191	48,715	2,581	172,522	20,058	1,552	21,610	**194,132**	182,935
Supplies	226,543	195,782	301,615	660,277	17,650	1,401,867	462,898	12,098	474,996	**1,876,863**	2,053,559
Food	554	28,999	362,141	855,627	-	1,247,321	410	-	410	**1,247,731**	1,161,487
Office expense	149,943	68,612	27,067	36,578	1,988	284,188	109,902	32,012	141,914	**426,102**	476,764
Dues and subscriptions	34,693	5,087	1,005	1,241	59	42,085	51,512	3,649	55,161	**97,246**	104,057
Postage	11,335	2,939	1,268	723	616	16,881	44,532	248	44,780	**61,661**	61,478
Meetings and conferences	11,211	16,281	4,429	5,740	11,264	48,925	8,378	247	8,625	**57,550**	75,914
Employee training and recruitment	135,926	100,850	63,921	117,531	1,280	419,508	131,952	8,672	140,624	**560,132**	559,003
Legal and accounting	166	2,150	7,154	26,386	-	35,856	199,851	-	199,851	**235,707**	232,348
Utilities	345,759	228,696	124,160	329,048	63,745	1,091,408	34,169	444	34,613	**1,126,021**	1,033,192
Repairs and maintenance	341,364	363,335	107,163	325,714	52,313	1,189,889	36,470	4,147	40,617	**1,230,506**	1,139,874
Equipment and furniture	121,210	54,154	60,841	87,156	43,332	366,693	30,477	3,487	33,964	**400,657**	252,863
Interest	220,569	172,783	198,910	400,148	125,344	1,117,754	53,331	348	53,679	**1,171,433**	1,130,894
Insurance	300,529	424,273	130,569	456,625	7,452	1,319,448	50,540	135	50,675	**1,370,123**	1,361,507
Medicaid assessment taxes	-	-	627,823	196,884	-	824,707	-	-	-	**824,707**	860,071
Debt-related expenses	-	-	-	-	-	-	17,480	-	17,480	**17,480**	20,742
Temporary service subcontracting fees	-	16,803	-	-	-	16,803	-	-	-	**16,803**	-
Vehicle expense	21,034	562,659	40,376	271,437	339	895,845	2,443	44	2,487	**898,332**	823,061
Bad debt expense	118,177	3,489	-	-	-	121,666	-	900	900	**122,566**	433,273
Contributions expense	-	-	-	-	-	-	-	1,385	1,385	**1,385**	134,558
Total Expenses Before Depreciation and Amortization	31,437,910	17,704,620	10,183,388	27,834,756	1,082,280	88,242,954	6,324,089	241,314	6,565,403	**94,808,357**	96,040,159
Depreciation and Amortization	472,642	606,580	452,436	1,108,474	117,212	2,757,344	339,383	174	339,557	**3,096,901**	3,079,390
Total Expenses	**$31,910,552**	**$18,311,200**	**$10,635,824**	**$28,943,230**	**$1,199,492**	**$91,000,298**	**$6,663,472**	**$241,488**	**$6,904,960**	**$97,905,258**	$99,119,549

See accompanying notes to combined financial statements.

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Cash Flows
(with comparative totals for 2016)

Year ended December 31,	**2017**	2016
Cash Flows From Operating Activities:		
Change in net assets	**$ 1,764,351**	$ 3,183,896
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**3,096,901**	3,079,390
Interest on debt issuance costs	**119,351**	(32,958)
Gain on sale of fixed assets	**(59,270)**	(29,926)
Provision for bad debt	**122,566**	433,273
Discount on pledges receivables	**1,530**	4,285
Loss on other investment	**21,312**	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	**(1,564,357)**	(3,840,042)
Government and other grants receivable	**51,174**	114,581
Contributions and pledges receivable	**(273,084)**	(86,584)
Prepaid expenses and other assets	**(78,651)**	(1,462,836)
Increase (decrease) in:		
Accounts payable and accrued expenses	**645,722**	489,901
Accrued interest payable	**41,251**	3,300
Accrued payroll and related benefits	**(1,240,053)**	1,543,594
Accrued pension payable	**(532,175)**	595,030
Deferred revenue	**(290,309)**	1,508,688
Due to governmental agencies	**607,041**	(2,493,276)
Net Cash Provided By Operating Activities	**2,433,300**	3,010,316
Cash Flows From Investing Activities:		
Purchase of other investment	**(50,000)**	-
Purchases of fixed assets	**(2,091,966)**	(1,784,871)
Proceeds from sale of fixed assets	**84,073**	50,116
Assets limited to use	**519,668**	685,254
Net Cash Used In Investing Activities	**(1,538,225)**	(1,049,501)
Cash Flows From Financing Activities:		
Proceeds from bonds	**-**	2,355,000
Repayments on capital lease obligations	**(803,178)**	(734,451)
Principal payments on mortgages and loans payable	**(209,501)**	(254,940)
Principal payments on bonds payable	**(1,945,000)**	(1,890,000)
Net Cash Used In Financing Activities	**(2,957,679)**	(524,391)
Net (Decrease) Increase in Cash and Cash Equivalents	**(2,062,604)**	1,436,424
Cash and Cash Equivalents, Beginning of Year	**16,436,539**	15,000,115
Cash and Cash Equivalents, End of Year	**$14,373,935**	$16,436,539
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	**$ 1,052,294**	$ 1,130,894
Noncash transaction related to capital leases	**1,109,548**	875,103
Transfer of fixed assets to LISH	**-**	74,276
Accounts receivable recorded on transfer of fixed assets to LISH	**-**	(74,276)

See accompanying notes to combined financial statements.

1. Principles of Combination

The accompanying combined financial statements include the accounts of Developmental Disabilities Institute, Inc. (the "Agency") and DDI Foundation, Inc. (the "Foundation") (collectively, the "Agency and Affiliate"), which are related by certain common members of the Board of Directors and identical management.

All intercompany balances and transactions have been eliminated in combination.

2. Nature of the Organizations

(a) The Agency is a New York State not-for-profit corporation which operates health, education and residential facilities for the therapeutic education, guidance and training of developmentally disabled children, adults and their families. The Agency also operated Diagnostic and Treatment Centers, which are licensed by the New York State Department of Health under Article 28 of the Public Health Law to provide rehabilitative, therapeutic, medical and dental services primarily for developmentally disabled children and adults. The Agency is exempt from Federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), and therefore has made no provision for income taxes in the accompanying combined financial statements. In addition, the Agency has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for the year ended December 31, 2017.

As of August 22, 2016, the Agency surrendered the license for its Diagnostic and Treatment Center ("OPTI Healthcare"). OPTI Healthcare was transitioned over to another unrelated not-for-profit entity, Long Island Select Healthcare ("LISH") which will continue to provide services as a federally-qualified healthcare center. The Agency leases space to LISH and has a tenant-landlord relationship. In addition, LISH has an outstanding liability to the Agency related to the sale of equipment from OPTI Healthcare, payment of startup expenses by the Agency and a loan for operating expenses during the initial months of operations.

(b) The Foundation is a New York State not-for-profit corporation that was established May 31, 1988 and began operations October 1, 1990. The Foundation is organized and operated exclusively for charitable, scientific and educational purposes. Consistent with the foregoing, its specific purpose is to promote and support the activities of the Agency. The Foundation maintains certain common board members with the Agency. The Foundation is exempt from Federal, state and local income taxes under Section 501(c)(3) of the Code and, therefore has made no provision for income taxes in the accompanying combined financial statements. In addition, the Foundation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for the year ended December 31, 2017.

3. Summary of Significant Accounting Policies

(a) Basis of Presentation

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

(b) Financial Statement Presentation

The classification of the Agency's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a combined statement of activities.

These classes are defined as follows:

(i) **Permanently Restricted** – Net assets resulting from contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Agency.

(ii) **Temporarily Restricted** – Net assets resulting from contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Agency pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities.

(iii) **Unrestricted** – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(c) Cash and Cash Equivalents

The Agency and Affiliate consider all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

(d) Assets Limited as to Use, Current Portion

Assets limited as to use consists of cash held in banks for future contributions to the pension plan and future workers compensation claims.

(e) Provision for Doubtful Accounts

The Agency and Affiliate provide an allowance for doubtful accounts for accounts receivable which are specifically identified by management as to their uncertainty in regards to collectability. As of December 31, 2017, the total allowance for doubtful accounts is $592,615.

(f) Investments at Fair Value

Accounting Standards Codification ("ASC") 820, "Fair Value Measurement," defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or unobservable. ASC 820 established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The standard requires that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. The Agency and Affiliate classify fair value balances based on the fair value hierarchy defined by ASC 820 as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Valuation adjustments and block discounts are not applied to Level 1 instruments.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Investment income is recognized when earned and consists of interest and dividends. Dividends are recorded on the ex-dividend date. Purchases and sales are recorded on a trade-date basis.

(g) Income Taxes

The Agency and Affiliate were incorporated in the State of New York and is exempt from Federal and state income taxes under Section 501(c)(3) of the Code and, therefore, have made no provision for income taxes in the accompanying combined financial statements. In addition, the Agency and Affiliate have been determined by the Internal Revenue Service not to be "private foundations" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended December 31, 2017. Management believes that the Agency and Affiliate are no longer subject to income tax examinations for years prior to 2014.

Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained. The Agency and Affiliate do not believe there are any material uncertain tax positions and, accordingly, they will not recognize any liability for unrecognized tax benefits. The Agency and Affiliate have filed for and received income tax exemptions in the jurisdictions where they are required to do so. Additionally, the Agency and Affiliate have filed Internal Revenue Service Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended December 31, 2017, there was no interest or penalties recorded or included in the combined statement of activities.

(h) Fixed Assets

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements and equipment under capital leases are amortized over the shorter of the lease term or the estimated useful lives of the related assets.

	Years
Buildings	18-40
Building improvements	5-40
Furniture and fixtures	4-20
Equipment and vehicles	3-15

(i) Impairment of Fixed Assets

The Agency and Affiliate review fixed assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2017, there have been no such losses.

(j) Contributions and Pledges Receivable

Contributions and pledges receivable, including unconditional promises to give, are recognized as revenues in the appropriate category of net assets in the period received. Promises to give are recorded at the present value of estimated future cash flows, based on an appropriate discount rate at the time of the gift. Amortization of the discount in subsequent years is included in contribution revenue. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions for capital projects are reported as nonoperating revenues. Conditional contributions, including conditional promises to give, are not recognized until the conditions are substantially met.

Unconditional promises to give are recorded in the combined financial statements at present value using a discount rate which represents risk-free interest rates applicable to the years in which promises are received. For the year ended December 31, 2017, the Agency and Affiliate used a discount rate of 1.65%.

Contributions receivable consist of $164,563 for the capital campaign and $35,799 for pledges receivable at December 31, 2017.

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

(k) Third-party Reimbursements and Revenue Recognition

The Agency receives substantially all of its revenue for services provided to approved clients from third-party reimbursement agencies; primarily the Office for People With Developmental Disabilities (“OPWDD”), Department of Health and the State Education Department of New York. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediary. The financial statement impact of such adjustments is recognized in the period in which the retroactive adjustment occurred.

Revenue is recognized as earned from third parties and when received or pledged for contributions, special events and fundraising activities.

(l) Allocation Methodology

Common costs incurred for the administration of the various programs are allocated directly to respective programs as incurred and/or utilizing predetermined allocation rates established by management.

(m) Concentration of Credit Risk

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

(n) Use of Estimates

The preparation of the combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(o) Comparative Financial Information

The combined financial statements include certain prior year summarized comparative information. With respect to the combined statement of activities, the prior year information is presented in total, not by net asset class. With respect to the combined statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency and Affiliate's combined financial statements for the year ended December 31, 2016, from which the summarized information was derived in total but not by net asset class.

(p) Accounting Pronouncements Issued But Not Yet Adopted

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

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

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Agency is deemed to be a conduit bond obligor since its bond is held by the public and, therefore, has an effective date for annual reporting periods beginning after December 15, 2017. Management is currently evaluating the impact of this ASU on its combined financial statements.

(q) Recently Adopted Authoritative Guidance

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements - Going Concern: Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern." This ASU provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, this ASU provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The standard was adopted by the Agency and Affiliate in the year ended December 31, 2017.

(r) Reclassifications

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

4. Investments and Assets Limited as to Use, Long-Term Portion

The cost and respective fair values of investments at December 31, 2017 are as follows:

December 31, 2017

	Cost	Fair Value
Agency and Affiliate:		
Common stock	$ 4,996	$ 4,996
Federated Treasury Obligations Fund	3,792,786	3,792,786
Debt service reserve fund - money market fund	915,772	915,772
Total	$4,713,554	$4,713,554

The Agency and Affiliate's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 3 for a discussion of the Agency and Affiliate's policies regarding this hierarchy. A description of the valuation techniques applied to the Agency and Affiliate's major categories of assets measured at fair value is below.

The Agency and Affiliate have investments in common stock, treasury obligation and money market funds. The Agency and Affiliate's custodian prices these investments using nationally recognized pricing services. The Agency and Affiliate's common stock, Federated Treasury Obligations Fund and debt service reserve fund are classified as Level 1 of the fair value hierarchy.

The following table shows, by level within the fair value hierarchy, the Agency and Affiliate's financial assets that are accounted for at fair value on a recurring basis as of December 31, 2017. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Agency and Affiliate's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels. There have been no changes in the levels from the prior year.

	Fair Value Measurement at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2017
Common stock	$ 4,996	$-	$-	$ 4,996
2005 A-B Civic Facility Revenue Bonds: Federal Treasury Obligations Fund	129,469	-	-	129,469
2006 A-B Civic Facility Revenue Bonds: Federal Treasury Obligations Fund	65,784	-	-	65,784
2012 AA-AF Local Development Corp. Revenue Bond	3,162,158	-	-	3,162,158
2012 BA-BE County Economic Development Corp. Revenue Bond	434,551	-	-	434,551
Facilities Development Corporation ("FDC") mortgages payable – debt service reserve fund	915,772	-	-	915,772
2004 A-C Civic Facility Revenue Bonds: Federal Treasury Obligations Fund	824	-	-	824
	$4,713,554	$-	$-	$4,713,554

5. Accounts Receivable, Net

At December 31, 2017, accounts receivable, net consists of the following:

December 31, 2017	
Government and other grants	$ 1,011,873
Office for People With Developmental Disabilities	5,980,961
New York State Education Department	11,717,164
Long Island Select Healthcare, Inc.	1,528,984
Other	449,283
	20,688,265
Less: Allowance for doubtful accounts	(592,615)
	$20,095,650

6. Contributions and Pledges Receivable, Net

At December 31, 2017, the net present value of contributions and pledges receivable is $200,362. The net present value of pledges receivable was calculated using a discount rate of 1.65%.

Net present value of pledges receivable at December 31, 2017 is summarized below:

December 31, 2017	
Total contributions and pledges receivable	$203,117
Discount	2,755
Net present value of contributions receivable	$200,362
Amount due in:	
One year	$146,217
Two to five years	56,900
	$203,117

7. Fixed Assets, Net

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

December 31, 2017	
Land	$ 5,950,101
Buildings and building improvements	44,590,848
Furniture, fixtures and office equipment	7,076,375
Vehicles under capital lease obligations	5,937,665
Machinery and equipment	183,194
IT equipment	1,347,203
Leasehold improvements	2,008,209
	67,093,595
Less: Accumulated depreciation and amortization	(40,253,083)
Construction-in-progress	785,149
	$ 27,625,661

The estimated cost to complete the construction-in-progress is approximately $3,152,000.

8. Pension Plans

(a) 403(b) Tax Deferred Annuity Plan

The Agency is the sponsor of a 403(b) tax deferred annuity plan that covers all Agency and Affiliate employees meeting eligibility requirements. Employee contributions are immediately vested. The Agency also makes a discretionary contribution based upon a percentage of an employee’s salary, which will become 100% vested after three or five years depending on date of hire. Accrued pension payable for the year ended December 31, 2017 was $879,584. In 2017, employer contributions of $1,410,889 were made.

(b) Frozen Plan

The Agency and Affiliate had a defined contribution 401(a) pension plan for all salaried employees who completed one year of service. Contributions were based on a percentage of employees' salaries and vesting occurred after five years. The plan was frozen as of April 6, 2001. As of November 30, 2017, the plan has been terminated.

9. Workers' Compensation Reserve

The Agency was previously a member of the now terminated and insolvent Community Residence Insurance Saving Plan Self-Insurance Trust for Workers' Compensation ("CRISP"). Due to financial deficits, the Workers' Compensation Board ("WCB") of New York State assumed the administration of CRISP. WCB has been charged with facilitating the extinguishment of the liabilities of the trust and performed a review to reconstruct and allocate the deficit among CRISP's former members. The Agency received an assessment based on this review for fiscal years 2006-2011. In 2016, the WCB and the Agency counsel agreed to a settlement in the amount of $1,569,026. The full liability, net of a discount based on lump-sum payment, has been recorded in the accompanying combined financial statements. In March 2017, the Agency paid the discounted lump-sum amount of $1,490,575 and the WCB has issued the Agency a full release of liability related to the CRISP Trust.

10. Due to Governmental Agencies

Due to governmental agencies consists of the following:

December 31, 2017	
Advances by funding sources to be recouped in future years	$4,898,472

11. Capital Lease Obligations

Capital lease obligations consisted of the following:

December 31, 2017	
The Agency financed the cost of vehicles with notes payable in various monthly installments through 2020. The interest rates on these leases range from 5.25% to 7.27%.	$1,818,817
Less: Current maturities	(765,696)
	$1,053,121

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

December 31,	
2018	$ 856,343
2019	565,707
2020	426,199
2021	137,081
Total minimum lease payments	1,985,330
Less: Interest	(166,513)
Present value of net minimum lease payments	$1,818,817

12. Line of Credit

The Agency has a revolving line of credit with a bank of up to $9,000,000 and expires on August 31, 2018. Interest is charged at 3.75% per annum. There were no amounts outstanding at December 31, 2017. The line of credit is secured by outstanding accounts receivable excluding any receivables, subject to subordination agreements.

13. Mortgages and Loans Payable

Mortgages and loans payable consist of the following:

December 31, 2017	
Mortgage payable to FDC, due February 2021, payable in semi-annual debt service payments ranging from $8,066 to $11,242, including interest at 5.61% per annum; secured by real estate located in Mt. Sinai, New York.	$ 46,444
Various loans payable, due from May 2025 to February 2026, payable in current monthly installments ranging from $3,383 to $7,125, including interest from 3.65% to 5.49%; secured by related vehicles, land and buildings.	1,862,129
	1,908,573
Less: Current maturities	(184,349)
	$1,724,224

Mortgages and loans payable mature as follows:

December 31,	
2018	$ 185,890
2019	194,920
2020	192,777
2021	152,585
2022	157,642
Thereafter	1,029,963
	1,913,777
Less: Unamortized balance of deferred financing costs	(5,204)
	$1,908,573

14. Bonds Payable

(a) On December 17, 2004, the Agency obtained financing of $265,000 of Civic Facility Revenue bonds through the Suffolk County Industrial Development Agency ("SCIDA") for the renovation and equipping of a facility located in Medford, NY. The bonds, which require quarterly interest payments, bear interest at 6%. At December 31, 2017, $20,000 remains outstanding:

(b) On January 21, 2005 the Agency obtained financing of $163,000 of Civic Facility Revenue bonds through the Nassau County Industrial Development Agency ("NCIDA") for the renovation and equipping of a facility located in Bellmore, NY. The bonds, which require quarterly interest payments, bear interest at 6%. At December 31, 2017, $25,000 remains outstanding.

(c) On October 13, 2005, the Agency obtained financing of $1,091,000 of Civic Facility Revenue Bonds through SCIDA for the renovation and equipping of a facility located in East Patchogue, NY. The bonds, which require quarterly interest payments, bear interest at 6%. At December 31, 2017, $295,000 remains outstanding.

(d) On September 27, 2006, the Agency obtained financing of $3,857,000 of Civic Facility Revenue Bonds through SCIDA to renovate properties located in Nesconset, NY, Commack, NY, Babylon, NY, Smithtown, NY and Bohemia, NY, and for acquisitions and renovations of properties located in Ridge, NY and Yaphank, NY. The bonds, which require quarterly interest payments, bear interest at 5.95%. At December 31, 2017, $1,210,000 remains outstanding.

(e) On August 29, 2012, the Agency obtained financing of $20,016,071 through the Town of Huntington Local Development Corporation to renovate properties in Smithtown and Huntington, NY and to refinance outstanding amounts associated with financing obtained in 1993 and 1998 through SCIDA. The bond, which requires monthly interest payments, bears interest ranging from 2.5% to 3.8%. At December 31, 2017, $14,294,476 remains outstanding.

On August 29, 2012, the Agency obtained financing of $5,880,138 through the Suffolk County Economic Development Corporation to renovate properties in Hauppauge, NY and to refinance outstanding amounts associated with financing obtained in 1993, 1998 and 1999. The bond, which requires monthly interest payments, bears interest ranging from 2.5% to 4.4%. At December 31, 2017, $3,532,482 remains outstanding.

(f) On October 5, 2016, the Agency obtained financing of $2,355,000 through the Dormitory Authority of New York State for properties in Deer Park, NY and Centereach, NY and to renovate properties in Smithtown, NY. The bond, which requires monthly interest payments, bears interest ranging from 1.5% to 4%. At December 31, 2017, $2,345,000 remains outstanding. These bonds are conduit debt securities since they are offered by a governmental entity not for its own use, but for the use of the Agency. As the conduit debt obligor, the Agency is required to make all interest and principal payments as they become due. The bonds are publicly held and therefore have additional financial reporting requirements.

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

December 31,	
2018	$ 1,972,176
2019	2,130,000
2020	2,210,000
2021	2,200,000
2022	1,950,000
Thereafter	11,259,782
	21,721,958
Less: Unamortized balance of deferred financing costs	(703,054)
	$21,018,904

All bonds are secured by the related properties.

Interest expense related to the bonds for the year ended December 31, 2017 was $858,785.

15. Operating Leases

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

December 31,	
2018	$1,225,000
2019	770,058
2020	672,413
2021	689,512
2022	576,283
Thereafter	556,775
Total minimum lease payments	$4,490,041

Total rental expense under noncancellable operating leases amounted to $1,525,599 for the year ended December 31, 2017.

16. Commitments and Contingencies

(a) For the year ended December 31, 2017, revenues from Medicare and Medicaid programs accounted for a significant portion of the Agency's revenues. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. The Agency believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation. In the event noncompliance is determined, the Agency would be subject to regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

(b) Additionally, the Agency is involved in certain disputes arising from the normal course of its businesses. In the opinion of management and on the advice of legal counsel, the expected outcome of such disputes, in the aggregate, will not have a material adverse effect on the Agency's financial position.

(c) On July 15, 2015, the Agency entered into an irrevocable letter of credit amounting to $3,416,837 from a bank which matures on July 1, 2018. The letter of credit was issued in conjunction with the Agency's workers' compensation policy. There were no outstanding borrowings at December 31, 2017.

17. Net Assets Released From Restrictions

During 2017, temporarily restricted net assets that were released from donor restrictions by incurring expenses satisfying the restricted purpose are as follows:

Program designated	$ 42,962
Capital Campaign	97,750
	$140,712

18. Temporarily Restricted Net Assets

Donor restricted contributions held for specific purposes are as follows:

December 31, 2017	
Program designated	$155,688
Capital campaign	265,875
	$421,563

19. Other Investment

The Agency owns a 12.5% interest in LI Alliance, LLC (the "Alliance"), which was established to strategically position the Agency and other Alliance members to participate in programs relating to delivery of care to persons with developmental disabilities and other disorders through managed care or other models. The Agency's interest in the Alliance amounted to approximately $29,000 at December 31, 2017.

20. Subsequent Events

The Agency and Affiliate's management has performed subsequent events procedures through May 23, 2018, which is the date the combined financial statements were available to be issued and there were no subsequent events requiring adjustment to the combined financial statements or disclosures as stated herein.

Supplementary Information

Developmental Disabilities Institute, Inc. and Affiliate

Combining Statement of Financial Position
(with comparative totals for 2016)

December 31,

	Developmental Disabilities Institute, Inc.	DDI Foundation, Inc.	Eliminations	Combined Total 2017	Combined Total 2016
Assets					
Current:					
Cash and cash equivalents	$13,685,926	$ 688,009	$ -	**$14,373,935**	$16,436,539
Assets limited as to use, current portion	2,311,998	202,993	-	**2,514,991**	2,953,460
Investments, at fair value	-	4,996	-	**4,996**	4,996
Accounts receivable, net	19,083,777	-	-	**19,083,777**	17,641,986
Government and other grants receivable	1,011,873	-	-	**1,011,873**	738,789
Contributions and pledges receivable, current portion		146,217	-	**146,217**	170,113
Prepaid expenses and other assets	2,693,054	9,243	-	**2,702,297**	2,623,646
Total Current Assets	38,786,628	1,051,458	-	**39,838,086**	40,569,529
Security Deposits	198,286	-	-	**198,286**	198,286
Other Investment	28,688	-	-	**28,688**	-
Due From Affiliates	35,956	-	(35,956)	**-**	-
Contributions and Pledges Receivable, Net, Less Current Portion	-	54,145	-	**54,145**	82,953
Assets Limited as to Use, Less Current Portion	4,708,558	-	-	**4,708,558**	4,789,757
Fixed Assets, Net	27,625,661	-	-	**27,625,661**	27,545,851
	$71,383,777	**$1,105,603**	**$(35,956)**	**$72,453,424**	$73,186,376

Developmental Disabilities Institute, Inc. and Affiliate

Combining Statement of Financial Position (with comparative totals for 2016)

December 31,

	Developmental Disabilities Institute, Inc.	DDI Foundation, Inc.	Eliminations	Combined Total 2017	Combined Total 2016
Liabilities and Net Assets					
Current Liabilities:					
Accounts payable and accrued expenses	$ 4,447,122	$ -	$ -	**$ 4,447,122**	$ 3,801,400
Accrued interest payable	177,208	-	-	**177,208**	135,957
Accrued payroll and related benefits	6,313,736	-	-	**6,313,736**	7,553,789
Accrued pension payable	879,584	-	-	**879,584**	1,411,759
Due to affiliates	-	35,956	(35,956)	**-**	-
Deferred revenue, current portion	2,634,869	-	-	**2,634,869**	3,047,163
Capital lease obligations, current portion	765,696	-	-	**765,696**	639,826
Mortgages and loans payable, current portion	184,349	-	-	**184,349**	203,280
Bonds payable, current portion	1,972,176	-	-	**1,972,176**	1,868,232
Due to governmental agencies, current portion	1,397,987	-	-	**1,397,987**	1,619,544
Total Current Liabilities	18,772,727	35,956	(35,956)	**18,772,727**	20,280,950
Deferred Revenue, Less Current Portion	1,967,061	-	-	**1,967,061**	1,845,076
Capital Lease Obligations, Less Current Maturities	1,053,121	-	-	**1,053,121**	872,621
Mortgages and Loans Payable, Less Current Maturities	1,724,224	-	-	**1,724,224**	1,903,267
Bonds Payable, Less Current Maturities	19,046,728	-	-	**19,046,728**	20,987,848
Due to Governmental Agencies, Less Current Portion	3,500,485	-	-	**3,500,485**	2,671,887
Total Liabilities	46,064,346	35,956	(35,956)	**46,064,346**	48,561,649
Net Assets:					
Unrestricted net assets	25,319,431	648,084	-	**25,967,515**	24,207,669
Temporarily restricted net assets	-	421,563	-	**421,563**	417,058
Total Net Assets	25,319,431	1,069,647	-	**26,389,078**	24,624,727
	$71,383,777	**$1,105,603**	**$(35,956)**	**$72,453,424**	$73,186,376

Developmental Disabilities Institute, Inc. and Affiliate

Combining Statement of Activities
(with comparative totals for 2016)

Year ended December 31,	Developmental Disabilities Institute, Inc.	DDI Foundation, Inc.			Combined Total	
	Unrestricted	Unrestricted	Temporarily Restricted	Total	**2017**	2016
Program Revenues:						
Fees for services	$95,260,259	$ -	$ -	$ -	**$95,260,259**	$93,667,038
Government and other grants	1,605,822	-	-	-	**1,605,822**	1,643,595
Net patient service revenues	-	-	-	-	**-**	2,802,955
Other program revenues	2,093,993	-	-	-	**2,093,993**	1,698,056
Net assets released from restrictions	-	42,962	(42,962)	-	**-**	-
Total Program Revenues	98,960,074	42,962	(42,962)	-	**98,960,074**	99,811,644
Expenses:						
Program services:						
Education services	31,910,552	-	-	-	**31,910,552**	32,321,183
Clinic services	-	-	-	-	**-**	3,702,449
Adult day services	18,311,200	-	-	-	**18,311,200**	17,327,926
Children's residential services	10,635,824	-	-	-	**10,635,824**	10,885,451
Adult residential services	28,943,230	-	-	-	**28,943,230**	27,669,160
Other programs	1,199,492	-	-	-	**1,199,492**	713,808
Total Program Services	91,000,298	-	-	-	**91,000,298**	92,619,977
Supporting services:						
Management and general	6,663,472	-	-	-	**6,663,472**	6,144,108
Fundraising	-	241,488	-	241,488	**241,488**	355,464
Total Supporting Services	6,663,472	241,488	-	241,488	**6,904,960**	6,499,572
Total Expenses	97,663,770	241,488	-	241,488	**97,905,258**	99,119,549
Change in Net Assets Before Nonoperating Revenues and Expenses	1,296,304	(198,526)	(42,962)	(241,488)	**1,054,816**	692,095
Nonoperating Revenues and Expenses:						
Capital campaign income	-	-	71,812	71,812	**71,812**	222,392
Capital campaign expenses	-	-	(97,750)	(97,750)	**(97,750)**	(512,574)
Net Expenses From Capital Campaign	-	-	(25,938)	(25,938)	**(25,938)**	(290,182)
Special events revenues	-	464,288	-	464,288	**464,288**	389,091
Direct cost to donors	-	(126,526)	-	(126,526)	**(126,526)**	(111,029)
Net Revenues From Special Events	-	337,762	-	337,762	**337,762**	278,062
Contributions	10,137	88,818	73,405	162,223	**172,360**	62,247
Gain on sale of fixed assets	59,270	-	-	-	**59,270**	29,926
Loss on other investment	(21,312)	-	-	-	**(21,312)**	-
Interest income	50,466	-	-	-	**50,466**	41,594
Other income	88,170	-	-	-	**88,170**	76,400
Prior period income	48,486	271	-	271	**48,757**	2,293,754
Total Nonoperating Revenues and Expenses	235,217	426,851	47,467	474,318	**709,535**	2,491,801
Change in Net Assets	1,531,521	228,325	4,505	232,830	**1,764,351**	3,183,896
Net Assets, Beginning of Year	23,787,910	419,759	417,058	836,817	**24,624,727**	21,440,831
Net Assets, End of Year	**$25,319,431**	**$ 648,084**	**$421,563**	**$1,069,647**	**$26,389,078**	$24,624,727

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Developmental Disabilities Institute, Inc. and Affiliate

Combined Financial Statements and Supplementary Information
Year Ended December 31, 2016

Developmental Disabilities Institute, Inc. and Affiliate

Combined Financial Statements and Supplementary Information

Year Ended December 31, 2016

Developmental Disabilities Institute, Inc. and Affiliate

Contents

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Independent Auditor's Report

Board of Directors
Developmental Disabilities Institute, Inc.
and Affiliate
Smithtown, New York

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Developmental Disabilities Institute, Inc. and Affiliate (collectively, the "Agency and Affiliate"), which comprise the combined statement of financial position as of December 31, 2016, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Developmental Disabilities Institute, Inc. and Affiliate as of December 31, 2016, and the results of changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit of the combined financial statements was conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Report on Summarized Comparative Information

We have audited the Agency and Affiliate's 2015 combined financial statements and our report, dated May 20, 2016, expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

May 19, 2017

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Financial Position
(with comparative totals for 2015)

December 31,	**2016**	2015
Assets		
Current:		
Cash and cash equivalents (Note 3)	**$16,436,539**	$15,000,115
Assets limited as to use, current portion (Note 3)	**2,953,460**	3,732,331
Investments, at fair value (Notes 3 and 4)	**4,996**	4,996
Accounts receivable, net of allowance for doubtful accounts of $709,415 and $441,134 for 2016 and 2015, respectively (Note 3)	**17,641,986**	14,160,941
Government and other grants receivable (Note 3)	**738,789**	831,894
Current portion of contributions and pledges receivable, net (Notes 3 and 5)	**170,113**	83,529
Prepaid expenses and other assets	**2,821,932**	1,359,096
Total Current Assets	**40,767,815**	35,172,902
Contributions and Pledges Receivable, Net, Less Current Portion (Notes 3 and 5)	**82,953**	108,714
Assets Limited as to Use, Less Current Portion (Note 4)	**4,789,757**	4,696,140
Fixed Assets, Net (Notes 3, 6, 12 and 13)	**27,545,851**	28,059,733
	$73,186,376	$68,037,489
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 3,801,400**	$ 3,311,499
Accrued interest payable (Note 13)	**135,957**	132,657
Accrued payroll and related benefits	**7,553,789**	6,010,195
Accrued pension payable (Note 7)	**1,411,759**	816,729
Deferred revenue, current portion (Note 3)	**3,047,163**	2,023,502
Capital lease obligations, current portion (Note 10)	**639,826**	607,378
Mortgages and loans payable, current portion (Note 12)	**203,280**	249,562
Bonds payable, current portion (Note 13)	**1,868,232**	1,819,239
Due to governmental agencies, current portion (Notes 3 and 9)	**1,619,544**	918,521
Total Current Liabilities	**20,280,950**	15,889,282
Deferred Revenue, Less Current Portion (Note 3)	**2,191,530**	1,706,503
Capital Lease Obligations, Less Current Maturities (Note 10)	**872,621**	764,417
Mortgages and Loans Payable, Less Current Maturities (Note 12)	**1,903,267**	2,103,819
Bonds Payable, Less Current Maturities (Note 13)	**20,987,848**	20,612,905
Due to Governmental Agencies, Less Current Portion (Notes 3 and 9)	**2,325,433**	5,519,732
Total Liabilities	**48,561,649**	46,596,658
Commitments and Contingencies (Notes 3, 6, 8, 9, 10, 11, 12, 13, 14 and 15)		
Net Assets:		
Unrestricted net assets (Note 3)	**24,207,669**	20,704,388
Temporarily restricted net assets (Notes 3, 16 and 17)	**417,058**	736,443
Total Net Assets	**24,624,727**	21,440,831
	$73,186,376	$68,037,489

See accompanying notes to combined financial statements.

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Activities
(with comparative totals for 2015)

Year ended December 31,

	Unrestricted	Temporarily Restricted	Total 2016	Total 2015
Program Revenues:				
Fees for services	$93,667,038	$ -	**$93,667,038**	$90,897,280
Government and other grants	1,643,595	-	**1,643,595**	1,322,400
Clinic revenue	2,802,955	-	**2,802,955**	4,880,236
Other program revenues	1,698,056	-	**1,698,056**	1,748,095
Net assets released from restrictions (Note 16)	63,212	(63,212)	**-**	-
Total Program Revenues	99,874,856	(63,212)	**99,811,644**	98,848,011
Expenses:				
Program services:				
Education services	32,321,183	-	**32,321,183**	32,167,330
Clinic services	3,702,449	-	**3,702,449**	5,413,192
Adult day services	17,327,926	-	**17,327,926**	16,389,994
Children's residential services	10,885,451	-	**10,885,451**	10,550,947
Adult residential services	27,669,160	-	**27,669,160**	27,366,414
Other programs	713,808		**713,808**	64,642
Total Program Services	92,619,977	-	**92,619,977**	91,952,519
Supporting services:				
Management and general	6,144,108	-	**6,144,108**	5,879,833
Fundraising	355,464	-	**355,464**	184,604
Total Supporting Services	6,499,572	-	**6,499,572**	6,064,437
Total Expenses	99,119,549	-	**99,119,549**	98,016,956
Change in Net Assets Before Nonoperating Revenues and Expenses	755,307	(63,212)	**692,095**	831,055
Nonoperating Revenues and Expenses:				
Capital campaign income	-	222,392	**222,392**	100,532
Capital campaign expenses	-	(512,574)	**(512,574)**	(317,288)
Net Expenses From Capital Campaign	-	(290,182)	**(290,182)**	(216,756)
Special events revenues	389,091	-	**389,091**	394,326
Direct cost to donors	(111,029)	-	**(111,029)**	(113,751)
Net Revenues From Special Events	278,062	-	**278,062**	280,575
Contributions	28,238	34,009	**62,247**	107,101
Gain on sale of fixed assets	29,926	-	**29,926**	78,054
Interest income	41,594	-	**41,594**	42,827
Other income	76,400	-	**76,400**	97,226
Prior period income (Note 3(l))	2,293,754	-	**2,293,754**	1,074,335
Total Nonoperating Revenues and Expenses	2,747,974	(256,173)	**2,491,801**	1,463,362
Change in Net Assets	3,503,281	(319,385)	**3,183,896**	2,294,417
Net Assets, Beginning of Year	20,704,388	736,443	**21,440,831**	19,146,414
Net Assets, End of Year	**$24,207,669**	**$ 417,058**	**$24,624,727**	$21,440,831

See accompanying notes to combined financial statements.

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Functional Expenses
(with comparative totals for 2015)

Year ended December 31,

	Program Services							Supporting Services			Total	
	Education Services	Clinic Services	Adult Day Services	Children's Residential Services	Adult Residential Services	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	**2016**	2015
Salaries and Related Expenses:												
Salaries	$21,517,435	$1,897,028	$ 9,874,637	$ 6,175,856	$16,642,636	$357,163	$56,464,755	$3,460,484	$ 98,207	$3,558,691	**$60,023,446**	$59,078,819
Payroll taxes and employee benefits	7,404,531	522,277	3,664,801	2,062,504	5,919,774	116,304	19,690,191	1,066,235	31,706	1,097,941	**20,788,132**	20,901,835
Total Salaries and Related Expenses	28,921,966	2,419,305	13,539,438	8,238,360	22,562,410	473,467	76,154,946	4,526,719	129,913	4,656,632	**80,811,578**	79,980,654
Other Expenses:												
Fee-for-services professionals	99,879	288,795	20,074	62,667	241,780	3,285	716,480	128,979	-	128,979	**845,459**	646,873
Building occupancy	481,441	158,374	840,205	7	17,187	78,928	1,576,142	19,078	-	19,078	**1,595,220**	1,571,491
Telephone	198,324	35,007	216,671	49,545	130,869	12,421	642,837	46,024	1,461	47,485	**690,322**	588,202
Travel	39,519	2,650	59,192	9,750	49,853	1,651	162,615	19,471	849	20,320	**182,935**	110,937
Supplies	361,768	163,757	226,910	303,714	625,962	1,970	1,684,081	368,519	959	369,478	**2,053,559**	1,798,578
Food	1,258	1	24,799	331,507	803,299	-	1,160,864	623	-	623	**1,161,487**	1,138,426
Office expense	125,345	9,788	65,966	36,215	62,963	7,268	307,545	102,976	66,243	169,219	**476,764**	925,359
Dues and subscriptions	24,997	3,122	6,138	524	1,720	2,100	38,601	61,480	3,976	65,456	**104,057**	75,761
Postage	10,405	3,427	2,724	1,161	653	134	18,504	42,538	436	42,974	**61,478**	72,082
Meetings and conferences	28,975	620	12,162	8,006	10,549	3,123	63,435	8,607	3,872	12,479	**75,914**	78,650
Employee training and recruitment	158,875	1,213	85,589	80,490	134,184	1,136	461,487	93,186	4,330	97,516	**559,003**	465,328
Legal and accounting	150	10,572	-	840	9,451	-	21,013	211,335	-	211,335	**232,348**	294,457
Utilities	330,191	35,741	194,746	118,590	301,913	18,862	1,000,043	32,698	451	33,149	**1,033,192**	1,038,663
Repairs and maintenance	303,952	61,542	302,749	113,323	314,170	8,711	1,104,447	30,602	4,825	35,427	**1,139,874**	1,365,834
Equipment and furniture	60,646	6,493	46,946	47,212	58,824	17,311	237,432	12,327	3,104	15,431	**252,863**	400,121
Interest	228,102	93,146	180,300	209,207	332,433	45,164	1,088,352	42,492	50	42,542	**1,130,894**	1,218,430
Insurance	298,950	50,426	393,394	132,178	434,058	3,709	1,312,715	48,668	124	48,792	**1,361,507**	1,336,859
Medicaid assessment taxes	-	-	-	660,184	199,887	-	860,071	-	-	-	**860,071**	825,483
Debt-related expenses	-	-	-	-	-	-	-	20,742	-	20,742	**20,742**	13,807
Vehicle expense	17,890	231	498,985	34,269	270,038	116	821,529	1,520	12	1,532	**823,061**	905,375
Bad debt expense	157,683	238,889	9,045	-	27,656	-	433,273	-	-	-	**433,273**	128,300
Contributions expense	-	-	-	-	-	-	-	-	134,558	134,558	**134,558**	-
Total Expenses Before Depreciation and Amortization	31,850,316	3,583,099	16,726,033	10,437,749	26,589,859	679,356	89,866,412	5,818,584	355,163	6,173,747	**96,040,159**	94,979,670
Depreciation and Amortization	470,867	119,350	601,893	447,702	1,079,301	34,452	2,753,565	325,524	301	325,825	**3,079,390**	3,037,286
Total Expenses	**$32,321,183**	**$3,702,449**	**$17,327,926**	**$10,885,451**	**$27,669,160**	**$713,808**	**$92,619,977**	**$6,144,108**	**$355,464**	**$6,499,572**	**$99,119,549**	$98,016,956

See accompanying notes to combined financial statements.

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Cash Flows
(with comparative totals for 2015)

Year ended December 31,	**2016**	2015
Cash Flows From Operating Activities:		
Change in net assets	**$ 3,183,896**	$ 2,294,417
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**3,079,390**	3,037,286
Interest on debt issuance costs	**(32,958)**	79,020
Gain on sale of fixed assets	**(29,926)**	(78,054)
Provision for bad debt	**433,273**	128,300
Discount on pledges receivables	**4,285**	3,989
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	**(3,840,042)**	1,842,164
Government and other grants receivable	**114,581**	103,068
Contributions and pledges receivable	**(86,584)**	14,817
Prepaid expenses and other assets	**(1,462,836)**	(100,361)
Increase (decrease) in:		
Accounts payable and accrued expenses	**489,901**	1,001,413
Accrued interest payable	**3,300**	2,980
Accrued payroll and related benefits	**1,543,594**	131,073
Accrued pension payable	**595,030**	(81,048)
Deferred revenue	**1,508,688**	377,149
Due to governmental agencies	**(2,493,276)**	1,401,315
Net Cash Provided By Operating Activities	**3,010,316**	10,157,528
Cash Flows From Investing Activities:		
Purchases of fixed assets	**(1,784,871)**	(2,915,888)
Proceeds from sale of fixed assets	**50,116**	129,165
Assets limited to use	**(685,254)**	(35,858)
Net Cash Used In Investing Activities	**(1,049,501)**	(2,822,581)
Cash Flows From Financing Activities:		
Proceeds from bonds	**2,355,000**	-
Repayments on capital lease obligations	**(734,451)**	(709,871)
Principal payments on mortgages and loans payable	**(254,940)**	(242,573)
Principal payments on bonds payable	**(1,890,000)**	(1,785,000)
Net Cash Provided By (Used In) Financing Activities	**(524,391)**	(2,737,444)
Net Increase in Cash and Cash Equivalents	**1,436,424**	4,597,503
Cash and Cash Equivalents, Beginning of Year	**15,000,115**	10,402,612
Cash and Cash Equivalents, End of Year	**$16,436,539**	$15,000,115
Supplemental Cash Flow Information:		
Cash paid for interest	**$ 1,130,894**	$ 1,218,430
Noncash transaction related to capital leases	**875,103**	754,668
Transfer of fixed assets to LISH	**74,276**	-
Accounts receivable recorded on transfer of fixed assets to LISH	**(74,276)**	-

See accompanying notes to combined financial statements.

1. Principles of Combination

The accompanying combined financial statements include the accounts of Developmental Disabilities Institute, Inc. (the "Agency") and DDI Foundation, Inc. (the "Foundation") (collectively, the "Agency and Affiliate"), which are related by certain common members of the Board of Directors and identical management.

All intercompany balances and transactions have been eliminated in combination.

2. Nature of the Organizations

(a) The Agency is a New York State not-for-profit corporation which operates health, education and residential facilities for the therapeutic education, guidance and training of developmentally disabled children, adults and their families. The Agency also operated Diagnostic and Treatment Centers, which are licensed by the New York State Department of Health under Article 28 of the Public Health Law to provide rehabilitative, therapeutic, medical and dental services primarily for developmentally disabled children and adults. The Agency is exempt from Federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), and therefore has made no provision for income taxes in the accompanying combined financial statements. In addition, the Agency has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for the year ended December 31, 2016.

As of August 22, 2016, the Agency surrendered the license for its Diagnostic and Treatment Center ("OPTI Healthcare"). OPTI Healthcare was transitioned over to another unrelated not-for-profit entity, Long Island Select Healthcare ("LISH") which will continue to provide services as a federally-qualified healthcare center. The Agency leases space to LISH and has a tenant-landlord relationship. In addition, LISH has an outstanding liability to the Agency related to the sale of equipment from OPTI Healthcare, payment of startup expenses by the Agency and a loan for operating expenses during the initial months of operations.

(b) The Foundation is a New York State not-for-profit corporation that was established May 31, 1988 and began operations October 1, 1990. The Foundation is organized and operated exclusively for charitable, scientific and educational purposes. Consistent with the foregoing, its specific purpose is to promote and support the activities of the Agency. The Foundation maintains certain common board members with the Agency. The Foundation is exempt from Federal, state and local income taxes under Section 501(c)(3) of the Code and, therefore has made no provision for income taxes in the accompanying combined financial statements. In addition, the Foundation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for the year ended December 31, 2016.

3. Summary of Significant Accounting Policies

(a) Basis of Presentation

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

(b) Financial Statement Presentation

The classification of the Agency's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a combined statement of activities.

These classes are defined as follows:

(i) **Permanently Restricted** – Net assets resulting from contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Agency.

(ii) **Temporarily Restricted** – Net assets resulting from contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Agency pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities.

(iii) **Unrestricted** – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(c) Cash and Cash Equivalents

The Agency and Affiliate consider all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

(d) Assets Limited as to Use, Current Portion

Assets limited as to use consists of cash held in banks for future contributions to the pension plan and future workers compensation claims.

(e) Provision for Doubtful Accounts

The Agency and Affiliate provide an allowance for doubtful accounts for accounts receivable which are specifically identified by management as to their uncertainty in regards to collectability. As of December 31, 2016, the total allowance for doubtful accounts is $709,415.

(f) Investments at Fair Value

Accounting Standards Codification ("ASC") 820, "Fair Value Measurement," defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or unobservable. ASC 820 established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The standard requires that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. The Agency and Affiliate classify fair value balances based on the fair value hierarchy defined by ASC 820 as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Valuation adjustments and block discounts are not applied to Level 1 instruments.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Investment income is recognized when earned and consists of interest and dividends. Dividends are recorded on the ex-dividend date. Purchases and sales are recorded on a trade-date basis.

(g) Income Taxes

The Agency and Affiliate were incorporated in the State of New York and is exempt from Federal and state income taxes under Section 501(c)(3) of the Code and, therefore, have made no provision for income taxes in the accompanying combined financial statements. In addition, the Agency and Affiliate have been determined by the Internal Revenue Service not to be “private foundations” within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended December 31, 2016. Management believes that the Agency and Affiliate are no longer subject to income tax examinations for years prior to 2013.

Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained. The Agency and Affiliate do not believe there are any material uncertain tax positions and, accordingly, they will not recognize any liability for unrecognized tax benefits. The Agency and Affiliate have filed for and received income tax exemptions in the jurisdictions where they are required to do so. Additionally, the Agency and Affiliate have filed Internal Revenue Service Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended December 31, 2016, there was no interest or penalties recorded or included in the combined statement of activities.

(h) Fixed Assets

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements and equipment under capital leases are amortized over the shorter of the lease term or the estimated useful lives of the related assets.

	Years
Buildings	18-40
Building improvements	5-40
Furniture and fixtures	4-20
Equipment and vehicles	3-15

(i) Impairment of Fixed Assets

The Agency and Affiliate review fixed assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2016, there have been no such losses.

(j) Contributions and Pledges Receivable

Contributions and pledges receivable, including unconditional promises to give, are recognized as revenues in the appropriate category of net assets in the period received. Promises to give are recorded at the present value of estimated future cash flows, based on an appropriate discount rate at the time of the gift. Amortization of the discount in subsequent years is included in contribution revenue. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions for capital projects are reported as nonoperating revenues. Conditional contributions, including conditional promises to give, are not recognized until the conditions are substantially met.

Unconditional promises to give are recorded in the combined financial statements at present value using a discount rate which represents risk-free interest rates applicable to the years in which promises are received. For the year ended December 31, 2016, the Agency and Affiliate used a discount rate of 1.78%.

Contributions receivable consist of $236,381 for the capital campaign and $16,685 for pledges receivable at December 31, 2016.

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

(k) Third-party Reimbursements and Revenue Recognition

The Agency receives substantially all of its revenue for services provided to approved clients from third-party reimbursement agencies; primarily the Office for People With Developmental Disabilities ("OPWDD"), Department of Health and the State Education Department of New York. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediary. The financial statement impact of such adjustments is recognized in the period in which the retroactive adjustment occurred.

Revenue is recognized as earned from third parties and when received or pledged for contributions, special events and fundraising activities.

(l) Allocation Methodology

Common costs incurred for the administration of the various programs are allocated directly to respective programs as incurred and/or utilizing predetermined allocation rates established by management.

(m) Concentration of Credit Risk

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

(n) Use of Estimates

The preparation of the combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(o) Comparative Financial Information

The combined financial statements include certain prior year summarized comparative information. With respect to the combined statement of activities, the prior year information is presented in total, not by net asset class. With respect to the combined statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency and Affiliate's combined financial statements for the year ended December 31, 2015, from which the summarized information was derived in total but not by net asset class.

(p) Recently Adopted Accounting Pronouncements

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

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

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB also issued ASU 2015-14 which deferred the effective date until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its combined financial statements.

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs," which resulted in the reclassification of debt issuance costs from other assets to inclusion as a reportable long-term debt balance on the combined balance sheet. The standard also calls for the amortization of debt issuance costs to now be reported as interest expense in the financial statements. The standard is effective for all non-public business entities for fiscal years beginning after December 15, 2015 and must be applied retrospectively. The Agency and Affiliate have adopted and applied the standard for the year ended December 31, 2016.

(q) Reclassifications

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

4. Investments and Assets Limited as to Use, Long-Term Portion

The cost and respective fair values of investments at December 31, 2016 are as follows:

December 31, 2016

	Cost	Fair Value
Agency and Affiliate:		
Common stock	$ 4,996	$ 4,996
Federated Treasury Obligations Fund	3,759,553	3,759,553
Debt service reserve fund - money market fund	1,030,204	1,030,204
Total	$4,794,753	$4,794,753

The Agency and Affiliate's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2 for a discussion of the Agency and Affiliate's policies regarding this hierarchy. A description of the valuation techniques applied to the Agency and Affiliate's major categories of assets measured at fair value is below.

The Agency and Affiliate have investments in common stock, treasury obligation and money market funds. The Agency and Affiliate's custodian prices these investments using nationally recognized pricing services. The Agency and Affiliate's common stock, Federated Treasury Obligations Fund and debt service reserve fund are classified as Level 1 of the fair value hierarchy.

The following table shows, by level within the fair value hierarchy, the Agency and Affiliate's financial assets that are accounted for at fair value on a recurring basis as of December 31, 2016. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Agency and Affiliate's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels. There have been no changes in the levels from the prior year.

	Fair Value Measurement at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2016
Common stock	$ 4,996	$-	$-	$ 4,996
2005 A-B Civic Facility Revenue Bonds: Federal Treasury Obligations Fund	125,746	-	-	125,746
2006 A-B Civic Facility Revenue Bonds: Federal Treasury Obligations Fund	69,320	-	-	69,320
2012 AA-AF Local Development Corp. Revenue Bond	3,046,269	-	-	3,046,269
2012 BA-BE County Economic Development Corp. Revenue Bond	517,397	-	-	517,397
Facilities Development Corporation ("FDC") mortgages payable - debt service reserve fund	1,030,204	-	-	1,030,204
2004 A-C Civic Facility Revenue Bonds: Federal Treasury Obligations Fund	821	-	-	821
	$4,794,753	$-	$-	$4,794,753

5. Contributions and Pledges Receivable, Net

At December 31, 2016, the net present value of contributions and pledges receivable is $253,066. The net present value of pledges receivable was calculated using a discount rate of 1.78%.

Net present value of pledges receivable at December 31, 2016 is summarized below:

December 31, 2016	
Total contributions and pledges receivable	$257,351
Discount	(4,285)
Net present value of contributions receivable	$253,066
Amount due in:	
One year	$170,113
Two to five years	87,238
	$257,351

6. Fixed Assets, Net

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

December 31, 2016	
Land	$ 5,950,101
Buildings and building improvements	43,429,755
Furniture, fixtures and office equipment	6,808,402
Vehicles under capital lease obligations	5,431,857
Machinery and equipment	183,194
IT equipment	1,139,262
Leasehold improvements	1,997,651
	64,940,222
Less: Accumulated depreciation and amortization	(37,764,141)
Construction-in-progress	369,770
	$27,545,851

The estimated cost to complete the construction-in-progress is approximately $997,175.

7. Pension Plans

(a) 403(b) Tax Deferred Annuity Plan

The Agency is the sponsor of a 403(b) tax deferred annuity plan that covers all Agency and Affiliate employees meeting eligibility requirements. Employee contributions are immediately vested. The Agency also makes a discretionary contribution based upon a percentage of an employee's salary, which will become 100% vested after three or five years depending on date of hire. Accrued pension payable for the year ended December 31, 2016 was $1,411,759. In 2016, employer contributions of $816,930 were made.

(b) Frozen Plan

The Agency and Affiliate had a defined contribution 401(a) pension plan for all salaried employees who completed one year of service. Contributions were based on a percentage of employees' salaries and vesting occurred after five years. The plan was frozen as of April 6, 2001.

8. Workers' Compensation Reserve

The Agency was previously a member of the now terminated and insolvent Community Residence Insurance Saving Plan Self-Insurance Trust for Workers' Compensation ("CRISP"). Due to financial deficits, the Workers' Compensation Board ("WCB") of New York State assumed the administration of CRISP. WCB has been charged with facilitating the extinguishment of the liabilities of the trust and performed a review to reconstruct and allocate the deficit among CRISP's former members. The Agency received an assessment based on this review for fiscal years 2006-2011. In 2016, the WCB and the Agency counsel agreed to a settlement in the amount of $1,569,026. The full liability, net of a discount based on lump-sum payment, has been recorded in the accompanying combined financial statements. In March 2017, the Agency paid the discounted lump-sum amount of $1,490,575 and the WCB has issued the Agency a full release of liability related to the CRISP Trust.

9. Due to Governmental Agencies

Due to governmental agencies consists of the following:

December 31, 2016	
Advances by funding sources to be recouped in future years	$3,944,977

10. Capital Lease Obligations

Capital lease obligations consisted of the following:

December 31, 2016	
The Agency financed the cost of vehicles with notes payable in various monthly installments through 2020. The interest rates on these leases range from 5.25% to 7.27%.	$1,512,447
Less: Current maturities	(639,826)
	$ 872,621

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

December 31,	
2017	$ 709,252
2018	552,990
2019	259,689
2020	112,860
Total minimum lease payments	1,634,791
Less: Interest	(122,344)
Present value of net minimum lease payments	$1,512,447

11. Line of Credit

The Agency has a revolving line of credit with a bank of up to $9,000,000 and expires on August 31, 2017. Interest is charged at 3.75% per annum. There were no amounts outstanding at December 31, 2016. The line of credit is secured by outstanding accounts receivable excluding any receivables, subject to subordination agreements.

12. Mortgages and Loans Payable

Mortgages and loans payable consist of the following:

December 31, 2016	
Mortgage payable to Facilities Development Corporation ("FDC"), due August 2017, payable in semi-annual debt service payments ranging from $24,430 to $24,837, including interest at 7.95% per annum; secured by real estate located in Plainview, New York.	$ 24,527
Mortgage payable to FDC, due August 2018, payable in semi-annual debt service payments ranging from $22,544 to $22,880, including interest at 6.76% per annum; secured by real estate located in Greenlawn, New York.	636
Mortgage payable to FDC, due February 2021, payable in semi-annual debt service payments ranging from $8,066 to $11,242, including interest at 5.61% per annum; secured by real estate located in Mt. Sinai, New York.	63,944
Various loans payable, due from May 2025 to February 2026, payable in current monthly installments ranging from $3,383 to $7,125, including interest from 3.65% to 5.49%; secured by related vehicles, land and buildings.	2,017,440
	2,106,547
Less: Current maturities	(203,280)
	$1,903,267

Mortgages and loans payable mature as follows:

December 31,	
2017	$ 203,280
2018	184,259
2019	193,206
2020	192,499
2021	115,290
Thereafter	1,227,195
	2,115,729
Less: Unamortized balance of deferred financing costs	(9,182)
	$2,106,547

13. Bonds Payable

(a) On December 17, 2004, the Agency obtained financing of $265,000 of Civic Facility Revenue bonds through the Suffolk County Industrial Development Agency ("SCIDA") for the renovation and equipping of a facility located in Medford, NY. The bonds, which require quarterly interest payments, bear interest at 6%. At December 31, 2016, $40,000 remains outstanding:

(b) On January 21, 2005 the Agency obtained financing of $163,000 of Civic Facility Revenue bonds through the Nassau County Industrial Development Agency ("NCIDA") for the renovation and equipping of a facility located in Bellmore, NY. The bonds, which require quarterly interest payments, bear interest at 6%. At December 31, 2016, $40,000 remains outstanding.

(c) On October 13, 2005, the Agency obtained financing of $1,091,000 of Civic Facility Revenue Bonds through SCIDA for the renovation and equipping of a facility located in East Patchogue, NY. The bonds, which require quarterly interest payments, bear interest at 6%. At December 31, 2016, $375,000 remains outstanding.

(d) On September 27, 2006, the Agency obtained financing of $3,857,000 of Civic Facility Revenue Bonds through SCIDA to renovate properties located in Nesconset, NY, Commack, NY, Babylon, NY, Smithtown, NY and Bohemia, NY, and for acquisitions and renovations of properties located in Ridge, NY and Yaphank, NY. The bonds, which require quarterly interest payments, bear interest at 5.95%. At December 31, 2016, $1,470,000 remains outstanding.

(e) On August 29, 2012, the Agency obtained financing of $20,016,071 through the Town of Huntington Local Development Corporation to renovate properties in Smithtown and Huntington, NY and to refinance outstanding amounts associated with financing obtained in 1993 and 1998 through SCIDA. The bond, which requires monthly interest payments, bears interest ranging from 2.5% to 3.8%. At December 31, 2016, $15,434,476 remains outstanding.

On August 29, 2012, the Agency obtained financing of $5,880,138 through the Suffolk County Economic Development Corporation to renovate properties in Hauppauge, NY and to refinance outstanding amounts associated with financing obtained in 1993, 1998 and 1999. The bond, which requires monthly interest payments, bears interest ranging from 2.5% to 4.4%. At December 31, 2016, $3,952,482 remains outstanding.

(f) On October 5, 2016, the Agency obtained financing of $2,355,000 through the Dormitory Authority of New York State for properties in Deer Park, NY and Centereach, NY and to renovate properties in Smithtown, NY. The bond, which requires monthly interest payments, bears interest ranging from 1.5% to 4%. At December 31, 2016, $2,355,000 remains outstanding.

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

December 31,	
2017	$ 1,868,232
2018	2,080,000
2019	2,130,000
2020	2,205,000
2021	2,205,000
Thereafter	13,061,958
	23,550,190
Less: Unamortized balance of deferred financing costs	(694,110)
	$22,856,080

All bonds are secured by the related properties.

Interest expense related to the bonds for the year ended December 31, 2016 was $857,571.

14. Operating Leases

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

December 31,	
2017	$1,426,318
2018	1,028,622
2019	524,260
2020	422,251
2021	434,856
Thereafter	853,937
Total minimum lease payments	$4,690,244

Total rental expense under noncancellable operating leases amounted to $1,420,709 for the year ended December 31, 2016.

15. Commitments and Contingencies

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

(b) For the year ended December 31, 2016, revenues from Medicare and Medicaid programs accounted for a significant portion of the Agency's revenues. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. The Agency believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation. In the event noncompliance is determined, the Agency would be subject to regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

(c) Additionally, the Agency is involved in certain disputes arising from the normal course of its businesses. In the opinion of management and on the advice of legal counsel, the expected outcome of such disputes, in the aggregate, will not have a material adverse effect on the Agency's financial position.

(d) On July 15, 2015, the Agency entered into an irrevocable letter of credit amounting to $2,816,837 from a bank which matures on August 1, 2017. The letter of credit was issued in conjunction with the Agency's workers' compensation policy. There were no outstanding borrowings at December 31, 2016.

16. Net Assets Released From Restrictions

During 2016, temporarily restricted net assets that were released from donor restrictions by incurring expenses satisfying the restricted purpose are as follows:

Program designated	$ 63,212
Capital Campaign	512,574
	$575,786

17. Temporarily Restricted Net Assets

Donor restricted contributions held for specific purposes are as follows:

December 31, 2016	
Program designated	$ 81,100
Memorial	44,145
Capital campaign	291,813
	$417,058

18. Subsequent Events

The Agency and Affiliate's management has performed subsequent events procedures through May 19, 2017, which is the date the combined financial statements were available to be issued and there were no subsequent events requiring adjustment to the combined financial statements or disclosures as stated herein.

Developmental Disabilities Institute, Inc. and Affiliate

Combining Statement of Financial Position
(with comparative totals for 2015)

December 31,

	Developmental Disabilities Institute, Inc.	DDI Foundation, Inc.	Eliminations	Combined Total 2016	Combined Total 2015
Assets					
Current:					
Cash and cash equivalents	$15,981,145	$455,394	$ -	**$16,436,539**	$15,000,115
Assets limited as to use, current portion	2,813,322	140,138	-	**2,953,460**	3,732,331
Investments, at fair value	-	4,996	-	**4,996**	4,996
Accounts receivable, net	17,641,986	-	-	**17,641,986**	14,160,941
Government and other grants receivable	738,789	-	-	**738,789**	831,894
Current portion of contributions and pledges receivable		170,113	-	**170,113**	83,529
Prepaid expenses and other assets	2,810,639	11,293	-	**2,821,932**	1,359,096
Total Current Assets	39,985,881	781,934	-	**40,767,815**	35,172,902
Due From Affiliates	27,863	-	(27,863)	**-**	-
Assets Limited as to Use, Less Current Portion	4,789,757	-	-	**4,789,757**	4,696,140
Contributions and Pledges Receivable, Net, Less Current Portion	-	82,953	-	**82,953**	108,714
Fixed Assets, Net	27,545,851	-	-	**27,545,851**	28,059,733
	$72,349,352	**$864,887**	**$(27,863)**	**$73,186,376**	$68,037,489

Developmental Disabilities Institute, Inc. and Affiliate

Combining Statement of Financial Position
(with comparative totals for 2015)

December 31,

	Developmental Disabilities Institute, Inc.	DDI Foundation, Inc.	Eliminations	Combined Total 2016	Combined Total 2015
Liabilities and Net Assets					
Current Liabilities:					
Accounts payable and accrued expenses	$ 3,801,193	$ 207	$ -	**$ 3,801,400**	$ 3,311,499
Accrued interest payable	135,957	-	-	**135,957**	132,657
Accrued payroll and related benefits	7,553,789	-	-	**7,553,789**	6,010,195
Accrued pension payable	1,411,759	-	-	**1,411,759**	816,729
Due to affiliates	-	27,863	(27,863)	**-**	-
Deferred revenue, current portion	3,047,163	-	-	**3,047,163**	2,023,502
Capital lease obligations, current portion	639,826	-	-	**639,826**	607,378
Mortgages and loans payable, current portion	203,280	-	-	**203,280**	249,562
Bonds payable, current portion	1,868,232	-	-	**1,868,232**	1,819,239
Due to governmental agencies, current portion	1,619,544	-	-	**1,619,544**	918,521
Total Current Liabilities	20,280,743	28,070	(27,863)	**20,280,950**	15,889,282
Deferred Revenue, Less Current Portion	2,191,530	-	-	**2,191,530**	1,706,503
Capital Lease Obligations, Less Current Maturities	872,621	-	-	**872,621**	764,417
Mortgages and Loans Payable, Less Current Maturities	1,903,267	-	-	**1,903,267**	2,103,819
Bonds Payable, Less Current Maturities	20,987,848	-	-	**20,987,848**	20,612,905
Due to Governmental Agencies, Less Current Portion	2,325,433	-	-	**2,325,433**	5,519,732
Total Liabilities	48,561,442	28,070	(27,863)	**48,561,649**	46,596,658
Net Assets:			-		
Unrestricted net assets	23,787,910	419,759	-	**24,207,669**	20,704,388
Temporarily restricted net assets	-	417,058	-	**417,058**	736,443
Total Net Assets	23,787,910	836,817	-	**24,624,727**	21,440,831
	$72,349,352	**$864,887**	**$(27,863)**	**$73,186,376**	$68,037,489

Developmental Disabilities Institute, Inc. and Affiliate

Combining Statement of Activities
(with comparative totals for 2015)

Year ended December 31,	Developmental Disabilities Institute, Inc.	DDI Foundation, Inc.			Combined Total	
	Unrestricted	Unrestricted	Temporarily Restricted	Total	**2016**	2015
Program Revenues:						
Fees for services	$93,667,038	$ -	$ -	$ -	**$93,667,038**	$90,897,280
Government and other grants	1,643,595	-	-	-	**1,643,595**	1,322,400
Net patient service revenues	2,802,955	-	-	-	**2,802,955**	4,880,236
Other program revenues	1,698,056	-	-	-	**1,698,056**	1,748,095
Net assets released from restrictions	-	63,212	(63,212)	-	**-**	-
Total Program Revenues	99,811,644	63,212	(63,212)	-	**99,811,644**	98,848,011
Expenses:						
Program services:						
Education services	32,321,183	-	-	-	**32,321,183**	32,167,330
Clinic services	3,702,449	-	-	-	**3,702,449**	5,413,192
Adult day services	17,327,926	-	-	-	**17,327,926**	16,389,994
Children's residential services	10,885,451	-	-	-	**10,885,451**	10,550,947
Adult residential services	27,669,160	-	-	-	**27,669,160**	27,366,414
Other programs	713,808	-	-	-	**713,808**	64,642
Total Program Services	92,619,977	-	-	-	**92,619,977**	91,952,519
Supporting services:						
Management and general	6,144,108	-	-	-	**6,144,108**	5,879,833
Fundraising	-	355,464		355,464	**355,464**	184,604
Total Supporting Services	6,144,108	355,464	-	355,464	**6,499,572**	6,064,437
Total Expenses	98,764,085	355,464	-	355,464	**99,119,549**	98,016,956
Change in Net Assets Before Nonoperating Revenues and Expenses	1,047,559	(292,252)	(63,212)	(355,464)	**692,095**	831,055
Nonoperating Revenues and Expenses:						
Capital campaign income	-	-	222,392	222,392	**222,392**	100,532
Capital campaign expenses	-		(512,574)	(512,574)	**(512,574)**	(317,288)
Net Expenses From Capital Campaign	-	-	(290,182)	(290,182)	**(290,182)**	(216,756)
Special events revenues	-	389,091	-	389,091	**389,091**	394,326
Direct cost to donors	-	(111,029)	-	(111,029)	**(111,029)**	(113,751)
Net Revenues From Special Events	-	278,062	-	278,062	**278,062**	280,575
Contributions	10,000	18,238	34,009	52,247	**62,247**	107,101
Gain on sale of fixed assets	29,926	-	-		**29,926**	78,054
Interest income	41,512	82	-	82	**41,594**	42,827
Other income	76,400		-	-	**76,400**	97,226
Prior period income	2,291,603	2,151	-	2,151	**2,293,754**	1,074,335
Total Nonoperating Revenues and Expenses	2,449,441	298,533	(256,173)	42,360	**2,491,801**	1,463,362
Change in Net Assets	3,497,000	6,281	(319,385)	(313,104)	**3,183,896**	2,294,417
Net Assets, Beginning of Year	20,290,910	413,478	736,443	1,149,921	**21,440,831**	19,146,414
Net Assets, End of Year	**$23,787,910**	**$ 419,759**	**$ 417,058**	**$ 836,817**	**$24,624,727**	$21,440,831

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Developmental Disabilities Institute, Inc. and Affiliate

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

Developmental Disabilities Institute, Inc. and Affiliate

Combined Financial Statements and Supplementary Information

Year Ended December 31, 2015

Developmental Disabilities Institute, Inc. and Affiliate

Contents

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Independent Auditor's Report

Board of Directors
Developmental Disabilities Institute, Inc.
and Affiliate
Smithtown, New York

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Developmental Disabilities Institute, Inc. and Affiliate (collectively, the "Institute and Affiliate"), which comprise the combined statement of financial position as of December 31, 2015, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Developmental Disabilities Institute, Inc. and Affiliate as of December 31, 2015, and the results of changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have audited the Institute and Affiliate's 2014 combined financial statements and our report, dated May 28, 2015, expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

May 20, 2016

Developmental Disabilities Institute, Inc. and Affiliate

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

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

See accompanying notes to combined financial statements.

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Activities
(with comparative totals for 2014)

Year ended December 31,

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

See accompanying notes to combined financial statements.

Developmental Disabilities Institute, Inc. and Affiliate

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

Year ended December 31,

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

See accompanying notes to combined financial statements.

Developmental Disabilities Institute, Inc. and Affiliate

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

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

See accompanying notes to combined financial statements.

1. Principles of Combination

The accompanying combined financial statements include the accounts of Developmental Disabilities Institute, Inc. (the "Institute") and DDI Foundation, Inc. (the "Foundation") (collectively, the "Institute and Affiliate"), which are related by certain common members of the Board of Directors and identical management.

All intercompany balances and transactions have been eliminated in combination.

2. Nature of the Organizations

(a) The Institute is a New York State not-for-profit corporation which operates health, education and residential facilities for the therapeutic education, guidance and training of developmentally disabled children, adults and their families. The Institute also operates Diagnostic and Treatment Centers, which are licensed by the New York State Department of Health under Article 28 of the Public Health Law to provide rehabilitative, therapeutic, medical and dental services primarily for developmentally disabled children and adults. The Institute is exempt from Federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), and therefore has made no provision for income taxes in the accompanying combined financial statements. In addition, the Institute has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for the year ended December 31, 2015.

(b) The Foundation is a New York State not-for-profit corporation that was established May 31, 1988 and began operations October 1, 1990. The Foundation is organized and operated exclusively for charitable, scientific and educational purposes. Consistent with the foregoing, its specific purpose is to promote and support the activities of the Institute. The Foundation maintains certain common board members with the Institute. The Foundation is exempt from Federal, state and local income taxes under Section 501(c)(3) of the Code and, therefore has made no provision for income taxes in the accompanying combined financial statements. In addition, the Foundation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for the year ended December 31, 2015.

3. Summary of Significant Accounting Policies

(a) Basis of Presentation

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

(b) Financial Statement Presentation

The classification of the Institute's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

(i) **Permanently Restricted** – Net assets resulting from contributions and other inflows of assets whose use by the Institute is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Institute.

(ii) **Temporarily Restricted** – Net assets resulting from contributions and other inflows of assets whose use by the Institute is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Institute pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities.

(iii) **Unrestricted** – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(c) Cash and Cash Equivalents

The Institute and Affiliate consider all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

(d) Assets Limited as to Use

Assets limited as to use consists of cash held in banks for future contributions to the pension plan and future workers compensation claims.

(e) Provision for Doubtful Accounts

The Institute and Affiliate provide an allowance for doubtful accounts for accounts receivable which are specifically identified by management as to their uncertainty in regards to collectability. As of December 31, 2015, the total allowance for doubtful accounts is $441,134.

(f) Investments at Fair Value

Accounting Standards Codification ("ASC") 820, "Fair Value Measurement", defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or unobservable. ASC 820 established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The standard requires that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. The Institute and Affiliate classify fair value balances based on the fair value hierarchy defined by ASC 820 as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Valuation adjustments and block discounts are not applied to Level 1 instruments.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Investment income is recognized when earned and consists of interest and dividends. Dividends are recorded on the ex-dividend date. Purchases and sales are recorded on a trade-date basis.

(g) Income Taxes

The Institute and Affiliate were incorporated in the State of New York and is exempt from Federal and state income taxes under Section 501(c)(3) of the Code and, therefore, have made no provision for income taxes in the accompanying combined financial statements. In addition, the Institute and Affiliate have been determined by the Internal Revenue Service not to be “private foundations” within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended December 31, 2015. Management believes that the Institute and Affiliate are no longer subject to income tax examinations for years prior to 2012.

Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained. The Institute and Affiliate do not believe there are any material uncertain tax positions and, accordingly, they will not recognize any liability for unrecognized tax benefits. The Institute and Affiliate have filed for and received income tax exemptions in the jurisdictions where they are required to do so. Additionally, the Institute and Affiliate have filed Internal Revenue Service Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended December 31, 2015, there was no interest or penalties recorded or included in the combined statement of activities.

(h) Fixed Assets

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements and equipment under capital leases are amortized over the shorter of the lease term or the estimated useful lives of the related assets.

	Years
Buildings	18-40
Building improvements	5-40
Furniture and fixtures	4-20
Equipment and vehicles	3-15

(i) Impairment of Fixed Assets

The Institute and Affiliate review fixed assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2015, there have been no such losses.

(j) Contributions and Pledges Receivable

Contributions and pledges receivable, including unconditional promises to give, are recognized as revenues in the appropriate category of net assets in the period received. Promises to give are recorded at the present value of estimated future cash flows, based on an appropriate discount rate at the time of the gift. Amortization of the discount in subsequent years is included in contribution revenue. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions for capital projects are reported as nonoperating revenues. Conditional contributions, including conditional promises to give, are not recognized until the conditions are substantially met.

Unconditional promises to give are recorded in the combined financial statements at present value using a discount rate which represents risk-free interest rates applicable to the years in which promises are received. For the year ended December 31, 2015, the Institute and Affiliate used a discount rate of 3%.

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

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

(k) Deferred Costs

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

(l) Third-party Reimbursements and Revenue Recognition

The Institute receives substantially all of its revenue for services provided to approved clients from third-party reimbursement agencies; primarily the Office for People With Developmental Disabilities (“OPWDD”), Department of Health and the State Education Department of New York. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediary. The financial statement impact of such adjustments is recognized in the period in which the retroactive adjustment occurred.

Revenue is recognized as earned from third parties and when received or pledged for contributions, special events and fundraising activities.

(m) Allocation Methodology

Common costs incurred for the administration of the various programs are allocated directly to respective programs as incurred and/or utilizing predetermined allocation rates established by management.

(n) Concentration of Credit Risk

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

(o) Use of Estimates

The preparation of the combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(p) Comparative Financial Information

The combined financial statements include certain prior year summarized comparative information. With respect to the combined statement of activities, the prior year information is presented in total, not by net asset class. With respect to the combined statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Institute and Affiliate's combined financial statements for the year ended December 31, 2014, from which the summarized information was derived in total but not by net asset class.

(q) Recently Adopted Accounting Pronouncements

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

(r) Reclassifications

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

4. Investments and Assets Limited as to Use

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

December 31, 2015

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

The Institute and Affiliate's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2 for a discussion of the Institute and Affiliate's policies regarding this hierarchy. A description of the valuation techniques applied to the Institute and Affiliate's major categories of assets measured at fair value is below.

The Institute and Affiliate have investments in common stock, treasury obligation and money market funds. The Institute and Affiliate's custodian prices these investments using nationally recognized pricing services. The Institute and Affiliate's common stock, Federated Treasury Obligations Fund and debt service reserve fund are classified as Level 1 of the fair value hierarchy.

The following table shows, by level within the fair value hierarchy, the Institute and Affiliate's financial assets that are accounted for at fair value on a recurring basis as of December 31, 2015. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Institute and Affiliate's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels. There have been no changes in the levels from the prior year.

	Fair Value Measurement at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2015
Common stock	$ 4,996	$-	$-	$ 4,996
2005 A-B Civic Facility Revenue Bonds: Federal Treasury Obligations Fund	126,939	-	-	126,939
2006 A-B Civic Facility Revenue Bonds: Federal Treasury Obligations Fund	72,881	-	-	72,881
2012 AA-AF Local Development Corp. Revenue Bond	3,106,601	-	-	3,106,601
2012 BA-BE County Economic Development Corp. Revenue Bond	437,034	-	-	437,034
Facilities Development Corporation ("FDC") mortgages payable – debt service reserve fund	952,385	-	-	952,385
2004 A-C Civic Facility Revenue Bonds: Federal Treasury Obligations Fund	300	-	-	300
	$4,701,136	$-	$-	$4,701,136

5. Contributions and Pledges Receivable, Net

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

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

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

6. Fixed Assets, Net

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

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

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

7. Pension Plans

(a) 403(b) Tax Deferred Annuity Plan

The Institute is the sponsor of a 403(b) tax deferred annuity plan that covers all Institute and Affiliate employees meeting eligibility requirements. Employee contributions are immediately vested. The Institute also makes a discretionary contribution based upon a percentage of an employee's salary, which will become 100% vested after three or five years depending on date of hire. Accrued pension payable for the year ended December 31, 2015 was $816,729. In 2015, employer contributions of $897,777 were made.

(b) Frozen Plan

The Institute and Affiliate had a defined contribution 401(a) pension plan for all salaried employees who completed one year of service. Contributions were based on a percentage of employees' salaries and vesting occurred after five years. The plan was frozen as of April 6, 2001.

8. Workers' Compensation Reserve

DDI was previously a member of the now terminated and insolvent Community Residence Insurance Saving Plan Self-Insurance Trust for Workers' Compensation ("CRISP"). Due to financial deficits, the Workers' Compensation Board ("WCB") of New York State assumed the administration of CRISP. WCB has been charged with facilitating the extinguishment of the liabilities of the trust and performed a review to reconstruct and allocate the deficit among CRISP's former members. DDI received an assessment based on this review for fiscal years 2006-2011. Former CRISP members retained counsel and negotiated an MOU with the WCB. The terms of the MOU called for DDI to pay a monthly amount of $28,102. On the advice of counsel, DDI, and other former CRISP members involved with the MOU, stopped making these monthly payments. The WCB has offered a settlement agreement which is currently being negotiated upon by counsel. DDI's exact liability cannot be determined at this time. As such, provision for the amount of the full liability has not been recorded in the accompanying combined financial statements.

9. Due to Governmental Agencies

Due to governmental agencies consists of the following:

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

10. Capital Lease Obligations

Capital lease obligations consisted of the following:

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

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

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

11. Line of Credit

The Institute has a revolving line of credit with a bank of up to $9,000,000 and expires on August 31, 2016. Interest is charged at 3.75% per annum. There were no amounts outstanding at December 31, 2015. The line of credit is secured by outstanding accounts receivable excluding any receivables, subject to subordination agreements.

12. Mortgages and Loans Payable

Mortgages and loans payable consist of the following:

December 31, 2015	
Mortgage payable to Facilities Development Corporation ("FDC"), due August 2017, payable in semi-annual debt service payments ranging from $24,430 to $24,837, including interest at 7.95% per annum; secured by real estate located in Plainview, New York.	$ 74,450
Mortgage payable to FDC, due August 2018, payable in semi-annual debt service payments ranging from $22,544 to $22,880, including interest at 6.76% per annum; secured by real estate located in Greenlawn, New York.	48,575
Mortgage payable to FDC, due February 2021, payable in semi-annual debt service payments ranging from $8,066 to $11,242, including interest at 5.61% per annum; secured by real estate located in Mt. Sinai, New York.	88,864
Various loans payable, due from May 2025 to February 2026, payable in current monthly installments ranging from $3,383 to $7,125, including interest from 3.65% to 5.49%; secured by related vehicles, land and buildings.	2,166,330
	2,378,219
Less: Current maturities	(257,668)
	$2,120,551

Mortgages and loans payable mature as follows:

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

13. Bonds Payable

(a) On December 1, 2004, the Institute obtained financing of $265,000 of Civic Facility Revenue bonds through the Suffolk County Industrial Development Agency ("SCIDA") for the renovation and equipping of a facility located in Medford, NY. The bonds, which require quarterly interest payments, bear interest at 6%. At December 31, 2015, $60,000 remains outstanding:

(b) On January 21, 2005 the Institute obtained financing of $163,000 of Civic Facility Revenue bonds through the Nassau County Industrial Development Agency ("NCIDA") for the renovation and equipping of a facility located in Bellmore, NY. The bonds, which require quarterly interest payments, bear interest at 6%. At December 31, 2015, $55,000 remains outstanding.

(c) On October 1, 2005, the Institute obtained financing of $1,091,000 of Civic Facility Revenue Bonds through SCIDA for the renovation and equipping of a facility located in East Patchogue, NY. The bonds, which require quarterly interest payments, bear interest at 6%. At December 31, 2015, $455,000 remains outstanding.

(d) On September 26, 2006, the Institute obtained financing of $3,857,000 of Civic Facility Revenue Bonds through SCIDA to renovate properties located in Nesconset, NY, Commack, NY, Babylon, NY, Smithtown, NY and Bohemia, NY, and for acquisitions and renovations of properties located in Ridge, NY and Yaphank, NY. The bonds, which require quarterly interest payments, bear interest at 5.95%. At December 31, 2015, $1,715,000 remains outstanding.

(e) On August 29, 2012, the Institute obtained financing of $20,016,071 through the Town of Huntington Local Development Corporation to renovate properties in Smithtown and Huntington, NY and to refinance outstanding amounts associated with financing obtained in 1993 and 1998 through SCIDA. The bond, which requires monthly interest payments, bears interest ranging from 2.5% to 3.8%. At December 31, 2015, $16,524,476 remains outstanding.

On August 29, 2012, the Institute obtained financing of $5,880,138 through the Suffolk County Economic Development Corporation to renovate properties in Hauppauge, NY and to refinance outstanding amounts associated with financing obtained in 1993, 1998 and 1999. The bond, which requires monthly interest payments, bears interest ranging from 2.5% to 4.4%. At December 31, 2015, $4,392,482 remains outstanding.

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

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

All bonds are secured by the related properties.

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

14. Operating Leases

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

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

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

15. Commitments and Contingencies

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

(b) For the year ended December 31, 2015, revenues from Medicare and Medicaid programs accounted for a significant portion of the Institute's revenues. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. The Institute believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or

threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation. In the event noncompliance is determined, the Institute would be subject to regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

(c) Additionally, the Institute is involved in certain disputes arising from the normal course of its businesses. In the opinion of management and on the advice of legal counsel, the expected outcome of such disputes, in the aggregate, will not have a material adverse effect on the Institute's financial position.

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

16. Net Assets Released From Restrictions

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

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

17. Temporarily Restricted Net Assets

Donor restricted contributions held for specific purposes are as follows:

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

18. Subsequent Events

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

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

Independent Auditor's Report on Supplementary Information

Our audit of the combined financial statements included in the preceding section of this report was conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

BDO USA, LLP

New York, New York

May 20, 2016

Supplementary Information

Developmental Disabilities Institute, Inc. and Affiliate

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

December 31,

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

Developmental Disabilities Institute, Inc. and Affiliate

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

December 31,

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

Developmental Disabilities Institute, Inc. and Affiliate

Combining Statement of Activities
(with comparative totals for 2014)

Year ended December 31,

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

APPENDIX B-II

EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED JUNE 30, 2018, JUNE 30, 2017 AND JUNE 30, 2016)

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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, 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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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:			Year Ended June 30:		
	Unrestricted	Temporarily Restricted	2018 Total	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.

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

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.

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.

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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Eden II School For Autistic Children, Inc.

Financial Statements
Year Ended June 30, 2017

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

Eden II School For Autistic Children, Inc.

Financial Statements
Year Ended June 30, 2017

Eden II School For Autistic Children, Inc.

Contents

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Eden II School for Autistic Children, Inc. (the "School"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eden II School for Autistic Children, Inc. as of June 30, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the School's 2016 financial statements, and we expressed an unmodified audit opinion on the School's audited financial statements in our report, dated November 29, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

November 30, 2017

Eden II School For Autistic Children, Inc.

Statement of Financial Position
(with comparative totals for 2016)

June 30,	**2017**	2016
Assets (Note 10)		
Current Assets:		
Cash and cash equivalents (Note 2)	**$ 383,692**	$ 890,162
Program services receivable, net (Note 4)	**3,589,255**	4,269,279
Grants and contracts receivable, net (Note 5)	**3,220,435**	3,261,397
Prepaid expenses and other assets	**391,182**	279,026
Total Current Assets	**7,584,564**	8,699,864
Assets Whose Use is Limited (Notes 3 and 6)	**1,489,890**	1,963,484
Property and Equipment, Net (Note 2)	**17,409,194**	18,769,983
	$26,483,648	$29,433,331
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 852,751**	$ 1,030,947
Accrued compensation	**2,798,093**	2,583,459
Due to state and local agencies	**1,261,839**	336,057
Due to related party, net, current portion (Note 16)	**25,000**	25,000
Bonds payable, current portion (Note 8)	**660,000**	753,472
Mortgages and notes payable, current portion (Note 9)	**63,560**	36,931
Loan payable, current portion	**-**	-
Line of credit (Note 10)	**-**	1,403,925
Total Current Liabilities	**5,661,243**	6,169,791
Long-Term Liabilities:		
Due to related party, net, less current maturities (Note 16)	**1,709,890**	2,853,120
Loan payable, net of current maturities	**2,748,128**	4,227,363
Bonds payable, long-term portion, net of unamortized issuance costs of $546,317 and $701,209 in 2017 and 2016, respectively (Notes 8 and 18)	**6,866,828**	7,492,826
Mortgages and notes payable, less current maturities and deferred mortgage costs (Note 9)	**1,491,802**	351,076
Total Liabilities	**18,477,891**	21,094,176
Commitments and Contingencies (Notes 8, 9, 10, 11, 14, 15 and 17)		
Net Assets (Note 2):		
Unrestricted net assets	**7,332,559**	7,684,981
Temporarily restricted net assets (Note 15)	**673,198**	654,174
Total Net Assets	**8,005,757**	8,339,155
	$26,483,648	$29,433,331

See accompanying notes to financial statements.

Eden II School For Autistic Children, Inc.

Statement of Activities
(with comparative totals for 2016)

Year ended June 30,

	Unrestricted	Temporarily Restricted	Totals 2017	Totals 2016
Program Revenue:				
Program and public support services revenue (Note 12)	$29,938,685	$ -	**$29,938,685**	$29,050,185
Grants and contract services (Note 13)	618,557	-	**618,557**	601,275
Other revenue	485,627	-	**485,627**	439,265
Total Program Revenue	31,042,869	-	**31,042,869**	30,090,725
Expenses:				
Program services:				
Educational services	10,177,177	-	**10,177,177**	10,002,239
Residential services	8,191,219	-	**8,191,219**	7,304,355
Adult habilitational services	4,168,769	-	**4,168,769**	4,024,960
Family support	1,761,374	-	**1,761,374**	1,868,356
Community outreach	2,339,002	-	**2,339,002**	2,681,212
Total Program Services	26,637,541	-	**26,637,541**	25,881,122
Supporting services:				
Management and general	4,264,665	-	**4,264,665**	4,440,028
Fundraising	573,312	-	**573,312**	515,841
Total Supporting Services	4,837,977	-	**4,837,977**	4,955,869
Total Expenses	31,475,518	-	**31,475,518**	30,836,991
Change in Net Assets Before Non-operating Revenues	(432,649)	-	**(432,649)**	(746,266)
Non-operating Revenues:				
Contributions	143,726	126,011	**269,737**	393,387
Unrealized (loss) gain on debt service reserve funds	(22,844)	-	**(22,844)**	11,060
Gain on sale of asset	25,050	-	**25,050**	-
Loss on debt extinguishment (Note 8)	(172,692)	-	**(172,692)**	-
Net assets released from restriction (Note 15)	106,987	(106,987)	**-**	-
Total Non-operating Revenues	80,227	19,024	**99,251**	404,447
Change in Net Assets	(352,422)	19,024	**(333,398)**	(341,819)
Net Assets, Beginning of Year	7,684,981	654,174	**8,339,155**	8,680,974
Net Assets, End of Year	**$ 7,332,559**	**$ 673,198**	**$ 8,005,757**	$ 8,339,155

See accompanying notes to financial statements.

Eden II School For Autistic Children, Inc.

Statement of Functional Expenses
(with comparative totals for 2016)

Year ended June 30,

	Program Services						Supporting Services		Totals	
	Educational	Residential	Adult Habilitational	Family Support	Community Outreach	Total Program Services	Management and General	Fundraising	**2017**	2016
Salaries and Wages and Fringe Benefits:										
Salaries and wages	$ 6,637,655	$5,067,114	$2,689,591	$1,296,149	$1,634,730	$17,325,239	$2,107,684	$380,132	**$19,813,055**	$19,249,235
Fringe benefits	1,708,497	1,352,830	674,109	290,182	432,881	4,458,499	642,962	95,927	**5,197,388**	5,195,995
Total Salaries and 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	**25,010,443**	24,445,230
Other Expenses:										
Food	32	201,022	14	457	45	201,570	1,329	-	**202,899**	201,700
Repairs and maintenance	183,773	270,292	166,528	10,922	28,627	660,142	106,028	1,313	**767,483**	780,338
Utilities	122,658	129,573	57,426	9,623	24,599	343,879	85,212	5,204	**434,295**	410,010
Travel	10,694	6,482	15,758	33,513	6,162	72,609	15,656	1,741	**90,006**	110,666
Staff training and development	9,163	5,441	4,457	2,377	8,626	30,064	37,459	150	**67,673**	70,668
Consultants and contractual services	47,431	24,360	800	-	-	72,591	166,140	9,481	**248,212**	250,039
Consumable supplies	185,541	330,744	155,679	43,443	27,089	742,496	127,839	43,269	**913,604**	823,930
Insurance	39,130	59,851	39,864	4,966	1,206	145,017	203,591	-	**348,608**	333,411
Professional fees	13,810	14,948	6,448	1,297	19,150	55,653	172,313	390	**228,356**	184,921
Rent	289,822	93,200	137,680	344	71,828	592,874	30,210	189	**623,273**	623,581
Interest	278,645	124,319	25,438	16,001	11,111	455,514	175,392	-	**630,906**	633,416
Facility tax	-	94,830	-	-	-	94,830	-	-	**94,830**	89,213
Miscellaneous	1,509	2,037	1,042	191	6,864	11,643	72,565	35,516	**119,724**	161,001
Depreciation and amortization	595,235	407,259	182,979	37,805	21,643	1,244,921	320,285	-	**1,565,206**	1,599,378
Bad debt expense	53,582	6,917	10,956	14,104	44,441	130,000	-	-	**130,000**	119,489
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**	**$31,475,518**	$30,836,991

See accompanying notes to financial statements.

Eden II School For Autistic Children, Inc.

Statement of Cash Flows
(with comparative totals for 2016)

Year ended June 30,	**2017**	2016
Cash Flows From Operating Activities:		
Change in net assets	**$ (333,398)**	$ (341,819)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**1,565,206**	1,599,378
Bad debt expense	**130,000**	119,489
Unrealized gain on debt service reserve funds	**(22,844)**	(11,060)
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Program services receivable	**(810,024)**	(1,427,334)
Grants and contracts receivable	**(40,962)**	85,489
Prepaid expenses and other assets	**(112,156)**	(61,393)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	**(178,196)**	231,108
Accrued compensation	**214,634**	128,682
Due to state and local agencies	**925,782**	(786,003)
Due to related party	**(1,143,230)**	846,641
Net Cash Provided By Operating Activities	**194,812**	383,178
Cash Flows From Investing Activities:		
Purchases of property and equipment	**(218,529)**	(1,434,281)
Cash Flows From Financing Activities:		
Proceeds from line of credit	**10,000,000**	10,593,925
Repayments of line of credit	**(11,403,925)**	(9,190,000)
Proceeds on sale of fixed assets	**25,050**	-
Proceeds from mortgages payable	**1,665,000**	-
Amortization of deferred issuance costs	**123,420**	-
Payments on mortgages and notes payable	**(71,817)**	673,203
Proceeds from bonds payable	**1,535,000**	-
Payments on bonds payable	**(2,830,569)**	(298,473)
Assets whose use is limited	**475,088**	(441,068)
Net Cash (Used In) Provided By Financing Activities	**(482,753)**	1,337,587
(Decrease) Increase in Cash and Cash Equivalents	**(506,470)**	286,484
Cash and Cash Equivalents, Beginning of Year	**890,162**	603,678
Cash and Cash Equivalents, End of Year	**$ 383,692**	$ 890,162
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for Interest	**$ 678,640**	$ 428,471

See accompanying notes to financial statements.

1. Nature of Organization

Eden II School for Autistic Children, Inc. (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.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

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

(b) Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

(i) **Permanently Restricted** – Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School.

(ii) **Temporarily Restricted** – Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

(iii) **Unrestricted** – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(c) Cash and Cash Equivalents

The School considers all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents. Financial instruments, which potentially subject the School to credit risk, consist principally of temporary cash investments. The School places its temporary cash investments with various financial institutions. The School maintains its cash in bank deposit accounts which, at times, may exceed Federally insured limits.

(d) Fair Value Measurement

Accounting Standards Codification ("ASC") 820-10, "Fair Value Measurement," defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or unobservable. ASC 820-10 established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The standard requires that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. The School classifies fair value balances based on the fair value hierarchy defined by ASC 820-10 as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

(e) Use of Estimates

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

(f) Program Services Receivable and Allowance for Doubtful Accounts

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

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

(g) Fixed Assets

Fixed assets are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 2 to 25 years. Leasehold improvements are amortized over the lesser of the lease term or the estimated useful lives of the related assets. Such amortization is included in depreciation and amortization in the accompanying statement of functional expenses.

(h) Impairment of Fixed Assets

The School reviews fixed assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the future cash flows from the use of the asset are less than the carrying amount of that asset. As of June 30, 2017, there have been no such losses.

(i) 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, 2017 was $44,003. In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-03, "Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs," which resulted in the reclassification of debt issuance costs from other assets to inclusion as a reduction of the reportable long-term debt balance on the statement of financial position. The School adopted this standard in 2017 and applied its provisions retrospectively.

(j) Contributions

Contributions received and unconditional promises to give that are reasonably determinable are recorded as public support at fair value, as determined by management, in the period received and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recorded net of estimated uncollectible amounts. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. The School records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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

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

(k) Income Taxes

The School was incorporated in the state of New York and is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and therefore has made no provision for income taxes in the accompanying financial statements. In addition, the School has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for the year ended June 30, 2017.

The School adopted the provisions of ASC 740, "Income Taxes," on January 1, 2009. Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. The implementation of ASC 740 had no impact on the School's financial statements. The School does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The School has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the School has filed Internal Revenue Service Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended June 30, 2017, there were no interest or penalties recorded or included in the statement of activities. The School is subject to routine audits by taxing authorities. As of June 30, 2017, the School was not subject to any examination by a taxing authority. Management believes it is no longer subject to income tax examinations for the years prior to 2014.

(l) Due to State and Local Agencies

Due to state and local agencies consists of advances by funding sources to be recouped. The balance at June 30, 2017 amounted to $1,261,839.

(m) Functional Allocation of Expenses

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

(n) Accounting Pronouncements Issued But Not Yet Adopted

Revenue From Contracts with Customers (Topic 606)

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB also issued ASU 2015-14, which deferred the effective date for the School until annual periods beginning after December 15, 2017 due to the fact the School has been deemed a conduit debt obligor. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its combined financial statements.

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial positon and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use ("ROU") model that requires, for all leases with a lease term of more than 12 months, an asset representing its ROU of the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the School's fiscal years beginning after December 15, 2019, with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements. The School is deemed to be a conduit debt obligor since their bond is held by the public and therefore has an effective date for annual reporting periods beginning after December 15, 2018.

Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities

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

3. Investments and Fair Value Measurements

The School's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2 for a discussion of the School's policies regarding this hierarchy.

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

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

	Cost	Fair Market Value
Assets		
Money market funds	$ 850,885	$ 850,885
U.S. Treasury obligations	639,005	639,005
	$1,489,890	$1,489,890

4. Program Services Receivable, Net

Program services receivable, net, as of June 30, 2017 consist of the following:

June 30, 2017	Amount
New York City Board of Education	$ 701,969
Medicaid	2,069,294
Long Island School Districts	279,278
Other receivables	862,941
	3,913,482
Less: Allowance for doubtful accounts	(324,227)
Total	$3,589,255

5. Grants and Contracts Receivable

Grants and contracts receivable, net, as of June 30, 2017 consist of the following

June 30, 2017	
Individuals with Disabilities Education Act (“IDEA”)	$ 46,910
Legislative grants and other receivables	3,126,209
Other	47,316
Total	$3,220,435

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 Development Agency (“IDA”) and Build NYC bond issuances. These balances are limited under terms of debt indentures. The funds as of June 30, 2017 are as follows:

June 30, 2017		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	-	93,772	93,772
		$833,855	$656,035	$1,489,890

7. Property and Equipment, Net

Property and equipment, net, at cost, consists of the following at June 30, 2017:

June 30, 2017	
Land	$ 3,351,276
Building and improvements	24,478,245
Equipment	2,603,777
Construction-in-progress	43,117
	30,476,415
Less: Accumulated depreciation	(13,067,221)
Total	$ 17,409,194

Depreciation and amortization expense for property and equipment for the year ended June 30, 2017 amounted to $1,565,206. Management believes that the estimated cost to complete construction-in-progress is deminimus.

8. Bonds Payable, Net

Bonds payable as of June 30, 2017 consist of the following:

June 30, 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 at 15 Beach Street.	$3,080,000
In March 2015, DASNY issued $4,000,000 of bonds on behalf of the School that were purchased by a single bank. The transaction generated a $213,616 premium. The proceeds of the 2015 bonds were used to refinance the School's outstanding 2005A, 2006D, and 2007C Bonds along with an adjustable rate mortgage on a property owned by the School. The 2015 bonds have a term of 10 years and bear an annual interest rate ranging from 1.2% - 4.0%. The bonds are collateralized by the School's buildings at 106 Grayson Ave, 94 Wright Street and 682 Collfield Avenue on Staten Island and 131 Cambon Ave and 155 Dix Hills Road on Long Island.	3,325,000
In November 2016, DASNY issued $1,535,000 of bonds on behalf of the School that were purchased by a single bank. The transaction 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 the Sherwood section of Staten Island. The 2016 bonds have a term of 25 years and bear an annual interest rate ranging from 2.0%-4.0%. The bonds are collateralized by the School's location at Sherwood.	1,535,000
Plus: Premiums on DASNY bonds	151,145
	8,091,145
Less: Current portion	660,000
	7,431,145
Less: Deferred bond issuance costs	564,317
	$6,866,828

The aggregate amounts of principal payments on the bonds payable during each of the five years following June 30, 2017 and thereafter are as follows:

Year ending June 30,	Amount
2018	$ 660,000
2019	685,000
2020	700,000
2021	655,000
2022	350,000
Thereafter	4,890,000
	7,940,000
Bond premium	151,145
Total bonds payable, net	$8,091,145

The School had obtained various financing revenue bonds through various municipal agencies due at various dates for the acquisition and renovation of certain residences for use in its programs. These bonds are conduit debt securities since they are offered by a governmental entity not for its own use, but for the use of the School. As the conduit debt obligor, the School is required to make all interest and principal payments as they become due. The bonds are publicly held and therefore have additional financial reporting requirements.

9. Mortgages Payable, Net

Mortgages payable as of June 30, 2017 consist of the following:

June 30, 2017	
The School received a $354,750 mortgage loan from a financial institution for a building located at Dixon Avenue, Staten Island. The mortgage, due September 1, 2017, is payable in monthly installments of $3,263, including interest at 7.38% per annum. The School has the option to renew the loan for an additional five years. The loan is secured by the property on Dixon Avenue, Staten Island.	$ 9,651
In November 2016, the School secured permanent financing under two mortgage notes payable with a bank for the location at 150 Granite, Staten Island. These notes includes 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.	1,630,138
	1,639,789
Less: Current maturities	63,560
Less: Deferred issuance costs	84,427
	$1,491,802

The aggregate amounts of principal payments on the long-term debt during each of the five years following June 30, 2017 and thereafter are as follows:

Year ending June 30,	Amount
2018	$ 63,560
2019	55,995
2020	58,161
2021	60,412
2022	62,749
Thereafter	1,338,912
Total	$1,639,789

10. Line of Credit

The School executed a line of credit for $2,000,000 with a financial institution, which expires on May 1, 2018. The agreement requires interest to be charged at a rate equal to the financial institution's prime rate plus 1.00%, with a minimum rate of 3.50% (5.25% as of June 30, 2017). The line is secured by a general lien. As of June 30, 2017, there was no balance outstanding on the line of credit.

11. Loans Payable

The School obtained a bridge loan from FJC, a Foundation of Philanthropic Funds, allowing the School access of up to $4,730,000 for the renovation of 15 Beach Street for use as a School and agency headquarters. As of June 30, 2017, $2,748,128 was drawn on the loan. The loan has a maturity date of March 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 (4.25% at June 30, 2017) plus 3%.

12. Program and Public Support Services Revenue

For the year ended June 30, 2017, program and public support services revenue consists of the following:

Year ended June 30, 2017	
New York City Office of People With Developmental Disabilities ("OPWDD"):	
Medicaid	$16,443,422
Other	450,868
New York City Board of Education	8,790,623
Long Island School Districts	1,875,499
Other revenue	98,687
Outreach and Consulting	2,279,586
	$29,938,685

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

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

13. Grants and Contract Services

For the year ended June 30, 2017, grants and contract service revenues consist of the following:

Year ended June 30, 2017	
Consulting and outreach	$ -
Education:	
IDEA	214,751
Other	72,448
OPWDD and NYC-DOHMH	331,358
	$618,557

14. Pension Plan

The School has a qualified defined contribution pension plan covering substantially all full-time employees who meet certain eligibility requirements. The amount contributed to the plan is a fixed percentage of participants' compensation. Pension expense amounted to $375,031 for the year ended June 30, 2017.

15. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2017 are available for the following purposes:

June 30, 2017	
NYC adult	$425,116
Residential	58,904
LI Kiosk	32,477
Preschool capital	30,058
Educational	23,494
Day habilitation	43,255
Wright Avenue	11,500
Other	48,394
Total	$673,198

For the year ended June 30, 2017, the following amounts were released from restriction:

June 30, 2017	
Day habilitation	$ 28,461
Educational	20,339
LI Kiosk	10,523
Other	9,091
Wright Avenue	38,500
Residential	73
Total	$106,987

16. Related Party Transactions

The Foundation for the Advancement of Autistic Persons, Inc. (the "Foundation"), which was established to solicit charitable contributions and other funds, and provide other benefits and support the mission of the School and other organizations dedicated to the support of individuals with autism, shares certain members of management with the School. The Foundation provides an operational line of credit to the School of $1,000,000. As of June 30, 2017, there was no outstanding balance on the line of credit. While there is no defined repayment term, there is a requirement that the advance be fully paid at least twice during each fiscal year.

The Foundation provides advances with no stated due date to the School. At June 30, 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.

The remainder of the $97,210 balance of the amount due to the Foundation represents the net amounts due for operating matters offset by amounts due to the School.

The School provides management and personnel services to the Foundation. The Foundation incurred $100,000 for these services for the year ended June 30, 2017.

17. Commitments and Contingencies

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

(b) The School has lease agreements for rental space which expire at various dates through 2019. Rent expense for the year ended June 30, 2017 was $623,273. In addition to these facilities, the School leases equipment and vehicles under noncancelable operating leases. Noncancelable minimum lease payments are as follows:

Year ending June 30,	Amount
2018	$ 712,470
2019	860,087
2020	776,038
2021	743,607
2022	552,405
Thereafter	3,085,532

18. Subsequent Events

The School's management has performed subsequent events procedures through November 30, 2017, which is the date the financial statements were available to be issued and there were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

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Eden II School For Autistic Children, Inc.

Financial Statements
Year Ended June 30, 2016

Eden II School For Autistic Children, Inc.

Financial Statements
Year Ended June 30, 2016

Eden II School For Autistic Children, Inc.

Contents

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Eden II School for Autistic Children, Inc. (the "School"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eden II School for Autistic Children, Inc. as of June 30, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

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

BDO USA, LLP

November 29, 2016

Eden II School For Autistic Children, Inc.

Statement of Financial Position
(with comparative totals for 2015)

June 30,	**2016**	2015
Assets (Note 10)		
Current Assets:		
Cash and cash equivalents	**$ 890,162**	$ 603,678
Program services receivable, net (Note 4)	**4,267,783**	2,959,938
Grants and contracts receivable, net (Note 5)	**3,262,893**	3,348,382
Prepaid expenses and other assets	**279,026**	217,633
Total Current Assets	**8,699,864**	7,129,631
Assets Whose Use is Limited (Notes 3 and 6)	**1,963,484**	1,511,356
Debt Issuance Costs, Net of Accumulated Amortization of $389,430 and $257,558, respectively	**706,287**	839,148
Property and Equipment, Net (Notes 2, 7, 8 and 9)	**18,769,983**	18,802,219
	$30,139,618	$28,282,354
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 1,508,956**	$ 1,277,848
Accrued compensation	**2,105,450**	1,976,768
Due to state and local agencies	**336,057**	1,122,060
Due to related party, net, current portion (Note 16)	**25,000**	25,000
Bonds payable, current portion (Notes 8 and 18)	**753,472**	265,000
Mortgages and notes payable, current portion (Note 9)	**36,931**	34,017
Line of credit	**1,403,925**	-
Total Current Liabilities	**6,169,791**	4,700,693
Long-Term Liabilities:		
Due to related party, net, less current maturities (Note 16)	**2,853,120**	2,006,479
Loans payable	**4,227,363**	3,519,825
Bonds payable, less current maturities (Notes 8 and 18)	**8,540,514**	9,327,459
Mortgages and notes payable, less current maturities (Note 9)	**9,675**	46,924
Total Liabilities	**21,800,463**	19,601,380
Commitments and Contingencies (Notes 8, 9, 10, 11 and 17)		
Net Assets:		
Unrestricted net assets	**7,684,981**	8,075,649
Temporarily restricted net assets (Note 15)	**654,174**	605,325
Total Net Assets	**8,339,155**	8,680,974
	$30,139,618	$28,282,354

See accompanying notes to financial statements.

Eden II School For Autistic Children, Inc.

Statement of Activities
(with comparative totals for 2015)

Year ended June 30,

	Unrestricted	Temporarily Restricted	Totals 2016	2015
Program Revenue:				
Program and public support services revenue (Note 12)	$29,050,185	$ -	**$29,050,185**	$26,305,563
Grants and contract services (Note 13)	601,275	-	**601,275**	616,045
Other revenue	439,265	-	**439,265**	400,724
Total Program Revenue	30,090,725	-	**30,090,725**	27,322,332
Expenses:				
Program services:				
Educational services	10,002,239	-	**10,002,239**	9,211,919
Residential services	7,304,355	-	**7,304,355**	7,224,999
Adult habilitational services	4,024,960	-	**4,024,960**	3,472,348
Family support	1,868,356	-	**1,868,356**	1,634,157
Community outreach	2,681,212	-	**2,681,212**	2,212,891
Total Program Services	25,881,122	-	**25,881,122**	23,756,314
Supporting services:				
Management and general	4,440,028	-	**4,440,028**	3,359,867
Fundraising	515,841	-	**515,841**	281,412
Total Supporting Services	4,955,869	-	**4,955,869**	3,641,279
Total Expenses	30,836,991	-	**30,836,991**	27,397,593
Change in Net Assets Before Non-operating Revenues	(746,266)	-	**(746,266)**	(75,261)
Non-operating Revenues:				
Contributions	236,099	157,288	**393,387**	353,222
Loss on swap agreement	-	-	**-**	(1,450)
Unrealized gain on debt service reserve funds	11,060	-	**11,060**	119
Gain on sale of asset (Note 7)	-	-	**-**	727,276
Loss on debt extinguishment (Note 8)	-		**-**	(286,432)
Net assets released from restriction (Note 15)	108,439	(108,439)	**-**	-
Total Non-operating Revenues	355,598	48,849	**404,447**	792,735
Change in Net Assets	(390,668)	48,849	**(341,819)**	717,474
Net Assets, Beginning of Year	8,075,649	605,325	**8,680,974**	7,963,500
Net Assets, End of Year	**$ 7,684,981**	**$ 654,174**	**$ 8,339,155**	$ 8,681,004

See accompanying notes to financial statements.

Eden II School For Autistic Children, Inc.

Statement of Functional Expenses
(with comparative totals for 2015)

Year ended June 30,

	Program Services						Supporting Services		Totals	
	Educational	Residential	Adult Habilitational	Family Support	Community Outreach	Total Program Services	Management and General	Fundraising	**2016**	2015
Salaries and Wages and Fringe Benefits:										
Salaries and wages	$ 6,570,349	$4,459,928	$2,611,273	$1,349,061	$1,846,838	$16,837,449	$2,077,896	$333,890	**$19,249,235**	$17,870,673
Fringe benefits	1,823,495	1,196,270	694,430	359,447	499,385	4,573,027	532,273	90,695	**5,195,995**	4,433,722
Total Salaries and Wages and Fringe Benefits	8,393,844	5,656,198	3,305,703	1,708,508	2,346,223	21,410,476	2,610,169	424,585	**24,445,230**	22,304,395
Other Expenses:										
Food	287	198,944	343	2,072	37	201,683	17	-	**201,700**	225,676
Repairs and maintenance	221,903	237,998	146,691	19,302	20,191	646,085	133,823	430	**780,338**	638,853
Utilities	121,358	111,464	49,719	15,810	12,553	310,904	95,019	4,087	**410,010**	329,430
Travel	15,534	4,445	25,729	29,763	14,772	90,243	17,930	2,493	**110,666**	120,050
Staff training and development	7,832	4,961	5,251	1,614	16,587	36,245	32,115	2,308	**70,668**	48,699
Consultants and contractual services	49,646	23,970	-	-	2,790	76,406	165,346	8,287	**250,039**	251,479
Consumable supplies	198,834	295,673	136,868	41,562	32,036	704,973	79,790	39,167	**823,930**	667,886
Insurance	30,887	54,841	34,421	3,268	188	123,605	209,806	-	**333,411**	270,346
Professional fees	11,167	20,026	4,690	687	19,047	55,617	129,304	-	**184,921**	134,864
Rent	302,060	85,541	123,371	2,168	74,933	588,073	35,485	23	**623,581**	662,774
Interest	206,027	89,412	15,652	15,723	-	326,814	306,602	-	**633,416**	374,113
Facility tax	-	89,213	-	-	-	89,213	-	-	**89,213**	116,289
Miscellaneous	6,864	461	440	88	15,514	23,367	103,173	34,461	**161,001**	102,324
Depreciation and amortization	435,996	431,208	176,082	27,791	6,852	1,077,929	521,449	-	**1,599,378**	807,600
Bad debt expense	-	-	-	-	119,489	119,489	-	-	**119,489**	342,815
Total Expenses	**$10,002,239**	**$7,304,355**	**$4,024,960**	**$1,868,356**	**$2,681,212**	**$25,881,122**	**$4,440,028**	**$515,841**	**$30,836,991**	$27,397,593

See accompanying notes to financial statements.

Eden II School For Autistic Children, Inc.

Statement of Cash Flows
(with comparative totals for 2015)

Year ended June 30,	**2016**	2015
Cash Flows From Operating Activities:		
Change in net assets	**$ (341,819)**	$ 717,474
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**1,599,378**	804,351
Bad debt expense	**119,489**	342,815
Unrealized (gain) loss on debt service reserve funds	**(11,060)**	1,331
Loss on fixed asset	**-**	727,276
Gain on debt extinguishment	**-**	(286,432)
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Program services receivable	**(1,427,334)**	(318,176)
Grants and contracts receivable	**85,489**	492,657
Prepaid expenses and other assets	**(61,393)**	81,202
Debt service reserve funds	**-**	103,709
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	**231,108**	(564,039)
Accrued compensation	**128,682**	93,946
Due to state and local agencies	**(786,003)**	846,927
Due to related party	**846,641**	(1,221,264)
Net Cash Provided By Operating Activities	**383,178**	1,821,777
Cash Flows From Investing Activities:		
Purchases of property and equipment	**(1,434,281)**	(4,079,856)
Cash Flows From Financing Activities:		
Debt issuance costs	**-**	27,618
Payments on mortgages and notes payable	**673,203**	(996,905)
Proceeds from line of credit	**10,593,925**	9,194,825
Repayments of line of credit	**(9,190,000)**	(6,800,000)
Proceeds from bonds payable	**-**	4,202,459
Payments on bonds payable	**(298,473)**	(3,035,000)
Assets whose use is limited	**(441,068)**	(327,416)
Redemption on interest rate swap	**-**	(147,442)
Net Cash Provided By Financing Activities	**1,337,587**	2,118,139
Increase (Decrease) in Cash and Cash Equivalents	**286,484**	(139,940)
Cash and Cash Equivalents, Beginning of Year	**603,678**	743,618
Cash and Cash Equivalents, End of Year	**$ 890,162**	$ 603,678
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for Interest	**$ 428,471**	$ 170,649
Capitalized interest expense	**-**	344,905

See accompanying notes to financial statements.

1. Nature of Organization

Eden II School for Autistic Children, Inc. (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.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

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

(b) Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

(i) **Permanently Restricted** – Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School.

(ii) **Temporarily Restricted** – Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

(iii) **Unrestricted** – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(c) Cash and Cash Equivalents

The School considers all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents.

(d) Fair Value Measurement

Accounting Standards Codification ("ASC") 820-10, "Fair Value Measurement," defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or unobservable. ASC 820-10 established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The standard requires that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. The School classifies fair value balances based on the fair value hierarchy defined by ASC 820-10 as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

(e) Use of Estimates

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

(f) Program Services Receivable and Allowance for Doubtful Accounts

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

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

(g) Pledges Receivable

Pledges receivable consist of unconditional promises to give. Pledges receivable expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a discount rate applicable to the year in which the promises are received.

(h) Impairment of Fixed Assets

The School reviews fixed assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the future cash flows from the use of the asset are less than the carrying amount of that asset. As of June 30, 2016, there have been no such losses.

(i) 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, 2016 was $132,861.

(j) Contributions

Contributions received and unconditional promises to give that are reasonably determinable are recorded as public support at fair value, as determined by management, in the period received and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recorded net of estimated uncollectible amounts. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. The School records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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

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

(k) Income Taxes

The School was incorporated in the state of New York and is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for income taxes in the accompanying financial statements. In addition, the School has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended June 30, 2016.

The School adopted the provisions of ASC 740, "Income Taxes," on January 1, 2009. Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. The implementation of ASC 740 had no impact on the School's financial statements. The School does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The School has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the School has filed Internal Revenue Service Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended June 30, 2016, there were no interest or penalties recorded or included in the statement of activities. The School is subject to routine audits by taxing authorities. As of June 30, 2016, the School was not subject to any examination by a taxing authority. Management believes it is no longer subject to income tax examinations for the years prior to 2013.

(l) Functional Allocation of Expenses

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

(m) Accounting Pronouncements Issued But Not Yet Adopted

Leases (Topic 842)

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "Leases (Topic 842)," to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial positon and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use ("ROU") model that requires, for all leases with a lease term of more than 12 months, an asset representing its ROU the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the School's fiscal years beginning after December 15, 2019, with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities

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

3. Investments and Fair Value Measurements

The School's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2 for a discussion of the School's policies regarding this hierarchy.

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

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

Below sets forth tables of assets measured at fair value on a recurring basis as of June 30, 2016:

	Fair Value Measurement at Reporting Date Using			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2016
Assets				
Debt service reserve funds:				
Money market funds	$ 401,531	$-	$-	$ 401,531
U.S. Treasury obligations	1,561,953	-	-	1,561,953
	$1,963,484	$-	$-	$1,963,484

	Cost	Fair Market Value
Assets		
Money market funds	$ 401,531	$ 401,531
U.S. Treasury obligations	1,559,458	1,561,953
	$1,960,989	$1,963,484

4. Program Services Receivable, Net

Program services receivable, net, as of June 30, 2016 consist of the following:

June 30, 2016	Amount
New York City Board of Education	$ 941,186
Medicaid	2,464,744
Long Island School Districts	326,510
Other receivables	766,256
	4,498,696
Less: Allowance for doubtful accounts	(230,913)
Total	$4,267,783

5. Grants and Contracts Receivable

Grants and contracts receivable, net, as of June 30, 2016 consist of the following

June 30, 2016	
Individuals with Disabilities Education Act ("IDEA")	$ 66,318
Legislative grants and other receivables	3,196,575
Total	$3,262,893

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 Development Agency ("IDA") and Build NYC bond issuances. These balances are limited under terms of debt indentures. The funds as of June 30, 2016 are as follows:

June 30, 2016		Assets Whose Use is Limited	Debt Service Reserve Funds
IDA	2004C	$ 32,282	$ 432,336
IDA	2004C	-	154,035
Build NYC	2013A	165,442	245,732
DASNY	2015A	595,924	337,733
		$793,648	$1,169,836

7. Property and Equipment, Net

Property and equipment, net, at cost, consists of the following at June 30, 2016:

June 30, 2016	
Land	$ 3,351,276
Building and improvements	24,418,205
Equipment	2,474,743
Construction-in-progress	38,712
	30,282,936
Less: Accumulated depreciation	(11,512,953)
Total	$ 18,769,983

Depreciation and amortization expense for property and equipment for the year ended June 30, 2016 amounted to $1,466,836. Management believes that the estimated cost to complete construction-in-progress is deminimus.

8. Bonds Payable, Net

Bonds payable as of June 30, 2016 consist of the following:

June 30, 2016	
In August 2004, the School refinanced IDA bonds with the New York City IDA. These bonds are Special Needs Facilities Pooled Series 2004 C bond issues. The bonds consist of Series 2004 C-1 tax-exempt bonds in the amount of $3,630,000 and Series 2004 C-2 taxable bonds in the amount of $170,000. The proceeds of the bonds financed the cost of acquiring, equipping and renovating a building purchased by the School at 150 Granite Avenue, Staten Island, which serves as collateral for the bonds. Serial and term fixed rate bonds were issued at rates ranging from 4.5% to 6.625% through July 1, 2029. The debt service reserve fund is invested in U.S. Treasury obligations earning 3.125% until May 15, 2019, which is credited every year and will help to offset the net loan repayments. During the year ended June 30, 2016, none of the restricted cash was redeemed and applied towards the outstanding bond principal.	$2,085,000
In April 2013, the School and the Build NYC Resource Corporation issued Series 2013A-1 2013A-2 revenue bonds through the Special Needs Facilities Pooled Program in the amount of $3,305,000. The proceeds of the bonds are to finance the cost of acquiring, equipping and renovating a building purchased at 15 Beach Street.	3,155,000
In March 2015, DASNY issued $4,000,000 of bonds on behalf of the School that were purchased by a single bank. The transaction generated a $213,616 premium. The proceeds of the 2015 bonds were used to refinance the School's outstanding 2005A, 2006D, and 2007C Bonds along with an adjustable rate mortgage on a property owned by the School. The 2015 bonds have a term of 10 years and bear an annual interest rate ranging from 1.2% - 4.0%. The bonds are collateralized by the School's buildings at 106 Grayson Ave, 94 Wright Street and 682 Collfield Avenue on Staten Island and 131 Cambon Ave and 155 Dix Hills Road on Long Island.	3,885,000
Plus: Premium on 2015 DASNY bonds	168,986
	9,293,986
Less: Current maturities	(753,472)
	$8,540,514

The aggregate amounts of principal payments on the bonds payable during each of the five years following June 30, 2016 and thereafter are as follows:

Year ending June 30,	Amount
2017	$ 720,000
2018	730,000
2019	730,000
2020	755,000
2021	720,000
Thereafter	5,470,000
	9,125,000
Bond premium	168,986
Total bonds payable, net	$9,293,986

9. Mortgages Payable

Mortgages payable as of June 30, 2016 consist of the following:

June 30, 2016	
The School received a $354,750 mortgage loan from a financial institution for a building. The mortgage, due September 1, 2017, is payable in monthly installments of $3,263, including interest at 7.38% per annum. The School has the option to renew the loan for an additional five years. The loan is secured by the property on Dixon Avenue, Staten Island.	$ 46,606
Less: Current maturities	(36,931)
	$ 9,675

The aggregate amounts of principal payments on the long-term debt during each of the five years following June 30, 2016 and thereafter are as follows:

Year ending June 30,	Amount
2017	$36,931
2018	9,675
	$46,606

10. Line of Credit

The School executed a line of credit for $2,000,000 with a financial institution, which expires on April 1, 2017. The agreement requires interest to be charged at a rate equal to the financial institution's prime rate plus 1.00%, with a minimum rate of 3.50% (4.50% as of June 30, 2016). The line is secured by a general lien. As of June 30, 2016, there was $1,403,925 outstanding on the line of credit.

11. Loans Payable

The School obtained a bridge loan from FJC, a Foundation of Philanthropic Funds, allowing the School access of up to $4,730,000 for the renovation of 15 Beach Street for use as a School and agency headquarters. As of June 30, 2016, $2,827,363 was drawn on the loan. The loan has a maturity date of March 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 (3.50% at June 30, 2016) plus 3%.

The School obtained a bridge loan from FJC, a Foundation of Philanthropic Funds, allowing the School access of up to $1,400,000 for repairs and renovations of Individual Residential Apartments at Sherwood Avenue. As of June 30, 2016, $1,400,000 was drawn on the loan. The loan has a maturity date of November 7, 2016 and interest is payable quarterly at the prime rate published in the Wall Street Journal (3.50% at June 30, 2016) plus 3%. The loan is currently being refinanced through the issuance of approximately $1.5 million of primarily tax-exempt bonds issued through DASNY.

12. Program and Public Support Services Revenue

For the year ended June 30, 2016, program and public support services revenue consists of the following:

Year ended June 30, 2016	
New York City Office of People With Developmental Disabilities (“OPWDD”):	
Medicaid	$15,115,087
Other	724,012
New York City Board of Education	8,782,629
Long Island School Districts	1,941,406
Other revenue	97,854
Outreach and Consulting	2,389,197
	$29,050,185

Medicaid revenue is reimbursed to the School at the net reimbursement rates as determined by previous years’ cost reports submitted by the School. Reimbursement rates are subject to revisions under the provisions of cost reimbursement regulations. Adjustments for the State Education Department rate reconciliation are recognized in the year reconciled.

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

13. Grants and Contract Services

For the year ended June 30, 2016, grants and contract service revenues consist of the following:

Year ended June 30, 2016	
Education:	
IDEA	$184,363
Other	126,751
OPWDD and NYC-DOHMH	290,161
	$601,275

14. Pension Plan

The School has a qualified defined contribution pension plan covering substantially all full-time employees who meet certain eligibility requirements. The amount contributed to the plan is a fixed percentage of participants’ compensation. Pension expense amounted to $368,765 for the year ended June 30, 2016.

15. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2016 are available for the following purposes:

June 30, 2016	
NYC Adult Services	$425,116
Residential Services	48,977
Wright Avenue Facility	50,000
Day Habilitation Serves	41,422
Educational Services	36,600
Other	52,059
	$654,174

For the year ended June 30, 2016, the following amounts were released from restriction.

June 30, 2016	
Administration	$ 2,500
Day habilitation	41,522
Educational	33,711
Family services	1,620
Outreach	909
Residential	28,177
Total	$108,439

16. Related Party Transactions

The Foundation for the Advancement of Autistic Persons, Inc. (the "Foundation"), which was established to solicit charitable contributions and other funds, and provide other benefits and support the mission of the School and other organizations dedicated to the support of individuals with autism, shares certain members of management with the School. The Foundation provides an operational line of credit to the School of $1,000,000. As of June 30, 2016 and 2015, the outstanding balance of the line was $1,000,000 and $-0-, respectively. While there is no defined repayment term, there is a requirement that the advance be fully paid at least twice during each fiscal year.

The Foundation provides advances with no stated due date to the School. At June 30, 2016, the balance of this advance was $1,832,100. The Foundation requires that $25,000 be repaid each year. The remaining portion has no specified due date.

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

The remainder of the $46,019 balance of the amount due to the Foundation represents the net amounts due for operating matters offset by amounts due to the School.

The School provides management and personnel services to the Foundation. The Foundation incurred $100,000 for these services for the year ended June 30, 2016.

17. Commitments and Contingencies

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

(b) The School has lease agreements for rental space which expire at various dates through 2019. Rent expense for the year ended June 30, 2016 was $623,581. In addition to these facilities, the School leases equipment and vehicles under noncancelable operating leases. Noncancelable minimum lease payments are as follows:

Year ending June 30,	Amount
2017	$285,874
2018	291,801
2019	296,589
2020	300,124

18. Concentrations of Credit Risk

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

19. Subsequent Events

In September 2016, the 2004C NYCIDA bonds were refinanced through mortgages payable issued by a local financial institution. The mortgages total $1,665,000 and are payable in monthly installments over 25 years beginning in November 2016. The notes bear a fixed rate of interest of 3.75% for the first 84 months which is reset every five years thereafter.

The School's management has performed subsequent events procedures through November 29, 2016, which is the date the financial statements were available to be issued and there were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

APPENDIX B-III

MERCY HOME FOR CHILDREN, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED JUNE 30, 2018, JUNE 30, 2017 AND JUNE 30, 2016)

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Mercy Home for Children, Inc. and Affiliate

Consolidated Financial Statements

June 30, 2018

Candor. Insight. Results.

Mercy Home for Children, Inc. and Affiliate

Table of Contents
June 30, 2018

Independent Auditors' Report

Board of Directors
Mercy Home for Children, Inc. and Affiliate

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Mercy Home for Children, Inc. and Affiliate (collectively the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

Other Matter

Prior Period Adjustments

The financial statements of the Organization as of June 30, 2017, were audited by other auditors whose opinion dated November 14, 2017, on those statements was unmodified. As discussed in Note 15, the Organization has restated its June 30, 2017 financial statements during the current year for the correction of an error. The other auditors reported on the June 30, 2017 financial statements before the restatement.

As part of our audit of the June 30, 2018 consolidated financial statements, we also audited the adjustment described in Note 15 that were applied to restate the June 30, 2017 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the June 30, 2017 financial statements of Mercy Home for Children, Inc. other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2017 financial statements as a whole.

Baker Tilly Virchow Krause, LLP

New York, New York
November 27, 2018

Mercy Home for Children, Inc. and Affiliate

Consolidated Statement of Financial Position
June 30, 2018

Assets	
Current Assets	
Cash and cash equivalents	$ 1,710,444
Investments	11,461,784
Accounts receivable	1,379,739
Contributions receivable	18,250
Prepaid expenses and other assets	84,796
Total current assets	14,655,013
Non-Current Assets	
Fixed assets, net (Note 3)	7,320,094
Debt service reserve fund	64,855
Custodial funds	169,383
Total non-current assets	7,554,332
Total assets	$ 22,209,345
Liabilities and Net Assets	
Current Liabilities	
Accounts payable and accrued expenses	$ 965,808
Accrued salaries and related payables	822,952
Due to New York State OPWDD (Note 13)	527,909
Line of credit payable (Note 4)	136,225
Priority credit line payable (Note 5)	3,179,085
Mortgages payable (Note 6)	257,373
Capital lease payable (Note 7)	45,000
Loan payable (Note 8)	440,000
Total current liabilities	6,374,352
Non-Current Liabilities	
Mortgages payable (Note 6)	3,546,300
Custodial fund payable	169,383
Total non-current liabilities	3,715,683
Total liabilities	10,090,035
Net Assets	
Unrestricted	12,079,310
Temporarily restricted (Note 9)	40,000
Total net assets	12,119,310
Total liabilities and net assets	$ 22,209,345

See notes to consolidated financial statements

Mercy Home for Children, Inc. and Affiliate

Consolidated Statement of Activities and Changes in Net Assets
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Operating Revenues			
Intermediate care facilities	$ 8,169,478	$ -	$ 8,169,478
Individualized residential alternatives	8,376,353	-	8,376,353
Saturday respite	512,662	-	512,662
Medicaid service coordination	274,361	-	274,361
Day habilitation	155,186	-	155,186
Net assets released from restrictions (Note 9)	418,436	(418,436)	-
Total operating revenues	17,906,476	(418,436)	17,488,040
Operating Expenses			
Program Services:			
Intermediate care facilities	7,870,835	-	7,870,835
Individualized residential alternatives	8,048,004	-	8,048,004
Saturday respite	557,674	-	557,674
Medicaid service coordination	238,940	-	238,940
Day habilitation	152,195	-	152,195
Total program services	16,867,648	-	16,867,648
Supporting Services:			
Management and general	1,875,247	-	1,875,247
Fundraising	309,637	-	309,637
Total supporting services	2,184,884	-	2,184,884
Total operating expenses	19,052,532	-	19,052,532
Changes in net assets from operations	(1,146,056)	(418,436)	(1,564,492)
Non-Operating Revenues (Expenses), Gains and Other Support			
Interest and dividends	300,581	-	300,581
Unrealized gain on investments, net of investment fees	54,128	-	54,128
Realized gain on investments	58,137	-	58,137
Grants and contributions	132,534	103,701	236,235
Special events revenue	77,024	-	77,024
Direct cost of special events	(27,034)	-	(27,034)
Other	48,175	-	48,175
Total non-operating revenues, (expenses), gains and other support	643,545	103,701	747,246
Changes in net assets	(502,511)	(314,735)	(817,246)
Net Assets, Beginning of Year, As Restated (Note 15)	12,581,821	354,735	12,936,556
Net Assets, End of Year	$ 12,079,310	$ 40,000	$ 12,119,310

See notes to consolidated financial statements

Mercy Home for Children, Inc. and Affiliate

Consolidated Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services						Supporting Services				
	Intermediate Care Facilities	Individualized Residential Alternatives	Saturday Respite	Medicaid Service Coordination	Day Habilitation	Program Services Total	Management and General	Fundraising	Supporting Services Total	Direct Cost of Special Events	Total
Salaries	$ 4,167,950	$ 4,560,042	$ 218,590	$ 170,876	$ 101,900	$ 9,219,358	$ 736,526	$ 175,100	$ 911,626	$ -	$ 10,130,984
Fringe benefits	1,661,369	1,681,840	50,076	36,512	21,063	3,450,860	164,013	33,284	197,297	-	3,648,157
Payroll taxes	421,586	461,246	22,110	17,284	10,307	932,533	74,499	17,711	92,210	-	1,024,743
Total salaries and related expenses	6,250,905	6,703,128	290,776	224,672	133,270	13,602,751	975,038	226,095	1,201,133	-	14,803,884
Rent (Note 10)	333,152	166,008	29,835	-	-	528,995	119,340	700	120,040	-	649,035
Professional fees and contracted services	140,818	7,544	50,700	-	-	199,062	289,630	21,500	311,130	-	510,192
Medicaid facility assessment	443,982	-	-	-	-	443,982	-	-	-	-	443,982
Depreciation and amortization	14,194	262,761	-	550	-	277,505	50,117	-	50,117	-	327,622
Food	148,116	171,900	4,556	-	2,815	327,387	-	-	-	-	327,387
Utilities and other occupancy costs	120,577	126,830	4,124	-	-	251,531	18,078	-	18,078	-	269,609
Maintenance and repairs	94,699	119,089	264	121	-	214,173	46,936	3,176	50,112	-	264,285
Office supplies and postage	29,792	32,381	311	1,891	331	64,706	174,114	31,141	205,255	-	269,961
Client activities	23,700	35,533	168,312	115	1,319	228,979	-	-	-	-	228,979
Insurance	62,062	70,275	5,052	1,609	5,630	144,628	26,590	-	26,590	-	171,218
Vehicle operating expenses	43,014	78,279	1,971	150	8,087	131,501	14,361	14	14,375	-	145,876
Interest	12,036	60,359	-	-	-	72,395	62,196	-	62,196	-	134,591
Household supplies	49,982	60,139	171	-	-	110,292	-	-	-	-	110,292
Telephone	22,491	39,687	773	-	437	63,388	16,170	-	16,170	-	79,558
Medical supplies	41,654	28,071	198	-	-	69,923	276	-	276	-	70,199
Miscellaneous	8,482	10,933	361	420	259	20,455	21,206	25,480	46,686	-	67,141
Rental of office equipment	13,353	29,308	-	-	-	42,661	22,319	80	22,399	-	65,060
Bad debt expense	-	30,635	-	-	-	30,635	7,018	-	7,018	-	37,653
Event catering costs	-	-	-	-	-	-	-	-	-	27,034	27,034
Equipment	8,952	7,680	-	2,149	-	18,781	3,399	589	3,988	-	22,769
Staff training	3,791	3,660	42	4,870	-	12,363	8,643	-	8,643	-	21,006
Employment recruitment	1,491	1,451	189	45	47	3,223	16,260	675	16,935	-	20,158
Employee travel	656	1,219	39	2,348	-	4,262	3,556	187	3,743	-	8,005
Interest expense - debt issuance costs	2,936	1,134	-	-	-	4,070	-	-	-	-	4,070
Total expenses	7,870,835	8,048,004	557,674	238,940	152,195	16,867,648	1,875,247	309,637	2,184,884	27,034	19,079,566
Less direct cost of special events	-	-	-	-	-	-	-	-	-	(27,034)	(27,034)
Total operating expenses	$ 7,870,835	$ 8,048,004	$ 557,674	$ 238,940	$ 152,195	$ 16,867,648	$ 1,875,247	$ 309,637	$ 2,184,884	$ -	$ 19,052,532

Mercy Home for Children, Inc. and Affiliate

Consolidated Statement of Cash Flows
Year Ended June 30, 2018

Cash Flows from Operating Activities	
Changes in net assets	$ (817,246)
Adjustments to reconcile changes in net assets to net cash flows from operating activities:	
Depreciation and amortization	327,622
Interest expense, debt issuances costs	4,070
Net realized and unrealized gain on investments	(112,265)
Provision for bad debts	37,653
(Increase) decrease in assets:	
Accounts receivable	305,126
Contributions receivable	(50,133)
Prepaid expenses and other assets	(28,307)
Custodial funds	840
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	169,319
Accrued salaries and related payables	(143,249)
Due to New York State OPWDD	(346,245)
Custodial funds payable	(840)
Net cash flows from operating activities	(653,655)
Cash Flows from Investing Activities	
Decrease in debt service reserve fund	44,672
Fixed asset acquisitions	(1,956,757)
Purchase of investments	(356,456)
Net cash flows from investing activities	(2,268,541)
Cash Flows from Financing Activities	
Proceeds from lines of credit	2,871,584
Principal payments on lines of credit	(81,333)
Principal payments on mortgages	(253,794)
Principal payments on capital lease	(45,000)
Net cash flows from financing activities	2,491,457
Net change in cash and cash equivalents	(430,739)
Cash and Cash Equivalents, Beginning	2,141,183
Cash and Cash Equivalents, Ending	$ 1,710,444
Supplemental Disclosure of Cash Flows Information	
Cash paid for interest	$ 134,591

See notes to consolidated financial statements

1. Nature of Organizations and Summary of Significant Accounting Policies

Nature of Organizations

The accompanying consolidated financial statements include the accounts of the following entities (collectively referred to as the "Organization"):

Mercy Home for Children, Inc. ("Mercy Home") is a not-for-profit organization established to operate group homes in New York City and on Long Island. Mercy Home was founded by the Sisters of Mercy in 1862. Thus, Mercy Home has a long history of caring for New Yorkers very much in need of nurturance and special care. Since the 1970s, the mission of Mercy Home has been to support those living with intellectual and developmental disabilities. Mercy Home's mission is to assure a quality of life for persons with developmental disabilities through the recognition of each person's inherent dignity and right to a life filled with learning and love. Mercy Home fulfills its mission by offering a Medicaid Service Coordination program, a Day Habilitation program for those who cannot tolerate working in larger groups, residential programs, a Creative Arts program and four (4) Respite programs (2 for adults and 2 for children/teens). These programs are primarily funded by Medicaid through the New York State Office for People with Developmental Disabilities ("OPWDD").

Mercy Home Housing Development Fund Company, Inc. ("HDFC") was created in 2008 as a not-for-profit organization established to develop housing for persons of low income who have intellectual and developmental disabilities. Mercy Home is the sole member of HDFC.

Principles of Consolidation

All intercompany account balances and transactions have been eliminated in consolidation.

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting.

Net Assets

The Organization reports information regarding its financial position and activities in the following classes of net assets which are as follows:

Unrestricted - Net assets which are not donor restricted and are available for use for the general operating activities and objectives of the Organization.

Temporarily restricted - Net assets which are limited by donor restrictions that either expire with the passage of time or can be fulfilled and removed by actions of the Organization.

Permanently restricted - Net assets subject to donor-imposed restrictions that stipulate resources be maintained in perpetuity, but generally permit the Organization to utilize earnings for unrestricted or temporarily restricted purposes as specified by donors.

As of June 30, 2018, there were no permanently restricted net assets.

Estimates

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

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 or liabilities), Level 2 (valued based on observable market based inputs or unobservable inputs that are corroborated by market data), or Level 3 (valued based on unobservable inputs that are not corroborated by market data) measurements within the fair value hierarchy.

Revenue Recognition

Operating revenues are reported at the estimated net realizable amounts from third-party payors for services rendered under promulgated rates and reimbursement agreements. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined and are recorded as prior-year rate adjustments. A substantial portion of funding is through New York State reimbursement and Medicaid funding. Laws and regulations governing health care programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Additionally, non-compliance with such laws and regulations could result in fines, penalties and exclusion from the programs.

Unconditional Promises to Give, Grants and Contributions

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Unconditional grants and contributions, including promises to give cash and other assets, are reported at fair value at the date the grant or contribution is received. The gifts are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Donor-Imposed Restrictions

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 unrestricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

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

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid instruments with original maturities, when acquired, of three months or less.

Investments

Investments are recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Gains and losses on investments are reported in the consolidated statement 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 stipulations.

Accounts Receivable

The Organization records accounts receivable based on established third-party reimbursement rates for services provided under reimbursement agreements with New York State and its Medicaid program.

Allowance for Doubtful Accounts

Management must make estimates of the uncollectability of accounts and contributions receivable. Management specifically analyzes receivables, historical bad debts, and changes in circumstances when evaluating the adequacy of the allowance for doubtful accounts and determines whether an allowance for uncollectible accounts should be provided for accounts and contributions receivable. The Organization's allowance for doubtful accounts was approximately $31,000 as of June 30, 2018. Bad debt expense was approximately $38,000 for the year ended June 30, 2018.

Fixed Assets

Fixed assets are stated at cost. Acquisitions with a cost in excess of $5,000 and an estimated useful life of greater than one year are capitalized. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is recorded on the straight-line method over the shorter of the useful life of the leasehold improvement or the term of the lease.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Debt Service Reserve Fund

These amounts represent cash, which is set aside under the terms of the bond agreements to be used for future debt payments.

Custodial Funds

Custodial funds are held in separate bank accounts in the names of the individual consumers.

Due to New York State OPWDD

These are liabilities relating to the recoupment of Medicaid facility assessment tax and maintenance grants, as well as other overpayments by OPWDD. These amounts are repaid through rate recoupments in future periods.

Operating Leases

Operating lease payments are charged to rent expense. Rent expense is recorded on the straight-line basis over the life of the lease. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expenses.

Functional Expenses

The costs of providing the Organization's services have been summarized on a functional basis in the consolidated statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Measure of Operations

Changes in net assets from operations include all revenues and expenses for the reporting period except for investment income, grants and contributions, special events revenue, direct cost of special events and miscellaneous revenue.

Income Taxes

Mercy Home and HDFC qualify as tax-exempt, not-for-profit organizations under Section 501(c)(3) of the Internal Revenue Code, and as not-for-profit organizations under the laws of New York State. Accordingly, no provision for federal or state income taxes is required.

Uncertain Tax Positions

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

Recent Accounting Pronouncements

During May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of ASU No. 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 No. 2014-09 is effective for the Organization for fiscal years beginning after December 15, 2018, with early adoption permitted. Management is currently evaluating the impact of ASU No. 2014-09 on the Organization's consolidated financial statements.

During 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 lease 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, 2019, with early adoption permitted. Management is currently evaluating the impact of ASU No. 2016-02 on the Organization's consolidated financial statements.

During 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 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 No. 2016-14 is effective for fiscal years beginning after December 15, 2017. ASU No. 2016-14 is to be applied retroactively with transition provisions. Management is currently evaluating the impact of ASU No. 2016-14 on the Organization's consolidated financial statements.

During 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 the Organization for fiscal years beginning after December 15, 2018, with early adoption permitted. ASU No. 2016-18 is to be applied retroactively with transition provisions. Management is currently evaluating the impact of ASU No. 2016-18 on the Organization's consolidated financial statements.

In June 2018, the FASB released ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU should 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. ASU No. 2018-08 is effective for the Organization for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of ASU No. 2018-18 on the Organization's consolidated financial statements.

Subsequent Events

Management has evaluated subsequent events through November 27, 2018, the date the consolidated financial statements are available for issuance, for inclusion or disclosure in the consolidated financial statements.

2. Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy under authoritative guidance are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

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

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observables and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value as of June 30, 2018:

Common stock (equities) - Valued at the closing price reported in active markets on which the individual securities are traded.

Exchange traded funds - ("ETFs") Valued at the closing price reported in active markets on which the individual ETFs are traded.

Government, corporate bonds, government asset backed/collateralized mortgage obligations ("CMO") and foreign bonds - Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote if available.

Mutual funds - Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

The following table sets forth by level within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2018:

	Assets at Fair Value			
	Level 1	**Level 2**	**Level 3**	**Total**
Common stock	$ 4,956,489	$ -	$ -	$ 4,956,489
Government bonds	-	2,928,588	-	2,928,588
Corporate bonds	-	1,660,989	-	1,660,989
Government Asset Backed/CMO	-	1,277,811	-	1,277,811
Mutual funds	567,943	-	-	567,943
Foreign bonds	-	69,964	-	69,964
Total	$ 5,524,432	$ 5,937,352	$ -	$ 11,461,784

3. Fixed Assets, Net

Fixed assets, net, consists of the following as of June 30, 2018:

	Useful Lives	Totals
Land		$ 2,625,050
Building and improvements	5-15 years	4,934,135
Leasehold improvements	4-20 years	3,245,829
Furniture and equipment	3–5 years	1,202,921
Construction in progress		2,956,185
		14,964,120
Accumulated depreciation and amortization		(7,644,026)
Total		$ 7,320,094

During the year ended June 30, 2018, the Organization purchased a property located at 1058 Herkimer Street in Brooklyn, New York for $1,700,060. The Organization closed on the property on June 29, 2018, and thus the property was not yet placed in service during the year ended June 30, 2018, and accordingly, the amounts are recorded in construction-in-progress.

4. Line of Credit Payable

In October 2015, the Organization secured a line of credit from a financial institution totaling $500,000. The line of credit is collateralized by the Organization's savings account with the financial institution, and the agreement's terms require the savings account to maintain a minimum balance of $500,000. Until the Organization terminates the line of credit agreement, the financial institution will maintain a hold on the $500,000 deposit balance. The line of credit bears interest of 5.5% annually (payable monthly) and requires monthly principal payments to be paid equal to the greater of 1/24th of the outstanding principal balance or $20. As of June 30, 2018, the outstanding balance on the line of credit was approximately $136,000. Interest expense for the line of credit was approximately $11,000 for the year ended June 30, 2018.

5. Priority Credit Line Payable

In July 2016, the Organization secured a priority line of credit from a financial institution. The total available line of credit is variable and is backed by the Organization's eligible investments, which serve as the collateral. The amount drawn down as of June 30, 2018 was approximately $3,179,000. The line of credit bears interest on a variable basis, with an interest rate ranging from 3.75% to 4.5% during the year ended June 30, 2018. Interest is accrued monthly, however does not become payable unless the principal and interest amounts exceed the eligible collateral amounts. Interest expense for this loan was approximately $42,000 for the year ended June 30, 2018. On August 29, 2018, the Organization drew down an additional $300,000 from this line of credit for operating activities.

6. Mortgages Payable

Mortgages payable consists of the following as of June 30, 2018:

Mortgage payable in full of $2,155,000, non-interest bearing, due February 4, 2036.	$ 2,155,000
Mortgage payable in monthly installments of $15,933, at an interest rate of 3.00%, due October 1, 2022.	760,712
Mortgage payable in monthly installments of $3,110, at an interest rate of 5.22%, due October 1, 2015.	226,392
Mortgage payable in monthly installments of $7,937, at an interest rate of 4.76%, due November 1, 2026.	664,238
	3,806,342
Less current installments, net of amortization	(260,042)
Total	$ 3,546,300

On February 5, 2014, the City of New York conditionally granted (via enforcement mortgage) HDFC real property located at 485-487 4th Avenue, Brooklyn, New York (“"4th Avenue”") in the amount of $2,155,000. The conditions of the enforcement mortgage require HDFC to maintain the property "exclusively as housing accommodations for person of low income with developmental disabilities". As a result of the enforcement mortgage, the property is encumbered with an enforcement mortgage, in the amount of $2,155,000. Terms of the mortgage do not require any principal or interest payments, and the mortgage is considered to be fully satisfied in approximately 30 years from the date when the property becomes operational. HDFC may be liable to pay back the City of New York if it ceases to maintain the property for the said purposes within the compliance period of 30 years.

In October of 2012, the Organization obtained a mortgage in the amount of $1,650,000. The mortgage is payable in monthly installments of principal and interest of $15,933 and bears interest at 3.00% per annum and matures on October 1, 2022. The properties encumbered are the Frank Keating and McGivney residences. The outstanding balance on the mortgage as of June 30, 2018 was approximately $761,000. The long-term and short-term portion of this mortgage is as follows:

Total mortgage outstanding	$ 760,712
Less current portion	(170,239)
Long-term portion	$ 590,473

In September 2010, the Organization obtained two mortgages encumbered by the Taffee residence. The first mortgage, in the amount of $385,719, bears interest at 5.22% per annum. This mortgage only required interest payments through November 2015. Starting December 2015, principal and interest payments are required through October 1, 2025. The outstanding balance on the mortgage as of June 30, 2018 was approximately $226,000. The second mortgage was fully satisfied in October 2015. The long-term and short-term portion of this mortgage is as follows:

Total mortgage outstanding	$ 226,392
Less current portion	(24,536)
Long-term portion	$ 201,856

In October 2011, the Organization obtained two mortgages encumbered by the Baldwin residence. The first mortgage was satisfied in November 2016. The second mortgage in the amount of $1,019,748 bears interest at 4.76% and is payable in monthly installments of principal and interest until the maturity date of November 1, 2026. The outstanding balance on the mortgage as of June 30, 2018 was approximately $664,000. The long-term and short-term portion of this mortgage is as follows:

Total mortgage outstanding	$ 664,238
Less current portion	(65,267)
Long-term portion	$ 598,971

Annual maturities of the mortgages payable over the next five years and thereafter are as follows:

Years ending June 30:	
2019	$ 260,042
2020	269,708
2021	279,755
2022	290,201
2023	157,201
Thereafter	2,549,435
	3,806,342
Less debt issuance costs	(2,669)
Total	$ 3,803,673

The interest expense related to the mortgages payable was approximately $72,000 for the year ended June 30, 2018.

7. Capital Lease Payable

The New York City Industrial Development Agency ("NYCIDA") issued Series 1999A-1 and Series 1999A-2 Bonds aggregating $550,000 maturing in 2019 with an interest rate of 6.5%.

As part of the agreement with NYCIDA, the Organization transferred to NYCIDA the titles to the facilities. NYCIDA has leased the facilities back to the Organization for a term and at an amount concurrent with the bond repayment schedules. At the conclusion of the lease terms, the Organization has the option to purchase all of the leased property for $1.

The outstanding principal balances on the bonds as of June 30, 2018 were $45,000, and the entire balance is payable during the year ending June 30, 2019.

8. Loan Payable

In 2015, the Organization obtained financing of $3,122,000 from A Foundation of Philanthropic Funds in order to fund the 4th Avenue construction costs. The loan bears interest at prime plus 3%, which was 8% as of June 30, 2018 and is paid quarterly. The balance of the loan as of June 30, 2018 was $440,000. Interest of approximately $33,000 was capitalized for the year ended June 30, 2018. The loan matures on February 28, 2019.

9. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30, 2018:

Creative arts program	$ 25,000
Employee training	15,000
Total	$ 40,000

Temporarily restricted net assets were released from restrictions as follows for the year ended June 30, 2018:

Creative arts program	$ 252,920
Employee training	25,114
Mentoring programs	24,907
Plant, Grow, Give program	14,017
Technology	96,228
Other	5,250
Total	$ 418,436

10. Operating Lease Commitments

The Organization leases various buildings for its administrative office and program sites. These non-cancelable leases have various expiration dates through March 2023. Rent expense for these buildings for the year ended June 30, 2018 was approximately $649,000.

The Organization also entered into operating lease agreements for vehicles and office equipment. Rent expense for the vehicles and equipment for the year ended June 30, 2018 was approximately $113,000.

Future minimum lease payments under these agreements with remaining terms of more than one year are as follows:

	Space	Vehicles	Office Equipment
Years ending December 31:			
2019	$ 557,794	$ 37,521	$ 51,156
2020	441,985	34,119	39,172
2021	428,824	7,679	27,879
2022	206,728	-	15,718
2023	47,161	-	3,321
Total	$ 1,682,492	$ 79,319	$ 137,246

11. Pension Plans

The Organization has established a discretionary defined contribution plan for retirement benefit accruals for future employment periods. Pension expense was approximately $189,000 for the year ended June 30, 2018.

Mercy Home is a participant in a pension plan that has been characterized for financial accounting purposes as a multi-employer pension plan. The 1199SEIU Health Care Employees Pension Fund (the "Fund") is a noncontributory, multi-employer defined benefit plan which covers union employees of Mercy Home. 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.

The Fund is designed to provide retirement benefits for its members including the eligible employees of Mercy Home. Benefits are calculated utilizing specified percentages within the plan document.

Pursuant to the collective bargaining agreement, the monthly required contribution was 10.76% during the period January 1, 2016 through September 29, 2018. This resulted in a contribution of $495,539, for the year ended June 30, 2018. This amount is included in fringe benefits on the statement of functional expenses.

The following table discloses the name and the most recent funded status of the Fund, as of January 1, 2017 (the date of the latest actuarial valuation), inclusive of the fair value of plan assets as of December 31, 2016:

Valuation Date	Fair Value of Plan Assets	Actuarial Present Value of Accumulated Plan Benefits	Total Contributions	Funded Status	Zone Status
January 1, 2017	$ 9,815,518,000	$ 12,744,740,000	$ 650,795,000	77 %	Yellow

As of January 1, 2017, the Fund has a certified yellow zone status as determined by the Fund's actuary. The Fund did not utilize any extended amortization provisions that would affect the calculation of their zone status.

Mercy Home is currently in the process of obtaining the funded status of the Fund as of January 1, 2018 (the date of the actuarial valuation), inclusive of the fair value of plan assets as of December 31, 2017.

12. Off-Balance Sheet Risks

Financial instruments are subject to certain off balance sheet risks. Investments are subject to credit risk (i.e. risk investments may be less than “AAA” rating), interest rate risk (i.e. risk that investments interest rates are unfavorable to in comparison to market interest rates), and concentration of credit risk (i.e. risk that portfolio of investments may not be diversified due to a limited number of investments). Cash and cash equivalents are subject to custodial credit risk, because from time to time, cash and cash equivalents may exceed federal deposit insurance limits.

For the year ended June 30, 2018, the Organization received substantially all of its operating revenues from Medicaid through OPWDD.

13. Contingency

Mercy Home is responsible to report to and is regulated by various governmental third parties, among which are the Centers for Medicare and Medicaid Services (CMS) and OPWDD. These agencies, as well as the New York State Office of the Attorney General's Medicaid Fraud Control Unit (MFCU), the Internal Revenue Service, the New York State Office of the Attorney General's Charities Bureau, the New York State Department of Health's Independent Office of Medicaid Inspector General (OMIG), and other agencies have the right to audit fiscal as well as programmatic compliance, i.e., clinical documentation, among other compliance requirements. The current third-party-payer programs, including Medicaid, are based upon extremely complex laws and regulations. Noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs.

Due to governmental agencies represents net payments received in prior years, in excess of amounts earned, and overpayments received from New York State. Amounts are due upon final audits and reconciliation by the governmental agencies and are not expected to be materially different from the recorded amounts.

14. Government Funding and Rate Adjustments

Certain funding streams are based on rates that are subject to audit by the funding agencies and approval of rate appeals made by the Organization to the funding agencies. Any changes in rates resulting from audit adjustments or rate appeals are reflected in the operations of the Organization when such rates are determined or can be reasonably estimated. During the year ended June 30, 2018, the Organization recognized retroactive rate adjustments and contractual adjustments for an increase of approximately $97,000 in its Intermediate Care Facility Program.

15. Prior Period Adjustment

The unrestricted net assets of the Organization as of June 30, 2017 have been restated to give effect to the correction of a material misstatement due to an error as indicated below:

Balance as of June 30, 2017	$ 13,018,693
To adjust Due to OPWDD related to Medicaid facilities tax liability payable	(436,872)
Balance as of June 30, 2017, as restated	$ 12,581,821

MERCY HOME FOR CHILDREN, INC.

FINANCIAL STATEMENTS
AND AUDITOR'S REPORT

JUNE 30, 2017 AND 2016

MERCY HOME FOR CHILDREN, INC.

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LOEB & TROPER LLP

Independent Auditor's Report

Board of Directors
Mercy Home for Children, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Mercy Home for Children, Inc., which comprise the balance sheet 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.

Auditor's 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 Mercy Home for Children, Inc. as of June 30, 2017 and 2016, and the results of its operations, 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.

Loeb & Troper LLP

November 14, 2017

EXHIBIT A

MERCY HOME FOR CHILDREN, INC.

BALANCE SHEET

JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,765,020	$ 1,544,272
Investments at fair value (Note 3)	11,340,898	10,333,682
Accounts receivable - Medicaid	1,684,865	2,095,064
Contributions receivable - current	5,770	210,000
Prepaid expenses and other assets	84,817	431,766
Total current assets	14,881,370	14,614,784
Non-current assets		
Investments at fair value (Note 3)	-	278,899
Fixed assets - net (Note 4)	3,535,959	3,820,635
Debt service reserve fund - cash (Note 6)	109,527	129,639
Custodial funds - cash	170,223	155,301
Deferred charges	6,740	15,726
Total non-current assets	3,822,449	4,400,200
Total assets	$ 18,703,819	$ 19,014,984

-continued-

MERCY HOME FOR CHILDREN, INC.

BALANCE SHEET

JUNE 30, 2017 AND 2016

		2017		2016
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	$	796,489	$	1,009,426
Accrued salaries payable and related payables		966,201		816,644
Due to New York State OPWDD (Notes 2 and 12)		437,282		2,013,072
Mortgages payable (Note 5)		252,096		242,682
Capital lease payable (Note 6)		45,000		40,000
Loans payable (Note 7)		394,509		440,000
Total current liabilities		2,891,577		4,561,824
Non-current liabilities				
Mortgages payable (Note 5)		1,653,041		1,920,746
Capital lease payable (Note 6)		45,000		80,000
Loans payable (Note 7)		570,550		-
Custodial funds (Note 2)		170,223		155,301
Total non-current liabilities		2,438,814		2,156,047
Total liabilities		5,330,391		6,717,871
Net assets (Exhibit B)				
Unrestricted		13,018,693		11,614,534
Temporarily restricted (Note 8)		354,735		682,579
Total net assets		13,373,428		12,297,113
Total liabilities and net assets	$	18,703,819	$	19,014,984

See independent auditor's report.

The accompanying notes are an integral part of these statements.

MERCY HOME FOR CHILDREN, INC. **EXHIBIT B**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating revenues						
Intermediate care facilities	$ 10,075,961	$ -	$ 10,075,961	$ 10,558,968	$ -	$ 10,558,968
Individualized residential alternatives	6,194,781	-	6,194,781	5,870,740	-	5,870,740
Saturday respite program	340,767	-	340,767	182,972	-	182,972
Medicaid service coordination	241,719	-	241,719	191,773	-	191,773
Day habilitation program	304,461	-	304,461	346,827	-	346,827
Net assets released from restrictions (Note 8)	392,724	(392,724)	-	224,630	(224,630)	-
Total operating revenues	17,550,413	(392,724)	17,157,689	17,375,910	(224,630)	17,151,280
Operating expenses (Exhibit C)						
Program services						
Intermediate care facilities	9,161,926	-	9,161,926	9,685,815	-	9,685,815
Individualized residential alternatives	6,213,569	-	6,213,569	5,762,316	-	5,762,316
Saturday respite program	278,260	-	278,260	169,702	-	169,702
Creative arts program	82,771	-	82,771	87,982	-	87,982
Medicaid service coordination	264,720	-	264,720	237,492	-	237,492
Day habilitation program	280,031	-	280,031	236,248	-	236,248
Total program services	16,281,277	-	16,281,277	16,179,555	-	16,179,555
Supporting services						
Management and general	1,986,935	-	1,986,935	1,865,390	-	1,865,390
Fundraising	253,359	-	253,359	26,030	-	26,030
Total supporting services	2,240,294	-	2,240,294	1,891,420	-	1,891,420
Total operating expenses	18,521,571	-	18,521,571	18,070,975	-	18,070,975

-continued-

MERCY HOME FOR CHILDREN, INC.

EXHIBIT B
-2-

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Change in net assets from operations before prior-year rate adjustment	$ (971,158)	$ (392,724)	$ (1,363,882)	$ (695,065)	$ (224,630)	$ (919,695)
Prior-year revenue adjustments	718,171	-	718,171	(370,392)	-	(370,392)
Change in net assets from operations	(252,987)	(392,724)	(645,711)	(1,065,457)	(224,630)	(1,290,087)
Nonoperating revenues (expenses), gains and other support						
Interest and dividends	268,442	-	268,442	295,086	-	295,086
Unrealized gain (loss) on investments	(95,805)	-	(95,805)	(270,987)	-	(270,987)
Realized gain on investments	644,180	-	644,180	216,331	-	216,331
Grants and contributions	170,720	64,880	235,600	907,888	198,000	1,105,888
Special events revenue	138,296	-	138,296	219,240	-	219,240
Direct cost of special events	(15,032)	-	(15,032)	(71,814)	-	(71,814)
Miscellaneous	546,345	-	546,345	105,957	-	105,957
Total nonoperating revenues (expenses), gains and other support	1,657,146	64,880	1,722,026	1,401,701	198,000	1,599,701
Change in net assets (Exhibit D)	1,404,159	(327,844)	1,076,315	336,244	(26,630)	309,614
Net assets - beginning of year	11,614,534	682,579	12,297,113	11,278,290	709,209	11,987,499
Net assets - end of year (Exhibit A)	$ 13,018,693	$ 354,735	$ 13,373,428	$ 11,614,534	$ 682,579	$ 12,297,113

See independent auditor's report.

The accompanying notes are an integral part of these statements.

MERCY HOME FOR CHILDREN, INC. **EXHIBIT C**

STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2017 AND 2016

	2017											
	Program Services							Supporting Services				
	Intermediate Care Facilities	Individualized Residential Alternatives	Saturday Respite Program	Creative Arts Program	Medicaid Service Coordination	Day Habilitation Program	Total	Management and General	Fundraising	Total	Direct Cost of Special Events	Total
Salaries	$ 4,894,562	$ 3,530,008	$ 116,113	$ 14,022	$ 162,074	$ 201,815	$ 8,918,594	$ 794,196	$ 164,473	$ 958,669	$ -	$ 9,877,263
Payroll taxes	496,081	370,144	14,348	1,175	16,558	20,350	918,656	93,414	14,921	108,335	-	1,026,991
Benefits	1,703,461	1,299,024	6,284	2,956	58,311	35,667	3,105,703	158,787	22,608	181,395	-	3,287,098
Total salaries and related expenses	7,094,104	5,199,176	136,745	18,153	236,943	257,832	12,942,953	1,046,397	202,002	1,248,399	-	14,191,352
Professional fees and contracted services	123,157	2,639	-	38,755	17,696	473	182,720	276,177	1,250	277,427	-	460,147
Utilities and other occupancy costs	169,024	114,672	-	-	-	-	283,696	16,486	-	16,486	-	300,182
Rent (Note 9)	493,390	46,278	18,000	22,000	-	-	579,668	189,904	-	189,904	-	769,572
Maintenance and repairs	38,742	35,169	5,092	6	180	-	79,189	27,880	3,035	30,915	-	110,104
Equipment	9,112	9,642	383	-	-	-	19,137	1,777	-	1,777	-	20,914
Employee travel	1,559	5,457	207	-	1,796	28	9,047	1,488	-	1,488	-	10,535
Telephone	28,706	32,987	708	-	-	655	63,056	14,807	-	14,807	-	77,863
Office supplies and postage	24,135	19,711	-	-	218	306	44,370	90,546	35,392	125,938	-	170,308
Rental of office equipment	18,574	24,650	-	-	-	-	43,224	23,994	-	23,994	-	67,218
Medical supplies	45,407	27,471	-	-	-	-	72,878	1,300	-	1,300	-	74,178
Dues, subscriptions and conferences	1,602	1,431	-	-	-	-	3,033	31,511	3,212	34,723	-	37,756
Interest	14,338	67,224	-	-	-	-	81,562	24,323	-	24,323	-	105,885
Vehicle operating expenses	101,536	95,224	108,605	70	1,864	13,610	320,909	23,208	-	23,208	-	344,117
Staff training	3,644	2,796	77	514	293	127	7,451	3,475	35	3,510	-	10,961
Insurance	69,093	52,029	2,433	1,200	686	2,901	128,342	25,970	-	25,970	-	154,312
Food	180,644	116,268	2,753	342	-	2,849	302,856	26	-	26	-	302,882
Household supplies	74,839	56,089	47	12	-	34	131,021	191	85	276	-	131,297
Employment recruitment	2,992	2,796	268	-	4,284	157	10,497	8,410	2,734	11,144	-	21,641
Clothing	14,380	12,594	-	-	-	11	26,985	-	11	11	-	26,996
Client activities	15,437	14,683	2,942	1,719	55	1,032	35,868	2,536	1,358	3,894	-	39,762
Medicaid facility assessment	551,819	-	-	-	-	-	551,819	-	-	-	-	551,819
Depreciation and amortization	82,862	273,514	-	-	705	-	357,081	51,979	-	51,979	-	409,060
Event catering costs	-	-	-	-	-	-	-	-	-	-	15,032	15,032
Investment fees	-	-	-	-	-	-	-	84,993	-	84,993	-	84,993
Banking fees	1,328	188	-	-	-	-	1,516	11,926	1,758	13,684	-	15,200
Bad debt expense	-	-	-	-	-	-	-	27,581	-	27,581	-	27,581
Miscellaneous	1,502	881	-	-	-	16	2,399	50	2,487	2,537	-	4,936
Total expenses	9,161,926	6,213,569	278,260	82,771	264,720	280,031	16,281,277	1,986,935	253,359	2,240,294	15,032	18,536,603
Less direct cost of special events	-	-	-	-	-	-	-	-	-	-	(15,032)	(15,032)
Total expenses reported by function on the statement of activities (Exhibit B)	$ 9,161,926	$ 6,213,569	$ 278,260	$ 82,771	$ 264,720	$ 280,031	$ 16,281,277	$ 1,986,935	$ 253,359	$ 2,240,294	$ -	$ 18,521,571

-continued-

MERCY HOME FOR CHILDREN, INC. **EXHIBIT C**

STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2017 AND 2016

	2016											
	Program Services							Supporting Services				
	Intermediate Care Facilities	Individualized Residential Alternatives	Saturday Respite Program	Creative Arts Program	Medicaid Service Coordination	Day Habilitation Program	Total	Management and General	Fundraising	Total	Direct Cost of Special Events	Total
Salaries	$ 5,300,583	$ 3,232,392	$ 92,714	$ 12,076	$ 173,032	$ 176,350	$ 8,987,147	$ 793,733	$ -	$ 793,733	$ -	$ 9,780,880
Payroll taxes	549,180	333,588	8,958	1,249	17,478	27,775	938,228	74,680	-	74,680	-	1,012,908
Benefits	1,672,200	1,064,567	44	-	39,496	6,750	2,783,057	132,138	-	132,138	-	2,915,195
Total salaries and related expenses	7,521,963	4,630,547	101,716	13,325	230,006	210,875	12,708,432	1,000,551	-	1,000,551	-	13,708,983
Professional fees and contracted services	150,682	41,916	1,111	49,985	1,325	1,494	246,513	140,614	-	140,614	-	387,127
Utilities and other occupancy costs	144,331	115,012	-	-	-	-	259,343	14,449	-	14,449	-	273,792
Rent (Note 9)	473,416	25,511	12,600	22,000	-	-	533,527	55,400	-	55,400	-	588,927
Maintenance and repairs	60,630	49,112	165	-	-	-	109,907	38,314	-	38,314	-	148,221
Equipment	11,830	5,011	-	-	170	2,349	19,360	68,182	-	68,182	-	87,542
Employee travel	2,580	4,865	26	-	1,626	8	9,105	877	-	877	-	9,982
Telephone	28,670	27,334	-	-	-	126	56,130	23,487	-	23,487	-	79,617
Office supplies and postage	17,862	28,890	-	-	45	-	46,797	46,565	23,800	70,365	-	117,162
Rental of office equipment	19,700	20,376	-	-	-	-	40,076	21,694	-	21,694	-	61,770
Medical supplies	39,338	25,437	-	-	-	-	64,775	36	-	36	-	64,811
Dues, subscriptions and conferences	441	615	193	-	-	147	1,396	33,986	-	33,986	-	35,382
Interest	24,687	158,379	-	-	-	-	183,066		-		-	183,066
Vehicle operating expenses	46,860	61,099	44,378	-	-	9,331	161,668	10,990	-	10,990	-	172,658
Staff training	5,401	3,500	107	1,508	675	93	11,284	19,427	-	19,427	-	30,711
Insurance	89,295	60,646	5,817	662	2,909	8,245	167,574	26,331	-	26,331	-	193,905
Food	214,388	109,457	1,287	163	-	2,297	327,592	140	-	140	-	327,732
Household supplies	75,798	41,030	16	-	-	129	116,973	490	-	490	-	117,463
Employment recruitment	6,921	1,655	-	-	-	-	8,576	131,555	-	131,555	-	140,131
Clothing	13,517	11,711	-	-	-	-	25,228	-	-	-	-	25,228
Client activities	17,847	20,186	2,196	339	-	1,154	41,722	913	-	913	-	42,635
Medicaid facility assessment	580,475	-	-	-	-	-	580,475	-	-	-	-	580,475
Depreciation and amortization	44,469	318,818	-	-	736	-	364,023	115,520	-	115,520	-	479,543
Real estate taxes	92,499	-	-	-	-	-	92,499	-	-	-	-	92,499
Event catering costs	-	-	-	-	-	-	-	-	-	-	71,814	71,814
Investment fees	-	-	-	-	-	-	-	103,448	-	103,448	-	103,448
Miscellaneous	2,215	1,209	90	-	-	-	3,514	12,421	2,230	14,651	-	18,165
Total expenses	9,685,815	5,762,316	169,702	87,982	237,492	236,248	16,179,555	1,865,390	26,030	1,891,420	71,814	18,142,789
Less direct cost of special events	-	-	-	-	-	-	-	-	-	-	(71,814)	(71,814)
Total expenses reported by function on the statement of activities (Exhibit B)	$ 9,685,815	$ 5,762,316	$ 169,702	$ 87,982	$ 237,492	$ 236,248	$ 16,179,555	$ 1,865,390	$ 26,030	$ 1,891,420	$ -	$ 18,070,975

See independent auditor's report.

The accompanying notes are an integral part of these statements.

EXHIBIT D

MERCY HOME FOR CHILDREN, INC.

STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash flows from operating activities		
Change in net assets (Exhibit B)	$ 1,076,315	$ 309,614
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	400,074	468,713
Amortization of deferred charges	8,986	10,830
Net realized and unrealized loss (gain) on investments	(548,375)	54,656
Contributed land and building	-	(490,000)
Decrease (increase) in assets	-	-
Accounts receivable - Medicaid	410,199	(370,051)
Contributions receivable	204,230	(210,000)
Prepaid expenses and other assets	346,949	357,839
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(212,937)	110,912
Accrued salaries payable and related payables	149,557	58,218
Due to New York State OPWDD	(1,575,790)	(3,901,270)
Net cash provided (used) by operating activities	259,208	(3,600,539)
Cash flows from investing activities		
Decrease in debt service reserve fund	20,112	141,846
Fixed asset acquisitions	(115,398)	(373,980)
Purchase of investments	(18,281,633)	(8,093,187)
Proceeds from sale of investments	18,101,691	7,910,873
Net cash used by investing activities	(275,228)	(414,448)
Cash flows from financing activities		
Proceeds from loan	649,490	-
Principal payments on loans	(124,431)	-
Principal payments on mortgages	(258,291)	(366,685)
Principal payments on capital lease	(30,000)	(40,000)
Net cash provided (used) by financing activities	236,768	(406,685)
Net change in cash and cash equivalents	220,748	(4,421,672)
Cash and cash equivalents - beginning of year	1,544,272	5,965,944
Cash and cash equivalents - end of year	$ 1,765,020	$ 1,544,272
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 105,885	$ 183,066

See independent auditor's report.

The accompanying notes are an integral part of these statements.

MERCY HOME FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 1 - NATURE OF ENTITY

Mercy Home for Children, Inc. (Mercy Home) operates group homes in New York City and on Long Island, offers Medicaid Service Coordination, a small Day Habilitation Program for those who cannot tolerate working in larger groups, the Creative Arts Program and four (4) Respite programs (2 for adults and 2 for children/teens). Mercy Home was founded by the Sisters of Mercy in 1862. Thus, Mercy Home has a long history of caring for New Yorkers very much in need of nurturance and special care. Since the 1970s, the mission of Mercy Home has been to support those living with intellectual disabilities (autism, mental retardation and cerebral palsy). Prior to that, Mercy Home offered emergency placement to abused and neglected children in our residential treatment center. The change was a natural evolution, as there were more and more children with significant disabilities who needed the structure and programming we had developed for them.

It is the mission of Mercy Home to assure a quality of life for persons with developmental disabilities through the recognition of each person's inherent dignity and right to a life filled with learning and love.

Mercy Home is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). The aforementioned programs are primarily funded by Medicaid through the NYS Office for People with Developmental Disabilities (OPWDD).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis of accounting.

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

Cash and cash equivalents - Cash and cash equivalents include investments in highly liquid instruments with original maturities, when acquired, of three months or less.

-continued-

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments - Investments are recorded at fair value. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' fluctuations, and that such changes could materially affect the amounts reported in the financial statements.

Accounts receivable - Medicaid - Mercy Home records receivables based on established third-party reimbursement rates for services provided under reimbursement agreements with third-party payors.

Contributions receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Allowance for doubtful accounts - Management determines whether an allowance for uncollectible accounts should be provided for accounts and contributions receivable. Mercy Home has determined that no allowance for uncollectible accounts receivable is necessary as of June 30, 2017 and 2016. Such estimate is based on the aged basis of its receivables, subsequent cash receipts, as well as current economic conditions and historical collection information. Interest is not charged on outstanding receivables.

Fixed assets - Fixed assets are stated at cost. Acquisitions with a cost in excess of $1,000 and an estimated useful life of greater than one year are capitalized. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is recorded on the straight-line method over the shorter of the useful life of the leasehold improvement or the term of the lease.

Debt service reserve fund - These amounts represent cash which is set aside under the terms of the bond agreements to be used for future debt payments.

Custodial funds - Custodial funds are held in separate bank accounts in the names of the individual consumers.

-continued-

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Due to New York State OPWDD **-** These are liabilities relating to the recoupment of Medicaid facility assessment tax and maintenance grants, as well as overpayments by OPWDD. These amounts are repaid through rate recoupments.

Unrestricted net assets **-** Unrestricted net assets include funds having no restrictions as to use or purpose imposed by donors.

Temporarily restricted net assets **-** Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose.

Grants and contributions **-** Unconditional grants and contributions, including promises to give cash and other assets, are reported at fair value at the date the grant or contribution is received. The gifts are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Revenue recognition **-** Operating revenues are reported at the estimated net realizable amounts from third-party payors for services rendered under reimbursement agreements. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined and are recorded as prior-year rate adjustments. Laws and regulations governing health care programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from the programs.

Operating leases **-** Operating lease payments are charged to rent expense. Rent expense has been recorded on the straight-line basis over the life of the lease. Deferred rent is recorded for the difference between the fixed payment and the rent expense.

Functional expenses **-** The costs of providing Mercy Home's services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

-continued-

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measure of operations **-** Changes in net assets from operations include all revenues and expenses for the reporting period except for investment income, grants and contributions, special events revenue, direct cost of special events and miscellaneous revenue.

Fair Value Measurements

Fair Value Measurements establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Mercy Home has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

MERCY HOME FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

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

Government and government agency obligations and corporate obligations - Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar securities, the security is valued under a discounted cash flows approach that maximizes observable inputs such as current yields of similar instruments but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote if available.

Mutual funds - Valued at the net asset value (NAV) of shares held by Mercy Home at year end. The mutual funds are deemed to be actively traded.

Common stock - Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Mercy Home believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The assets at fair value as of June 30, 2017 are set forth within the fair value hierarchy in Note 3.

Uncertainty in income taxes - Mercy Home has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending June 30, 2014 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through November 14, 2017, which is the date the financial statements were available to be issued.

-continued-

MERCY HOME FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 3 - INVESTMENTS

	2017		
	(Level 1)	(Level 2)	Total
Government and government agency obligations			
Federal Home Loan Corp. Notes		$ 478,342	$ 478,342
Federal National Mortgage Assn. Notes		1,340,379	1,340,379
U.S. Treasury Notes		2,360,967	2,360,967
Total government and government agency obligations		4,179,688	4,179,688
Corporate obligations			
Alabama Power Co.		20,909	20,909
Apple, Inc.		74,696	74,696
American Express Credit Corp.		30,031	30,031
AT&T Inc.		29,623	29,623
Bank of New York Mellon		29,602	29,602
Boeing Company		29,138	29,138
Berkshire Hathaway Financial		31,075	31,075
Branch Banking & Trust		29,332	29,332
Cisco Systems		67,155	67,155
The Coca-Cola Co.		30,338	30,338
Comcast Corp.		68,259	68,259
Comerica Inc.		29,933	29,933
Exxon Mobil Corp.		30,260	30,260
Florida Power & Light Co.		47,936	47,936
GE Capital International Funding		25,851	25,851
Goldman Sachs Group Inc.		13,291	13,291
Honeywell International		30,044	30,044
Johnson & Johnson		28,281	28,281
JPMorgan Chase & Company		103,112	103,112
Kimberly-Clark Corp.		29,628	29,628
Metlife Inc.		30,449	30,449
National Rural Utilities Cooperative Assn.		44,062	44,062
Northern Trust Corp.		30,950	30,950
PepsiCo Inc.		101,983	101,983
PNC Financial Services		31,508	31,508
Procter & Gamble Co.		28,618	28,618

-continued-

MERCY HOME FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 3 - INVESTMENTS (continued)

	2017		
	(Level 1)	**(Level 2)**	**Total**
Corporate obligations (continued)			
Prudential Financial Inc.		$ 30,169	$ 30,169
Public Service Electric & Gas Co.		41,329	41,329
Public Service Co.		33,747	33,747
Shell International		70,230	70,230
State Street Corp.		31,882	31,882
SunTrust Banks Inc.		29,057	29,057
Target Corp.		98,769	98,769
Toyota Motor Credit Corp.		74,403	74,403
Travelers Companies Inc.		33,786	33,786
United Parcel Service		30,113	30,113
United Technologies Corp.		98,786	98,786
U.S. Bank National Assn., Cincinnati		30,224	30,224
The Walt Disney Company		30,144	30,144
Wells Fargo & Co.		67,337	67,337
Total corporate obligations		1,746,040	1,746,040
Mutual funds			
Cohen & Steers Preferred Select & Income Fund	$ 572,410		572,410
Total mutual funds	572,410		572,410
Common stock			
U.S. equity	4,207,981		4,207,981
Non-U.S. equity	258,616		258,616
Total common stock	4,466,597		4,466,597
Total investments reported on the fair value hierarchy	$ 5,039,007	$ 5,925,728	10,964,735
Cash and cash equivalents			376,163
Total			$ 11,340,898

-continued-

NOTE 3 - INVESTMENTS (continued)

	2016		
	(Level 1)	(Level 2)	Total
Government and government agency obligations			
Federal Home Loan Bank bonds		$ 360,746	$ 360,746
U.S. Treasury Notes		612,518	612,518
Total government and government agency obligations		973,264	973,264
Corporate obligations			
Apple, Inc.		102,736	102,736
AFLAC Incorporated		106,814	106,814
American International Group		153,034	153,034
AmerisourceBergen Corp		134,075	134,075
Boeing Company		106,062	106,062
CA, Inc.		219,698	219,698
Cigna Corporation		130,859	130,859
Cisco Systems		107,899	107,899
CVS Caremark Corp.		110,648	110,648
Eaton Vance Corp.		107,342	107,342
European Investment Bank		195,402	195,402
HCP, Inc.		100,872	100,872
HSBC		134,262	134,262
Intl Bk Recon & Development		154,353	154,353
Jefferies Group		78,738	78,738
Kohl's Group		201,260	201,260
Manitoba		152,228	152,228
Omnicom Group Inc.		106,446	106,446
Ontario		162,971	162,971
Shell International		76,347	76,347
Starwood Hotels		108,715	108,715
Synchrony Financial		103,655	103,655
Toyota Motor Credit Corporation		152,940	152,940
Verizon Communications		175,311	175,311
Total corporate obligations		3,182,667	3,182,667

-continued-

MERCY HOME FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 3 - INVESTMENTS (continued)

	2016		
	(Level 1)	**(Level 2)**	**Total**
Mutual funds			
Goldman Sachs High Yield	$ 1,033,911		$ 1,033,911
Total mutual funds	1,033,911		1,033,911
Common stock			
U.S. equity	3,947,966		3,947,966
Non-U.S. equity	1,159,491		1,159,491
Total common stock	5,107,457		5,107,457
Total investments reported on the fair value hierarchy	$ 6,141,368	$ 4,155,931	10,297,299
Cash and cash equivalents			315,282
Total			$ 10,612,581

The following represents the approximate distributions as a percentage of market value:

	2017	**2016**
Government and government agency obligations	37%	9%
Corporate obligations	15	30
Mutual funds	5	10
Common stock	40	48
Cash and cash equivalents	3	3
	100%	100%

Investment fees were $84,993 and $103,448 for the years ended June 30, 2017 and 2016, respectively.

-continued-

NOTE 4 - FIXED ASSETS

	2017	2016	Useful Lives
Land	$ 470,050	$ 470,050	
Building and improvements	4,934,135	5,420,223	5-15 years
Leasehold improvements	3,214,429	3,193,704	4-20 years
Furniture and equipment	1,180,406	663,876	3-5 years
	9,799,020	9,747,853	
Accumulated depreciation and amortization	(7,347,609)	(6,947,535)	
	2,451,411	2,800,318	
Construction in progress	1,084,548	1,020,317	
	$ 3,535,959	$ 3,820,635	

During the year ended June 30, 2017, Mercy Home engaged in conversations with OPWDD regarding the 4th Avenue construction project. The company temporarily halted construction on this site due to significant delays and the age of the Prior Property Agreement. Consequently, New York City Housing Preservation & Development Agency requested a modification of 4th Avenue construction project into a multi-unit affordable housing project. Mercy Home anticipates construction costs incurred to-date would have been required regardless of the nature of the housing development. As of the date these financial statements were available to be issued, the company had not yet received resolution of this matter.

Building and improvement costs of $1,448,335 as of June 30, 2017 and 2016 and associated accumulated amortization of $1,353,325 and $1,348,589 as of June 30, 2017 and 2016, respectively, are subject to capital lease agreements as described in Note 6.

-continued-

MERCY HOME FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 5 - MORTGAGES PAYABLE

First Central Savings Bank

In October of 2012, Mercy Home obtained a mortgage for $1,650,000. The mortgage bears interest at the rate of 3.00% per annum and is payable in monthly installments of principal and interest until the maturity date, which is October 2022. The properties encumbered are the Frank Keating and McGivney residences. The outstanding balance on the mortgage at June 30, 2017 and 2016 was $928,320 and $1,104,050, respectively.

	2017	2016
Total mortgages outstanding	$ 928,320	$ 1,104,050
Less current portion	(165,214)	(159,937)
Long-term portion	$ 763,106	$ 944,113

Taffee Mortgage - TD Bank

In September 2010, Mercy Home obtained two mortgages encumbered by the Taffee residence. The first mortgage, in the amount of $385,719, bears interest at 5.22% per annum. This mortgage only required interest payments through November 2015. Starting December 2015 principal and interest payments are required through October 2025. The second mortgage, in the amount of $496,505, had an interest rate of 4.18% and was payable in monthly installments of principal and interest until the maturity date, and the last payment was made in October 2015. The outstanding balances on the mortgages at June 30, 2017 and 2016 was $251,017 and $272,655, respectively.

	2017	2016
Total mortgages outstanding	$ 251,017	$ 272,655
Less current portion	(24,643)	(23,393)
Long-term portion	$ 226,374	$ 249,262

-continued-

NOTE 5 - MORTGAGES PAYABLE (continued)

Baldwin Mortgage - TD Bank

In October 2011, Mercy Home obtained two mortgages encumbered by the Baldwin residence. The first mortgage in the amount of $24,310 bore interest at 3.92% per annum and was payable in monthly installments of principal and interest until the maturity date, which was November 2016. The second mortgage in the amount of $1,019,748 bears interest at 4.76% and is payable in monthly installments of principal and interest until the maturity date, which is November 2026. The balances on the mortgages at June 30, 2017 and 2016 were $725,800 and $786,723, respectively.

	2017	2016
Total mortgages outstanding	$ 725,800	$ 786,723
Less current portion	(62,239)	(59,352)
Long-term portion	$ 663,561	$ 727,371

Combined principal payments over the next five years and thereafter are as follows:

2018	$ 252,096
2019	261,467
2020	271,208
2021	281,336
2022	291,866
Thereafter	547,164
	$ 1,905,137

The interest expense from mortgages payable was $81,563 and $174,426 for the years ended June 30, 2017 and 2016, respectively.

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NOTE 6 - CAPITAL LEASE PAYABLE

The New York City Industrial Development Agency (NYCIDA) issued Series 1999A-1 and Series 1999A-2 Bonds aggregating $550,000 maturing in 2019 with an interest rate of 6.5% and Series 2000A-1 and Series 2000A-2 Bonds aggregating $1,233,000 matured in 2015, with interest rates of 8.125% and 9.5%, respectively.

The proceeds from the bonds were deposited into bond funds held by The Bank of New York, which were used for acquisition of the leased Addeo, Chrys and dePorres facilities and debt service repayments. Mercy Home is required to maintain a debt service reserve fund which may be used to satisfy these payments, any excess funds will become unrestricted when the bonds mature. Mercy Home is required to make semiannual interest deposits into the bond funds. With respect to principal payments, Mercy Home is required to make one annual deposit of principal per the bond amortization schedules. Interest earned may be used to offset required deposits into the bond funds.

As part of the agreement with NYCIDA, Mercy Home transferred to NYCIDA the titles to the facilities. NYCIDA has leased the facilities back to Mercy Home for a term and at an amount concurrent with the bond repayment schedules. At the conclusion of the lease terms, Mercy Home has the option to purchase all of the leased property for $1.

The Bank of New York has a lien and security interest in the facility, property, equipment and furnishings, and in Mercy Home's rents and profits generated by the facility. The outstanding principal balances on the bonds at June 30, 2017 and 2016 were $90,000 and $120,000, respectively.

Future minimum lease payments are as follows:

2018	$ 46,496
2019	46,496
Less amount representing interest	(2,993)
Minimum lease payments, net of interest	$ 90,000

Interest expense on the capital lease was $2,293 and $8,640 for the years ended June 30, 2017 and 2016, respectively.

-continued-

MERCY HOME FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 7 - LOANS PAYABLE

In 2015, Mercy Home obtained financing of $3,122,000 to fund the 4th Avenue construction costs. The amount drawn down at June 30, 2017 and 2016 was $440,000. The loan bears interest at prime plus 3%, which was 7.25% and 6.50% at June 30, 2017 and 2016, respectively, and is paid quarterly. The balance of the loan as of June 30, 2017 and 2016 was $440,000. Interest of $28,560 and $9,701 was capitalized for the years ended June 30, 2017 and 2016, respectively. The loan matures on February 28, 2019.

In October 2015, Mercy Home secured a line of credit for $500,000 from Ridgewood Savings Bank. The balance as of June 30, 2017 and 2016 was $217,558 and $0, respectively. The line of credit bears interest of 5.5% annually and interest is paid monthly. The credit facility requires monthly principal payments equal to the greater of 1/24th of the outstanding principal balance or $20. The interest expense for this loan was $13,830 and $0 for the years ended June 30, 2017 and 2016, respectively.

In July 2016, Mercy Home secured a line of credit from Wells Fargo. The total available line of credit is variable and may change over time based upon fluctuations in the assessed value of the assets serving as collateral. The amount drawn down at June 30, 2017 was $307,502. The line of credit bears interest on a variable basis, with an interest rate ranging from 3.0% to 3.75% during the year ended June 30, 2017. Interest is paid monthly and interest expense for this loan was $7,502 for the year ended June 30, 2017. On July 17, 2017 Mercy Home drew down an additional $300,000 from the Wells Fargo line of credit.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2017	2016
Creative arts program	$ 1,970	$ 33,190
Employee training	25,114	20,329
Mentoring programs	24,907	117,500
Plant, Grow, Give Program	12,017	2,943
Respite programs	189,249	289,720
Scholarship fund	-	28,187
Technology	96,228	183,884
Young professional	-	6,826
For periods after June 30, 2017	5,250	-
	$ 354,735	$ 682,579

-continued-

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS (continued)

Temporarily restricted net assets were released from restrictions as follows:

	2017	2016
Creative arts program	$ 48,820	$ 87,981
Employee training	10,215	14,775
Mentoring programs	92,593	-
Plant, Grow, Give Program	2,656	70,000
Respite programs	115,471	9,074
Scholarship fund	28,187	-
Technology	87,956	42,800
Young professional	6,826	-
	$ 392,724	$ 224,630

NOTE 9 - OPERATING LEASE COMMITMENTS

Mercy Home leases various buildings for its administrative office and program sites. These noncancelable leases have various expiration dates through March 2023. Rent expense for these buildings for the years ended June 30, 2017 and 2016 was $769,572 and $588,927, respectively. Mercy Home also entered into operating lease agreements for vehicles and office equipment. Rent expense for the vehicles and equipment for the year ended June 30, 2017 was $104,862. Future minimum lease payments under these agreements with remaining terms of more than one year are as follows:

	Space	Vehicles	Office Equipment
2018	$ 695,518	$ 37,644	$ 70,913
2019	435,699	37,644	51,156
2020	305,038	34,237	39,172
2021	286,399	7,707	27,879
2022	58,606	-	15,718
Thereafter	34,778	-	3,321
	$ 1,816,038	$ 117,232	$ 208,159

-continued-

NOTE 10 - PENSION PLANS

Mercy Home's nonunion employees were covered under a pension plan through the Diocese of Brooklyn. Contributions to the pension plan are based on 7.2% of the employee's salary. Effective July 1, 2014, Mercy Home has withdrawn from participation in the Diocese of Brooklyn Pension Plan. All assets and liabilities of the plan have been transferred to the Catholic Federation of Social Services Agencies of Brooklyn and Queens for administration. Mercy Home has established a discretionary defined contribution plan for new retirement benefit accruals for future employment periods. Pension expense was $227,177 and $114,750 for the years ended June 30, 2017 and 2016, respectively.

Mercy Home's union employees are covered under a noncontributory pension plan through the 1199 Union Pension Fund. Contributions to the union pension plan are based on a percentage of covered employees' salaries, which was approximately 11% for the years ended June 30, 2017 and 2016. Pension expense was $563,341 and $591,655 for the years ended June 30, 2017 and 2016, respectively.

The following information relates to Mercy Home's union-managed pension plan:

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status	Contributions		Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
		2016	2015	Pending/ Implemented	2017	2016		
1199 SEIU Health Care Employees Pension Fund	EIN 13-3604862 Plan No. 001	Green	Green	N/A	$563,341	$591,655	No	September 30, 2018

As of the date the financial statements were issued, Form 5500 was not available for the plan year ending December 31, 2017. However, the plan was certified by its actuary to be in "green zone" status - not endangered seriously nor critically endangered, as defined in the Pension Protection Act of 2006, as of January 1, 2017 and 2016. The last 5500 that was available was for December 31, 2016.

-continued-

MERCY HOME FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 11 - CONCENTRATIONS

Financial instruments which potentially subject Mercy Home to a concentration of credit risk consist primarily of cash accounts in financial institutions which, from time to time, exceed federal insurance limits.

For the years ended June 30, 2017 and 2016, Mercy Home received substantially all of its operating revenues from Medicaid through OPWDD.

NOTE 12 - DUE TO NEW YORK STATE OPWDD

Mercy Home is responsible to report to and is regulated by various governmental third parties, among which are the Centers for Medicare and Medicaid Services (CMS) and OPWDD. These agencies, as well as the New York State Office of the Attorney General's Medicaid Fraud Control Unit (MFCU), the Internal Revenue Service, the New York State Office of the Attorney General's Charities Bureau, the New York State Department of Health's Independent Office of Medicaid Inspector General (OMIG), and other agencies have the right to audit fiscal as well as programmatic compliance, i.e., clinical documentation, among other compliance requirements. The current third-party-payor programs, including Medicaid, are based upon extremely complex laws and regulations. Noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs.

Mercy Home receives substantially all its revenues for services provided to approved participants from third-party reimbursement agencies, primarily OPWDD and Medicaid. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediary. Mercy Home has accrued $150,641 for all known retroactive adjustments as of the date of these financial statements were available to be issued. Management is not aware of any additional retroactive adjustments that would not be material to the financial position or results of operations of Mercy Home.

In 2016, OPWDD conducted an audit of Health Care Enhancement (HCE) funds that Mercy Home received relating to fiscal years 2007 through 2011. An initial report indicated a liability of $886,000. Mercy Home appealed the findings and submitted additional costs of $338,000 for review. In 2017, Mercy Home agreed to a settlement reducing the total liability to $664,566. Mercy Home recorded liabilities of $117,751 and $370,392 during the fiscal years ended June 30, 2017 and 2016, respectively, which collectively represent the total anticipated liability, net of the amount previously accrued of $176,423. As of June 30, 2017, the total remaining unpaid balance was $286,641. Mercy Home made the final payment to satisfy this liability in July 2017.

MERCY HOME FOR CHILDREN, INC.

FINANCIAL STATEMENTS
AND AUDITOR'S REPORT

JUNE 30, 2016 AND 2015

MERCY HOME FOR CHILDREN, INC.

TABLE OF CONTENTS

LOEB & TROPER LLP

Independent Auditor's Report

Board of Directors
Mercy Home for Children, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Mercy Home for Children, Inc., which comprise the balance sheet as of June 30, 2016 and 2015, 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.

Auditor's 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.

Auditors and Consultants
Serving the Health Care & Not for Profit Sectors

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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 Mercy Home for Children, Inc. as of June 30, 2016 and 2015, 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.

Loeb & Troper LLP

December 14, 2016

EXHIBIT A

MERCY HOME FOR CHILDREN, INC.

BALANCE SHEET

JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,544,272	$ 5,965,944
Investments at fair value (Note 3)	10,333,682	8,317,460
Accounts receivable - Medicaid	2,095,064	1,725,013
Contributions receivable	210,000	
Prepaid expenses and other assets	431,766	789,605
Total current assets	14,614,784	16,798,022
Other assets		
Investments at fair value (Note 3)	278,899	2,167,463
Fixed assets - net (Note 4)	3,820,635	3,425,368
Bond issuance costs	15,726	26,556
Debt service reserve fund - cash	129,639	271,485
Custodial funds - cash	155,301	157,377
Total other assets	4,400,200	6,048,249
Total assets	$ 19,014,984	$ 22,846,271

-continued-

MERCY HOME FOR CHILDREN, INC.

BALANCE SHEET

JUNE 30, 2016 AND 2015

		2016		2015
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	$	1,009,426	$	898,514
Accrued salaries payable and related payables		816,644		758,426
Mortgages payable (Note 5)		242,682		640,486
Due to New York State OPWDD		2,013,072		5,914,342
Capital lease payable (Note 6)		40,000		40,000
Loan payable (Note 7)		440,000		
Total current liabilities		4,561,824		8,251,768
Long-term liabilities				
Mortgages payable (Note 5)		1,920,746		1,889,627
Capital lease payable (Note 6)		80,000		120,000
Loan payable (Note 7)				440,000
Custodial funds (Note 2)		155,301		157,377
Total long-term liabilities		2,156,047		2,607,004
Total liabilities		6,717,871		10,858,772
Net assets (Exhibit B)				
Unrestricted		11,614,534		11,278,290
Temporarily restricted (Note 8)		682,579		709,209
Total net assets		12,297,113		11,987,499
Total liabilities and net assets	$	19,014,984	$	22,846,271

See independent auditor's report.

The accompanying notes are an integral part of these statements.

MERCY HOME FOR CHILDREN, INC. **EXHIBIT B**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2016 AND 2015

	2016			2015		
	Unrestricted	**Temporarily Restricted**	**Total**	**Unrestricted**	**Temporarily Restricted**	**Total**
Operating revenues						
Intermediate care facilities	$ 10,558,968		$ 10,558,968	$ 10,862,495		$ 10,862,495
Individualized residential alternatives	5,870,740		5,870,740	5,394,467		5,394,467
Saturday respite program	182,972		182,972	145,453		145,453
Medicaid service coordination	191,773		191,773	241,462		241,462
Day habilitation program	346,827		346,827	186,128		186,128
Net assets released from restrictions (Note 8)	224,630	$ (224,630)		184,332	$ (184,332)	
Total operating revenues	17,375,910	(224,630)	17,151,280	17,014,337	(184,332)	16,830,005
Operating expenses (Exhibit C)						
Program services						
Intermediate care facilities	9,685,815		9,685,815	10,615,598		10,615,598
Individualized residential alternatives	5,762,316		5,762,316	5,554,141		5,554,141
Saturday respite program	169,702		169,702	140,239		140,239
Mitsui & JPS creative arts program	87,982		87,982	82,823		82,823
Medicaid service coordination	237,492		237,492	234,011		234,011
Day habilitation program	236,248		236,248	165,582		165,582
Total program services	16,179,555		16,179,555	16,792,394		16,792,394
Supporting services						
Management and general	1,865,390		1,865,390	1,794,241		1,794,241
Fund raising	26,030		26,030	21,854		21,854
Total supporting services	1,891,420		1,891,420	1,816,095		1,816,095
Total operating expenses	18,070,975		18,070,975	18,608,489		18,608,489

-continued-

MERCY HOME FOR CHILDREN, INC. **EXHIBIT B**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Change in net assets from operations before prior-year rate adjustment	$ (695,065)	$ (224,630)	$ (919,695)	$ (1,594,152)	$ (184,332)	$ (1,778,484)
Prior-year revenue adjustments	(370,392)		(370,392)	191,224		191,224
Change in net assets from operations	(1,065,457)	(224,630)	(1,290,087)	(1,402,928)	(184,332)	(1,587,260)
Nonoperating revenues, expenses, gains and other support						
Interest and dividends	295,086		295,086	300,105		300,105
Unrealized loss on investments	(270,987)		(270,987)	(639,987)		(639,987)
Realized gain on investments	216,331		216,331	567,150		567,150
Grants and contributions	907,888	198,000	1,105,888	136,551	221,760	358,311
Special events revenue	219,240		219,240	410,495		410,495
Direct cost of special events	(71,814)		(71,814)	(116,747)		(116,747)
Miscellaneous	105,957		105,957	32,272		32,272
Total nonoperating revenues, expenses, gains and other support	1,401,701	198,000	1,599,701	689,839	221,760	911,599
Change in net assets (Exhibit D)	336,244	(26,630)	309,614	(713,089)	37,428	(675,661)
Net assets - beginning of year	11,278,290	709,209	11,987,499	11,991,379	671,781	12,663,160
Net assets - end of year (Exhibit A)	$ 11,614,534	$ 682,579	$ 12,297,113	$ 11,278,290	$ 709,209	$ 11,987,499

See independent auditor's report.

The accompanying notes are an integral part of these statements.

MERCY HOME FOR CHILDREN, INC. **EXHIBIT C**

STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2016 AND 2015

	2016											
	Program Services							Supporting Services				
	Intermediate Care Facilities	Individualized Residential Alternatives	Saturday Respite Program	Mitsui & JPS Creative Arts Program	Medicaid Service Coordination	Day Habilitation Program	Total	Management and General	Fund Raising	Total	Direct Cost of Special Events	Total
Salaries	$ 5,300,583	$ 3,232,392	$ 92,714	$ 12,076	$ 173,032	$ 176,350	$ 8,987,147	$ 793,733		$ 793,733		$ 9,780,880
Payroll taxes	549,180	333,588	8,958	1,249	17,478	27,775	938,228	74,680		74,680		1,012,908
Benefits	1,672,200	1,064,567	44		39,496	6,750	2,783,057	132,138		132,138		2,915,195
Total salaries and related expenses	7,521,963	4,630,547	101,716	13,325	230,006	210,875	12,708,432	1,000,551		1,000,551		13,708,983
Professional fees and contracted services	150,682	41,916	1,111	49,985	1,325	1,494	246,513	140,614		140,614		387,127
Utilities and other occupancy costs	144,331	115,012					259,343	14,449		14,449		273,792
Rent (Note 9)	473,416	25,511	12,600	22,000			533,527	55,400		55,400		588,927
Maintenance and repairs	60,630	49,112	165				109,907	38,314		38,314		148,221
Equipment	11,830	5,011			170	2,349	19,360	68,182		68,182		87,542
Employee travel	2,580	4,865	26		1,626	8	9,105	877		877		9,982
Telephone	28,670	27,334				126	56,130	23,487		23,487		79,617
Office supplies and postage	17,862	28,890			45		46,797	46,565	$ 23,800	70,365		117,162
Rental of office equipment	19,700	20,376					40,076	21,694		21,694		61,770
Medical supplies	39,338	25,437					64,775	36		36		64,811
Dues, subscriptions and conferences	441	615	193			147	1,396	33,986		33,986		35,382
Interest	24,687	158,379					183,066					183,066
Vehicle operating expenses	46,860	61,099	44,378			9,331	161,668	10,990		10,990		172,658
Staff training	5,401	3,500	107	1,508	675	93	11,284	19,427		19,427		30,711
Insurance	89,295	60,646	5,817	662	2,909	8,245	167,574	26,331		26,331		193,905
Food	214,388	109,457	1,287	163		2,297	327,592	140		140		327,732
Household supplies	75,798	41,030	16			129	116,973	490		490		117,463
Employment recruitment	6,921	1,655					8,576	131,555		131,555		140,131
Clothing	13,517	11,711					25,228					25,228
Client activities	17,847	20,186	2,196	339		1,154	41,722	913		913		42,635
Medicaid facility assessment	580,475						580,475					580,475
Depreciation and amortization	44,469	318,818			736		364,023	115,520		115,520		479,543
Real estate taxes	92,499						92,499					92,499
Event catering costs											$ 71,814	71,814
Investment fees								103,448		103,448		103,448
Miscellaneous	2,215	1,209	90				3,514	12,421	2,230	14,651		18,165
Total expenses	9,685,815	5,762,316	169,702	87,982	237,492	236,248	16,179,555	1,865,390	26,030	1,891,420	71,814	18,142,789
Less direct cost of special events											(71,814)	(71,814)
Total expenses reported by function on the statement of activities (Exhibit B)	$ 9,685,815	$ 5,762,316	$ 169,702	$ 87,982	$ 237,492	$ 236,248	$ 16,179,555	$ 1,865,390	$ 26,030	$ 1,891,420	$ -	$ 18,070,975

-continued-

MERCY HOME FOR CHILDREN, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2016 AND 2015

	2015											
	Program Services							Supporting Services				
	Intermediate Care Facilities	Individualized Residential Alternatives	Saturday Respite Program	Mitsui & JPS Creative Arts Program	Medicaid Service Coordination	Day Habilitation Program	Total	Management and General	Fund Raising	Total	Direct Cost of Special Events	Total
Salaries	$ 5,098,864	$ 3,100,919	$ 69,857	$ 12,076	$ 165,380	$ 122,317	$ 8,569,413	$ 763,997		$ 763,997		$ 9,333,410
Payroll taxes	536,819	340,810	7,339	1,273	16,504	16,719	919,464	44,862		44,862		964,326
Benefits	1,640,567	978,981	45		45,942	6,065	2,671,600	137,865		137,865		2,809,465
Total salaries and related expenses	7,276,250	4,420,710	77,241	13,349	227,826	145,101	12,160,477	946,724		946,724		13,107,201
Professional fees and contracted services	69,670	31,264	942	49,617	353	589	152,435	154,812		154,812		307,247
Utilities and other occupancy costs	121,697	95,197					216,894	24,876		24,876		241,770
Rent (Note 9)	460,696	25,358	10,500	17,333			513,887	62,167		62,167		576,054
Maintenance and repairs	83,222	71,204	108	13			154,547	35,277		35,277		189,824
Equipment	3,828	2,093					5,921	5,970		5,970		11,891
Employee travel	3,009	4,975	173		1,313		9,470	2,322		2,322		11,792
Telephone	23,336	23,612					46,948	28,555		28,555		75,503
Office supplies and postage	18,494	9,131	128			357	28,110	62,814	$ 21,854	84,668		112,778
Rental of office equipment	18,580	17,301					35,881	19,935		19,935		55,816
Medical supplies	41,017	28,252					69,269					69,269
Dues, subscriptions and conferences								63,886		63,886		63,886
Interest	32,448	85,014					117,462					117,462
Vehicle operating expenses	141,815	110,036	46,022		2,295	14,885	315,053	19,406		19,406		334,459
Staff training	2,200	2,192	24		1,022	50	5,488	9,658		9,658		15,146
Insurance	47,818	27,564	1,127	827	564	1,677	79,577	19,147		19,147		98,724
Food	247,147	118,163	2,043	216		2,278	369,847	1,108		1,108		370,955
Household supplies	84,610	56,845	37				141,492					141,492
Employment recruitment	7,705	12,978	294		25		21,002	23,242		23,242		44,244
Clothing	21,563	10,047					31,610					31,610
Client services	1,112,380						1,112,380					1,112,380
Client activities	22,287	26,820	1,491	1,468		626	52,692					52,692
Medicaid facility assessment	666,811						666,811					666,811
Depreciation and amortization	48,667	332,626			613		381,906	209,536		209,536		591,442
Real estate taxes	57,818						57,818					57,818
Event catering costs											$ 116,747	116,747
Investment fees								94,927		94,927		94,927
Miscellaneous	2,530	42,759	109			19	45,417	9,879		9,879		55,296
Total expenses	10,615,598	5,554,141	140,239	82,823	234,011	165,582	16,792,394	1,794,241	21,854	1,816,095	116,747	18,725,236
Less direct cost of special events											(116,747)	(116,747)
Total expenses reported by function on the statement of activities (Exhibit B)	$ 10,615,598	$ 5,554,141	$ 140,239	$ 82,823	$ 234,011	$ 165,582	$ 16,792,394	$ 1,794,241	$ 21,854	$ 1,816,095	$ -	$ 18,608,489

See independent auditor's report.

The accompanying notes are an integral part of these statements.

EXHIBIT D

MERCY HOME FOR CHILDREN, INC.

STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities		
Change in net assets (Exhibit B)	$ 309,614	$ (675,661)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	479,543	591,442
Net realized and unrealized loss on investments	54,656	72,837
Contributed land and building	(490,000)	
Decrease (increase) in assets		
Accounts receivable - Medicaid	(370,051)	213,983
Contributions receivable	(210,000)	
Prepaid expenses and other assets	357,839	(469,595)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	110,912	(408,520)
Accrued salaries payable and related payables	58,218	134,782
Due to New York State OPWDD	(3,901,270)	2,404,128
Net cash provided (used) by operating activities	(3,600,539)	1,863,396
Cash flows from investing activities		
Decrease in debt service reserve fund	141,846	103,977
Fixed asset acquisitions	(373,980)	(376,899)
Purchase of investments	(8,093,187)	(7,623,129)
Proceeds from sale of investments	7,910,873	7,910,873
Net cash provided (used) by investing activities	(414,448)	14,822
Cash flows from financing activities		
Proceeds from loan		440,000
Principal payments on mortgages	(366,685)	(314,605)
Principal payments on capital lease	(40,000)	(225,000)
Net cash used by financing activities	(406,685)	(99,605)
Net change in cash and cash equivalents	(4,421,672)	1,778,613
Cash and cash equivalents - beginning of year	5,965,944	4,187,331
Cash and cash equivalents - end of year	$ 1,544,272	$ 5,965,944
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 183,066	$ 117,462

See independent auditor's report.

The accompanying notes are an integral part of these statements.

NOTE 1 - NATURE OF ENTITY

Mercy Home for Children, Inc. (Mercy Home) operates group homes in Brooklyn and Queens, offers Medicaid Service Coordination, a small Day Habilitation Program for those who cannot tolerate working in larger groups, the Mercy-Mitsui Creative Arts Center, JPS Creative Arts Program and four (4) Respite programs (2 for adults and 2 for children/teens). Mercy Home was founded by the Sisters of Mercy in 1862. Thus, Mercy Home has a long history of caring for New Yorkers very much in need of nurturance and special care. Since the 1970s, the mission of Mercy Home has been to support those living with intellectual disabilities (autism, mental retardation and cerebral palsy). Prior to that, Mercy Home offered emergency placement to abused and neglected children in our residential treatment center. The change was a natural evolution, as there were more and more children with significant disabilities who needed the structure and programming we had developed for them.

It is the mission of Mercy Home to assure a quality of life for persons with developmental disabilities through the recognition of each person's inherent dignity and absolute right to a life filled with learning and love.

Mercy Home is exempt from federal income tax under Internal Revenue Code Section 501(c)(3), and is primarily funded by Medicaid through the NYS Office for People with Developmental Disabilities (OPWDD).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis of accounting.

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

Cash and cash equivalents - Cash and cash equivalents include investments in highly liquid instruments with original maturities, when acquired, of three months or less.

Investments - Investments are recorded at fair value. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' fluctuations, and that such changes could materially affect the amounts reported in the financial statements.

-continued-

MERCY HOME FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable - Mercy Home records receivables based on established third-party reimbursement rates for services provided under reimbursement agreements with third-party payors.

Contributions receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Allowance for doubtful accounts - Management determines whether an allowance for uncollectible accounts should be provided for accounts and contributions receivable. Mercy Home has determined that no allowance for uncollectible accounts receivable is necessary as of June 30, 2016 and 2015. Such estimate is based on the aged basis of its receivables, subsequent cash receipts, as well as current economic conditions and historical collection information. Interest is not charged on outstanding receivables.

Fixed assets - Fixed assets are stated at cost. Acquisitions with a cost in excess of $1,000 and an estimated useful life of greater than one year are capitalized. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is recorded on the straight-line method over the shorter of the useful life of the leasehold improvement or the term of the lease.

Bond issuance costs - The costs associated with the issuance of the New York City Industrial Development Agency Bonds have been deferred and are being amortized on the straight-line basis over the term of the bonds.

Debt service reserve fund - These amounts represent cash which is set aside under the terms of the bond agreements to be used for future debt payments.

Custodial funds - Custodial funds are held in separate bank accounts in the names of the individual consumers.

Due to New York State OPWDD - These are liabilities relating to the recoupment of Medicaid facility assessment tax and maintenance grants, as well as overpayments by OPWDD. These amounts are repaid through rate recoupments.

-continued-

MERCY HOME FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unrestricted net assets - Unrestricted net assets include funds having no restrictions as to use or purpose imposed by donors.

Temporarily restricted net assets - Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose.

Grants and contributions - Unconditional grants and contributions, including promises to give cash and other assets, are reported at fair value at the date the grant or contribution is received. The gifts are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Revenue recognition - Revenue is recorded at the estimated net realizable amounts due for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors.

Operating leases - Operating lease payments are charged to rent expense. Rent expense has been recorded on the straight-line basis over the life of the lease. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense.

Functional expenses - The costs of providing Mercy Home's services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Operating indicator - Changes in net assets from operations include all revenues and expenses for the reporting period except for investment income, grants and contributions, special events revenue, direct cost of special events and miscellaneous revenue.

Fair Value Measurements

Fair Value Measurements establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Mercy Home has the ability to access. Level 2 inputs to the valuation methodology include:

-continued-

MERCY HOME FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

Common stock - Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds - Valued at the net asset value (NAV) of shares held by Mercy Home at year end. The mutual funds are deemed to be actively traded.

Government and government agency obligations and corporate obligations - Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar securities, the security is valued under a discounted cash flows approach that maximizes observable inputs such as current yields of similar instruments but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote if available.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Mercy Home believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

-continued-

MERCY HOME FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Uncertainty in income taxes - Mercy Home has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending June 30, 2013 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through December 14, 2016, which is the date the financial statements were available to be issued.

NOTE 3 - INVESTMENTS

	2016		
	(Level 1)	**(Level 2)**	**Total**
Government and government agency obligations			
Federal Home Loan Bank bonds		$ 360,746	$ 360,746
U.S. Treasury Notes		612,518	612,518
		973,264	973,264
Corporate obligations			
Apple, Inc.		102,736	102,736
AFLAC Incorporated		106,814	106,814
American International Group		153,034	153,034
AmerisourceBergen Corp		134,075	134,075
Boeing Company		106,062	106,062
CA, Inc.		219,698	219,698
Cigna Corporation		130,859	130,859
Cisco Systems		107,899	107,899
CVS Caremark Corp.		110,648	110,648
Eaton Vance Corp.		107,342	107,342
European Investment Bank		195,402	195,402
HCP, Inc.		100,872	100,872
HSBC		134,262	134,262
Intl Bk Recon & Development		154,353	154,353
Jefferies Group		78,738	78,738
Kohl’s Group		201,260	201,260
Manitoba		152,228	152,228

-continued-

MERCY HOME FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 3 - INVESTMENTS (continued)

	2016		
	(Level 1)	**(Level 2)**	**Total**
Corporate obligations (continued)			
Omnicom Group Inc.		$ 106,446	$ 106,446
Ontario		162,971	162,971
Shell International		76,347	76,347
Starwood Hotels		108,715	108,715
Synchrony Financial		103,655	103,655
Toyota Motor Credit Corporation		152,940	152,940
Verizon Communications		175,311	175,311
		3,182,667	3,182,667
Mutual funds			
Goldman Sachs High Yield	$ 1,033,911		1,033,911
	1,033,911		1,033,911
Common stock			
U.S. equity	3,947,966		3,947,966
Non-U.S. equity	1,159,491		1,159,491
	5,107,457		5,107,457
Total investments reported on the fair value hierarchy	$ 6,141,368	$ 4,155,931	10,297,299
Cash and cash equivalents			315,282
Total			$ 10,612,581

-continued-

MERCY HOME FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 3 - INVESTMENTS (continued)

	2015		
	(Level 1)	(Level 2)	Total
Government and government agency obligations			
Federal Farm Credit Bureau		$ 255,263	$ 255,263
Federal Home Loan Bank bonds		107,807	107,807
U.S. Treasury Bonds		453,381	453,381
U.S. Treasury Notes		145,407	145,407
		961,858	961,858
Corporate obligations			
Apple, Inc.		93,770	93,770
AFLAC Incorporated		101,056	101,056
Boeing Company		97,897	97,897
Bottling Group		221,678	221,678
CA, Inc.		104,155	104,155
CBS Corporation		123,480	123,480
Cigna Corporation		108,365	108,365
Cisco Systems		109,339	109,339
CVS Caremark Corp.		67,003	67,003
DuPont		137,475	137,475
Eaton Vance Corp.		100,023	100,023
European Investment Bank		186,022	186,022
HCP, Inc.		97,900	97,900
HSBC		138,721	138,721
Jefferies Group		79,642	79,642
Manitoba		151,379	151,379
Omnicom Group Inc.		155,477	155,477
Ontario		163,881	163,881
Shell International		75,790	75,790
Starbucks Corporation		138,451	138,451
Starwood Hotels		111,882	111,882
Symantec Corp.		150,518	150,518
Synchrony Financial		100,430	100,430
Verizon Communications		164,226	164,226
Wyndham Worldwide Corporation		48,988	48,988
		3,027,548	3,027,548

-continued-

MERCY HOME FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 3 - INVESTMENTS (continued)

	2015		
	(Level 1)	**(Level 2)**	**Total**
Mutual funds			
Goldman Sachs Money Market Mutual Fund	$ 1,205,603		$ 1,205,603
	1,205,603		1,205,603
Common stock			
U.S. equity	3,968,215		3,968,215
Non-U.S. equity	1,321,699		1,321,699
	5,289,914		5,289,914
Total investments	$ 6,495,517	$ 3,989,406	$ 10,484,923

The following represents the approximate distributions as a percentage of market value:

	2016	**2015**
Government and government agency obligations	9%	9%
Corporate obligations	30	29
Mutual funds	10	12
Common stock	48	50
Cash and cash equivalents	3	
	100%	100%

Investment fees were $103,448 and $94,927 for the years ended June 30, 2016 and 2015, respectively.

-continued-

MERCY HOME FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 4 - FIXED ASSETS

	2016	2015	Useful Lives
Land	$ 470,050	$ 470,050	
Building and improvements	5,420,223	4,919,922	5-15 years
Leasehold improvements	3,193,704	3,193,704	4-20 years
Furniture and equipment	663,876	543,729	3-5 years
	9,747,853	9,127,405	
Accumulated depreciation and amortization	(6,947,535)	(6,478,822)	
	2,800,318	2,648,583	
Construction in progress	1,020,317	776,785	
	$ 3,820,635	$ 3,425,368	

The 4th Avenue construction is expected to be completed in 2017 with an estimated total cost of $3,100,000.

Building and improvement costs of $1,448,335 as of June 30, 2016 and 2015 and associated accumulated amortization of $1,348,589 and $1,271,029 as of June 30, 2016 and 2015, respectively, are subject to capital lease agreements as described in Note 6.

NOTE 5 - MORTGAGES PAYABLE

First Central Savings Bank

In October of 2012, Mercy Home obtained a mortgage for $1,650,000. The mortgage bears interest at the rate of 3.00% per annum and is payable in monthly installments of principal and interest until the maturity date, which is October 2022. The properties encumbered are the Keating and McGivney residences. The outstanding balance on the mortgage at June 30, 2016 and 2015 was $1,104,050 and $1,259,224, respectively.

	2016	2015
Total mortgages outstanding	$ 1,104,050	$ 1,259,224
Less current portion	(159,937)	(155,521)
Long-term portion	$ 944,113	$ 1,103,703

-continued-

MERCY HOME FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 5 - MORTGAGES PAYABLE (continued)

Taffee Mortgage - TD Bank

In September 2010, Mercy Home obtained two mortgages encumbered by the Taffee residence. The first mortgage, in the amount of $385,719, bears interest at 5.22% per annum. This mortgage only required interest payments through November 2015. Starting December principal and interest payments are required through October 2025. The second mortgage, in the amount of $496,505, had an interest rate of 4.18% and was payable in monthly installments of principal and interest until the maturity date, and the last payment was made in October 2015. The outstanding balances on the mortgages at June 30, 2016 and 2015 was $272,655 and $423,202, respectively.

	2016	2015
Total mortgages outstanding	$ 272,655	$ 423,202
Less current portion	(23,393)	(423,202)
Long-term portion	$ 249,262	$ -

Baldwin Mortgage - TD Bank

In October 2011, Mercy Home obtained two mortgages encumbered by the Baldwin residence. The first mortgage in the amount of $24,310 bears interest at 3.92% per annum and is payable in monthly installments of principal and interest until the maturity date, which is November 2016. The second mortgage in the amount of $1,019,748 bears interest at 4.76% and is payable in monthly installments of principal and interest until the maturity date, which is November 2026. The balances on the mortgages at June 30, 2016 and 2015 were $727,371 and $847,687, respectively.

	2016	2015
Total mortgages outstanding	$ 786,723	$ 847,687
Less current portion	(59,352)	(61,763)
Long-term portion	$ 727,371	$ 785,924

-continued-

NOTE 5 - MORTGAGES PAYABLE (continued)

Combined principal payments over the next five years and thereafter are as follows:

2017	$ 242,682
2018	243,041
2019	249,081
2020	255,422
2021	284,376
Thereafter	888,826
	$ 2,163,428

The interest expense from mortgages payable was $174,426 and $90,719 for the years ended June 30, 2016 and 2015, respectively.

NOTE 6 - CAPITAL LEASE PAYABLE

The New York City Industrial Development Agency (NYCIDA) issued Series 1999A-1 and Series 1999A-2 Bonds aggregating $550,000 maturing in 2019 with an interest rate of 6.5% and Series 2000A-1 and Series 2000A-2 Bonds aggregating $1,233,000 matured in 2015, with interest rates of 8.125% and 9.5%, respectively.

The proceeds from the bonds were deposited into bond funds held by The Bank of New York, which were used for acquisition of the leased Addeo, Chrys and dePorres facilities and debt service repayments. Mercy Home is required to make semiannual interest deposits into the bond funds. With respect to principal payments, Mercy Home is required to make one annual deposit of principal per the bond amortization schedules. Interest earned may be used to offset required deposits into the bond funds.

As part of the agreement with NYCIDA, Mercy Home transferred to NYCIDA the titles to the facilities. NYCIDA has leased the facilities back to Mercy Home for a term and at an amount concurrent with the bond repayment schedules. At the conclusion of the lease terms, Mercy Home has the option to purchase all of the leased property for $1.

The Bank of New York has a lien and security interest in the facility, property, equipment and furnishings, and in Mercy Home's rents and profits generated by the facility. The outstanding principal balances on the bonds at June 30, 2016 and 2015 were $120,000 and $160,000, respectively.

-continued-

MERCY HOME FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 6 - CAPITAL LEASE PAYABLE (continued)

Future minimum lease payments are as follows:

2017	$ 45,985
2018	45,985
2019	42,993
	134,963
Less amount representing interest	(14,963)
Present value of net minimum lease payments	120,000
Less current installment	(40,000)
Long-term portion	$ 80,000

Interest expense on the capital lease was $8,640 and $26,743 for the years ended June 30, 2016 and 2015, respectively.

NOTE 7 - LOAN PAYABLE

In 2015, Mercy Home obtained financing of $3,122,000 to fund the 4th Avenue construction costs. The amount drawn down at June 30, 2016 and 2015 was $440,000. The loan bears interest at prime plus 3%, which was 6.50% and 6.25% at June 30, 2016 and 2015, respectively, and is paid quarterly. The balance of the loan as of June 30, 2016 and 2015 was $440,000. Interest of $28,560 and $9,701 was capitalized for the years ended June 30, 2016 and 2015, respectively. The loan matures on February 24, 2017.

-continued-

MERCY HOME FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2016	2015
Creative arts program	$ 33,190	$ 68,171
Employee training	20,329	10,104
Mentoring programs	117,500	77,500
Respite programs	289,720	283,794
Scholarship fund	28,187	28,187
Technology	183,884	161,684
Young professional	6,826	6,826
Plant, Grow, Give Program	2,943	72,943
	$ 682,579	$ 709,209

Temporarily restricted net assets were released from restrictions as follows:

	2016	2015
Creative arts program	$ 87,981	$ 83,994
Employee training	14,775	
Respite programs	9,074	12,306
Workforce development		23,575
Plant, Grow, Give Program	70,000	2,642
Technology	42,800	61,815
	$ 224,630	$ 184,332

-continued-

MERCY HOME FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 9 - OPERATING LEASE COMMITMENTS

Mercy Home leases various buildings for its administrative office and program sites. These noncancelable leases have various expiration dates through March 2023. Rent expense for the years ended June 30, 2016 and 2015 was $588,927 and $576,054, respectively. Mercy Home also entered into lease agreements for vehicles and office equipment. Future minimum lease payments under these leases with remaining terms of more than one year are as follows:

	Space	Vehicles	Office Equipment
2017	$ 570,117	$ 39,645	$ 65,000
2018	405,539	29,547	60,000
2019	293,218	29,547	
2020	284,242	11,905	
2021	285,192		
Thereafter	117,501		
	$ 1,955,809	$ 110,644	$ 125,000

NOTE 10 - PENSION PLANS

Mercy Home's nonunion employees were covered under a pension plan through the Diocese of Brooklyn. Contributions to the pension plan are based on 7.2% of the employee's salary. Effective July 1 2014, Mercy Home has withdrawn from participation in the Diocese of Brooklyn Pension Plan. All assets and liabilities of the plan have been transferred to the Catholic Federation of Social Services Agencies of Brooklyn and Queens for administration. Mercy Home has established a discretionary defined contribution plan for new retirement benefit accruals for future employment periods. Pension expense was $114,750 and $101,554 for the years ended June 30, 2016 and 2015, respectively.

Mercy Home's union employees are covered under a noncontributory pension plan through the 1199 Union Pension Fund. Contributions to the union pension plan are based on a percentage of covered employees' salaries, which was approximately 11% for the years ended June 30, 2016 and 2015. Pension expense was $591,655 and $556,260 for the years ended June 30, 2016 and 2015, respectively.

-continued-

MERCY HOME FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 10 - PENSION PLANS (continued)

The following information relates to Mercy Home's union-managed pension plan:

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status	Contributions		Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
		2015	2014	Pending/ Implemented	2016	2015		
1199 SEIU Health Care Employees Pension Fund	EIN 13-3604862 Plan No. 001	Green	Green	N/A	$591,655	$556,260	No	September 30, 2018

As of the date the financial statements were issued, Form 5500 was not available for the plan year ending December 31, 2016. However, the plan was certified by its actuary to be in "green zone" status - not endangered seriously nor critically endangered, as defined in the Pension Protection Act of 2006, as of January 1, 2016 and 2015. The last 5500 that was available was for December 31, 2015.

NOTE 11 - CONCENTRATIONS

Financial instruments which potentially subject Mercy Home to a concentration of credit risk consist primarily of cash accounts in financial institutions which, from time to time, exceed federal insurance limits.

For the years ended June 30, 2016 and 2015, Mercy Home received approximately 93% and 95%, respectively, of its operating revenues from Medicaid through OPWDD.

NOTE 12 - CONTINGENCIES

Mercy Home receives substantially all its revenues for services provided to approved participants from third-party reimbursement agencies, primarily OPWDD and Medicaid. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediary. In the opinion of management, retroactive adjustments, if any, would not be material to the financial position or results of operations of Mercy Home.

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NOTE 12 - CONTINGENCIES (continued)

Mercy Home is responsible to report to and is regulated by various governmental third parties, among which are the Centers for Medicare and Medicaid Services (CMS) and OPWDD. These agencies, as well as the New York State Office of the Attorney General's Medicaid Fraud Control Unit (MFCU), the Internal Revenue Service, the New York State Office of the Attorney General's Charities Bureau, the New York State Department of Health's Independent Office of Medicaid Inspector General (OMIG), and other agencies have the right to audit fiscal as well as programmatic compliance, i.e., clinical documentation, among other compliance requirements. The current third-party-payor programs, including Medicaid, are based upon extremely complex laws and regulations. Noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs.

OPWDD is currently conducting an audit of Health Care Enhancement (HCE) funds that Mercy Home received relating to fiscal years 2007 through 2011. A draft report has been released showing a liability of $886,000. Mercy Home has appealed the findings and has submitted additional cost of $338,000 for review. Mercy Home recorded a liability of $370,392 during fiscal year ended June 30, 2016, which represents the amount net of the appealed amount and previously accrued liability of $176,423.

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APPENDIX B-IV

SERVICES FOR THE UNDERSERVED, INC.

AND

SUS-DEVELOPMENTAL DISABILITIES SERVICES, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED JUNE 30, 2018, JUNE 30, 2017 AND JUNE 30, 2016)

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Services for the UnderServed, Inc. and Affiliated Organizations

Consolidated Financial Statements
Year Ended June 30, 2018

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidated Financial Statements

Year Ended June 30, 2018

Services for the UnderServed, Inc.
and Affiliated Organizations

Contents

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Independent Auditor's Report

The Board of Directors
Services for the UnderServed, Inc.
and Affiliated Organizations
New York, New York

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Services for the UnderServed, Inc. and Affiliated Organizations (collectively SUS), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 16 to the consolidated financial statements, in fiscal year 2018, SUS adopted Accounting Standards Update (ASU) 2015-02, “Amendments to the Consolidation Analysis,” and ASU 2017-02, “Clarifying When a Not-for-Profit Entity that is a General Partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity,” which is a change in accounting principle for determining if a for-profit limited partnership or similar legal entity for which Services for the Underserved, Inc. is the general partner should be consolidated. Our opinion is not modified with respect to this matter.

BDO USA, LLP

November 29, 2018

Services for the UnderServed, Inc.
and Affiliated Organizations

Consolidated Statement of Financial Position
(in thousands)

June 30, 2018	
Assets	
Current	
Cash and cash equivalents (Note 2)	$ 19,651
Accounts receivable, net (Notes 2, 3 and 8)	44,679
Prepaid expenses and other assets (Note 4)	4,201
Total Current Assets	68,531
Assets Limited to Use (Notes 2 and 5)	19,913
Fixed Assets, Net (Notes 2, 6, 8, 9 and 11)	128,577
Total Assets	$ 217,021
Liabilities and Net Assets	
Current Liabilities	
Accounts payable and accrued expenses	$ 21,898
Accrued compensation and related taxes	9,572
Other liabilities	1,311
Deferred revenue (Notes 2 and 13)	12,304
Lines of credit (Note 8)	8,234
Due to governmental agencies (Notes 2 and 7)	6,873
Current portion of mortgages payable (Note 9)	952
Current portion of loans payable (Note 10)	879
Current portion of bonds payable (Notes 2 and 11)	1,773
Total Current Liabilities	63,796
Mortgages Payable, less current portion, net of deferred financing costs (Note 9)	70,306
Loans Payable, less current portion (Note 10)	400
Bonds Payable, less current portion, net of deferred financing cost (Note 11)	19,322
Total Liabilities	153,824
Commitments and Contingencies (Notes 2, 8, 9, 10, 11, 14, 15, 16 and 18)	
Net Assets (Note 2)	
Unrestricted	45,805
Temporarily restricted	1,602
Noncontrolling Interest in Affiliates	15,790
Total Net Assets and Noncontrolling Interest	63,197
Total Liabilities, net assets and noncontrolling interest	$ 217,021

See accompanying notes to consolidated financial statements.

Services for the UnderServed, Inc.
and Affiliated Organizations

Consolidated Statement of Activities
(in thousands)

Year ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Medicaid income	$ 81,022	$ -	$ 81,022
Government and other grants	116,625	-	116,625
Participant fees	16,994	-	16,994
Contributions	744	377	1,121
Subsidy and other income	6,037	-	6,037
Net assets released from restrictions (Note 14)	474	(474)	-
Total Revenue Before Special Events	221,896	(97)	221,799
Special Events Revenue	1,614	-	1,614
Less: direct cost to donors	(221)	-	(221)
Net Revenue from Special Events	1,393	-	1,393
Total Revenue	223,289	(97)	223,192
Expenses (Note 2)			
Program services:			
Mental Health Programs	61,041	-	61,041
Developmental Disabilities Services	70,274	-	70,274
AIDS Services	6,442	-	6,442
Urgent Housing Programs	24,767	-	24,767
Palladia	33,264	-	33,264
Housing corporations and other affiliates	3,036	-	3,036
Total Program Services	198,824	-	198,824
Supporting services:			
Management and general	18,577	-	18,577
Fundraising	548	-	548
Total Supporting Services	19,125	-	19,125
Subsidiaries' Operating Expenses	8,253	-	8,253
Total Expenses	226,202	-	226,202
Change in Net Assets	$ (2,913)	$ (97)	$ (3,010)

See accompanying notes to consolidated financial statements

Services for the UnderServed, Inc.
and Affiliated Organizations

Consolidated Statement of Changes in Net Assets
(in thousands)

Year ended June 30, 2018

	Controlling Interest			
	SUS and Affiliated Entities Unrestricted Net Assets	SUS and Affiliated Entities Temporarily Restricted Net Assets	Non-Controlling Interest	Total
Cumulative Change in Net Assets and Non-Controlling Interest, June 30, 2017 (Note 16)	$ 43,687	$ 1,699	$ 20,021	$ 65,407
Changes in net assets	(38)	(97)	(2,875)	(3,010)
Contribution	-	-	800	800
Transfer of net assets	2,156	-	(2,156)	-
Net Assets and Non-Controlling Interest, June 30, 2018	$ 45,805	$ 1,602	$ 15,790	$ 63,197

See accompanying notes to consolidated financial statements.

Services for the UnderServed, Inc.
and Affiliated Organizations

Consolidated Statement of Functional Expenses
(in thousands)

Year ended June 30 2018

	Program Services							Supporting Services				
	Mental Health Programs	Developmental Disabilities Services	AIDS Services	Urgent Housing Programs	Palladia	Housing - Corporations and Other Affiliates	Total Program Services	Management and General	Fundraising	Total Supporting Services	Subsidiaries' Operating Expenses	Total
Salaries and Related Expenses												
Salaries	$ 23,954	$ 34,149	$ 2,656	$ 7,540	$ 14,112	$ 313	$ 82,724	$ 7,081	$ 388	$ 7,469	$ 792	$ 90,985
Fringe benefits	5,441	12,641	643	1,727	3,634	92	24,178	1,213	84	1,297	216	25,691
Total Salaries and Related Expenses	29,395	46,790	3,299	9,267	17,746	405	106,902	8,294	472	8,766	1,008	116,676
Other Expenses												
Real estate and facilities	16,424	5,290	2,438	8,932	10,216	646	43,946	3,067	3	3,070	1,556	48,572
Temporary labor	1,606	8,594	39	87	153	24	10,503	366	3	369	-	10,872
Security services	2,810	128	154	3,912	1,902	-	8,906	2	-	2	-	8,908
Professional fees	2,143	548	90	83	551	-	3,415	2,826	17	2,843	66	6,324
Client services	3,191	584	49	818	403	13	5,058	-	-	-	21	5,079
Transportation	406	2,268	54	96	252	-	3,076	88	1	89	1	3,166
Supplies	650	1,049	81	447	381	37	2,645	246	2	248	35	2,928
Computer operations	430	616	22	164	212	-	1,444	1,312	12	1,324	-	2,768
Food	268	1,114	14	493	786	-	2,675	54	-	54	-	2,729
Insurance	686	822	79	193	308	12	2,100	332	1	333	103	2,536
Interest and bank charges	338	526	2	-	1	133	1,000	449	4	453	273	1,726
Staff recruitment and training	91	269	16	94	40	-	510	429	1	430	-	940
Miscellaneous	911	189	35	9	308	704	2,156	501	32	533	2,565	5,254
Bad debt expense	-	-	-	-	-	-	-	67	-	67	393	460
Total Expenses, before depreciation and amortization	59,349	68,787	6,372	24,595	33,259	1,974	194,336	18,033	548	18,581	6,021	218,938
Depreciation	1,692	1,487	70	172	5	1,062	4,488	544	-	544	2,232	7,264
Total Expenses	$ 61,041	$ 70,274	$ 6,442	$ 24,767	$ 33,264	$ 3,036	$ 198,824	$ 18,577	$ 548	$ 19,125	$ 8,253	$ 226,202

See accompanying notes to consolidated financial statements.

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidated Statement of Cash Flows (in thousands)

June 30, 2018	
Cash Flows from Operating Activities	
Change in net assets	$ (3,010)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	7,264
Interest expense	689
Provisions for bad debt	460
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(9,085)
Prepaid expenses and other assets	829
Assets for limited use	(4,186)
Due from affiliates	1,101
Increase (decrease) in:	
Accounts payable and accrued expenses	10,499
Accrued compensation and related taxes	253
Capital advance	(2,980)
Other liabilities	(94)
Deferred revenue	(1,615)
Due to governmental agencies	1,293
Net Cash Provided By Operating Activities	1,418
Cash Flows from Investing Activities	
Purchases of fixed assets	(15,150)
Net Cash Used In Investing Activities	(15,150)
Cash Flows from Financing Activities	
Payments of line of credit	(6,054)
Proceeds from line of credit	12,234
Payments of mortgage	(1,970)
Payments of loans	(1,594)
Proceeds from construction loan	11,461
Payments of bond principal	(1,707)
Proceeds from issuance of bonds (including bond premium)	11,990
Net Cash Provided By Financing Activities	24,360
Net Increase in Cash and Cash Equivalents	10,628
Cash and Cash Equivalents, beginning of year	9,023
Cash and Cash Equivalents, end of year	$ 19,651
Supplemental Disclosure of Cash Flow Information	
Cash paid for interest	$ 986
Supplemental Disclosure for Non-Cash Transactions	
Capitalized interest	$ 182
Capitalized construction cost	13,677

See accompanying notes to consolidated financial statements.

1. Nature of Organization

Services for the UnderServed, Inc. (SUS Inc.) was established in 1978 as a not for profit organization and is a leading provider of social services and housing in New York City. Together with its Affiliates, SUS Inc. works toward a city where everyone has a roof over their head, is healthy and productive and can enjoy the social connections that create a life of purpose. SUS Inc. and Affiliated Organizations (collectively SUS) are supported by various local, state and federal government entities, as well as foundations, corporations and individual donors.

The overarching vision of SUS is to deliver the same quality of services to one individual or to thousands. By delivering high quality services that address the complex circumstances of each person, SUS helps transform lives, improve neighborhoods and boost future generations.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of SUS Inc. and Affiliated Organizations, which are affiliated through common Board membership, common management and/or common ownership. All material intercompany transactions and balances have been eliminated upon consolidation.

SUS Inc. is a 501(c)(3) corporation and is the sole member of eleven affiliated 501(c)(3) entities, which operate its programs. Two of the affiliated entities are the sole shareholders of housing development fund corporations established for the purpose of developing supportive and affordable housing projects. The consolidated financial statements include the accounts of SUS Inc., the affiliated entities and the housing development fund corporation subsidiaries.

The 501(c)(3) affiliated entities are:

- SUS – Developmental Disabilities Services, Inc.
- SUS - Mental Health Programs, Inc.
- SUS - AIDS Services, Inc.
- SUS – Urgent Housing Programs, Inc.
- SUS – Home Attendant Programs, Inc.
- SUS – Home Care Services, Inc.
- SUS – Foundation, Inc.
- Palladia, Inc.
- Palladia Housing Corporation
- Palladia Year 15, Inc.
- Palladia Philanthropies, Inc.

SUS - Developmental Disabilities Services, Inc. operates the programs of SUS in intellectual/ developmental disabilities.

SUS - Mental Health Programs, Inc. operates the programs of SUS in behavioral health, Veterans' Services and housing.

SUS - AIDS Services, Inc. operates the programs of SUS in homeless and treatment services for individuals living with HIV/AIDS.

SUS - Urgent Housing Programs, Inc. operates the programs of SUS in homeless services for individuals and families.

SUS - Home Attendant Program, Inc.'s operation was discontinued. It formerly operated a home attendant program for the elderly under a funding contract with New York City Human Resources Administration. The contract terminated in March 2011, and the contract close-out provisions are in the process of being executed.

SUS - Home Care Services Inc. is dormant.

SUS Foundation, Inc. is dormant. Philanthropy and fundraising activities flow through SUS Inc. There was no activity for the year ended June 30, 2018.

Palladia, Inc. operates programs in homeless services, behavioral health and housing.

Palladia Housing Corporation owns personal and real property acquired by grant, contribution or purchase. The other property of Palladia Housing Inc. is made available to the programs operated by Palladia, Inc.

Palladia Year 15, Inc. was organized to hold the acquired interest in affordable housing projects developed under the federal low-income housing credit program. As of the acquisition date, Palladia Year 15, Inc. had no assets or liabilities and there was no activity for the year ended June 30, 2018.

Palladia Philanthropies, Inc. receives contributions and awards from foundations, individuals and the net proceeds of fundraising events. The net funds received are utilized to support the programs of Palladia, Inc. There were no fundraising events for the year ended June 30, 2018.

SUS Inc. is the sole member of SUS - Mental Health Programs Inc. which, in turn, is sole shareholder of five Housing Development Fund Corporations, as follows:

New Life Homes HDFC (NLHHDFC) was organized to own, construct and operate a 55-unit housing project providing supportive and affordable housing to low-income individuals, some of whom meet other eligibility criteria.

On June 25, 2018, NLHHDFC entered into an assignment agreement with National Equity Fund 1999 Limited Partnership and National Equity Fund 1999 Series II Limited Partnership. The assignment agreement reflects the withdrawal of National Equity Fund 1999 Limited Partnership and National Equity Fund 1999 Series II Limited Partnership, the limited partners collectively holding a 99.99% limited partnership interest in New Life Homes Limited Partnership (NLHLP), and assignment of that interest to NLHHDFC as the substitute limited partner. In addition, on the same date, the Nominee

Agreement between NLHLP and NLHHDFC was terminated, leaving full legal and beneficial ownership of the property with NLHHDFC.

Macombs Road HDFC (MRHDFC) was organized to own, construct and operate a 48-unit housing project providing supportive housing to low-income individuals, some of whom meet other eligibility criteria. MRHDFC holds all of the shares of Macombs Road Housing G.P. Inc. (MRHGP), which is the general partner of Macombs Road Housing Limited Partnership (MRHLP). MRHGP has a 0.01% interest in MRHLP, while Enterprise BB Fund I, Limited Partnership, the limited partner, has a 99.99% interest. MRHDFC has transferred beneficial ownership in the project to MRHLP.

Mother Gaston HDFC (MGHDFC) was organized to own, construct and operate a 49-unit housing project providing supportive and affordable housing to low-income individuals, some of whom meet other eligibility criteria. MGHDFC holds all of the shares of Mother Gaston Housing G.P. Inc. (MGHGP), which is the general partner of Mother Gaston Housing Limited Partnership (MGHLP). MGHGP has a 0.01% interest in MGHLP, while Richman Asset Management Inc., the limited partner, has a 99.99% interest. MGHDFC has transferred beneficial ownership in the project to MGHLP.

21 Truxton Street HDFC (TSHDFC) was organized to own, construct and operate a 48-unit housing project providing supportive housing to low-income individuals, some of whom meet other eligibility criteria. TSHDFC holds all of the shares of 21 Truxton Street G.P. Inc. (TSGP), which is the general partner of 21 Truxton Street L.P. (TSLP). TSGP has a 0.01% interest in TSLP, while Bank of America Housing Fund IX Limited Partnership, the limited partner, has a 99.99% interest. TSHDFC has transferred beneficial ownership in the project to TSLP.

Undercliff HDFC was incorporated on November 24, 2014 to purchase and develop the property located at 1434 Undercliff Avenue, Bronx, New York. On June 30, 2016, Undercliff HDFC entered into a nominee agreement with 1434 Undercliff Avenue L.P. (ULP). The nominee agreement established equitable and beneficial ownership to the L.P. Undercliff HDFC maintains fee ownership of the property. The property and related mortgage payable was transferred from Undercliff HDFC to the L.P. as of June 30, 2016.

SUS Inc. is sole member of Palladia, Inc., which, in turn, is sole shareholder of ten housing development fund corporations, as follows:

Dreitzer Housing Development Fund Corporation (DHDFC) was organized to own, construct and operate a 37-unit housing project providing permanent housing for low-income families who also meet other eligibility criteria. DHDFC transferred beneficial ownership to Dreitzer Partnership (DLP) which operates the project. DHDFC holds all of the shares of Dreitzer Corp. (DC), the general partner of DLP, which has a 0.01% interest in DLP. Pursuant to an assignment and assumption agreement dated March 2013, Palladia, Inc. acquired the 99.99% limited partnership interest in DLP from the withdrawing limited partner.

Cedar Tremont Housing Development Fund Corporation (CTHDFC) was organized to own, rehabilitate and operate a housing project providing permanent housing to low-income families who also meet other eligibility criteria. The facility houses seventeen families. CTHDFC transferred beneficial ownership to Cedar Tremont Limited Partnership (CTLP), which operates the project. CTHDFC holds all of the shares of Tremont Cedar Corp. (TCC), the general partner of CTLP, which has a 0.01% interest in CTLP. On November 24, 2014, Palladia, Inc. entered into an amended and restated agreement with CTLP. The amended agreement reflects the withdrawal of Corporate

Housing Initiatives II Limited Partnership, the limited partner holding a 99.99% limited partnership interest in CTLP, and admission of Palladia, Inc. as the substitute limited partner.

Hill Housing Development Fund Corporation (HHDFC) was organized to develop, own, construct and operate a housing project providing permanent housing to low-income individuals who also meet other eligibility criteria. The project consists of 43 studio units. HHDFC has transferred beneficial ownership of the project to Hill House Limited Partnership (HHLP), which operates the project. HHDFC holds all of the shares of Hill House Associates (HHA), the general partner of HHLP, which has a 0.01% interest in HHLP. On June 23, 2014, Palladia, Inc. entered into an amended and restated agreement with HHLP. The amended agreement reflects the withdrawal of Enterprise Housing Partners 1995 Limited Partnership, the limited partner holding a 99.99% limited partnership interest in HHLP and admission of Palladia, Inc. as the substitute limited partner.

Project Return Housing Development Fund Corporation is dormant.

Jerome Housing Development Fund Corporation (JHDFC) was organized to own, rehabilitate, and operate a 40-unit housing project providing permanent housing to low-income individuals who also meet other eligibility criteria. JHDFC has ownership of the property and controls the project.

On June 28, 2016, JHDFC entered into an assignment agreement with Corporate Housing Initiatives III Limited Partnership. The assignment agreement reflects the withdrawal of Corporate Housing Initiatives III Limited Partnership, the limited partner holding a 99.99% limited partnership interest in Jerome Court Limited Partnership, and assignment of legal and beneficial owner rights to JHDFC as the substitute limited partner.

Boston Post Road Housing Development Fund Corporation (BPRHDFC) was organized to own, rehabilitate and operate a 20-unit housing project providing permanent housing to low-income families who also meet other eligibility criteria. BPRHDFC holds all of the shares of Aegis III Development Corp. (ADC), the general partner of 1368 Boston Post Road Associates, L.P. (BPRLP), which operates the project. BPRHDFC has transferred beneficial ownership in the project to BPRLP. BPRHDFC has a 0.01% interest in BPRLP, while The Housing Outreach Fund IX, L.P. has a 99.99% interest.

Stratford Housing Development Fund Corporation (SHDFC) was organized to own, rehabilitate and operate a 60-unit housing project providing permanent housing to low-income families who meet other criteria.

On May 31, 2018, SHHDFC entered into an assignment agreement with MCDC Community Development LP II and MLL Community Development L.P. The assignment agreement reflects the withdrawal of MCDC Community Development LP II and MLL Community Development L.P., the limited partners collectively holding a 99.99% limited partnership interest in Stratford Limited Partnership (SLP), and assignment of beneficial owner rights to SHHDFC as the substitute limited partner. In addition, on the same date, the Nominee Agreement among SLP and SHHDFC was terminated, leaving full legal and beneficial ownership of the property with SHHDFC.

17th Street Housing Development Fund Corporation (17HDFC) was organized to own, rehabilitate and operate an 18-unit building providing permanent housing to low-income individuals who also meet other eligibility criteria. 17HDFC holds all of the shares of Chelsea Court Associates, Inc. (Chelsea Court), the general partner of Chelsea Limited Partnership (CLP), which operates the project. 17HDFC has transferred beneficial ownership in the project to CLP. Chelsea Court has a 0.01% interest in CLP, while the Housing Outreach Fund IX L.P. has a 99.99% interest.

Flora Vista Housing Development Fund Corporation (FVHDFC) was organized to own, construct and operate a 20-unit building providing permanent housing to low-income individuals who also meet other eligibility criteria. FVHDFC holds all of the shares of Flora Vista Development Corp. (FVDC), the general partner of Flora Vista Limited Partnership (FVLP), which operates the project. FVHDFC has transferred beneficial ownership in the project to FVLP. FVDC has a 0.01% interest in FVLP while The Housing Outreach Fund IX L.P. has a 99.99% interest.

Westchester Gardens Housing Development Fund Corporation (WGHDFC) was organized to own, construct and operate a 48-unit housing providing permanent housing to low-income individuals and families, some of whom meet other eligibility criteria. WGHDFC holds all of the shares of Westchester Gardens Associates (WGA), the general partner of Westchester Gardens L.P. (WGLP), which operates the project. WGHDFC has transferred beneficial ownership in the project to WGLP. WGA has a 0.01% interest in WGLP, while the housing fund XII Limited partnership has a 99.99% interest.

The accounts of the Housing Development Fund Corporations and the General Partnerships are included in the consolidated financial statements of SUS Inc.

Pursuant to the assignment and assumption agreements, Palladia, Inc. was substituted as the limited partner in six limited partnerships. Consequently, SUS Inc. has substantial participating rights in DHLP, CTLP, JCLP, HHLP, NLHLP and STLP. The accounts of these limited partnerships are included in the consolidated financial statements of SUS Inc.

The limited partners in the eight limited partnerships disclosed above have substantial participating rights, including participation in major decisions in the ordinary course of business. The accounts of the eight limited partnerships are included in the consolidated financial statements of SUS Inc. as Tax Credit Limited Partnerships.

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America.

Non-Controlling Interests

In accordance with ASC 810, "Consolidation," the Organization reports non-controlling interests, sometimes referred to as minority interests, as part of total net assets in the consolidated statement of financial position. Furthermore, the Organization reports the changes in net assets of both the controlling and non-controlling interests, for all periods presented, in the consolidated statement of changes in net assets.

Financial Statement Presentation

The classification of a not-for-profit organization’s net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Permanently Restricted – This class consists of net assets resulting from contributions and other inflows of assets whose use by SUS is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of SUS.

Temporarily Restricted – This class consists of net assets resulting from contributions and other inflows of assets whose use by SUS is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of SUS pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities.

Unrestricted – This class consists of the part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations. SUS breaks out the increase in net assets from acquisitions as unrestricted acquisition net assets.

As of June 30, 2018, SUS had no permanently restricted net assets.

Cash and Cash Equivalents

SUS considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Assets Limited to Use

Assets limited to use includes assets set aside by SUS for future long-term purposes, debt finances for future payout and operating and replacement reserves. These funds are carried at cost, which approximates fair value. Withdrawals of operating and replacement reserves can only be made with the prior approval from the limited partner.

Net investment income (including realized and unrealized gains on trading investments, interest and dividends) is included in the consolidated statement of activities in Subsidy and other income.

Fixed Assets

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives of the assets are as follows:

Buildings and building improvements	25-40 years
Leasehold improvements	15-25 years
Furniture and equipment	3-7 years
Vehicles	3-7 years
Computer equipment and software	3-5 years

Long-Lived and Depreciable Assets

Contracts with funding agencies generally provide that purchases of fixed assets are expensed at the time of acquisition for cost reporting and reimbursement purposes, although certain contracts contain reversion of title or similar provisions with respect to fixed assets purchased under the contract, principally in the event of early termination of the agreements or cancellation of the programs. For financial reporting purposes, such acquisitions are capitalized and depreciated over their estimated useful lives. Since the ongoing operation of SUS's programs is assumed, the resulting net assets are presented in the consolidated financial statements as unrestricted.

Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Impairment of Long-Lived Assets

SUS reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. There were no impairment losses recognized for long-lived assets as of June 30, 2018.

Revenue Recognition

Revenue from governmental grants is recognized as the expenditures for each contract are incurred. All grant monies received in excess of revenue earned are recorded as deferred revenue. Revenue from fees for service programs is recognized when earned (services are provided daily and/or monthly).

Reimbursements are subject to audit and retroactive adjustment by the respective third party fiscal intermediary. Revenue from retroactive adjustments is recognized in the year the adjustments are made.

SUS receives Supplemental Security Income (SSI) and Social Security Income (SSA) payments for some program participants. A portion of the SSI/SSA payments represents the participants' contributions toward the cost of goods and services and is recognized as revenue when received. The remaining portion of SSI/SSA represents the participants' personal allowance and is recognized as a liability due to clients.

Participant fees represent the participant's personal contribution toward the cost of goods and services SUS is allowed to charge, as regulated by federal and state law.

Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period that the related services are rendered, and adjusted in future periods, as final settlements are determined.

Rental income includes tenant payments and tenant assistance payments less rental vacancies and is recognized as rental income becomes due. Subsidy overages are recorded as liabilities until recouped. All leases between SUS and the tenants of the properties are operating leases.

Management fees include fees to administer various low-income housing tax projects. These amounts are recognized when incurred.

Contributions and Promises to Give

Contributions and promises to give are recorded as revenue at the time they are made or pledged unconditionally and supported by a written commitment. Contributions are classified as either unrestricted, temporarily restricted, or permanently restricted support.

Contributions of property and equipment are recorded at the fair market value of the property and equipment at the time of contribution.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Capitalized Financing Costs

Financing costs related to the acquisition and refinancing of bonds and mortgages have been capitalized and are being amortized on a straight-line basis over the terms of the bonds and mortgages and netted with the bonds' and mortgages' liability.

Use of Estimates

In preparing consolidated financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and revenues and expenses during the reported period. Actual results could differ from those estimates.

Concentration of Credit Risk

The financial instruments that potentially subject SUS to concentration of credit risk consist primarily of cash and cash equivalent accounts in financial institutions which, from time to time, exceed the Federal Deposit Insurance Coverage (FDIC) limit. SUS has not experienced any losses in such accounts, and management does not believe SUS is exposed to any significant credit risk on cash and cash equivalents. SUS believes it has minimal credit risk with respect to accounts and contracts receivable.

Due to Governmental Agencies

Due to governmental agencies consists of operational advances, retroactive rate adjustments and advances received from Office for People with Developmental Disabilities (OPWDD), NYC Department of Homeless Services (DHS), New York State Office of Mental Health (OMH), the New York State Department of Health (DOH) and other advances due to the New York City Human

Resources Administration (HRA). OPWDD recoups the excess advances through withholdings from Medicaid remittances over a specified period of time.

Fair Value Measurements

Generally accepted accounting principles establish a framework for measuring fair value and expand the disclosures about fair value measurements and define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or unobservable. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The standard requires that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. SUS classifies fair value balances based on the fair value hierarchy defined by Accounting Standards Codification (ASC) 820, “Fair Value Measurement,” as follows:

Level 1 – Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Valuation adjustments and block discounts are not applied to Level 1 instruments.

Level 2 – Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

Income Taxes

SUS must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained upon examination by a taxing authority. SUS does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The remaining entities have filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the remaining entities have filed Internal Revenue Service (IRS) Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended June 30, 2018, there was no interest or penalties recorded or included in the consolidated statement of activities. SUS is subject to routine audits by a taxing authority. As of June 30, 2018, SUS was not subject to any examination by a taxing authority. Management believes it is no longer subject to income tax examination for the years prior to 2015. In addition, the remaining entities have been determined by the IRS not to be a “private foundation” within the meaning of Section 509(a) of the Code. There was no unrelated business income for the year ended June 30, 2018.

The corporations whose sole function is to serve as the general partner in the limited partnerships noted in Note 2(a) are for-profit entities and are subject to federal and New York State Corporation taxes. Six of the Housing Development Fund Corporations (DHDFC, HHDFC, JHDFC, WGHDFC, NLHHDFC and SHDFC) are incorporated under New York State housing development law as not-for-profit corporations. They are subject to federal corporation taxes. None of the forgoing entities are currently active and, consequently, no federal tax liability has been provided. The remaining entities are exempt from tax as not-for-profit corporations under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, have made no provision for income taxes in the accompanying consolidated financial statements.

Certain SUS affiliated entities are for-profit entities and are subject to federal, state and local taxes. The income tax regulations associated with these entities provide that all taxes on income of the limited partnership or limited liability company are payable by the partners or members.

Deferred Revenue

Deferred revenue relates to preoperative costs through June 30, 2018 incurred by SUS to run programs and construction of new facilities. The funding source advances SUS for said costs based on a budget submitted. The final payment is based upon actual expenditures.

Functional Classification of Expenses

The cost of providing SUS's programs and other activities has been summarized on a functional basis in the consolidated statement of activities and consolidated statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited based upon predetermined allocation rates. Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of SUS. A portion of the management and general costs have been allocated to Mental Health Programs, Developmental Disabilities Services, AIDS Services, Urgent Housing Programs and Palladia in the consolidated statement of functional expenses. The amount of administrative expense allocated from management and general to the programs represents the portion of administration costs funded by SUS's contracts. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. SUS generally does not conduct its fundraising activities in conjunction with its other activities.

Allowance for Doubtful Accounts

Accounts receivable have been adjusted to the estimated amounts expected to be collected. A substantial amount of this receivable is from governmental agencies and third-party reimbursement agencies. SUS provides an allowance for doubtful accounts based upon prior experience and management’s assessment of collectability of specific accounts.

Recently Adopted Accounting Pronouncement

In February 2015, the Financial Statements Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-02, “Consolidation (Topic 810) Amendments to Consolidation Analysis.” This ASU affects reporting entities that are required to evaluate whether they should consolidate a limited partnership. This ASU is effective for public business entities for fiscal years, and for the interim periods within those fiscal years, beginning after December 15, 2015. For all other entities, the amendments in this update are effective for fiscal years beginning after December 15, 2016, and for interim periods within fiscal years beginning after December 15, 2017.

In January 2017, the FASB issued ASU 2017-02, "Clarifying When a Not-for-Profit Entity that is a General Partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity." The FASB issued this update to amend the consolidation guidance in Subtopic 958-810, "Not-for-Profit Entities – Consolidation," to clarify when a not-for-profit entity that is a general partner or a limited partner should consolidate a for-profit limited partnership or similar legal entity once the amendments in ASU 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis," become effective. SUS adopted this standard in fiscal year 2018. (See Note 16).

Accounting Pronouncements Issued but Not Yet Adopted

Presentation of Financial Statements of Not-for-Profit Entities

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

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers: Topic 606 (ASU 2010-09)," which becomes effective for nonpublic entities for annual periods beginning after December 15, 2018. It applies to organizations that have issued, or are conduit bond obligors for, securities that are traded, listed, or quoted on an exchange or public market or an over-the-counter market qualify as a public business entity under the standard and, therefore, the standard is effective for annual reporting periods beginning after December 15, 2017, and interim reporting periods within annual reporting periods beginning after December 15, 2018. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

SUS is deemed a conduit bond obligor and its bond is publicly held and, therefore, has an effective date for annual reporting periods beginning after December 15, 2017. Implementation commenced effective July 1, 2018.

(in thousands)

Accounting for Leases

In February 2016, the FASB issued ASU 2016-02, “Leases,” to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. ASU 2016-02 has an effective date for annual reporting periods beginning after December 15, 2018. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

3. Accounts Receivable, Net

Major funding types of accounts receivable, net consist of the following:

June 30, 2018	
City of New York	$ 24,395
Medicaid	13,349
Federal funding	1,875
State funding	1,196
Other sources	6,579
	47,394
Less: allowance for doubtful accounts	(2,715)
	$ 44,679

4. Prepaid Expenses and Other Assets

Prepaid expenses and other assets consists of the following:

June 30, 2018	
Security deposits	$ 2,707
Prepaid expenses	660
Dormitory Authority of the State of New York (DASNY) surplus funds	326
Other assets	508
	$ 4,201

(in thousands)

5. Assets Limited to Use

Assets limited to use consist of the following:

Restricted Cash

June 30, 2018	
Bond escrow fund	$ 4,448
Debt service reserve and restricted reserves	15,465
	$ 19,913

Debt service reserve represents funds held by OPWDD, New York State Office of Alcohol and Substance Abuse (OASAS), U.S. Bank and Bank of New York Mellon (collectively, the Trustee). These funds will be applied to the last payment required on the mortgages with the Facilities Development Corporation (FDC) and bonds due to the DASNY and NYC Industrial Development Agency (IDA). This reserve will earn interest, which will be used to offset SUS's obligations. As of June 30, 2018, the Trustee has $759 in debt service reserve.

Bond escrow fund represents funds held by Bank of New York Mellon. These funds will be applied to principal and interest payments associated with DASNY and IDA bonds. As of June 30, 2018, the Trustee has $4,448 in bond escrow funds.

Restricted deposits represent funds held due to various regulatory agreements and mortgage loan documents that require SUS to maintain certain restricted deposit accounts. The restricted deposits are funded for the purpose of paying interest, tax, insurance, principal payments and building and property replacement expenses. As of June 30, 2018, restricted reserve held was $14,706.

Investments

SUS's holdings in money market funds consist of FDIC insured investments with original maturities greater than 90 days that are carried at their aggregate market value, determined by quoted market prices, and which can be liquidated daily.

SUS's holdings in money market funds, mutual funds and US Government obligations are valued based on quoted market prices in active markets for identical assets that are readily and regularly available. The valuation of the above is based on Level 1 and Level 2 inputs within the hierarchy used in measuring fair value.

Investments in mutual funds are classified as Level 1 investments as valuations are obtained from real time quotes for transactions in active markets involving identical assets. SUS uses net asset value (NAV) as estimates of fair value as a practical expedient.

There were no changes in valuation methodologies as of June 30, 2018.

(in thousands)

The following table presents the level within the fair value hierarchy at which SUS's financial assets are measured on a recurring basis at June 30, 2018:

	Fair Value Measurement Using		
	Level 1	Level 2	Total
Assets			
Cash and money market funds	$ 13,420	$ -	$ 13,420
Mutual funds	1,074	-	1,074
U.S. government obligations	-	5,419	5,419
	$ 14,494	$ 5,419	$ 19,913

Investment income as of June 30, 2018 was $25.

6. Fixed Assets, Net

Major classes of fixed assets, net consist of the following:

June 30, 2018	
Land	$ 16,332
Building and building improvements	159,101
Leasehold improvements	5,624
Furniture and equipment	9,793
Vehicles	296
Computer equipment and software	617
Construction-in-progress*	13,859
Total Fixed Assets	205,622
Less: accumulated depreciation	(77,045)
	$ 128,577

* At June 30, 2018, the estimated cost to complete construction-in-progress, which related primarily to construction of the 1431 Undercliff Avenue, L.P. property, was $28,000.

For the year ended June 30, 2018, depreciation expense was $7,264.

7. Due to Governmental Agencies

Due to governmental agencies consists of the following:

June 30, 2018	
Due to NYC DHS	$ 3,444
Due to NYS OMH	1,711
Due to NYC HRA	906
Due to various agencies	812
	$ 6,873

8. Lines of Credit

On June 21, 2018, SUS signed new Credit Agreements with TD Bank, N.A as lead agent and Bank United in the total amount of $26,000, which is comprised of two separate revolving lines of credit, an operating line of $20,000 and a working capital line of $6,000. The revolving termination date for the agreements is June 21, 2019. At such time, the agreements are automatically extended for successive 12-month periods. SUS can elect to borrow at 5% against the operating line or at 5% for the working capital line. Pursuant to the agreement, SUS shall have a Debt Service Coverage Ratio of not less than 1.20 to 1.00 calculated as of June 30th of each year. SUS shall also maintain minimum Unrestricted Cash and Investments equal to not less than $8,000 measured semi-annually as of June 30th and December 31st of each year. SUS can borrow up to 85% of Eligible Accounts (receivables 120 days or less) from the $20,000 operating line. The term note is financed by properties owned by SUS. For fiscal year 2018, SUS met the covenant requirements. As of June 30, 2018, SUS had a balance of $8,234 and $0 for the revolving line of credit and the term loan, respectively. The current outstanding amount is collateralized by SUS net accounts receivable balance.

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(in thousands)

9. Mortgages Payable

Mortgages payable consist of the following:

Mortgage payable to DASNY - OMH, due June 1, 2019, payable in semiannual payments of $56, including interest at 6.21% per annum, secured by real estate located on St. Marks Avenue, Brooklyn, New York	$ 107
Mortgage payable to DASNY - OMH, due June 1, 2019, payable in semiannual payments of $47, including interest at 6.20% per annum, secured by real estate located on Patchen Avenue, Brooklyn, New York	90
Mortgage payable to DASNY - OMH, due December 1, 2020, payable in semiannual payments of $144, including interest at 5.58% per annum, secured by real estate located on Knickerbocker Avenue, Brooklyn, New York	663
Mortgage payable to DASNY - OMH, due June 1, 2023, payable in semiannual payments of $33, including interest at 5.40% per annum, secured by real estate located on Classon Avenue, Brooklyn, New York	287
Mortgage payable to DASNY - OMH, due June 1, 2022, payable in semiannual payments of $272, including interest at 5.27% per annum, secured by real estate located on Beach 85th Street, Queens, New York	1,938
Mortgage payable with New York Homeless Housing and Assistance Corporation (HHAC) in the original amount of $2,075. The mortgage accrues interest at 1% per annum. Both principal and interest are payable at maturity on December 4, 2027. However, if the project remains in compliance throughout the contract term with the conditions set forth by the HHAC regulatory agreement, HHAC will discharge the entire mortgage balance and accrued interest. The mortgage is collateralized by DLP's investment in real property. The accrued interest on June 30, 2018 was $381.	2,456
DLP has a second mortgage, which originated on December 4, 1997 and is held by the New York State Housing Trust Fund Corporation (HTFC) in the original amount of $2,200. The mortgage accrues interest at 1% annum. Both principal and interest are payable at maturity on June 30, 2030. The mortgage is collateralized by DLP's investment in real estate. The accrued interest on June 30, 2018 was $444.	2,644
JCLP has a mortgage that originated on June 26, 2000 with HPD in the amount of $3,862. The mortgage accrues interest at .25% per annum. Both principal and interest are payable at maturity on April 27, 2031. The mortgage is collateralized by JCLP's investment in real estate. The accrued interest on June 30, 2018 is $223.	4,085
HHLP has a mortgage that originated on January 27, 1999 and is held by the New York City Department of Housing Preservation and Development (HPD). The mortgage accrues interest at .25% per annum. Both principal and interest are payable at maturity on July 15, 2029. The mortgage is collateralized by DLP's investment in real estate. The accrued interest on June 30, 2018 was $190.	4,115
CTLP has a first mortgage, which was originated on August 29, 1996 and is held by HHAC in the original amount of $2,351. The mortgage accrues interest at 1% per annum. Both principal and interest are payable at maturity on March 21, 2026. However, if the project remains in compliance throughout the contract term with the conditions set forth by the HHAC regulatory agreement, HHAC will discharge the entire mortgage balance and accrued interest. The mortgage is collateralized by CTLP's investment in real estate. The accrued interest on June 30, 2018 was $519.	2,870
CTLP has a second mortgage, which was originated on September 4, 1996 with HHAC in the amount of $149. The mortgage accrues interest at 1% per annum. Both principal and interest are payable at maturity on March 21, 2026. However, if the project remains in compliance throughout the contract term with the conditions set forth by the HHAC regulatory agreement, HHAC will discharge the entire mortgage balance and accrued interest. The mortgage is collateralized by CTLP's investment in real estate. The accrued interest on June 30, 2018 was $33.	182

Notes to Consolidated Financial Statements (in thousands)

On February 22, 2000, the NLHLP entered into a mortgage held by the NYC Department of Housing and Prevention Development (HPD) in the amount of $4,974. The mortgage is noninterest bearing and no payments are due on the mortgage until maturity on February 22, 2030.	$ 4,951
STLP has a first mortgage, which was originated on July 25, 2000 and is held by the New York State Homeless Housing and Assistance Corporation (HHAC) in the amount of $5,070. The mortgage accrues interest at 1% per annum. Both principal and interest are payable at maturity on July 24, 2027. However, if the project re-mains in compliance throughout the contract term with the conditions set forth in the HHAC regulatory agreement, HHAC will discharge the entire mortgage balance and accrued interest. The mortgage is collateralized by the apartment complex. The accrued interest on June 30, 2018 was $819.	5,889
STLP has a second mortgage, which was originated on August 26, 2004 and is held by the New York State Housing Trust Corporation (HTFC) in the amount of $1,000. The mortgage accrues interest at 1% per annum and is payable annually. The principal is payable at maturity on August 24, 2034. However, if the project remains in compliance throughout the contract term with the conditions set forth in the HTFC regulatory agreement, HTFC will discharge the entire mortgage principal balance. The mortgage is collateralized by the apartment complex. The accrued interest on June 30, 2018 was $13.	1,013
SUS and Affiliated Entities Subtotal	31,290
WGLP has a first mortgage, which was originated on December 27, 2006 that is held by the New York State Homeless Housing and Assistance Corporation (HHAC) in the original amount of $3,600. As of June 30, 2018, WGLP has drawn down $3,573 of this amount. Interest on the mortgage accrues at 1% per annum, compounded annually. Both principal and interest are payable at maturity on December 27, 2056. However, if the project remains in compliance throughout the contract term with the conditions set forth in the HHAC regulatory agreement, HHAC will discharge the entire mortgage balance and accrued interest. The apartment complex is pledged as collateral for the mortgage. No partner is personally liable on the mortgage. Interest expense for the year ended June 30, 2018 was $39. Accrued interest as of June 30, 2018 was $374.	3,947
WGLP has a second mortgage which was originated on December 27, 2006 that is held by the New York City Housing Development Corporation (HDC) in the original amount of $1,153. The mortgage accrues interest at 1% per annum. Both principal and interest are payable at maturity on December 27, 2056. The apartment complex is pledged as collateral for the mortgage. No partner is personally liable on the mortgage. Interest expense for the year ended June 30, 2018 was $12. Accrued interest as of June 30, 2018 was $133.	1,286
CLP entered into a mortgage on July 23, 2002 with the New York City Department of Housing and Preservation Development (HPD) in the original amount of $1,585. Interest on the loan accrues at 1% per annum. Both principal and interest are payable at maturity on February 28, 2033. However, if the project remains in compliance throughout the contract term with the conditions set forth in the HPD regulatory agreement, HPD will discharge the entire mortgage balance and accrued interest. The apartment complex is pledged as collateral for the mortgage. No partner is personally liable on the mortgage. Interest expense for the year ended June 30, 2018 was $16. As of June 30, 2018, accrued interest on the mortgage was $245.	1,830
MGHLP entered into a mortgage on February 28, 2007with the New York City Department of Housing and Preservation Development (HPD) in the original amount of $5,066 or such lesser advances pursuant to a building and project loan contract. The note is non-interest bearing. The note matures on February 28, 2048, at which time any unpaid principal is due. The apartment complex is pledged as collateral for the mortgage. No partner is personally liable on the mortgage. At both June 30, 2018, $5,036 has been advanced under terms of the loan agreement.	5,036

Notes to Consolidated Financial Statements (in thousands)

MRHLP entered into a first mortgage on September 24, 2008 with Macombs Road Housing Development Fund Corporation (Macombs Road HDFC), an affiliate of the General Partner, in the original amount of $6,972 from proceeds of a building loan made by the Dormitory Authority of the State of New York, acting by and through its agent, the New York State Office of Mental Health, in the same amount. The note bears interest at a rate of .25% compounded annually and matures on September 24, 2038. At maturity, any unpaid principal and interest on the note is due. On September 24, 2008, MRHLP entered into second mortgage held by Macombs Road HDCF in the original amount of $235 from proceeds of grant program development funds from an affiliate in the same amount. The note bears interest at a rate of .25% compounded annually and matures on September 24, 2038. The note is payable from “net cash flow,” in the priority set forth in the Partnership Agreement. At maturity, any unpaid principal and interest on the note is due. The second mortgage is subordinate to the first mortgage. As of June 30, 2018, $6,881 of first mortgage proceeds and $67 of second mortgage proceeds have been released to MRHLP, of which $20 of second mortgage proceeds have been repaid. The apartment complex is pledged as collateral for the mortgages. No partner is personally liable on the mortgages. Interest expense for the year ended June 30, 2018 was $18. As of June 30, 2018, accrued interest on the mortgages was $135. The apartment complex is pledged as collateral for the mortgage.	$ 7,016
On October 1, 2002, BRLP entered into a mortgage held by the New York State Homeless Housing and Assistance Corporation (HHAC) in the original amount of $2,200. Interest on the loan accrues at 1% per annum. Both principal and interest are payable at maturity on October 1, 2032. However, if the project remains in compliance throughout the contract term with the conditions set forth in the HHAC regulatory agreement, HHAC will discharge the entire mortgage balance and accrued interest. The apartment complex is pledged as collateral for the mortgage. No partner is personally liable on the mortgage. Interest expense for the year ended June 30, 2018 was $22. As of June 30, 2018, accrued interest on the mortgage was $317.	2,517
On June 27, 2012, TLP entered into a mortgage with New York City, acting by and through the HPD in the original amount of $6,000. The loan is secured by a first deed of trust. Payments of principal and interest are deferred until the note matures on June 27, 2072. The loan does not bear interest until the conversion date, and it bears 1.00% from the conversion date until maturity. The apartment complex is pledged as collateral for the mortgage. The outstanding principal balance of the mortgage as June 30, 2018 was $6,000. The loan was converted to permanent status on December 13, 2016. Interest expense for the year ended June 30, 2018 was $63. Accrued interest as of June 30, 2018 was $63.	6,063
On September 26, 2003, FLP entered into a mortgage held by HHAC in the original amount of $1,295. Interest on the loan accrues at 1% per annum. Both principal and interest are payable at maturity on April 30, 2035. However, if the project remains in compliance throughout the contract term with the conditions set forth in the HHAC regulatory agreement, HHAC will discharge the entire mortgage balance and accrued interest. The apartment complex is pledged as collateral for the mortgage. No partner is personally liable on the mortgage. Interest expense for the year ended June 30, 2018 was $13. As of June 30, 2018, accrued interest on the mortgage was $184.	1,479
On June 20, 2016, ULP entered into construction loans/mortgages with Citibank, N.A., HPD, and the Sponsor, Services for the Underserved, Inc. When the loans are completely drawn down they will total $27,187. As of June 30, 2018, the following amounts were advanced to the Partnership under the various loans: $1,000 from Citibank for a subordinated mortgage loan, $212 from Citi Construction Loan ALA, $3,640 from Citi Construction BLA, $860 from Citi Construction Loan PLA, $8,969 from HPD, and $188 from Citibank Loaning Housing Tax Credit.	14,869
Tax Credit Limited Partnerships Subtotal	44,043
	$ 75,333

(in thousands)

Future annual mortgage principal repayments are as follows:

Year ending June 30,	
2019	$ 952
2020	795
2021	695
2022	582
2023	63
Thereafter	72,246
Total	75,333
Less: current portion	(952)
Less: financing costs	(4,075)
	$ 70,306

10. Loans Payable

Loans payable consist of the following:

In January 2018, SUS received an interest-free emergency loan from Fund for the City of New York in the amounts of $1,165. As of June 30, 2018, SUS repaid $286 of the loan.	$ 879
A promissory note payable to Carver Federal Savings Bank bears interest at 1% per annum, which represents an affordable housing program sponsor subsidy. The funds were provided to Westchester Gardens LP for purposes of building affordable housing. The note is secured by a mortgage on real estate that is owned by Westchester Gardens LP. The note will be deemed satisfied upon the expiration of fifteen (15) years, which is during 2024, if the property is maintained in accordance with the requirements of the Affordable Housing Program Regulations.	400
	$ 1,279

Future annual loan principal repayments are as follows:

Year ending June 30,	
2019	$ 879
Thereafter	400
	$ 1,279

11. Bonds Payable

DASNY

In March 2010, Services for the UnderServed – Developmental Disabilities Services, Inc. (DD) entered into a loan agreement with DASNY. Under the terms of the agreement, DASNY issued Insured Revenue Series 2010A-1 bonds in the principal amount of $3,735, which mature on July 1, 2025. DASNY also issued Series 2010A-2 bonds in the principal amount of $80, which matured on

July 1, 2012. Bond payments, including interest and principal, are required to be made monthly to The Bank of New York Mellon, which maintains a debt service reserve fund account and makes semi-annual installments on January 1 and July 1 of each year. The bonds bear interest ranging from 1.5% to 5% per annum. The principal amount outstanding at June 30, 2018 was $1,395.

In April 2012, under the terms of the agreement, DASNY issued Insured Revenue Series 2012A-1 bonds in the principal amount of $1,685 at a premium of $72. Series 2012A-1 bonds mature on July 1, 2027. Bond payments, including interest and principal, are required to be made monthly to The Bank of New York Mellon, which maintains a debt service reserve fund account and makes semi-annual installments January 1 and July 1 of each year. The Series 2012A-1 bond bears interest ranging from 3% to 5% per annum. The principal amount outstanding on the Series 2012A-1 at June 30, 2018 was $1,030. The unamortized premium on the Series 2012A-1 bonds at June 30, 2018 was $48.

On February 11, 2015, DD entered into an agreement with DASNY. Under the terms of the agreement, DASNY has issued Insured Revenue Series 2015A-1 bonds in the principal amount of $6,040 at a premium of $356, which mature July 1, 2029. DASNY also issued Series 2015A-2 bonds in the principal amount of $230, which mature on July 1, 2016. Bond payments, including interest and principal, are required to be made monthly to U.S. Bank, which maintains a debt service reserve fund account and makes annual installments on July 1 of each year. The Series 2015A-1 bonds bear interest ranging from 2% to 4% per annum. The Series 2015A-2 bonds bear interest at 1.2% per annum. The aggregate principal amount outstanding at June 30, 2018 was $4,155. The unamortized premium on the Series 2015A-1 bonds at June 30, 2018 was $190.

On November 26, 2016, DD entered into an agreement with DASNY. Under the terms of the agreement, DASNY has issued Insured Revenue Series 2016 B-1 bonds in the principal amount of $3,495 at a premium of $41, which mature on July 1, 2041. DASNY also issued Series 2015A-2 bonds in the principal amount of $135, which mature on July 1, 2019. Bond payments, including interest and principal, are required to be made monthly to U.S. Bank, which maintains a debt service reserve fund account and makes annual installments on July 1 of each year. The Series 2016B-1 bonds bear interest ranging from 3.0% to 4% per annum. The Series 2016B-2 bonds bear interest at 1.5% per annum. The aggregate principal amount outstanding at June 30, 2018 was $3,490. The unamortized premium on the Series 2016B-1 bonds at June 30, 2018 was $36.

In addition to the construction cost of the projects, bond proceeds were used to pay bond issuance costs of $630 for DASNY, which are being amortized over the lives of the bonds. At June 30, 2018, $92 of amortized bond costs is included in depreciation and amortization.

The DASNY bonds described above are conduit debt securities since they are offered by a governmental entity not for its own use, but for the use of SUS. As the conduit debt obligor, SUS is required to make all interest and principal payments as they become due. The bonds are publicly held and, therefore, have additional financial reporting requirements.

The DASNY bonds above are all secured by Pledged revenue, together with the participant's rights to receive and collect the Pledged Revenues and proceeds of the Pledges Revenues. Pledged Revenues are defined as the Public Funds (OPWDD Prior Property Approval).

SUS has met the covenant requirements of the DASNY bonds as of June 30, 2018.

Notes to Consolidated Financial Statements (in thousands)

Build NYC Resource Corporation

In June 2018, Services for the Underserved, Inc. entered into a loan agreement with Build NYC Resource Corporation (Build NYC). Under the terms of the agreement, Build NYC issued Series 2018 tax-exempt and taxable revenue bonds in the aggregate amount of $11,990. The bonds are secured by gross revenues, deposit accounts, letter-of-credit rights and equipment held by SUS. The principal amounts and maturity dates for each subseries are as follows: 2018A $2,564 maturing June 1, 2028; 2018B $4,928 maturing June 1, 2043; 2018C $1,234 maturing June 1, 2026; 2018D $2,678 maturing June 1, 2028; and 2018E $586 maturing June 1, 2028. Bond payments, including interest and principal, are required to be paid monthly to The Bank of New York Mellon, holder of the special trust Funds and Accounts. The bonds bear interest ranging from 3.99% to 5.65% per annum. The principal amount at June 30, 2018 was $11,990.

The Build NYC bonds described above are conduit debt securities since they are offered by a governmental entity not for its own use, but for the use of SUS. As the conduit debt obligor, SUS is required to make all interest and principal payments as they become due and any additional financial reporting requirements. These bonds are not traded in the public market.

Future minimum debt service payments are as follows:

Year ending June 30,	
2019	$ 1,773
2020	1,823
2021	1,709
2022	1,490
2023	1,551
Thereafter	13,989
Subtotal	22,335
Less: current portion	(1,773)
Less: financing cost	(1,240)
	$ 19,322

SUS has met the covenant requirements of the Build NYC bonds as of June 30, 2018.

12. Employee Benefit Plans

SUS established a 403(b) defined contribution plan covering all eligible employees of SUS. The pan is administered by SUS. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Employer contributions to the 403(b) plan are discretionary and may vary from year to year. There were no employer contributions to the 403(b) plan for the year ended June 30, 2018.

SUS adopted a deferred compensation retirement plan (the 457 Plan) under Section 457(b) and 457(f) of the Code. The 457 Plan is intended to provide deferred compensation for a group of SUS management employees. SUS contributed $186 to the 457 Plan for the year ended June 30, 2018.

(in thousands)

Palladia, Inc. also maintains a profit sharing plan covering all employees previously employed by Palladia, Inc. who satisfy the plan's eligibility requirements, which provide for discretionary contributions by Palladia, Inc. There were no employer contributions made for the year ended June 30, 2018.

Palladia, Inc. also has a 403(b) Tax Deferred Annuity Plan covering all employees previously employed by Palladia, Inc. Employees can elect to contribute up to the maximum amount permitted by law. There are no matching contributions by Palladia, Inc. for the year ended June 30, 2018.

13. Deferred Revenue

Deferred revenue consists of the following:

June 30, 2018	
State of New York grants and contracts	$ 8,240
City of New York grants and contracts	283
Federal government agencies	2,182
Private grants and contracts	1,599
	$ 12,304

14. Temporarily Restricted Net Assets

SUS has temporarily restricted net assets that are available for the following purposes:

June 30, 2018	
Residential services	$ 1,160
Veterans' employment and housing services	442
	$ 1,602

SUS's net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes of the veterans' employment and housing services in the amount of $474.

15. Commitments and Contingencies

Leases

SUS is obligated under various lease agreements for the use of several residential apartments, office space, equipment and vehicles. In November 2016, SUS entered into a lease for administrative space at 463 Seventh Avenue New York, NY. The lease term commenced February 1, 2017 and ends December 31, 2032. A security deposit of $860 was made by the posting of a letter of credit. SUS has the option to renew certain leases upon expiration.

(in thousands)

Rental expense was $33,598 for the year ended June 30, 2018. The minimum future annual rental payments are as follows:

Year ending June 30,	
2019	$ 18,165
2020	16,871
2021	13,235
2022	13,254
2023	10,831
Thereafter	28,700
	$ 101,056

SUS is contingently liable under certain partnership and development agreements to fund operating deficits in its housing limited partnerships. During the year ended June 30, 2018, there were no payments under these guarantees, and SUS believes any future payment is unlikely or minimal.

SUS has contracted with various agencies to provide services and receive Medicaid revenue from New York State. Reimbursements received under these contracts and payments from Medicaid are subject to audit by the funding sponsors. Upon audit, if discrepancies are discovered, SUS could be held responsible for refunding the amounts in question. It is the opinion of management that SUS has adequate reserves as of June 30, 2018 to cover liabilities from any future potential audits by government entities.

Contingency

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. Management is of the opinion that such cost disallowances, if any, will not have a material effect on SUS's consolidated financial statements.

SUS is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on SUS's consolidated financial position, results of operations, or liquidity.

16. Change in Accounting Principle

During fiscal 2018, SUS elected to adopt ASU 2015-02, "Amendments to the Consolidation Analysis" and ASU 2017-02, "Clarifying When a Not-for-Profit Entity That is a General Partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity", which is a change in accounting principle for determining if a for-profit limited partnership or similar legal entity for which SUS is the general partner should be consolidated.

Prior to the newly adopted guidance, SUS had concluded that the presumption of control by the general partner had been overcome, as it was determined that the limited partners had significant control in the partnership. As a result, the limited partnerships were not consolidated into the financial statements. ASU 2015-02, which amended the general consolidation guidance, presumed that the reporting entity would first navigate through the variable interest entity (VIE) consolidation guidance before applying the general consolidation guidance. However, not-for-profits (NFPs) are not within the scope of the VIE consolidation guidance.

(in thousands)

Subsequently, to address this issue, the FASB issued ASU 2017-02, which SUS has decided to adopt, to address the unintended outcome caused by the issuance of ASU 2015-02. The update retains the consolidation guidance that was in ASC 810-20, but allows for the use of the presumption of participating rights and substantial kick-out rights. Therefore, the NFP that are general partners would continue to be presumed to have control of a for-profit limited partnership, regardless of the extent of their ownership interest, unless the presumption is overcome. Upon reassessment of the limited partnership arrangements, the presumption of control by the general partner was not overcome, as SUS had determined that the limited partners did not have either substantive kick-out rights or participating rights. As a result, SUS has included Chelsea, LP; Flora Vista, LP; Westchester Garden, LP; Mother Gaston, LP; Macombs Road Housing, LP; 21 Truxton, LP and Undercliff, LP in its consolidated financial statements.

The following table is a summary of the net effect of the change in accounting principle on the beginning net assets:

	Services for the Underserved Affiliated Entities	Non-Controlling Interest	Total
Cumulative change in Net Assets and Non-Controlling Interest, June 30, 2017	$ 45,384	$ -	$ 45,384
Net assets transferred in due to the change in accounting principle	2	20,021	20,023
Cumulative Change in Net Assets and Non-Controlling Interest, June 30, 2017	$ 45,386	$ 20,021	$ 65,407

(in thousands)

The effect of SUS consolidated financial position reported in the previously issued June 30, 2017 consolidated financial statements is summarized as follows:

June 30, 2018

	As Previously Reported	Adjustments	Eliminations	Total
Cash and cash equivalents	$ 6,715	$ 2,308	$ -	$ 9,023
Accounts receivable, net	37,694	543	-	38,237
Prepaid expenses and other assets	4,632	428		5,060
Due from affiliates, net	6,700	2,115	(2,041)	6,774
Assets Limited to Use	7,189	8,537	-	15,726
Investments in limited partnerships	1,165	-	-	1,165
Fixed assets, net	63,284	54,733	-	118,017
Accounts payable and accrued expenses	4,573	3,835	-	8,408
Accrued compensation and related taxes	9,291	-	-	9,291
Other liabilities	1,102	179	-	1,281
Deferred revenue	16,758	-	-	16,758
Lines of Credit	2,053	-	-	2,053
Due to governmental agencies	2,697	38	-	2,735
Capital advances from funding sources	2,980	-	-	2,980
Due to affiliates	9,776	2,041	(2,041)	9,776
Mortgages payable, Less Current Portion, Net of Deferred Financing Cost (Note 9)	20,274	42,549	-	62,823
Loans Payable, Less Current Portion (Note 10)	1,679	-	-	1,679
Bonds payable, Less Current Portion, Net of Deferred Financing Cost (Note 11)	10,812	-	-	10,812

17. Subsequent Events

SUS has evaluated subsequent events through November 29, 2018, which is the date these consolidated financial statements were available to be issued, and there were no additional subsequent events requiring adjustments to the consolidated financial statements or disclosure as stated therein.

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Services for the UnderServed, Inc. and Affiliated Organizations

Consolidated Financial Statements and Supplementary Information
Year Ended June 30, 2017

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidated Financial Statements and Supplementary Information

Year Ended June 30, 2017

Contents

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Independent Auditor's Report

To the Board of Directors
Services for the UnderServed, Inc.
and Affiliated Organizations
New York, New York

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Services for the UnderServed, Inc. and Affiliated Organizations ("SUS"), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Services for the UnderServed, Inc. and Affiliated Organizations as of June 30, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Services for the UnderServed, Inc. and Affiliated Organizations' 2016 consolidated financial statements and our report, dated November 30, 2016, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Our audit of the consolidated financial statements was conducted for the purpose of forming an opinion on those consolidated statements as a whole. The accompanying consolidating schedules of financial position and activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the 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.

BDO USA, LLP

December 1, 2017

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidated Statement of Financial Position
(with comparative totals for 2016)
(in thousands)

June 30,	**2017**	2016
Assets		
Current:		
Cash and cash equivalents (Note 2)	**$ 6,715**	$ 13,014
Accounts receivable, net (Notes 2, 3 and 8)	**37,694**	40,710
Prepaid expenses and other assets (Note 4)	**4,632**	3,105
Total Current Assets	**49,041**	56,829
Due From Affiliates, Net (Note 12)	**6,700**	2,377
Assets Limited to Use (Notes 2 and 5)	**7,189**	6,332
Investments in Limited Partnerships at Cost (Note 2)	**1,165**	1,165
Fixed Assets, Net (Notes 2, 6, 8, 9 and 11)	**63,284**	63,702
Total Assets	**$127,379**	$130,405
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 4,573**	$ 9,786
Accrued compensation and related taxes	**9,291**	9,441
Other liabilities	**397**	600
Deferred revenue (Notes 2 and 14)	**16,758**	19,596
Lines of credit (Note 8)	**2,053**	13,055
Due to governmental agencies (Notes 2 and 8)	**2,697**	3,140
Current portion of mortgages payable (Note 9)	**1,079**	1,438
Current portion of loans payable (Note 10)	**1,279**	250
Current portion of bonds payable (Notes 2 and 11)	**1,045**	1,195
Total Current Liabilities	**39,172**	58,501
Other Long-Term Liabilities	**705**	-
Capital Advances From Funding Sources (Notes 2 and 16)	**2,980**	2,795
Due to Affiliates (Note 12)	**9,776**	2,604
Mortgages Payable, Less Current Portion, Net of Deferred Financing Cost (Note 9)	**19,195**	20,025
Loans Payable, Less Current Portion (Note 10)	**400**	400
Bonds Payable, Less Current Portion, Net of Deferred Financing Cost (Note 11)	**9,767**	9,680
Total Liabilities	**81,995**	94,005
Commitments and Contingencies (Notes 8, 9, 10, 11, 13, 14 and 16)		
Net Assets (Note 2):		
Unrestricted – operating	**35,185**	26,201
Unrestricted – acquisition	**8,500**	8,500
Total Unrestricted Net Assets	**43,685**	34,701
Temporarily restricted (Note 15)	**1,699**	1,699
Total Net Assets	**45,384**	36,400
Total Liabilities and Net Assets	**$127,379**	$130,405

See accompanying notes to consolidated financial statements.

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidated Statement of Activities
(with comparative totals for 2016)
(in thousands)

Year ended June 30,

	Unrestricted	Temporarily Restricted	2017	2016
Public Support and Revenue:				
Medicaid income	$ 71,111	$ -	**$ 71,111**	$ 64,172
Contract revenue	94,679	-	**94,679**	101,673
Rental income	2,168	-	**2,168**	1,223
Participant fees	12,270	-	**12,270**	10,580
Contributions	385	245	**630**	748
Special events:				
Gross receipts	865	-	**865**	764
Less: Cost of special events	(243)	-	**(243)**	(291)
Management fees (Note 12)	823	-	**823**	1,199
Other income	3,440	-	**3,440**	2,406
Net assets released from restrictions (Note 15)	245	(245)	**-**	-
Total Public Support and Revenue	185,743	-	**185,743**	182,474
Expenses (Note 2):				
Program services:				
SUS - Mental Health Programs, Inc.	55,224	-	**55,224**	51,622
SUS - Developmental Disabilities Services, Inc.	59,220	-	**59,220**	50,943
SUS - AIDS Services, Inc.	6,512	-	**6,512**	5,854
SUS - Urgent Housing Programs, Inc.	15,323	-	**15,323**	15,428
SUS - Palladia Inc.	34,923	-	**34,923**	41,458
Total Program Services	171,202	-	**171,202**	165,305
Supporting services:				
Fundraising	698	-	**698**	291
Management and general	16,593	-	**16,593**	14,938
Total Supporting Services	17,291	-	**17,291**	15,229
Total Expenses	188,493	-	**188,493**	180,534
(Deficiency) Excess of Public Support and Revenues Over Expenses Before Other Changes	(2,750)		**(2,750)**	1,940
Other Changes:				
Expense - Home Attendant Program, Inc.	-	-	**-**	(57)
Transfer to funding sources	-	-	**-**	57
Gain on sale of property (Note 18)	11,734	-	**11,734**	-
Change in Net Assets Before Transfer of Net Assets	8,984	-	**8,984**	1,940
Transfer of Net Assets	-	-	**-**	(411)
Net Assets, Beginning of Year	34,701	1,699	**36,400**	34,871
Net Assets, End of Year	**$ 43,685**	**$1,699**	**$ 45,384**	$ 36,400

See accompanying notes to consolidated financial statements.

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidated Statement of Functional Expenses
(with comparative totals for 2016)
(in thousands)

Year ended June 30,

	Program Services						Supporting Services			Total	
	SUS – Mental Health Programs, Inc.	SUS – Developmental Disabilities Services, Inc.	SUS – AIDS Services, Inc.	SUS – Urgent Housing Programs, Inc.	SUS- Palladia, Inc.	Total Program Services	Fundraising	Management and General	Total Supporting Services	**2017**	2016
Salaries and Related Expenses:											
Salaries	$19,298	$30,502	$2,559	$ 5,017	$14,945	$ 72,321	$ 66	$ 1,038	$ 1,104	**$ 73,425**	$ 73,556
Fringe benefits	4,627	9,233	595	1,134	3,615	19,204	9	132	141	**19,345**	19,660
Total Salaries and Related Expenses	23,925	39,735	3,154	6,151	18,560	91,525	75	1,170	1,245	**92,770**	93,216
Other Expenses:											
Client incidentals and services	3,183	1,070	88	160	2,016	6,517	-	217	217	**6,734**	7,937
Computer operations	841	448	67	98	248	1,702	1	279	280	**1,982**	2,021
Food	286	1,087	8	415	917	2,713	-	4	4	**2,717**	2,960
Insurance	192	384	27	66	108	777	1	154	155	**932**	1,022
Interest and bank charges	347	380	13	44	89	873	-	401	401	**1,274**	1,243
Miscellaneous	2,815	2,195	431	311	765	6,517	478	7,728	8,206	**14,723**	6,844
Professional fees and staffing	4,165	4,972	95	1,679	1,324	12,235	135	2,059	2,194	**14,429**	5,145
Real estate and facilities	16,670	4,399	2,368	5,213	10,378	39,028	1	2,273	2,274	**41,302**	35,301
Security services	623	-	64	868	-	1,555	-	-	-	**1,555**	6,120
Supplies	122	118	26	22	122	410	-	260	260	**670**	847
Temporary labor	44	286	-	-	-	330	-	9	9	**339**	8,976
Transportation	554	2,657	90	145	393	3,839	7	241	248	**4,087**	4,052
Bad debt expense	-	-	9	-	-	9	-	143	143	**152**	946
Total Expenses Before Depreciation and Amortization	53,767	57,731	6,440	15,172	34,920	168,030	698	14,938	15,636	**183,666**	176,630
Depreciation and Amortization	1,457	1,489	72	151	3	3,172	-	1,655	1,655	**4,827**	3,904
Total Expenses	**$55,224**	**$59,220**	**$6,512**	**$15,323**	**$34,923**	**$171,202**	**$698**	**$16,593**	**$17,291**	**$188,493**	$180,534

See accompanying notes to consolidated financial statements.

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidated Statement of Cash Flows
(with comparative totals for 2016)
(in thousands)

Year ended June 30,	**2017**	2016
Cash Flows From Operating Activities:		
Change in net assets	**$ 8,984**	$ 1,940
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	**4,529**	3,833
Amortization	**298**	71
Gain on sale of property	**(11,734)**	-
Loss on disposal of fixed assets	**-**	167
Provisions for bad debt	**152**	946
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	**2,864**	(12,618)
Prepaid expenses and other assets	**(1,527)**	(44)
Due from affiliates	**(4,323)**	66
Increase (decrease) in:		
Accounts payable and accrued expenses	**(5,213)**	(2,638)
Accrued compensation and related taxes	**(150)**	3,126
Due to affiliates	**7,172**	(1,152)
Other liabilities	**502**	(6,133)
Deferred revenue	**(2,838)**	10,151
Due to governmental agencies	**(443)**	(1,531)
Net Cash Used In Operating Activities	**(1,727)**	(3,816)
Cash Flows From Investing Activities:		
Cash acquired from transfer in	**-**	563
Purchases of fixed assets	**(7,127)**	(6,559)
Proceeds from sale of office space	**13,563**	-
Net Cash Provided By (Used In) Investing Activities	**6,436**	(5,996)
Cash Flows From Financing Activities:		
Change in assets limited to use	**(857)**	761
Payments of line of credit	**(13,055)**	-
Proceeds from line of credit	**2,053**	13,055
Payments of mortgages payable	**(2,441)**	(759)
Payments of loans	**-**	(500)
Proceeds from loans	**1,214**	-
Payments of bond principal	**(1,552)**	(1,694)
Proceeds from issuance of bonds (including bond premium)	**3,630**	-
Net Cash (Used In) Provided By Financing Activities	**(11,008)**	10,863
Net (Decrease) Increase in Cash and Cash Equivalents	**(6,299)**	1,051
Cash and Cash Equivalents, Beginning of Year	**13,014**	11,963
Cash and Cash Equivalents, End of Year	**$ 6,715**	$ 13,014
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	**$ 578**	$ 836

See accompanying notes to consolidated financial statements.

1. Nature of Organization

Services for the UnderServed, Inc. ("SUS Inc.") was established in 1978 as a not for profit organization and is a leading provider of social services and housing in New York City. Together with its affiliates, SUS Inc. works toward a city where everyone has a roof over their head, is healthy and productive and can enjoy the social connections that create a life of purpose. SUS Inc. and affiliated organizations ("SUS") are supported by various local, state and federal government entities as well as foundations, corporations and individual donors.

The overarching vision of SUS is to deliver the same quality of services to one individual or to thousands. By delivering high quality services that address the complex circumstances of each person, SUS helps transform lives, improve neighborhoods and boost future generations.

SUS' Intellectual/Developmental Disabilities Services support people to:

- Live and receive services in the community of their choice.
- Build and enjoy social connections through productive community participation.
- Deepen relationships with friends, family and others in their lives.
- Direct their own lives and experience life to its fullest potential.

SUS' Homeless Services support individuals and families through:

- Anti-eviction assistance.
- Pathways to housing and employment.
- Case management for people living on the streets.

SUS' Housing Services are committed to providing:

- Transitional and permanent housing for adults in recovery from mental illness, or with substance abuse challenges, or living with HIV/AIDS.
- Safe environments that promote independent living.
- Support and tools to move beyond diagnosis and stigma.
- A steady and growing pipeline of permanent low-income housing.

SUS' Behavioral Health Services are comprehensive and:

- Are offered in a manner that is respectful and highly supportive.
- Acknowledge the informed choice of each individual.
- Are grounded in evidence-based practice.
- Are delivered through in-patient, outpatient and community based settings.

SUS' Veterans Services address the challenge of re-integration and suicide risk due to:

- The effects of chronic homelessness and unemployment.
- Untreated post-traumatic stress syndrome.
- Disconnection from families and social supports.

SUS' Urban Farms Program has:

- More than 20 growing spaces including seven community farms.
- An annual yield that includes fruits, vegetables, herbs and mushrooms, along with honey from beekeeping.

These services are summed up as "Opportunity for All".

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of SUS Inc. and affiliated organizations which are affiliated through common Board membership, common management and/or common ownership. All material intercompany transactions and balances have been eliminated.

SUS Inc. is a 501(c)(3) corporation and is the sole member of eleven affiliated 501(c)(3) entities which operate its programs. Two of the affiliated entities are the sole shareholders of housing development fund corporations established for the purpose of developing supportive and affordable housing projects. The consolidated financial statements include the accounts of SUS Inc., the affiliated entities and the housing development fund corporation subsidiaries.

The 501(c)(3) affiliated entities are:

- SUS – Developmental Disabilities Services, Inc.
- SUS - Mental Health Programs, Inc.
- SUS - AIDS Services, Inc.
- SUS – Urgent Housing, Inc.
- SUS – Home Attendant Program, Inc.- discontinued operation
- SUS – Home Care Services, Inc.
- SUS – Foundation Inc. – No activity for the year ended June 30, 2017

On December 4, 2014, SUS Inc. entered into a membership transaction and became sole member of Palladia, Inc. and several Palladia Affiliates (collectively "Palladia"). The programs of SUS Inc. and Palladia are complimentary and, after the acquisition, the operations of SUS Inc. and Palladia were integrated. SUS Inc. became the sole member of the following 501(c)(3) entities:

- Palladia, Inc.
- Palladia Housing Corporation
- Palladia Year 15, Inc.
- Palladia Philanthropies, Inc.

SUS - Developmental Disabilities Services, Inc. operates the programs of SUS in intellectual/ developmental disabilities.

SUS - Mental Health Programs, Inc. operates the programs of SUS in behavioral health, Veterans' Services and housing.

SUS - AIDS Services Inc. operates the programs of SUS in homeless and treatment services for individuals living with HIV/AIDS.

SUS - Urgent Housing Inc. operates the programs of SUS in homeless services for individuals and families.

SUS - Home Attendant Program, Inc.'s operation was discontinued. It formerly operated a home attendant program for the elderly under a funding contract with New York City Human Resources Administration. The contract terminated in March 2011 and the contract close-out provisions are in the process of being executed.

SUS - Home Care Services Inc. is dormant.

SUS Foundation Inc. is dormant. Philanthropy and fundraising activities flow through SUS, Inc.

Palladia Inc. operates programs in homeless services, behavioral health and housing.

Palladia Housing Corporation owns personal and real property acquired by grant, contribution or purchase. The other property of Palladia Housing Inc. is made available to the programs operated by Palladia Inc.

Palladia Year 15, Inc. was organized to hold the acquired interest in affordable housing projects developed under the Federal low income housing credit program. As of the acquisition date, Palladia Year 15, Inc. had no assets or liabilities and there was no activity for the year ended June 30, 2017.

Palladia Philanthropies, Inc. receives contributions and awards from foundations, individuals and the net proceeds of fundraising events. The net funds received are utilized to support the programs of Palladia Inc. There were no fundraising events for the year ended June 30, 2017.

SUS Inc. is the sole member of SUS - Mental Health Programs Inc. which, in turn, is sole shareholder of five Housing Development Fund Corporations as follows:

New Life Homes HDFC ("NLHHDFC") was organized to own, construct and operate a 55-unit housing project providing supportive and affordable housing to low-income individuals some of whom meet other eligibility criteria. NLHHDFC holds all of the shares of New Life Homes Inc. which is the general partner of New Life Homes Limited Partnership ("NLHLP"). New Life Homes Inc. has a 0.01% interest in NLHLP while National Equity Find – 1999 Limited Partnership, the limited partner, has a 99.99% interest. NLHHDFC has transferred beneficial ownership in the project to NLHLP.

Macombs Road HDFC ("MRHDFC") was organized to own, construct and operate a 48-unit housing project providing supportive housing to low-income individuals some of whom meet other eligibility criteria. MRHDFC holds all of the shares of Macombs Road Housing G.P. Inc. ("MRHGP") which is the general partner of Macombs Road Housing Limited Partnership ("MRHLP"). MRHGP has a 0.01% interest in MRHLP while Enterprise BB Fund I, Limited Partnership, the limited partner, has a 99.99% interest. MRHDFC has transferred beneficial ownership in the project to MRHLP.

Mother Gaston HDFC ("MGHDFC") was organized to own, construct and operate a 49-unit housing project providing supportive and affordable housing to low-income individuals some of whom meet other eligibility criteria. MGHDFC holds all of the shares of Mother Gaston Housing G.P. Inc. ("MGHGP") which is the general partner of Mother Gaston Housing Limited Partnership ("MGHLP"). MGHGP has a 0.01% interest in MGHLP while Richman Asset Management Inc., the limited partner, has a 99.99% interest. MGHDFC has transferred beneficial ownership in the project to MGHLP.

21 Truxton Street HDFC ("TSHDFC") was organized to own, construct and operate a 48-unit housing project providing supportive housing to low-income individuals some of whom meet other eligibility criteria. TSHDFC holds all of the shares of 21 Truxton Street G.P. Inc. ("TSGP") which is the general partner of 21 Truxton Street L.P. ("TSLP"). TSGP has a 0.01% interest in TSLP while Bank of America Housing Fund IX Limited Partnership, the limited partner, has a 99.99% interest. TSHDFC has transferred beneficial ownership in the project to TSLP.

Undercliff HDFC was incorporated on November 24, 2014 to purchase and develop the property located at 1434 Undercliff Avenue, Bronx, New York. On June 30, 2016, SUS Undercliff HDFC entered into a nominee agreement with 1434 Undercliff Avenue L.P. (the "L.P."). The nominee agreement established equitable and beneficial ownership to the L.P. SUS Undercliff HDFC maintains fee ownership of the property. The property and related mortgage payable was transferred from Undercliff HDFC to the L.P. as of June 30, 2016.

SUS Inc. is sole member of Palladia Inc. which, in turn, is sole shareholder of ten housing development fund corporations as follows:

Dreitzer Housing Development Fund Corporation ("DHDFC") was organized to own, construct and operate a 37-unit housing project providing permanent housing for low-income families who also meet other eligibility criteria. DHDFC transferred beneficial ownership to Dreitzer Partnership ("DLP") which operates the project. DHDFC holds all of the shares of Dreitzer Corp. ("DC"), the general partner of DLP, which has a 0.01% interest in DLP. Pursuant to an assignment and assumption agreement dated March 2013, Palladia, Inc. acquired the 99.99% limited partnership interest in DLP from the withdrawing limited partner.

Cedar Tremont Housing Development Fund Corporation ("CTHDFC") was organized to own, rehabilitate and operate a housing project providing permanent housing to low-income families who also meet other eligibility criteria. The facility houses seventeen families. CTHDFC transferred beneficial ownership to Cedar Tremont Limited Partnership ("CTLP") which operates the project. CTHDFC holds all of the shares of Tremont Cedar Corp. ("TCC"), the general partner of CTLP, which has a 0.01% interest in CTLP. On November 24, 2014, Palladia, Inc. entered into an amended and restated agreement with CTLP. The amended agreement reflects the withdrawal of Corporate Housing Initiatives II Limited Partnership, the limited partner holding a 99.99% limited partnership interest in CTLP, and admission of Palladia Inc. as the substitute limited partner.

Hill Housing Development Fund Corporation ("HHDFC") was organized to develop, own, construct and operate a housing project providing permanent housing to low-income individuals who also meet other eligibility criteria. The project consists of 43 studio units. HHDFC has transferred beneficial ownership of the project to HHLP which operates the project. HHDFC holds all of the shares of Hill House Associates ("HHA"), the general partner of HHLP, which has a 0.01% interest in HHLP. On June 23, 2014, Palladia Inc. entered into an amended and restated agreement with HHLP. The amended agreement reflects the withdrawal of Enterprise Housing Partners 1995 Limited Partnership, the limited partner holding a 99.99% limited partnership interest in HHLP and admission of Palladia Inc. as the substitute limited partner.

Project Return Housing Development Fund Corporation is dormant.

Jerome Housing Development Fund Corporation ("JHDFC") was organized to own, rehabilitate, and operate a 40-unit housing project providing permanent housing to low-income individuals who also meet other eligibility criteria. JHDFC has ownership of the property and controls the project.

On June 28, 2016, JHDFC entered into an assignment agreement with Corporate Housing Initiatives III Limited Partnership. The assignment agreement reflects the withdrawal of Corporate Housing Initiatives III Limited Partnership, the limited partner holding a 99.99% limited partnership interest in Jerome Court Limited Partnership, and assignment of legal and beneficial owner rights to JHDFC as the substitute limited partner.

Boston Post Road Housing Development Fund Corporation ("BPRHDFC") was organized to own, rehabilitate and operate a 20-unit housing project providing permanent housing to low-income families and who also meet other eligibility criteria. BPRHDFC holds all of the shares of Aegis III Development Corp. ("ADC"), the general partner of 1368 Boston Post Road Associates, L.P. ("BPRLP"), which operates the project. BPRHDFC has transferred beneficial ownership in the project to BPRLP. BPRHDFC has a 0.01% interest in BPRLP while The Housing Outreach Fund IX, L.P. has a 99.99% interest.

Stratford Housing Development Fund Corporation ("SHDFC") was organized to own, rehabilitate and operate a 60-unit housing project providing permanent housing to low-income families who meet other criteria. SHDFC holds all of the shares of 1168 Stratford Corporation ("1168"), the general partner of Stratford Limited Partnership ("SLP"), which operates the project. SHDFC has transferred beneficial ownership in the project to SLP. 1168 has a 0.01% interest in SLP while MCDC Community Development LP II has a 49.995% interest and MLL Community Development L.P. also has a 49.995% interest.

17th Street Housing Development Fund Corporation ("17HDFC") was organized to own, rehabilitate and operate an 18-unit building providing permanent housing to low-income individuals and who also meet other eligibility criteria. 17HDFC holds all of the shares of Chelsea Court Associates, Inc. ("Chelsea Court"), the general partner of Chelsea Limited Partnership ("CLP"), which operates the project. 17HDFC has transferred beneficial ownership in the project to CLP. Chelsea Court has a 0.01% interest in CLP while the Housing Outreach Fund IX L.P. has a 99.99% interest.

Flora Vista Housing Development Fund Corporation ("FVHDFC") was organized to own, construct and operate a 20-unit building providing permanent housing to low-income individuals and who also meet other eligibility criteria. FVHDFC holds all of the shares of Flora Vista Development Corp. ("FVDC"), the general partner of Flora Vista Limited Partnership ("FVLP"), which operates the project. FVHDFC has transferred beneficial ownership in the project to FVLP. FVDC has a 0.01% interest in FVLP while The Housing Outreach Fund IX L.P. has a 99.99% interest.

Westchester Gardens Housing Development Fund Corporation ("WGHDFC") was organized to own, construct and operate a 48-unit housing providing permanent housing to low-income individuals and families, some of whom meet other eligibility criteria. WGHDFC holds all of the shares of Westchester Gardens Associates ("WGA"), the general partner of Westchester Gardens L.P. ("WGLP"), which operates the project. WGHDFC has transferred beneficial ownership in the project to WGLP. WGA has a 0.01% interest in WGLP while the housing fund XII Limited partnership has a 99.99% interest.

The accounts of the Housing Development Fund Corporations and the General Partnerships are included in the consolidating financial statements of SUS Inc.

Pursuant to the assignment and assumption agreements, Palladia, Inc. was substituted as the limited partner in four limited partnerships. Consequently, SUS Inc. has substantial participating rights in DHLP, CTLP, JCLP and HHLP and the accounts of these limited partnerships are included in the consolidated financial statements of SUS Inc.

The limited partners in ten limited partnerships disclosed above have substantial participating rights, including participation in major decisions in the ordinary course of business. The accounts of the ten limited partnerships are not included in the consolidated financial statements of SUS Inc.

Summarized schedules of financial position, activities and cash flow are included in the supplementary information marked “unaudited”.

(b) Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America.

(c) Financial Statement Presentation

The classification of a not-for-profit organization’s net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

(i) **Permanently Restricted** – Net assets resulting from contributions and other inflows of assets whose use by SUS is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of SUS.

(ii) **Temporarily Restricted** – Net assets resulting from contributions and other inflows of assets whose use by SUS is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of SUS pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities.

(iii) **Unrestricted** – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations. SUS breaks out the increase in net assets from acquisitions as unrestricted acquisition net assets.

As of June 30, 2017, SUS had no permanently restricted net assets.

(d) Cash and Cash Equivalents

SUS considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

(e) Assets Limited to Use

Assets limited to use include assets set aside by SUS for future long-term purposes and debt finances for future payout.

Net investment income (including realized and unrealized gains on trading investments, interest and dividends) is included in the consolidated statement of activities in “Other Income”.

(f) Fixed Assets

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives of the assets are as follows:

Buildings and building improvements	25-40 years
Leasehold improvements	15-25 years
Furniture and equipment	3-7 years
Vehicles	3-7 years
Computer equipment and software	3-5 years

(g) Long-Lived and Depreciable Assets

Contracts with funding agencies generally provide that purchases of fixed assets are expensed at the time of acquisition for cost reporting and reimbursement purposes although certain contracts contain reversion of title or similar provisions with respect to fixed assets purchased under the contract, principally in the event of early termination of the agreements or cancellation of the programs. For financial reporting purposes, such acquisitions are capitalized and depreciated over their estimated useful lives. Since the ongoing operation of SUS's programs is assumed, the resulting net assets are presented in the consolidated financial statements as unrestricted.

Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

(h) Impairment of Long-Lived Assets

SUS reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. There were no impairment losses recognized for long-lived assets as of June 30, 2017.

(i) Revenue Recognition

Revenue from governmental grants is recognized as the expenditures for each contract are incurred. All grant monies received in excess of revenue earned are recorded as deferred revenue. Revenue from fees for service programs is recognized when earned (services are provided daily and/or monthly).

Reimbursements are subject to audit and retroactive adjustment by the respective third party fiscal intermediary. Revenue from retroactive adjustments is recognized in the year the adjustments are made.

SUS receives Supplemental Security Income ("SSI") and Social Security Income ("SSA") payments for some program participants. A portion of the SSI/SSA payments represents the participants' contributions toward the cost of goods and services and is recognized as revenue when received. The remaining portion of SSI/SSA represents the participants' personal allowance and is recognized as a liability due to clients.

Participant fees represent the participant's personal contribution towards the cost of goods and services SUS is allowed to charge as regulated by Federal and state law.

Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Rental income includes tenant payments and tenant assistance payments less rental vacancies and is recognized as rental income becomes due. Subsidy overages are recorded as liabilities until recouped. All leases between SUS and the tenants of the property are operating leases.

Management fees include fees to administer various low income housing tax projects. These amounts are recognized when incurred.

(j) Contributions and Promises to Give

Contributions and promises to give are recorded as revenue when unsolicited cash is received. Contributions are classified as either unrestricted, temporarily restricted, or permanently restricted support.

Contributions of property and equipment are recorded at the fair market value of the property and equipment at the time of contribution.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

(k) Capitalized Financing Costs

Financing costs related to the acquisition and refinancing of bonds and mortgages have been capitalized and are being amortized on a straight-line basis over the terms of the bonds and mortgages and netted with the bonds and mortgages liability.

(l) Use of Estimates

In preparing consolidated financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

(m) Concentration of Credit Risk

The financial instruments that potentially subject SUS to concentration of credit risk consist primarily of cash and cash equivalent accounts in financial institutions which, from time to time, exceed the Federal Deposit Insurance Coverage (“FDIC”) limit. SUS has not experienced any losses in such accounts, and management does not believe SUS is exposed to any significant credit risk on cash and cash equivalents. SUS believes it has minimal credit risk with respect to accounts and contracts receivable.

(n) Due to Governmental Agencies

Due to governmental agencies consist of operational advances, retroactive rate adjustments and advances received from Office for People With Developmental Disabilities (“OPWDD”), New York State Office of Mental Health (“OMH”), the New York State Department of Health (“DOH”) and other advances due to the New York City Human Resources Administration (“HRA”). OPWDD recoups the excess advances through withholdings from Medicaid remittances over a specified period of time.

(o) Fair Value Measurements

Generally accepted accounting principles establish a framework for measuring fair value and expands the disclosures about fair value measurements and define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants' use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or unobservable. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The standard requires that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. SUS classifies fair value balances based on the fair value hierarchy defined by Accounting Standards Codification ("ASC") 820, "Fair Value Measurement," as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Valuation adjustments and block discounts are not applied to Level 1 instruments.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

(p) Income Taxes

SUS must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained upon examination by a taxing authority. SUS does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The remaining entities have filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the remaining entities have filed Internal Revenue Service ("IRS") Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended June 30, 2017, there was no interest or penalties recorded or included in the consolidated statement of activities. SUS is subject to routine audits by a taxing authority. As of June 30, 2017, SUS was not subject to any examination by a taxing authority. Management believes it is no longer subject to income tax examination for the years prior to 2014. In addition, the remaining entities have been determined by the IRS not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for the year ended June 30, 2017.

The corporations whose sole function is to serve as the general partner in the limited partnerships noted in Note 2(a) are for-profit entities and are subject to Federal and New York State Corporation taxes. Four of the Housing Development Fund Corporations (DHDFC, HHDFC, JHDFC and WGHDFC) are incorporated under New York State housing development law as not-for-profit corporations. They are subject to Federal corporation taxes. None of the forgoing entities are currently active and, consequently, no Federal tax liability has been provided. The remaining entities are exempt from tax as not-for-profit corporations under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, therefore, have made no provision for income taxes in the accompanying consolidated financial statements.

During fiscal year 2017, two of the exempt entities had their tax-exempt status revoked for failure to file for three consecutive years and as a result could be subject to U.S. Federal, State and local income tax provisions.

(q) Deferred Revenue

Deferred revenue relates to preoperative costs through June 30, 2017 incurred by SUS to run programs and construction of new facilities. The funding source advances SUS for said costs based on a budget submitted. The final payment is based upon actual expenditures.

(r) Cost Allocation

Management and general expenses include expenditures for the overall direction of SUS, general recordkeeping, business management, budgeting and related purposes. Such expenses are allocated to individual programs for cost reporting and reimbursement purposes in proportion to the direct program expenses incurred. Certain other shared program expenses are allocated to individual programs using specific allocation methods.

(s) Accounts Receivable, Net

Accounts receivable have been adjusted to the estimated amounts expected to be collected. A substantial amount of this receivable is from governmental agencies and third-party reimbursement agencies. SUS provides an allowance for doubtful accounts based upon prior experience and management's assessment of collectability of specific accounts.

(t) Related Party Transactions

Certain entities provide services and advances to other entities within SUS. These receivables are noninterest bearing and due on demand. Certain receivables and payables are eliminated in consolidation.

(u) Investment in Limited Partnerships

Noncontrolling Limited Partners' interest in the ten non-consolidated limited partnerships disclosed above represents the profits or losses of the ten non-consolidated limited partnerships allocated to the general partners for that period. The Limited Partners' interest included in SUS' consolidated statement of financial position represents the undistributed profits or losses and the capital of the Limited Partnerships owned by the general partners.

(v) Comparative Financial Information

The consolidated financial statements include certain prior-year summarized comparative information. With respect to the consolidated statement of activities, the prior year information is presented in total, not by net asset class. With respect to the consolidated statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with SUS's consolidated financial statements for the year ended June 30, 2016, from which the summarized information was derived.

(w) Recently Adopted Accounting Pronouncement

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-03, "Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs," which resulted in the reclassification of debt issuance costs from other assets to inclusion as a reduction of the reportable long-term debt balance on the statement of financial position (Note 2(i)). SUS adopted this standard in fiscal year 2017. The standard did not have a material impact on the consolidated statement of financial position and had no impact on the cash flows provided by or used in operations for any period presented.

(x) Accounting Pronouncements Issued But Not Yet Adopted

Presentation of Financial Statements of Not-for-Profit Entities

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

Revenue From Contracts With Customers

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers: Topic 606 (ASU 2010-09)," which becomes effective for nonpublic entities for annual periods beginning after December 15, 2018. It applies to organizations that have issued, or are conduit bond obligors for, securities that are traded, listed, or quoted on an exchange or public market or an over-the-counter market qualify as a public business entity under the standard and, therefore, the standard is effective for annual reporting periods beginning after December 15, 2017, and interim reporting periods within annual reporting periods beginning after December 15, 2018.

SUS is deemed a conduit bond obligor and its bond is publicly held and, therefore, has an effective date for annual reporting periods beginning after December 15, 2017.

Accounting for Leases

In February 2016, the FASB issued ASU 2016-02, "Leases," to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use ("ROU") model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. SUS is deemed to be a conduit debt obligor since its bond is held by the public and, therefore, has an effective date for annual reporting periods beginning after December 15, 2018.

(in thousands)

3. Account Receivable, Net

Major funding types of accounts receivable, net consist of the following:

June 30, 2017	
City of New York	$16,439
Medicaid	11,324
Federal funding	7,351
State funding	2,121
Other sources	2,503
	39,738
Less: Allowance for doubtful accounts	(2,044)
Accounts receivable, net	$37,694

4. Prepaid Expenses and Other Assets

Prepaid expenses and other assets consists of the following:

June 30, 2017	
Security deposits	$2,239
Prepaid expenses	1,516
Dormitory Authority of the State of New York surplus funds	326
Other assets	551
	$4,632

5. Assets Limited to Use

As of June 30, 2017, assets limited to use consist of the following:

(a) Restricted Cash

June 30, 2017	
Bond escrow fund	$ 277
Debt service reserve and restricted deposits	6,913
	$7,189

Debt service reserve represents funds held by OPWDD, New York State Office of Alcohol and Substance Abuse ("OASAS"), U.S. Bank and Bank of New York Mellon (collectively, the "Trustee"). These funds will be applied to the last payment required on the mortgages with the Facilities Development Corporation ("FDC") and bonds due to the Dormitory Authority of the State of New York ("DASNY") and NYC Industrial Development Agency ("IDA"). This reserve will earn interest which will be used to offset SUS's obligations. As of June 30, 2017, the Trustee has $871 in debt service reserve.

(in thousands)

Bond escrow fund represents funds held by U.S. Bank and Bank of New York Mellon. These funds will be applied to principal and interest payments associated with DASNY and IDA bonds. As of June 30, 2017, the Trustee has $277 in bond escrow funds.

Restricted deposits represent funds held due to various regulatory agreements and mortgage loan documents that require SUS to maintain certain restricted deposit accounts. The restricted deposits are funded for the purpose of paying interest, tax, insurance, principal payments and building and property replacement expenses. As of June 30, 2017, restricted deposits held were $5,556.

(b) Investments

SUS's financial assets carried at fair value and have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2(m) for a discussion of SUS's policies regarding this hierarchy.

SUS's publicly-traded U.S. Treasury money market funds, U.S. Treasury bills and U.S. Treasury notes are carried at their aggregate market value that is determined by quoted market prices. Each of these investments can be liquidated daily. The valuation of these investments is based on Level 1 inputs within the hierarchy used in measuring fair value.

SUS's holdings in publicly-traded fixed income securities consist of U.S. government-sponsored agency securities and corporate bonds. SUS's Trustee prices these investments using nationally recognized pricing services. Since fixed income securities other than U.S. Treasury securities generally do not trade on a daily basis, the pricing services prepare estimates of fair value measurements for these securities using their proprietary pricing applications which include available relevant market information, benchmark curves, benchmarking of similar securities, sector groupings and matrix pricing. The valuation of these investments is based on Level 2 inputs within the hierarchy used in measuring fair value.

Investments in mutual funds are classified as Level 1 investments as valuations are obtained from real time quotes for transactions in active markets involving identical assets. SUS uses net asset value ("NAV") as estimates of fair value as a practical expedient.

There were no changes in valuation methodologies as of June 30, 2017.

The following table presents the level within the fair value hierarchy at which SUS's financial assets are measured on a recurring basis at June 30, 2017:

	Fair Value Measurement Using		
	Level 1	Level 2	Total
Assets			
Cash and money market funds	$3,824	$ -	$3,824
Mutual funds	767	-	767
U.S. government obligations	2,196	402	2,598
Total assets	$6,787	$402	$7,189

Investment income as of June 30, 2017 was $14.

(in thousands)

6. Fixed Assets, Net

Major classes of fixed assets, net consist of the following:

June 30, 2017	
Land	$ 12,509
Building and building improvements	87,053
Leasehold improvements	4,324
Furniture and equipment	8,463
Vehicles	124
Computer equipment and software	1,034
Total fixed assets	113,507
Less: Accumulated depreciation and amortization	(50,223)
Fixed assets, net	$ 63,284

For the year ended June 30, 2017, depreciation and amortization expense was $4,827.

7. Due to Governmental Agencies

Due to governmental agencies consists of the following:

June 30, 2017	
Refundable advances to NYC Office of Mental Health	$1,316
Refundable advances due to NYC Department of Homeless Services	1,381
	$2,697

8. Lines of Credit

On January 30, 2017, SUS renewed the agreement with Bank of America for a $28,000 credit facility consisting of a $22,000 revolving line of credit and a $6,000 term loan. The revolving line of credit commitment and the term loan commitment will both expire on January 30, 2018. SUS can elect to borrow at prime rate plus the applicable margin for prime rate loans or at LIBOR plus the applicable margin for LIBOR loans upon sending a written notice to the Bank of America. There is a non-refundable facility fee in the amount equal to .75% of the original principal amount of such term loan. In addition, there is an “Unused Fee” equal to .25% of the average daily unused balance of the revolving line of credit commitment amount and the term loan commitment amount and shall be payable quarterly. As of June 30, 2017, SUS had a balance of $- and $2,053 for the revolving line of credit and the term loan, respectively. Pursuant to the agreement, SUS shall have a debt service coverage ratio of not less than 1.20 to 1.00 for the three month period ending March 31, 2017, for the six month period ending June 30, 2017, for the nine month period ending September 30, 2017 and for the twelve month period ending December 31, 2017. SUS shall also have a Liquidity Ratio of not less than 0.75 to 1 as of the last day of each fiscal quarter, beginning with the fiscal quarter ending March 31, 2017. SUS can borrow up to 110% of the book value of eligible receivables (receivables 30 days or less) from the $22,000 revolving line of credit. The term note is financed by properties owned by SUS. For fiscal year 2017, SUS met the covenant requirements.

(in thousands)

9. Mortgages Payable

Mortgages payable consist of the following:

Mortgage payable to Dormitory Authority of the State of New York ("DASNY") - OMH, due June 1, 2019, payable in semiannual payments of $56, including interest at 6.21% per annum, secured by real estate located on St. Marks Avenue, Brooklyn, New York	$ 208
Mortgage payable to DASNY - OMH, due June 1, 2019, payable in semiannual payments of $47, including interest at 6.20% per annum, secured by real estate located on Patchen Avenue, Brooklyn, New York	176
Mortgage payable to DASNY - OMH, due December 1, 2020, payable in semiannual payments of $144, including interest at 5.58% per annum, secured by real estate located on Knickerbocker Avenue, Brooklyn, New York	904
Mortgage payable to DASNY - OMH, due June 1, 2023, payable in semiannual payments of $33, including interest at 5.40% per annum, secured by real estate located on Classon Avenue, Brooklyn, New York	334
Mortgage payable to DASNY - OMH, due June 1, 2022, payable in semiannual payments of $272, including interest at 5.27% per annum, secured by real estate located on Beach 85th Street, Queens, New York	2,365
Mortgage payable to FDC, due August 15, 2018, payable in semiannual debt service and administrative fee payment of approximately $33, including interest at 6.16% per annum, secured by real estate located on 45th Avenue, Flushing, New York.	50
Mortgage note payable to DASNY with a $3,667 face amount, due August 15, 2017. The mortgage is payable in semiannual installments with interest at 5.46% per annum and administrative fees. At June 30, 2017, debt service reserve fund amounted to $153. The debt service reserve fund is held by OASAS to ensure that the mortgage obligations are satisfied. The mortgage is secured by real property located at 1600 Macombs Road, Bronx, New York.	67
Mortgage payable with New York Homeless Housing and Assistance Corporation ("HHAC") in the original amount of $2,075. The mortgage accrues interest at 1% per annum. Both principal and interest are payable at maturity on December 4, 2027. However, if the project remains in compliance throughout the contract term with the conditions set forth by the HHAC regulatory agreement, HHAC will discharge the entire mortgage balance and accrued interest. The mortgage is collateralized by DLP's investment in real property. The accrued interest on June 30, 2017 was $360.	2,435
JCLP has a mortgage which was originated on June 26, 2000 with HPD in the amount of $3,862. The mortgage accrues interest at .25% per annum. Both principal and interest are payable at maturity on April 27, 2031. The mortgage is collateralized by JCLP's investment in real estate. The accrued interest on June 30, 2017 is $161.	4,023
DLP has a second mortgage which originated on December 4, 1997 and is held by the New York State Housing Trust Fund Corporation ("HTFC") in the original amount of $2,200. The mortgage accrues interest at 1% annum. Both principal and interest are payable at maturity on June 30, 2030. The mortgage is collateralized by DLP's investment in real estate. The accrued interest on June 30, 2017 was $421.	2,622
HHLP has a mortgage which originated on January 27, 1999 and is held by the New York City Department of Housing Preservation and Development ("HPD"). The mortgage accrues interest at .25% per annum. Both principal and interest are payable at maturity on July 15, 2029. The mortgage is collateralized by DLP's investment in real estate. The accrued interest on June 30, 2017 was $181.	4,105

(in thousands)

CTLP has a first mortgage which was originated on August 29, 1996 and is held by HHAC in the original amount of \$2,351. The mortgage accrues interest at 1% per annum. Both principal and interest are payable at maturity on March 21, 2026. However, if the project remains in compliance throughout the contract term with the conditions set forth by the HHAC regulatory agreement, HHAC will discharge the entire mortgage balance and accrued interest. The mortgage is collateralized by CTLP's investment in real estate. The accrued interest on June 30, 2017 was \$496.	\$ 2,847
CTLP has a second mortgage which was originated on September 4, 1996 with HHAC in the amount of \$149. The mortgage accrues interest at 1% per annum. Both principal and interest are payable at maturity on March 21, 2026. However, if the project remains in compliance throughout the contract term with the conditions set forth by the HHAC regulatory agreement, HHAC will discharge the entire mortgage balance and accrued interest. The mortgage is collateralized by CTLP's investment in real estate. The accrued interest on June 30, 2017 was \$31.	180
	\$20,316

Future annual principal repayments are as follows:

Year ending June 30,	
2018	\$ 1,079
2019	952
2020	795
2021	695
2022	582
Thereafter	16,213
Total	20,316
Less: Current portion	(1,079)
Less: Financing costs	(42)
	\$19,195

(in thousands)

10. Loans Payable

Loans payable consist of the following:

On July 29, 2016, SUS received an interest-free emergency loan from Fund for the City of New York in the amount of $1,000 that matured on September 15, 2016. On January 10, 2017, SUS received a second interest-free emergency loan from Fund for the City of New York in the amount of $675 that matured on April 10, 2017. On March 15, 2017, SUS received a third interest-free emergency loan from Fund for the City of New York in the amount of $828 that matured on May 15, 2017.	$1,279
Promissory note payable to Carver Federal Savings Bank bearing interest at 1% per annum which represents an affordable housing program sponsor subsidy. The funds were provided to Westchester Gardens LP for purposes of building affordable housing. The note is secured by a mortgage on real estate that is owned by Westchester Gardens LP. The note will be deemed satisfied upon the expiration of fifteen (15) years which is during 2024, if the property is maintained in accordance with the requirements of the Affordable Housing Program Regulations.	400
	$1,679

Future annual principal repayments are as follows:

Year ending June 30,	
2018	$1,279
Thereafter	400
	$1,679

11. Bonds Payable

DASNY

In March 2010, Services for the UnderServed – Developmental Disabilities Services, Inc. (“DD”) entered into a loan agreement with DASNY. Under the terms of the agreement, DASNY issued Insured Revenue Series 2010A-1 bonds in the principal amount of $3,735, which mature on July 1, 2025. DASNY also issued Series 2010A-2 bonds in the principal amount of $80, which matured on July 1, 2012. Bond payments, including interest and principal, are required to be made monthly to The Bank of New York Mellon, which maintains a debt service reserve fund account and makes semi-annual installments January 1 and July 1 of each year. The bonds bear interest ranging from 1.5% to 5% per annum. The principal amount outstanding at June 30, 2017 was $1,570.

In April 2012, under the terms of the agreement, DASNY issued Insured Revenue Series 2012A-1 bonds in the principal amount of $1,685 at a premium of $72. Series 2012A-1 bonds mature on July 1, 2027. Bond payments, including interest and principal, are required to be made monthly to The Bank of New York Mellon, which maintains a debt service reserve fund account and makes semi-annual installments January 1 and July 1 of each year. The Series 2012A-1 bond bears interest ranging from 3% to 5% per annum. The principal amount outstanding on the Series 2012A-1 at June 30, 2017 was $1,150. The unamortized premium on the Series 2012A-1 bonds at June 30, 2017 was $53.

(in thousands)

On February 11, 2015, DD entered into an agreement with DASNY. Under the terms of the agreement, DASNY has issued Insured Revenue Series 2015A-1 bonds in the principal amount of $6,040 at a premium of $356, which mature July 1, 2029. DASNY also issued Series 2015A-2 bonds in the principal amount of $230, which mature on July 1, 2016. Bond payments, including interest and principal, are required to be made monthly to U.S. Bank, which maintains a debt service reserve fund account and makes annual installments July 1 of each year. The Series 2015A-1 bonds bear interest ranging from 2.0% to 4% per annum. The Series 2015A-2 bonds bear interest at 1.2% per annum. The aggregate principal amount outstanding at June 30, 2017 was $4,805. The unamortized premium on the Series 2015A-1 bonds at June 30, 2017 was $234.

On November 26, 2016, DD entered into an agreement with DASNY. Under the terms of the agreement, DASNY has issued Insured Revenue Series 2016 B-1 bonds in the principal amount of $3,495 at a premium of $41, which mature on July 1, 2041. DASNY also issued Series 2015A-2 bonds in the principal amount of $135, which mature on July 1, 2019. Bond payments, including interest and principal, are required to be made monthly to U.S. Bank, which maintains a debt service reserve fund account and makes annual installments July 1 of each year. The Series 2016B-1 bonds bear interest ranging from 3.0% to 4% per annum. The Series 2016B-2 bonds bear interest at 1.5% per annum. The aggregate principal amount outstanding at June 30, 2017 was $3,590. The unamortized premium on the Series 2016B-1 bonds at June 30, 2017 was $39.

In addition to the construction cost of the projects, bond proceeds were used to pay bond issuance costs of $630 for DASNY, which are being amortized over the lives of the bonds. At June 30, 2017, $630 of amortized bond costs is included in depreciation and amortization.

Future minimum debt service payments are as follows:

Year ending June 30,	
2018	$ 1,045
2019	1,075
2020	1,065
2021	925
2022	670
Thereafter	6,662
Total	11,442
Less: Current portion	(1,045)
Less: Financing cost	(630)
	$ 9,767

These bonds are conduit debt securities since they are offered by a governmental entity not for its own use, but for the use of SUS. As the conduit debt obligor, SUS is required to make all interest and principal payments as they become due. The bonds are publicly held and, therefore, have additional financial reporting requirements.

12. Transactions With Affiliates

(a) Based on a written agreement in February 2002, SUS receives partnership management fees from the DeWitt Avenue Supportive Housing Project owned by NLHLP. During fiscal year-end 2017, NLHLP provided $-0- in development fees to SUS-Mental Health Programs, Inc. to be used to fund a social reserve. As of June 30, 2017, the total amount SUS-Mental Health Programs, Inc. received from NLHLP was $561.

SUS is entitled to an annual partnership management fee of 6.7% of gross potential income. SUS received management fees of $46 from NLHLP for the year ended June 30, 2017. At June 30, 2017, SUS had a net payable of $540 to NLHLP.

(b) SUS shares common staff with MRHLP and is entitled to be reimbursed for costs incurred related to the operation of MRHLP's supportive housing program. SUS is entitled to an annual partnership management fee of 8% of gross potential income. SUS received management fees of $11 from MRHLP for the year ended June 30, 2017. SUS had a net receivable of $53 to MRHLP as of June 30, 2017.

(c) SUS shares common staff with MGHLP and is entitled to be reimbursed for costs incurred related to the operation of MGHLP's supportive housing program. SUS is entitled to an annual partnership management fee of 8% of gross potential income. SUS received management fees of $38 from MGHLP for the year ended June 30, 2017. SUS had a net receivable from MGHLP of $95 as of June 30, 2017.

(d) SUS shares common staff with TSLP and is entitled to be reimbursed for costs incurred related to the operation of TSLP. SUS received management fees of $44 for the year ended June 30, 2017. SUS did not receive any income from TSLP. SUS had a receivable from TSLP for $314 as of June 30, 2017.

(e) SUS shares common staff and operating expenses with CLP. CLP owes SUS $568 for operating expenses paid on behalf of CLP. SUS is entitled to an annual property management fee of 8% of gross revenues. SUS received management fees from CLP of $15 for the year ended June 30, 2017.

(f) SUS shares common staff and operating expenses with SLP. SLP owes SUS $502 for operating expenses paid on behalf of SLP. SUS is entitled to an annual property management fee of 10% of gross revenues. SUS received management fees from SLP of $50 for the year ended June 30, 2017.

(g) SUS shares common staff and operating expenses with BPRLP. SUS owes BPRLP $235 which represents rental subsidies received on its behalf netted against operating expenses paid on behalf of BPRLP. SUS is entitled to an annual property management fee of 6.4% of gross revenues. SUS received management fees from BPRLP of $12 for the year ended June 30, 2017.

(h) SUS shares common staff and operating expenses with FVLP. FVLP owes SUS $1,039 for operating expenses paid on behalf of SLP. SUS is entitled to an annual property management fee of 8% of gross revenues. SUS received management fees from FVLP of $4 for the year ended June 30, 2017.

(i) SUS shares common staff and operating expenses with WGLP. WGLP owes SUS $1,971 which represents rental subsidies received on its behalf netted against operating expenses paid on behalf of WGLP. SUS is entitled to an annual property management fee of 8% of gross revenues. SUS received management fees from WGLP of $24 for the year ended June 30, 2017.

(in thousands)

13. Pension Plan

SUS established a 403(b) defined contribution plan covering all eligible employees of SUS. The plan is administered by SUS. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Employer contributions to the 403(b) plan are discretionary and may vary from year to year. There were no employer contributions to the 403(b) plan for the year ended June 30, 2017.

SUS adopted a deferred compensation retirement plan (the "457 Plan") under Section 457(b) of the Code. The 457 Plan is intended to provide deferred compensation for a group of SUS management employees. SUS contributed $115 to the 457 Plan for the year ended June 30, 2017.

Palladia, Inc. also maintains a profit sharing plan covering all employees previously employed by Palladia, Inc. who satisfy the plan's eligibility requirements which provide for discretionary contributions by Palladia, Inc. There were no employer contributions made for the year ended June 30, 2017.

Palladia, Inc. also has a 403(b) Tax Deferred Annuity Plan covering all employees previously employed by Palladia, Inc. Employees can elect to contribute up to the maximum amount permitted by law. There are no matching contributions by Palladia, Inc. for the year ended June 30, 2017.

14. Deferred Revenue

Deferred revenue consists of the following:

June 30, 2017	
State of New York grants and contracts	$12,499
City of New York grants and contracts	3,999
Federal government agencies	134
Private grants and contracts	126
	$16,758

15. Temporarily Restricted Net Assets

SUS has temporarily restricted net assets that are available for the following purposes:

June 30, 2017	
OMH capital grant for Majestic residence	$1,454
Veterans' employment and housing services	245
	$1,699

SUS's net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes of the veterans' employment and housing services in the amount of $245.

(in thousands)

16. Commitments and Contingencies

(a) Leases

SUS is obligated under various lease agreements for the use of several residential apartments, office space, equipment and vehicles. In November 2016, SUS entered into a lease for administrative space at 463 Seventh Avenue New York, NY. The lease term commenced February 1, 2017 and ends December 31, 2032. A security deposit of $860 was made by the posting of a letter of credit. SUS has the option to renew certain leases upon expiration.

Rental expense was $42,496 for the year ended June 30, 2017. The minimum future annual rental payments are as follows:

Year ending June 30,	
2018	$ 5,023
2019	5,369
2020	4,865
2021	4,002
2022	3,960
Thereafter	20,413
Total	$43,632

(b) SUS is a defendant in various legal actions arising out of the normal course of its operations, the final outcome of which cannot presently be determined. SUS management is of the opinion that the ultimate liability, if any, with respect to all of these matters will not have a material adverse effect on SUS's financial position.

(c) SUS is contingently liable under certain partnership and development agreements to fund operating deficits in its housing limited partnerships. During the year ended June 30, 2017, there were no payments under these guarantees and SUS believes any future payment is unlikely or minimal.

(d) SUS has contracted with various agencies to provide services and receive Medicaid revenue from New York State. Reimbursements received under these contracts and payments from Medicaid are subject to audit by the funding sponsors. Upon audit, if discrepancies are discovered, SUS could be held responsible for refunding the amounts in question. It is the opinion of management that SUS has adequate reserves as of June 30, 2017 to cover liabilities from any future potential audits by government entities.

(e) Regulatory

The Housing and Urban Development Office of Inspector General ("OIG") conducted an audit of Palladia, Inc. for the period 2010 to 2012. The audit report indicated a lack of available documentation to support submitted claims. SUS reviewed the audit report prior to the membership transaction and developed a plan to respond to the report. A review of documentation compared to claims is substantially complete. Palladia, Inc. is currently awaiting the final audit response and OIG's determination.

SUS was awarded a capital grant of $1,410 from New York State Office of Mental Health ("OMH") for major repairs to a residential facility for individuals living with mental illness. As of June 30, 2017, SUS had committed $1,407 of the grant funds. Pursuant to the capital grant, OMH has imposed a state aid lien on the facility. SUS operates the facility in compliance with the lien.

During July 2016, The New York Regional Office of the U.S. Department of Housing and Urban Development ("HUD") performed an onsite monitoring of SUS' Continuum of Care programs for the 2014 contract year. The monitoring report indicated that under certain regulations rental assistance cannot be provided to a program participant who is already receiving rental assistance or living in a housing unit receiving rental assistance or operating assistance through other federal, state or local sources. SUS and HUD have signed agreements for the 2014 year that allow both rental and operating assistance which have been in place for many years. SUS is in the process of working through this issue with HUD. At this point, it cannot be determined whether SUS will incur any liability related to this finding.

Palladia, Inc. was awarded a capital grant by the New York State Office of Alcoholism and Substance Abuse Services ("OASAS") for major upgrades to a residential treatment facility. As of June 30, 2017, Palladia, Inc. had received $2,980 to fund the project. This amount is reported as capital advances from funding sources in the consolidated statement of financial position. When the project is completed, the capital advance will be converted to long-term financing.

(f) Contingency

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. Management is of the opinion that such cost disallowances, if any, will not have a material effect on SUS's consolidated financial statements.

SUS is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on SUS's financial position, results of operations, or liquidity.

17. Workers' Compensation Assessment Payable Settlement

Between 1999 and 2003, SUS participated in a group self-insurance trust (the "Trust") along with multiple other agencies in the human services, not-for-profit sector. On December 31, 2010, the Trust was terminated with a deficiency of assets. The Trust billed all former members of the Trust with an assessed portion of the total deficit. SUS's assessment was $538 and it was recorded by SUS in the year ended June 30, 2011.

In July 2011, the State of New York Workers' Compensation Board (the "Board") assumed the administration and final distribution of the assets and liabilities of the Trust. Following a forensic audit, the Board issued newly calculated assessments and they were higher than those formerly issued by the Trust. The new assessment for SUS was $734 and is reported in accounts payable and accrued expenses.

In January 2017, SUS reached a final settlement with the Board for all SUS liabilities related to deficiency of assets in the Trust. The agreement obligates SUS to repay $719 over a ten-year period. For the year ended June 30, 2017, payments of $35 were made to the Trust.

(in thousands)

18. Sale of Administrative Office Space

In December 2016, SUS sold two condominium floors at 305 Seventh Avenue, New York, NY as follows:

	7th Floor	10th Floor	Total
Sales price	$7,100	$7,200	$14,300
Less: Book value – asset	914	914	1,828
Less: Selling costs	409	329	738
Gain on sale	5,777	5,957	11,734

19. Subsequent Events

SUS has evaluated subsequent events through December 1, 2017, which is the date these consolidated financial statements were available to be issued, and there were no additional subsequent events requiring adjustments to the consolidated financial statements or disclosure as stated therein.

Supplementary Information

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidating Schedule of Financial Position
(with comparative totals for 2016)
(in thousands)

June 30,	Services for the UnderServed, Inc.	SUS - Mental Health Programs, Inc.	SUS - Developmental Disabilities	SUS - AIDS Services, Inc.	SUS - Home Attendant Programs, Inc.	SUS Home Care Services, Inc.	SUS - Urgent Housing Programs, Inc.	SUS - HDFC Affiliates	SUS Corporate Affiliates, Inc.	SUS-Palladia, Inc.	Palladia Housing Corporation
Assets											
Current:											
Cash and cash equivalents	$ 1,031	$ 389	$ -	$ -	$136	$ -	$ -	$1,034	$ -	$ 3,346	$ -
Accounts receivable, net	4	9,104	9,312	2,446	-	-	5,726	-	-	10,877	-
Prepaid expenses and other assets	508	2,807	167	174	-	-	481	-	37	382	-
Total Current Assets	1,543	12,300	9,479	2,620	136	-	6,207	1,034	37	14,605	-
Due From Affiliates, Net	37,671	4,793	41	-	12	-	1,087	144	-	9,516	2,487
Investment in Palladia, Inc. and Affiliates	8,500	-	-	-	-	-	-	-	-	-	-
Assets Limited to Use	98	1,274	1,148	-	-	-	-	247	144	103	154
Investments In Limited Partnerships at Cost	-	-	-	-	-	-	-	-	1,165	-	-
Fixed Assets, Net	4,015	15,651	17,737	143	-	-	1,369	-	4	-	15,288
Total Assets	**$51,827**	**$34,018**	**$28,405**	**$2,763**	**$148**	**$ -**	**$8,663**	**$1,425**	**$1,350**	**$24,224**	**$17,929**
Liabilities and Net Assets (Deficit)											
Current Liabilities:											
Accounts payable and accrued expenses	$ 457	$ 1,999	$ 736	$ 135	$ -	$ -	$ 260	$ 7	$ 27	$ 389	$ -
Accrued compensation and related taxes	6,965	(106)	609	(9)	19	-	-	-	-	1,813	-
Other liabilities	-	112	73	-	-	-	-	-	-	212	-
Deferred revenue	94	12,177	120	791	129	-	-	-	-	3,447	-
Lines of credit	2,053	-	-	-	-	-	-	-	-	-	-
Due to governmental agencies	(58)	1,378	30	11	-	-	1,336	-	-	-	-
Current portion of mortgages payable	-	962	50	-	-	-	-	-	-	-	67
Current portion of loans payable	1,279	-	-	-	-	-	-	-	-	-	-
Current portion of bonds payable	-	-	1,045	-	-	-	-	-	-	-	-
Total Current Liabilities	10,790	16,522	2,663	928	148	-	1,596	7	27	5,861	67
Other Long -Term Liabilities	705	-	-	-	-	-	-	-	-	-	-
Capital Advances From Funding Sources	-	-	-	-	-	-	-	-	-	-	2,980
Due to Affiliates	12,840	3,433	12,228	949	-	90	5,962	1,114	1,802	21,959	-
Mortgages Payable, Less Current Portion, Net of Deferred Financing Cost	-	3,026	-	-	-	-	-	-	-	-	-
Loans Payable, Less Current Portion	-	-	-	-	-	-	-	-	-	400	-
Bonds Payable, Less Current Portion, Net of Deferred Financing Cost	-	-	9,767	-	-	-	-	-	-	-	-
Total Liabilities	24,335	22,981	24,658	1,877	148	90	7,558	1,121	1,829	28,220	3,047
Commitments and Contingencies											
Net Assets (Deficit):											
Unrestricted	27,492	9,367	3,747	886	-	(90)	1,105	304	(479)	(4,025)	14,882
Temporarily restricted	-	1,670	-	-	-	-	-	-	-	29	-
Total Net Assets (Deficit)	27,492	11,037	3,747	886	-	(90)	1,105	304	(479)	(3,996)	14,882
Total Liabilities and Net Assets (Deficit)	**$51,827**	**$34,018**	**$28,405**	**$2,763**	**$148**	**$ -**	**$8,663**	**$1,425**	**$1,350**	**$24,224**	**$17,929**

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidating Schedule of Financial Position
(with comparative totals for 2016)
(in thousands)

June 30,	Palladia Philanthropies, Inc.	Palladia Year 15, Inc.	Hill House Limited Partnership	Cedar Tremont Limited Partnership	Drietzer Limited Partnership	Jerome Court Limited Partnership	Eliminations	**2017**	2016
Assets									
Current:									
Cash and cash equivalents	$ -	$-	$ 305	$ 29	$ 30	$ 415	$ -	**$ 6,715**	$ 13,014
Accounts receivable, net	-	-	179	(15)	3	58	-	**37,694**	40,710
Prepaid expenses and other assets	-	-	8	28	18	22	-	**4,632**	3,105
Total Current Assets	-	-	492	42	51	495	-	**49,041**	56,829
Due From Affiliates, Net	1,498	-	20	671	2,234	43	(53,517)	**6,700**	2,377
Investment in Palladia, Inc. and Affiliates	-	-	-	-	-	-	(8,500)	**-**	-
Assets Limited to Use	79	-	630	860	1,991	461	-	**7,189**	6,332
Investments In Limited Partnerships at Cost	-	-	-	-	-	-	-	**1,165**	1,165
Fixed Assets, Net	-	-	1,954	929	3,186	3,008	-	**63,284**	63,702
Total Assets	**$1,577**	**$-**	**$ 3,096**	**$ 2,502**	**$7,462**	**$4,007**	**$(62,017)**	**$127,379**	$130,405
Liabilities and Net Assets (Deficit)									
Current Liabilities:									
Accounts payable and accrued expenses	$ -	$-	$ 63	$ 208	$ 245	$ 47	$ -	**$ 4,573**	$ 9,786
Accrued compensation and related taxes	-	-	-	-	-	-	-	**9,291**	9,441
Other liabilities	-	-	-	-	-	-	-	**397**	600
Deferred revenue	-	-	-	-	-	-	-	**16,758**	19,596
Lines of credit	-	-	-	-	-	-	-	**2,053**	13,055
Due to governmental agencies	-	-	-	-	-	-	-	**2,697**	3,140
Current portion of mortgages payable	-	-	-	-	-	-	-	**1,079**	1,438
Current portion of loans payable	-	-	-	-	-	-	-	**1,279**	250
Current portion of bonds payable	-	-	-	-	-	-	-	**1,045**	1,195
Total Current Liabilities	-	-	63	208	245	47	-	**39,172**	58,501
Other Liabilities	-	-	-	-	-	-	-	**705**	-
Capital Advances From Funding Sources	-	-	-	-	-	-	-	**2,980**	2,795
Due to Affiliates	-	-	145	632	1,580	519	(53,477)	**9,776**	2,604
Mortgages Payable, Less Current Portion, Net of Deferred Financing Cost	-	-	4,105	3,027	5,032	4,005	-	**19,195**	20,025
Loans Payable, Less Current Portion	-	-	-	-	-	-	-	**400**	400
Bonds Payable, Less Current Portion, Net of Deferred Financing Cost	-	-	-	-	-	-	-	**9,767**	9,680
Total Liabilities	-	-	4,313	3,867	6,857	4,571	(53,477)	**81,995**	94,005
Commitments and Contingencies									
Net Assets (Deficit):									
Unrestricted	1,577	-	(1,217)	(1,365)	605	(564)	(8,540)	**43,685**	34,701
Temporarily restricted	-	-	-	-	-	-	-	**1,699**	1,699
Total Net Assets (Deficit)	1,577	-	(1,217)	(1,365)	605	(564)	(8,540)	**45,384**	36,400
Total Liabilities and Net Assets (Deficit)	**$1,577**	**$-**	**$ 3,096**	**$ 2,502**	**$7,462**	**$4,007**	**$(62,017)**	**$127,379**	$130,405

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidating Schedule of Activities
(with comparative totals for 2016)
(in thousands)

Year ended June 30,	Services for the UnderServed, Inc.	SUS - Mental Health Programs, Inc.	SUS - Developmental Disabilities	SUS - AIDS Services, Inc.	SUS - Home Attendant Programs, Inc.	SUS Home Care Services, Inc.	SUS - Urgent Housing Programs, Inc.	SUS - HDFC Affiliates	SUS -Corporate Affiliates, Inc.	SUS-Palladia, Inc.	Palladia Housing Corporation
Public Support and Revenue:											
Medicaid income	$ -	$ 11,206	$58,354	$ -	$-	$-	$ -	$ -	$ -	$ 1,551	$ -
Contract revenue	-	40,068	1,264	6,632	-	-	15,607	-	-	31,108	-
Rental income	-	-	-	1	-	-	-	-	-	244	-
Participant fees	-	5,329	3,357	215	-	-	-	-	-	3,369	-
Contributions	385	245	-	-	-	-	-	-	-	-	-
Special events:	-	-	-	-	-	-	-	-	-	-	-
Gross receipts	865	-	-	-	-	-	-	-	-	-	-
Less: Cost of special events	(243)	-	-	-	-	-	-	-	-	-	-
Management fees	11,321	-	-	-	-	-	-	-	-	199	-
Other income	1,589	1,552	35	-	-	-	17	-	-	148	-
Total Public Support and Revenue	13,917	58,400	63,010	6,848	-	-	15,624	-	-	36,619	-
Expenses:											
Program services:											
SUS - Mental Health Programs, Inc.	-	55,224	-	-	-	-	-	-	-	-	-
SUS - Developmental Disabilities Services, Inc.	-	-	59,220	-	-	-	-	-	-	-	-
SUS - AIDS Services, Inc.	-	-	-	6,512	-	-	-	-	-	-	-
SUS - Urgent Housing Programs, Inc.	-	-	-	-	-	-	15,323	-	-	-	-
SUS - Palladia Inc.	-	-	-	-	-	-	-	-	-	34,923	-
Total Program Services	-	55,224	59,220	6,512	-	-	15,323	-	-	34,923	-
Supporting services:											
Fundraising	698	-	-	-	-	-	-	-	-	-	-
Management and general	13,124	3,067	5,445	121	-	-	507	2	17	1,557	784
Total Supporting Services	13,822	3,067	5,445	121	-	-	507	2	17	1,557	784
Total Expenses	13,822	58,291	64,665	6,633	-	-	15,830	2	17	36,480	784
Excess (Deficiency) of Public Support and Revenues Over Expenses Before Other Changes	95	109	(1,655)	215	-	-	(206)	(2)	(17)	139	(784)
Other Changes:	-	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-	-
Acquisition related costs	-	-	-	-	-	-	-	-	-	-	-
Expenses - Home Attendant Program, Inc.	-	-	-	-	-	-	-	-	-	-	-
Transfer to funding sources	-	-	-	-	-	-	-	-	-	-	-
Gain on sale of property	11,734	-	-	-	-	-	-	-	-	-	-
Change in Net Assets Before Transfer of Net Assets	11,829	109	(1,655)	215	-	-	(206)	(2)	(17)	139	(784)
Transfer of Net Assets	-	-	-	-	-	-	-	-	-	-	-
Net Assets, Beginning of Year	15,663	10,928	5,402	671	-	(90)	1,311	306	(462)	(4,135)	15,666
Net Assets, End of Year	**$27,492**	**$11,037**	**$ 3,747**	**$886**	**$-**	**$(90)**	**$ 1,105**	**$304**	**$(479)**	**$ (3,996)**	**$14,882**

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidating Schedule of Activities
(with comparative totals for 2016)
(in thousands)

Year ended June 30,	Palladia Philanthropies, Inc.	Hill House Limited Partnership	Cedar Tremont Limited Partnership	Drietzer Limited Partnership	Jerome Court Limited Partnership	Eliminations	**2017**	2016
Public Support and Revenue:								
Medicaid income	$ -	$ -	$ -	$ -	$ -	$ -	**$ 71,111**	$ 64,172
Contract revenue	-	-	-	-	-	-	**94,679**	101,673
Rental income	-	584	259	648	432	-	**2,168**	1,223
Participant fees	-	-	-	-	-	-	**12,270**	10,580
Contributions	-	-	-	-	-	-	**630**	748
Special events:								
Gross receipts	-	-	-	-	-	-	**865**	764
Less: Cost of special events	-	-	-	-	-	-	**(243)**	(291)
Management fees	-	-	-	-	-	(10,697)	**823**	1,199
Other income	-	9	9	37	44	-	**3,440**	2,406
Total Public Support and Revenue	-	593	268	685	476	(10,697)	**185,743**	182,474
Expenses:								
Program services:								
SUS - Mental Health Programs, Inc.	-	-	-	-	-	-	**55,224**	51,622
SUS - Developmental Disabilities Services, Inc.	-	-	-	-	-	-	**59,220**	50,943
SUS - AIDS Services, Inc.	-	-	-	-	-	-	**6,512**	5,854
SUS - Urgent Housing Programs, Inc.	-	-	-	-	-	-	**15,323**	15,428
SUS - Palladia Inc.	-	-	-	-	-	-	**34,923**	41,458
Total Program Services	-	-	-	-	-	-	**171,202**	165,305
Supporting services:								
Fundraising	-	-	-	-	-	-	**698**	291
Management and general	-	542	492	1,006	626	(10,697)	**16,593**	14,938
Total Supporting Services	-	542	492	1,006	626	(10,697)	**17,291**	15,229
Total Expenses	-	542	492	1,006	626	(10,697)	**188,493**	180,534
Excess (Deficiency) of Public Support and Revenues Over Expenses Before Other Changes	-	51	(224)	(321)	(150)	-	**(2,750)**	1,940
Other Changes:								
Contributions	-	-	-	-	40	(40)	**-**	-
Acquisition related costs	-	-	-	-	-	-	**-**	-
Expenses - Home Attendant Program, Inc.	-	-	-	-	-	-	**-**	(57)
Transfer to funding sources	-	-	-	-	-	-	**-**	57
Gain on sale of property	-	-	-	-	-	-	**11,734**	-
Change in Net Assets Before Transfer of Net Assets	-	51	(224)	(321)	(110)	(40)	**8,984**	1,940
Transfer of Net Assets	-	-	-	-	-	-	**-**	(411)
Net Assets, Beginning of Year	1,577	(1,268)	(1,141)	926	(454)	(8,500)	**36,400**	34,871
Net Assets, End of Year	**$1,577**	**$(1,217)**	**$(1,365)**	**$ 605**	**$(564)**	**$ (8,540)**	**$ 45,384**	$ 36,400

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Services for the UnderServed, Inc. and Affiliated Organizations

Consolidated Financial Statements and Supplementary Information
Year Ended June 30, 2016

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidated Financial Statements and Supplementary Information

Year Ended June 30, 2016

Contents

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Independent Auditor's Report

To the Board of Directors
Services for the UnderServed, Inc.
and Affiliated Organizations
New York, New York

We have audited the accompanying consolidated financial statements of Services for the UnderServed, Inc. and Affiliated Organizations ("SUS"), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Services for the UnderServed, Inc. and Affiliated Organizations as of June 30, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

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

Other Matters

Our audit of the consolidated financial statements was conducted for the purpose of forming an opinion on those consolidated statements as a whole. The accompanying consolidating schedules of financial position and activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The accompanying non-consolidated limited partnerships supplementary information marked "unaudited" are also presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and we express no opinion on it.

BDO USA, LLP

November 30, 2016

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidated Statement of Financial Position
(with comparative totals for 2015)
(in thousands)

June 30,	**2016**	2015
Assets		
Current:		
Cash and cash equivalents (Note 2)	**$ 13,014**	$ 11,963
Accounts receivable, net (Notes 2, 3 and 8)	**40,710**	28,935
Prepaid expenses and other assets (Note 4)	**3,105**	3,051
Total Current Assets	**56,829**	43,949
Due From Affiliates, Net (Note 12)	**2,377**	2,441
Assets Limited to Use (Notes 2 and 5)	**6,332**	6,351
Deferred Bond Financing Costs (Note 11)	**754**	808
Investments in Limited Partnerships at Cost (Note 2)	**1,165**	1,165
Fixed Assets, Net (Notes 2, 6, 8, 9 and 11)	**63,702**	59,342
Total Assets	**$131,159**	$114,056
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 9,786**	$ 12,355
Accrued compensation and related taxes	**9,441**	6,315
Other liabilities	**600**	1,710
Deferred revenue (Notes 2 and 15)	**19,596**	9,559
Lines of credit (Note 7)	**13,055**	-
Due to governmental agencies (Notes 2 and 7)	**3,140**	4,671
Current portion of mortgages payable, less current portion (Note 9)	**1,438**	1,215
Current portion of loans payable, less current portion (Note 10)	**250**	750
Current portion of bonds payable, less current portion (Notes 2 and 11)	**1,195**	1,170
Total Current Liabilities	**58,501**	37,745
Other Liabilities	**-**	1,544
Capital Advances From Funding Sources (Notes 2 and 21)	**2,795**	7,686
Due to Affiliates (Note 12)	**2,604**	2,517
Mortgages Payable (Note 9)	**20,025**	17,607
Loans Payable (Note 10)	**400**	400
Bonds Payable (Note 11)	**10,434**	11,686
Total Liabilities	**94,759**	79,185
Commitments and Contingencies (Notes 8, 9, 10, 11, 13, 14, 17, 19, 20 and 21)		
Net Assets:		
Unrestricted – operating	**26,201**	24,224
Unrestricted – acquisition	**8,500**	8,500
Total Unrestricted Net Assets	**34,701**	32,724
Temporarily restricted (Note 16)	**1,699**	2,147
Total Net Assets	**36,400**	34,871
Total Liabilities and Net Assets	**$131,159**	$114,056

See accompanying notes to consolidated financial statements.

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidated Statement of Activities
(with comparative totals for 2015)
(in thousands)

Year ended June 30,

	Unrestricted	Temporarily Restricted	**2016**	2015
Public Support and Revenue:				
Medicaid income	$ 64,172	$ -	**$ 64,172**	$ 54,861
Contract revenue	101,673	-	**101,673**	72,913
Rental income	1,223	-	**1,223**	859
Participant fees	10,580	-	**10,580**	10,716
Contributions	748	-	**748**	939
Special events:				
Gross receipts	764	-	**764**	671
Less: Cost of special events	(291)	-	**(291)**	(312)
Management fees (Note 12)	1,199	-	**1,199**	728
Other	2,406	-	**2,406**	2,068
Net assets released from restrictions (Note 16)	448	(448)	**-**	-
Total Public Support and Revenue	182,922	(448)	**182,474**	143,443
Expenses (Note 2):				
Program services:				
SUS - Mental Health Programs, Inc.	51,622	-	**51,622**	44,905
SUS - Developmental Disabilities Services, Inc.	50,943	-	**50,943**	46,152
SUS - AIDS Services, Inc.	5,854	-	**5,854**	5,303
SUS - Urgent Housing Programs, Inc.	15,428	-	**15,428**	6,695
SUS - Palladia Inc. and Affiliates	41,458	-	**41,458**	25,662
Total Program Services	165,305	-	**165,305**	128,717
Supporting services:				
Fundraising	291	-	**291**	423
Management and general	14,938	-	**14,938**	11,617
Total Supporting Services	15,229	-	**15,229**	12,040
Total Expenses	180,534	-	**180,534**	140,757
Excess (Deficiency) of Public Support and Revenues Over Expenses Before Other Changes	2,388	(448)	**1,940**	2,686
Other Changes:				
Contributions from acquisition	-	-	**-**	8,500
Acquisition related costs	-	-	**-**	(406)
Expense - Home Attendant Program, Inc. (Note 18)	(57)	-	**(57)**	(48)
Transfer to funding sources (Note 18)	57	-	**57**	48
Gain on sale of property	-	-	**-**	2,857
Change in Net Assets Before Transfer of Net Assets	2,388	(448)	**1,940**	13,637
Transfer of Net Assets (Note 22)	(411)	-	**(411)**	(19)
Net Assets, Beginning of Year	32,724	2,147	**34,871**	21,253
Net Assets, End of Year	**$ 34,701**	**$1,699**	**$ 36,400**	$ 34,871

See accompanying notes to consolidated financial statements.

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidated Statement of Functional Expenses
(with comparative totals for 2015)
(in thousands)

Year ended June 30,

	Program Services						Supporting Services			Total	
	SUS – Mental Health Programs, Inc.	SUS – Developmental Disabilities Services, Inc.	SUS – AIDS Services, Inc.	SUS – Urgent Housing Programs, Inc.	Palladia Inc. and Operating Affiliates	Total Program Services	Fundraising	Management and General	Total Supporting Services	**2016**	2015
Salaries and Related Expenses:											
Salaries	$18,368	$25,987	$2,441	$ 4,484	$17,129	$ 68,409	$ -	$ 5,147	$ 5,147	**$ 73,556**	$ 59,484
Fringe benefits	4,093	8,613	520	986	4,485	18,697	-	963	963	**19,660**	15,601
Total Salaries and Related Expenses	22,461	34,600	2,961	5,470	21,614	87,106	-	6,110	6,110	**93,216**	75,085
Other Expenses:											
Client incidentals and services	2,734	848	43	1,967	2,168	7,760	-	177	177	**7,937**	2,858
Computer operations	534	534	39	69	292	1,468	-	553	553	**2,021**	3,325
Food	345	947	9	450	1,201	2,952	-	8	8	**2,960**	2,557
Insurance	248	429	27	55	148	907	-	115	115	**1,022**	1,503
Interest and bank charges	443	367	17	44	125	996	-	247	247	**1,243**	2,051
Miscellaneous	1,297	1,795	49	51	1,303	4,495	291	2,058	2,349	**6,844**	1,166
Professional fees and staffing	1,957	408	20	49	1,567	4,001	-	1,144	1,144	**5,145**	5,477
Real estate and facilities	14,876	3,588	2,190	2,639	10,101	33,394	-	1,907	1,907	**35,301**	28,476
Security services	1,559	3	184	2,336	2,038	6,120	-	-	-	**6,120**	3,644
Supplies	135	107	14	35	359	650	-	197	197	**847**	2,601
Temporary labor	2,418	3,640	171	2,060	-	8,289	-	687	687	**8,976**	5,510
Transportation	489	2,590	66	125	542	3,812	-	240	240	**4,052**	2,763
Bad debt expense	946	-	-	-	-	946	-	-	-	**946**	317
Total Expenses Before Depreciation and Amortization	50,442	49,856	5,790	15,350	41,458	162,896	291	13,443	13,734	**176,630**	137,333
Depreciation and Amortization	1,180	1,087	64	78	-	2,409	-	1,495	1,495	**3,904**	3,424
Total Expenses	**$51,622**	**$50,943**	**$5,854**	**$15,428**	**$41,458**	**$165,305**	**$291**	**$14,938**	**$15,229**	**$180,534**	$140,757

See accompanying notes to consolidated financial statements.

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidated Statement of Cash Flows
(with comparative totals for 2015)
(in thousands)

Year ended June 30,	**2016**	2015
Cash Flows From Operating Activities:		
Change in net assets	**$ 1,940**	$ 13,637
Transfer of net assets	**-**	(19)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	**3,833**	3,234
Amortization of bond issuance costs	**71**	190
Acquisition related transactions	**-**	(8,500)
Gain on sale of property	**-**	(2,857)
Loss on disposal of fixed assets	**167**	-
Provisions for bad debt	**946**	317
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	**(12,618)**	(7,370)
Prepaid expenses and other assets	**(44)**	2,526
Due from affiliates	**66**	3,262
Increase (decrease) in:		
Accounts payable and accrued expenses	**(2,638)**	3,127
Accrued compensation and related taxes	**3,126**	1,105
Due to affiliates	**(1,152)**	(5,252)
Other liabilities	**(6,133)**	(275)
Deferred revenue	**10,151**	6,334
Due to governmental agencies	**(1,531)**	2,580
Net Cash (Used In) Provided By Operating Activities	**(3,816)**	12,039
Cash Flows From Investing Activities:		
Cash acquired from acquisition	**-**	2,862
Cash acquired from transfer in	**563**	-
Purchases of fixed assets	**(6,559)**	(4,348)
Proceeds from sale of property and equipment, net	**-**	10,500
Net Cash (Used In) Provided By Investing Activities	**(5,996)**	9,014
Cash Flows From Financing Activities:		
Change in assets limited to use	**761**	792
Payments of line of credit	**-**	(11,523)
Proceeds from line of credit	**13,055**	4,867
Payments of mortgages payable	**(759)**	(11,835)
Payments of loans	**(500)**	(600)
Payments of bond principal	**(1,694)**	(5,343)
Proceeds from issuance of bonds (including bond premium)	**-**	6,626
Payments of bond issuance costs	**-**	(43)
Net Cash Provided By (Used In) Financing Activities	**10,863**	(17,059)
Net Increase in Cash and Cash Equivalents	**1,051**	3,994
Cash and Cash Equivalents, Beginning of Year	**11,963**	7,969
Cash and Cash Equivalents, End of Year	**$ 13,014**	$ 11,963
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	**$ 836**	$ 1,336
Supplemental Non-Cash Transactions Related to Jerome Court LP and Undercliff HDFC:		
Transfer-in of accounts receivable	**$ 103**	$ -
Transfer-in of assets limited to use	**742**	-
Transfer-in of prepaid expenses and other assets	**25**	-
Transfer-in of accounts payable	**(69)**	-
Net transfer-in of due to affiliates	**(1,182)**	-
Net transfer-in of fixed assets	**1,801**	-
Net transfer-in of mortgage payable	**(2,453)**	-
Net deficit transfer-in	**411**	-

See accompanying notes to consolidated financial statements.

1. Nature of Organization

Services for the UnderServed, Inc. ("SUS Inc.") was established in 1978 as a not for profit organization and is a leading provider of social services and housing in New York City. Together with its affiliates, SUS Inc. works toward a city where everyone has a roof over their head, is healthy and productive and can enjoy the social connections that create a life of purpose. SUS Inc. and affiliated organizations ("SUS") are supported by various local, state and federal government entities as well as foundations, corporations and individual donors.

The overarching vision of SUS is to deliver the same quality of services to one individual or to thousands. By delivering high quality services that address the complex circumstances of each person, SUS helps transform lives, improve neighborhoods and boost future generations.

SUS' Intellectual/Developmental Disabilities Services support people to:

- Live and receive services in the community of their choice.
- Build and enjoy social connections through productive community participation.
- Deepen relationships with friends, family and others in their lives.
- Direct their own lives and experience life to its fullest potential.

SUS' Homeless Services support individuals and families through:

- Anti-eviction assistance.
- Pathways to housing and employment.
- Case management for people living on the streets.

SUS' Housing Services are committed to providing:

- Transitional and permanent housing for adults in recovery from mental illness, or with substance abuse challenges, or living with HIV/AIDS.
- Safe environments that promote independent living.
- Support and tools to move beyond diagnosis and stigma.
- A steady and growing pipeline of permanent low-income housing.

SUS' Behavioral Health Services are comprehensive and:

- Are offered in a manner that is respectful and highly supportive.
- Acknowledge the informed choice of each individual.
- Are grounded in evidence-based practice.
- Are delivered through in-patient, outpatient and community based settings.

SUS' Veterans Services address the challenge of re-integration and suicide risk due to:

- The effects of chronic homelessness and unemployment.
- Untreated post-traumatic stress syndrome.
- Disconnection from families and social supports.

SUS' Urban Farms Program has:

- More than 20 growing spaces including seven community farms.
- An annual yield that includes fruits, vegetables, herbs and mushrooms, along with honey from beekeeping.

These services are summed up as "Opportunity for All".

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of SUS Inc. and affiliated organizations which are affiliated through common Board membership, common management and/or common ownership. The consolidated financial statements also include the activities of Palladia, Inc. and its affiliated organizations. All material intercompany transactions and balances have been eliminated.

SUS Inc. is a 501(c)(3) corporation and is the sole member of eleven affiliated 501(c)(3) entities which operate its programs. Two of the affiliated entities are the sole shareholders of housing development fund corporations established for the purpose of developing supportive and affordable housing projects. The consolidated financial statements include the accounts of SUS Inc., the affiliated entities and the housing development fund corporation subsidiaries.

The 501(c)(3) affiliated entities are:

- SUS – Developmental Disabilities Services, Inc.
- SUS - Mental Health Programs, Inc.
- SUS - AIDS Services, Inc.
- SUS – Urgent Housing, Inc.
- SUS – Home Attendant Program, Inc.- discontinued operation
- SUS – Home Care Services, Inc.
- SUS – Foundation Inc. – No activity for the year ended June 30, 2016

On December 4, 2014, SUS Inc. entered into a membership transaction and became sole member of Palladia, Inc. and several Palladia Affiliates (collectively "Palladia"). The programs of SUS Inc. and Palladia are complimentary and, after the acquisition, the operations of SUS Inc. and Palladia were integrated. SUS Inc. became the sole member of the following 501(c)(3) entities:

- Palladia, Inc.
- Palladia Housing Corporation
- Palladia Year 15, Inc.
- Palladia Philanthropies, Inc.

SUS - Developmental Disabilities Services, Inc. operates the programs of SUS in intellectual/ developmental disabilities.

SUS - Mental Health Programs, Inc. operates the programs of SUS in behavioral health, Veterans' Services and housing.

SUS - AIDS Services Inc. operates the programs of SUS in homeless and treatment services for individuals living with HIV/AIDS.

SUS - Urgent Housing Inc. operates the programs of SUS in homeless services for individuals and families.

SUS - Home Attendant Program, Inc.'s operation was discontinued. It formerly operated a home attendant program for the elderly under a funding contract with New York City Human Resources Administration. The contract terminated in March 2011 and the contract close-out provisions are in the process of being executed.

SUS - Home Care Services Inc. is dormant.

SUS Foundation Inc. is dormant. Philanthropy and fundraising activities flow through SUS, Inc.

Palladia Inc. operates programs in homeless services, behavioral health and housing.

Palladia Housing Corporation owns personal and real property acquired by grant, contribution or purchase. At the acquisition date, the HQ building of Palladia was the major asset and the mortgage was the major liability of Palladia Housing Inc. The other property of Palladia Housing Inc. is made available to the programs operated by Palladia Inc.

Palladia Year 15, Inc. was organized to hold the acquired interest in affordable housing projects developed under the Federal low income housing credit program. As of the acquisition date, Palladia Year 15, Inc. had no assets or liabilities and there was no activity for the year ended June 30, 2016.

Palladia Philanthropies, Inc. receives contributions and awards from foundations, individuals and the net proceeds of fundraising events. The net funds received are utilized to support the programs of Palladia Inc. There were no fundraising events for the year ended June 30, 2016.

SUS Inc. is the sole member of SUS - Mental Health Programs Inc. which, in turn, is sole shareholder of five Housing Development Fund Corporations as follows:

New Life Homes HDFC ("NLHHDFC") was organized to own, construct and operate a 55-unit housing project providing supportive and affordable housing to low-income individuals some of whom meet other eligibility criteria. NLHHDFC holds all of the shares of New Life Homes Inc. which is the general partner of New Life Homes Limited Partnership ("NLHLP"). New Life Homes Inc. has a 0.01% interest in NLHLP while National Equity Find – 1999 Limited Partnership, the limited partner, has a 99.99% interest. NLHHDFC has transferred beneficial ownership in the project to NLHLP.

Macombs Road HDFC ("MRHDFC") was organized to own, construct and operate a 48-unit housing project providing supportive housing to low-income individuals some of whom meet other eligibility criteria. MRHDFC holds all of the shares of Macombs Road Housing G.P. Inc. ("MRHGP") which is the general partner of Macombs Road Housing Limited Partnership ("MRHLP"). MRHGP has a 0.01% interest in MRHLP while Enterprise BB Fund I, Limited Partnership, the limited partner, has a 99.99% interest. MRHDFC has transferred beneficial ownership in the project to MRHLP.

Mother Gaston HDFC ("MGHDFC") was organized to own, construct and operate a 49-unit housing project providing supportive and affordable housing to low-income individuals some of whom meet other eligibility criteria. MGHDFC holds all of the shares of Mother Gaston Housing G.P. Inc. ("MGHGP") which is the general partner of Mother Gaston Housing Limited Partnership ("MGHLP"). MGHGP has a 0.01% interest in MGHLP while Richman Asset Management Inc., the limited partner, has a 99.99% interest. MGHDFC has transferred beneficial ownership in the project to MGHLP.

21 Truxton Street HDFC ("TSHDFC") was organized to own, construct and operate a 48-unit housing project providing supportive housing to low-income individuals some of whom meet other eligibility criteria. TSHDFC holds all of the shares of 21 Truxton Street G.P. Inc. ("TSGP") which is the general partner of 21 Truxton Street L.P. ("TSLP"). TSGP has a 0.01% interest in TSLP while Bank of America Housing Fund IX Limited Partnership, the limited partner, has a 99.99% interest. TSHDFC has transferred beneficial ownership in the project to TSLP.

Undercliff HDFC was incorporated on November 24, 2014 to purchase and develop the property located at 1434 Undercliff Avenue, Bronx, New York. On June 30, 2016, SUS Undercliff HDFC entered into a nominee agreement with 1434 Undercliff Avenue L.P. (the "L.P."). The nominee agreement established equitable and beneficial ownership to the L.P. SUS Undercliff HDFC maintains fee ownership of the property. The property and related mortgage payable was transferred from Undercliff HDFC to the L.P. as of June 30, 2016.

SUS Inc. is sole member of Palladia Inc. which, in turn, is sole shareholder of ten housing development fund corporations as follows;

Dreitzer Housing Development Fund Corporation ("DHDFC") was organized to own, construct and operate a 37-unit housing project providing permanent housing for low-income families who also meet other eligibility criteria. DHDFC transferred beneficial ownership to Dreitzer Partnership ("DLP") which operates the project. DHDFC holds all of the shares of Dreitzer Corp. ("DC"), the general partner of DLP, which has a 0.01% interest in DLP. Pursuant to an assignment and assumption agreement dated March 2013, Palladia, Inc. acquired the 99.99% limited partnership interest in DLP from the withdrawing limited partner.

Cedar Tremont Housing Development Fund Corporation ("CTHDFC") was organized to own, rehabilitate and operate a housing project providing permanent housing to low-income families who also meet other eligibility criteria. The facility houses seventeen families. CTHDFC transferred beneficial ownership to Cedar Tremont Limited Partnership ("CTLP") which operates the project. CTHDFC holds all of the shares of Tremont Cedar Corp. ("TCC"), the general partner of CTLP, which has a 0.01% interest in CTLP. On November 24, 2014, Palladia, Inc. entered into an amended and restated agreement with CTLP. The amended agreement reflects the withdrawal of Corporate Housing Initiatives II Limited Partnership, the limited partner holding a 99.99% limited partnership interest in CTLP, and admission of Palladia Inc. as the substitute limited partner.

Hill Housing Development Fund Corporation ("HHDFC") was organized to develop, own, construct and operate a housing project providing permanent housing to low-income individuals who also meet other eligibility criteria. The project consists of 43 studio units. HHDFC has transferred beneficial ownership of the project to HHLP which operates the project. HHDFC holds all of the shares of Hill House Associates ("HHA"), the general partner of HHLP, which has a 0.01% interest in HHLP. On June 23, 2014, Palladia Inc. entered into an amended and restated agreement with HHLP. The amended agreement reflects the withdrawal of Enterprise Housing Partners 1995 Limited Partnership, the limited partner holding a 99.99% limited partnership interest in HHLP and admission of Palladia Inc. as the substitute limited partner.

Project Return Housing Development Fund Corporation is dormant.

Jerome Housing Development Fund Corporation ("JHDFC") was organized to own, rehabilitate, and operate a 40-unit housing project providing permanent housing to low-income individuals who also meet other eligibility criteria. JHDFC has ownership of the property and controls the project.

On June 28, 2016, JHDFC entered into an assignment agreement with Corporate Housing Initiatives III Limited Partnership. The assignment agreement reflects the withdrawal of Corporate Housing Initiatives III Limited Partnership, the limited partner holding a 99.99% limited partnership interest in Jerome Court Limited Partnership, and assignment of legal and beneficial owner rights to JHDFC as the substitute limited partner.

Boston Post Road Housing Development Fund Corporation ("BPRHDFC") was organized to own, rehabilitate and operate a 20-unit housing project providing permanent housing to low-income families and who also meet other eligibility criteria. BPRHDFC holds all of the shares of Aegis III Development Corp. ("ADC"), the general partner of 1368 Boston Post Road Associates, L.P. ("BPRLP"), which operates the project. BPRHDFC has transferred beneficial ownership in the project to BPRLP. BPRHDFC has a 0.01% interest in BPRLP while The Housing Outreach Fund IX, L.P. has a 99.99% interest.

Stratford Housing Development Fund Corporation ("SHDFC") was organized to own, rehabilitate and operate a 60-unit housing project providing permanent housing to low-income families who meet other criteria. SHDFC holds all of the shares of 1168 Stratford Corporation ("1168"), the general partner of Stratford Limited Partnership ("SLP"), which operates the project. SHDFC has transferred beneficial ownership in the project to SLP. 1168 has a 0.01% interest in SLP while MCDC Community Development LP II has a 49.995% interest and MLL Community Development L.P. also has a 49.995% interest.

17th Street Housing Development Fund Corporation ("17HDFC") was organized to own, rehabilitate and operate an 18-unit building providing permanent housing to low-income individuals and who also meet other eligibility criteria. 17HDFC holds all of the shares of Chelsea Court Associates, Inc. ("Chelsea Court"), the general partner of Chelsea Limited Partnership ("CLP"), which operates the project. 17HDFC has transferred beneficial ownership in the project to CLP. Chelsea Court has a 0.01% interest in CLP while the Housing Outreach Fund IX L.P. has a 99.99% interest.

Flora Vista Housing Development Fund Corporation ("FVHDFC") was organized to own, construct and operate a 20-unit building providing permanent housing to low-income individuals and who also meet other eligibility criteria. FVHDFC holds all of the shares of Flora Vista Development Corp. ("FVDC"), the general partner of Flora Vista Limited Partnership ("FVLP"), which operates the project. FVHDFC has transferred beneficial ownership in the project to FVLP. FVDC has a 0.01% interest in FVLP while The Housing Outreach Fund IX L.P. has a 99.99% interest.

Westchester Gardens Housing Development Fund Corporation ("WGHDFC") was organized to own, construct and operate a 48-unit housing providing permanent housing to low-income individuals and families, some of whom meet other eligibility criteria. WGHDFC holds all of the shares of Westchester Gardens Associates ("WGA"), the general partner of Westchester Gardens L.P. ("WGLP"), which operates the project. WGHDFC has transferred beneficial ownership in the project to WGLP. WGA has a 0.01% interest in WGLP while the housing fund XII Limited partnership has a 99.99% interest.

The accounts of the Housing Development Fund Corporations and the General Partnerships are included in the consolidating financial statements of SUS Inc.

Pursuant to the assignment and assumption agreements, Palladia, Inc. was substituted as the limited partner in four limited partnerships. Consequently, SUS Inc. has substantial participating rights in DHLP, CTLP, JCLP and HHLP and the accounts of these limited partnerships are included in the consolidated financial statements of SUS Inc.

The limited partners in ten limited partnerships disclosed above have substantial participating rights, including participation in major decisions in the ordinary course of business. The accounts of the ten limited partnerships are not included in the consolidated financial statements of SUS Inc.

Summarized schedules of financial position, activities and cash flow are included in the supplementary information marked “unaudited”.

(b) Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America.

(c) Financial Statement Presentation

The classification of a not-for-profit organization’s net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

(i) **Permanently Restricted** – Net assets resulting from contributions and other inflows of assets whose use by SUS is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of SUS.

(ii) **Temporarily Restricted** – Net assets resulting from contributions and other inflows of assets whose use by SUS is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of SUS pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities.

(iii) **Unrestricted** – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations. SUS breaks out the increase in net assets from acquisitions as unrestricted acquisition net assets.

As of June 30, 2016, SUS had no permanently restricted net assets.

(d) Cash and Cash Equivalents

SUS considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

(e) Assets Limited to Use

Assets limited to use include assets set aside by SUS for future long-term purposes and debt finances for future payout.

Net investment income (including realized and unrealized gains on trading investments, interest and dividends) is included in the consolidated statement of activities under the caption, “excess of public support and revenues over expenses before other changes”, unless the income is restricted by donor or law.

(f) Fixed Assets

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives of the assets are as follows:

Buildings and building improvements	25-40 years
Leasehold improvements	25 years
Furniture and equipment	3-7 years
Vehicles	3-7 years

(g) Revenue Recognition

Revenue from governmental grants is recognized as the expenditures for each contract are incurred. All grant monies received in excess of revenue earned are recorded as deferred revenue. Revenue from fees for service programs is recognized when earned (services are provided daily and/or monthly).

Reimbursements are subject to audit and retroactive adjustment by the respective third party fiscal intermediary. Revenue from retroactive adjustments is recognized in the year the adjustments are made.

SUS receives Supplemental Security Income (“SSI”) and Social Security Income (“SSA”) payments for some program participants. A portion of the SSI/SSA payments represents the participants’ contributions toward the cost of goods and services and is recognized as revenue when received. The remaining portion of SSI/SSA represents the participants’ personal allowance and is recognized as a liability due to clients.

Participant fees represent the participant’s personal contribution towards the cost of goods and services SUS is allowed to charge as regulated by Federal and state law.

Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Rental income includes tenant payments and tenant assistance payments less rental vacancies and is recognized as rental income becomes due. Subsidy overages are recorded as liabilities until recouped. All leases between SUS and the tenants of the property are operating leases.

Management fees include fees to administer various low income housing tax projects. These amounts are recognized when incurred.

(h) Contributions and Promises to Give

Contributions and promises to give are recorded as revenue when unsolicited cash is received. Contributions are classified as either unrestricted, temporarily restricted, or permanently restricted support.

Contributions of property and equipment are recorded at the fair market value of the property and equipment at the time of contribution.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

(i) Capitalized Financing Costs

Financing costs related to the acquisition and refinancing of bonds and mortgages have been capitalized and are being amortized on a straight-line basis over the terms of the bonds and mortgages.

(j) Use of Estimates

In preparing consolidated financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

(k) Concentration of Credit Risk

The financial instruments that potentially subject SUS to concentration of credit risk consist primarily of cash and cash equivalent accounts in financial institutions which, from time to time, exceed the Federal Deposit Insurance Coverage ("FDIC") limit. SUS has not experienced any losses in such accounts, and management does not believe SUS is exposed to any significant credit risk on cash and cash equivalents. SUS believes it has minimal credit risk with respect to accounts and contracts receivable.

(l) Due to Governmental Agencies

Due to governmental agencies consist of operational advances, retroactive rate adjustments and advances received from Office for People With Developmental Disabilities ("OPWDD"), New York State Office of Mental Health ("OMH"), the New York State Department of Health ("DOH") and other advances due to the New York City Human Resources Administration ("HRA"). OPWDD recoups the excess advances through withholdings from Medicaid remittances over a specified period of time.

(m) Fair Value Measurements

Generally accepted accounting principles establish a framework for measuring fair value and expands the disclosures about fair value measurements and define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants' use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or unobservable. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The standard requires that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. SUS classifies fair value balances based on the fair value hierarchy defined by Accounting Standards Codification ("ASC") 820, "Fair Value Measurement," as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Valuation adjustments and block discounts are not applied to Level 1 instruments.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

(n) Income Taxes

SUS must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained upon examination by a taxing authority. SUS does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The remaining entities have filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the remaining entities have filed Internal Revenue Service ("IRS") Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended June 30, 2016, there was no interest or penalties recorded or included in the consolidated statement of activities. SUS is subject to routine audits by a taxing authority. As of June 30, 2016, SUS was not subject to any examination by a taxing authority. Management believes it is no longer subject to income tax examination for the years prior to 2013. In addition, the remaining entities have been determined by the IRS not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for the year ended June 30, 2016.

The corporations whose sole function is to serve as the general partner in the limited partnerships noted in Note 2(a) are for-profit entities and are subject to Federal and New York State Corporation taxes. Four of the Housing Development Fund Corporations (DHDFC, HHDFC, JHDFC and WGHDFC) are incorporated under New York State housing development law as not-for-profit corporations. They are subject to Federal corporation taxes. None of the forgoing entities are currently active and, consequently, no Federal tax liability has been provided. The remaining entities are exempt from tax as not-for-profit corporations under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, therefore, have made no provision for income taxes in the accompanying consolidated financial statements.

(o) Long-Lived and Depreciable Assets

Contracts with funding agencies generally provide that purchases of fixed assets are expensed at the time of acquisition for cost reporting and reimbursement purposes although certain contracts contain reversion of title or similar provisions with respect to fixed assets purchased under the contract, principally in the event of early termination of the agreements or cancellation of the programs. For financial reporting purposes, such acquisitions are capitalized and depreciated over their estimated useful lives. Since the ongoing operation of SUS's programs is assumed, the resulting net assets are presented in the consolidated financial statements as unrestricted.

Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

(p) Impairment of Long-Lived Assets

SUS reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. There were no impairment losses recognized for long-lived assets as of June 30, 2016.

(q) Deferred Revenue

Deferred revenue relates to preoperative costs through June 30, 2016 incurred by SUS to run programs and construction of new facilities. The funding source advances SUS for said costs based on a budget submitted. The final payment is based upon actual expenditures.

(r) Cost Allocation

Management and general expenses include expenditures for the overall direction of SUS, general recordkeeping, business management, budgeting and related purposes. Such expenses are allocated to individual programs for cost reporting and reimbursement purposes in proportion to the direct program expenses incurred. Certain other shared program expenses are allocated to individual programs using specific allocation methods.

(s) Accounts Receivable, Net

Accounts receivable have been adjusted to the estimated amounts expected to be collected. A substantial amount of this receivable is from third-party reimbursement agencies. SUS provides an allowance for doubtful accounts based upon prior experience and management's assessment of collectability of specific accounts.

(t) Related Party Transactions

Certain entities provide services and advances to other entities within SUS. These receivables are noninterest bearing and due on demand. Certain receivables and payables are eliminated in consolidation.

(u) Investment in Limited Partnerships

Noncontrolling Limited Partners' interest in the ten non-consolidated limited partnerships disclosed above represents the profits or losses of the ten non-consolidated limited partnerships allocated to the general partners for that period. The Limited Partners' interest included in SUS' consolidated statement of financial position represents the undistributed profits or losses and the capital of the Limited Partnerships owned by the general partners.

(v) Comparative Financial Information

The consolidated financial statements include certain prior-year summarized comparative information. With respect to the consolidated statement of activities, the prior year information is presented in total, not by net asset class. With respect to the consolidated statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with SUS's consolidated financial statements for the year ended June 30, 2015, from which the summarized information was derived.

(w) New Accounting Pronouncements

(i) On August 18, 2016 the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities." The newly released standard will change the way SUS classifies net assets and prepares financial statements. The required adoption date for this ASU is for annual financial statements issued for fiscal years beginning after December 15, 2017. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

(in thousands)

(ii) In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial positon and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use ("ROU") model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for fiscal years beginning after December 15, 2019 with early adoption permitted. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

3. Account Receivable, Net

Major funding types of accounts receivable, net consist of the following:

June 30, 2016	
City of New York	$22,105
Medicaid	13,764
Federal funding	3,507
State funding	720
Other sources	2,238
	42,334
Less: Allowance for doubtful accounts	(1,624)
Accounts receivable, net	$40,710

4. Prepaid Expenses and Other Assets

Prepaid expenses and other assets consists of the following:

June 30, 2016	
Security deposits	$1,621
Prepaid expenses	1,151
Dormitory Authority of the State of New York surplus funds	326
Other assets	7
	$3,105

(in thousands)

5. Assets Limited to Use

As of June 30, 2016, assets limited to use consist of the following:

(a) Restricted Cash

June 30, 2016	
Bond escrow fund	$ 77
Debt service reserve and restricted deposits	6,255
	$6,332

Debt service reserve represents funds held by OPWDD, New York State Office of Alcohol and Substance Abuse (“OASAS”), U.S. Bank and Bank of New York Mellon (collectively, the “Trustee”). These funds will be applied to the last payment required on the mortgages with the Facilities Development Corporation (“FDC”) and bonds due to the Dormitory Authority of the State of New York (“DASNY”) and NYC Industrial Development Agency (“IDA”). This reserve will earn interest which will be used to offset SUS’s obligations. As of June 30, 2016, the Trustee has $1,202 in debt service reserve.

Bond escrow fund represents funds held by U.S. Bank and Bank of New York Mellon. These funds will be applied to principal and interest payments associated with DASNY and IDA bonds. As of June 30, 2016, the Trustee has $77 in bond escrow funds.

Restricted deposits represent funds held due to various regulatory agreements and mortgage loan documents that require SUS to maintain certain restricted deposit accounts. The restricted deposits are funded for the purpose of paying interest, tax, insurance, principal payments and building and property replacement expenses. As of June 30, 2016, restricted deposits held were $5,053.

(b) Investments

SUS’s financial assets carried at fair value and have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2(k) for a discussion of SUS’s policies regarding this hierarchy.

SUS’s publicly-traded U.S. Treasury money market funds, U.S. Treasury bills and U.S. Treasury notes are carried at their aggregate market value that is determined by quoted market prices. Each of these investments can be liquidated daily. The valuation of these investments is based on Level 1 inputs within the hierarchy used in measuring fair value.

SUS’s holdings in publicly-traded fixed income securities consist of U.S. government-sponsored agency securities and corporate bonds. SUS’s Trustee prices these investments using nationally recognized pricing services. Since fixed income securities other than U.S. Treasury securities generally do not trade on a daily basis, the pricing services prepare estimates of fair value measurements for these securities using their proprietary pricing applications which include available relevant market information, benchmark curves, benchmarking of similar securities, sector groupings and matrix pricing. The valuation of these investments is based on Level 2 inputs within the hierarchy used in measuring fair value.

Investments in mutual funds are classified as Level 1 investments as valuations are obtained from real time quotes for transactions in active markets involving identical assets. SUS uses net asset value (“NAV”) as estimates of fair value as a practical expedient.

There were no changes in valuation methodologies as of June 30, 2016.

(in thousands)

The following table presents the level within the fair value hierarchy at which SUS's financial assets are measured on a recurring basis at June 30, 2016:

	Fair Value Measurement Using		
	Level 1	Level 2	Balance as of June 30, 2016
Assets			
Cash and money market funds	$3,128	$ -	$3,128
Mutual funds	132	-	132
Corporate bonds	-	451	451
U.S. government obligations	1,385	1,236	2,621
Total assets	$4,645	$1,687	$6,332

6. Fixed Assets, Net

Major classes of fixed assets, net consist of the following:

June 30, 2016	
Land	$ 12,355
Building and building improvements	97,280
Leasehold improvements	3,360
Furniture and equipment	7,612
Vehicles	322
Total fixed assets	120,929
Less: Accumulated depreciation and amortization	57,227
Fixed assets, net	$ 63,702

For the year ended June 30, 2016, depreciation and amortization expense was $3,904.

7. Due to Governmental Agencies

Due to governmental agencies consists of the following:

June 30, 2016	
Refundable surplus income generated from programs	$ 201
Other advances due to OPWDD	2,939
	$3,140

(in thousands)

8. Lines of Credit

On January 29, 2016, SUS entered into an agreement with Bank of America for a $23,000 credit facility consisting of a $17,000 revolving line of credit and a $6,000 term loan. The revolving line of credit commitment and the term loan commitment will both terminate on January 30, 2017. SUS can elect to borrow at prime rate plus the applicable margin for prime rate loans or at LIBOR plus the applicable margin for LIBOR loans upon sending a written notice to the Bank of America. There is a non-refundable facility fee in the amount equal to .75% of the original principal amount of such term loan. In addition, there is an "Unused Fee" equal to .25% of the average daily unused balance of the revolving line of credit commitment amount and the term loan commitment amount and shall be payable quarterly. As of June 30, 2016, SUS had a balance of $10,000 and $3,055 for the revolving line of credit and the term loan, respectively. Pursuant to the agreement, SUS shall have a debt service coverage ratio of not less than 1.20 to 1.00 for the three month period ending March 31, 2016, for the six month period ending June 30, 2016, for the nine month period ending September 30, 2016 and for the twelve month period ending December 31, 2016. SUS shall also have a Liquidity Ratio of not less than 0.75 to 1 as of the last day of each fiscal quarter, beginning with the fiscal quarter ending March 31, 2016.

9. Mortgages Payable

Mortgages payable consist of the following:

Mortgage payable to DASNY - OMH, due June 1, 2019, payable in semiannual payments of $56, including interest at 6.21% per annum, secured by real estate located on St. Marks Avenue, Brooklyn, New York	$ 303
Mortgage payable to DASNY - OMH, due June 1, 2019, payable in semiannual payments of $47, including interest at 6.20% per annum, secured by real estate located on Patchen Avenue, Brooklyn, New York	256
Mortgage payable to DASNY - OMH, due December 1, 2020, payable in semiannual payments of $144, including interest at 5.58% per annum, secured by real estate located on Knickerbocker Avenue, Brooklyn, New York	1,132
Mortgage payable to DASNY - OMH, due June 1, 2023, payable in semiannual payments of $33, including interest at 5.40% per annum, secured by real estate located on Classon Avenue, Brooklyn, New York	383
Mortgage payable to DASNY - OMH, due June 1, 2022, payable in semiannual payments of $272, including interest at 5.27% per annum, secured by real estate located on Beach 85th Street, Queens, New York	2,768
Mortgage payable to FDC, due August 15, 2018, payable in semiannual debt service and administrative fee payments of approximately $30, including interest at 6.16% per annum, secured by real estate located on Cornelia Street, Brooklyn, New York.	37
Mortgage payable to FDC, due August 15, 2018, payable in semiannual debt service and administrative fee payment of approximately $33, including interest at 6.16% per annum, secured by real estate located on 45th Avenue, Flushing, New York.	110
Mortgage note payable to DASNY with a $3,667 face amount, due August 15, 2017. The mortgage is payable in semiannual installments with interest at 5.46% per annum and administrative fees. At June 30, 2016, debt service reserve fund amounted to $153. The debt service reserve fund is held by OASAS to ensure that the mortgage obligations are satisfied. The mortgage is secured by real property located at 1600 Macombs Road, Bronx, New York.	351

(in thousands)

Mortgage payable with New York Homeless Housing and Assistance Corporation ("HHAC") in the original amount of $2,075. The mortgage accrues interest at 1% per annum. Both principal and interest are payable at maturity on December 4, 2027. However, if the project remains in compliance throughout the contract term with the conditions set forth by the HHAC regulatory agreement, HHAC will discharge the entire mortgage balance and accrued interest. The mortgage is collateralized by DLP's investment in real property. The accrued interest on June 30, 2016 was $340.	$ 2,415
JCLP has a mortgage which was originated on June 26, 2000 with HPD in the amount of $3,862. The mortgage accrues interest at .25% per annum. Both principal and interest are payable at maturity on April 27, 2031. The mortgage is collateralized by JCLP's investment in real estate. The accrued interest on June 30, 2016 is $151.	4,014
DLP has a second mortgage which originated on December 4, 1997 and is held by the New York State Housing Trust Fund Corporation ("HTFC") in the original amount of $2,200. The mortgage accrues interest at 1% annum. Both principal and interest are payable at maturity on June 30, 2030. The mortgage is collateralized by DLP's investment in real estate. The accrued interest on June 30, 2016 was $399.	2,599
HHLP has a mortgage which originated on January 27, 1999 and is held by the New York City Department of Housing Preservation and Development ("HPD"). The mortgage accrues interest at .25% per annum. Both principal and interest are payable at maturity on July 15, 2029. The mortgage is collateralized by DLP's investment in real estate. The accrued interest on June 30, 2016 was $171.	4,095
CTLP has a first mortgage which was originated on August 29, 1996 and is held by HHAC in the original amount of $2,351. The mortgage accrues interest at 1% per annum. Both principal and interest are payable at maturity on March 21, 2026. However, if the project remains in compliance throughout the contract term with the conditions set forth by HHAC regulatory agreement, HHAC will discharge the entire mortgage balance and accrued interest. The mortgage is collateralized by CTLP's investment in real estate. The accrued interest on June 30, 2016 was $472.	2,823
CTLP has a second mortgage which was originated on September 4, 1996 with HHAC in the amount of $149. The mortgage accrues interest at 1% per annum. Both principal and interest are payable at maturity on March 21, 2026. However, if the project remains in compliance throughout the contract term with the conditions set forth by HHAC regulatory agreement, HHAC will discharge the entire mortgage balance and accrued interest. The mortgage is collateralized by CTLP's investment in real estate. The accrued interest on June 30, 2016 was $30.	177
	$21,463

Future annual principal repayments are as follows:

Year ending June 30,	
2017	$ 1,438
2018	1,228
2019	1,177
2020	1,030
2021	945
Thereafter	15,645
	$21,463

(in thousands)

10. Loans Payable

Loans payable consist of the following:

Interest-free loan from Enterprise Community Partners, Inc. for working capital expenses, payable at December 31, 2016.	$250
Promissory note payable to Carver Federal Savings Bank bearing interest at 1% per annum which represents an affordable housing program sponsor subsidy. The funds were provided to Westchester Gardens LP for purposes of building affordable housing. The note is secured by a mortgage on real estate that is owned by Westchester Gardens LP. The note will be deemed satisfied upon the expiration of fifteen (15) years which is during 2024, if the property is maintained in accordance with the requirements of the Affordable Housing Program Regulations.	400
	$650

Future annual principal repayments are as follows:

Year ended June 30,	
2017	$250
Thereafter	400
	$650

11. Bonds Payable

(a) DASNY

On June 25, 2003, the Services for the UnderServed – Developmental Disabilities Services, Inc. ("DD") and Services for the Underserved, Inc. entered into an agreement with DASNY.

Under the terms of the agreement, DASNY has issued Insured Revenue Series 2003A and Series 2003B bonds in the aggregate principal amount of $9,545, which mature July 1, 2023 for DD and Services for the UnderServed, Inc. Bond payments, including interest and principal, are required to be made monthly to U.S. Bank, which maintains a debt service reserve fund account and makes semi-annual installments January 1 and July 1 of each year. The Series 2003A bonds bear interest ranging from 3.0% to 5.125%, net of interest cost of 4.675% per annum. The Series 2003B bonds bear interest at 5.38% per annum. During the year ended June 30, 2016, the Series 2003A bonds relating to DD were refinanced and rolled into the 2015A DASNY bonds which were issued on February 11, 2015. The principal amount outstanding at June 30, 2016 was $1,660.

In March 2010, DD entered into a loan agreement with DASNY. Under the terms of the agreement, DASNY issued Insured Revenue Series 2010A-1 bonds in the principal amount of $3,735, which mature on July 1, 2025. DASNY also issued Series 2010A-2 bonds in the principal amount of $80, which matured on July 1, 2012. Bond payments, including interest and principal, are required to be made monthly to The Bank of New York Mellon, which maintains a debt service reserve fund account and makes semi-annual installments January 1 and July 1 of each year. The bonds bear interest ranging from 1.5% to 5% per annum. The principal amount outstanding at June 30, 2016 was $1,745.

In April 2012, under the terms of the agreement, DASNY issued Insured Revenue Series 2012A-1 bonds in the principal amount of $1,685 at a premium of $72. Series 2012A-1 bonds mature on July 1, 2027. Bond payments, including interest and principal, are required to be made monthly to The Bank of New York Mellon, which maintains a debt service reserve fund account and makes semi-annual installments January 1 and July 1 of each year. The Series 2012A-1 bond bears interest ranging from 3% to 5% per annum. The principal amount outstanding on the Series 2012A-1 at June 30, 2016 was $1,270. The unamortized premium on the Series 2012A-1 bonds at June 30, 2016 was $53.

On February 11, 2015, DD entered into an agreement with DASNY. Under the terms of the agreement, DASNY has issued Insured Revenue Series 2015A-1 bonds in the principal amount of $6,040 at a premium of $356, which mature July 1, 2029. DASNY also issued Series 2015A-2 bonds in the principal amount of $230, which mature on July 1, 2016. Bond payments, including interest and principal, are required to be made monthly to U.S. Bank, which maintains a debt service reserve fund account and makes annual installments July 1 of each year. The Series 2015A-1 bonds bear interest ranging from 2.0% to 4% per annum. The Series 2015A-2 bonds bear interest at 1.2% per annum. The aggregate principal amount outstanding at June 30, 2016 was $5,440. The unamortized premium on the Series 2015A-1 bonds at June 30, 2016 was $283.

(b) IDA

On March 2, 2005, DD entered into a capital lease financing agreement with NYC Industrial Development Agency ("IDA"). Under the terms of the agreement, IDA issued $2,690 of Series 2005A term bonds, net of bond discount of $48. Interest rates range from 2% to 3% and mature in 2020. Bond payments, including interest and principal, are required to be made monthly to Bank of New York Mellon, which maintains a debt service reserve fund account and makes semi-annual installments on January 1 and July 1 of each year. During the year ended June 30, 2015, the Series 2005A term bonds were refinanced and rolled into the 2015A DASNY bonds.

On June 9, 2006, SUS Inc. entered into a capital lease financing agreement with IDA. Under the terms of the agreement, IDA issued an aggregate of $1,679 of Series 2006 C-1 and C-2 term bonds, at interest rates ranging from 4.15% to 6.05% and maturing in 2031. Bond payments, including interest and principal, are required to be made semiannually to the Bank of New York Mellon, which maintains a debt service reserve fund account and makes semiannual installments on January 1 and July 1 of each year. The principal amount outstanding at June 30, 2016 was $1,178.

In October 2007, DD entered into a capital lease financing agreement with IDA. Under the terms of the agreement, IDA issued $3,695 of Series 2007B term bonds at a discount of $73. Interest rates range from 4.87% to 5.29% and mature in 2022. Bond payments, including interest and principal, are required to be made monthly to the Bank of New York Mellon, which maintains a debt service reserve fund account and makes semi-annual installment payments on January 1 and July 1 of each year. During the year ended June 30, 2016, the Series 2007A term bonds were refinanced and rolled into the 2015A DASNY bonds.

In addition to the construction cost of the projects, bond proceeds were used to pay bond issuance costs of $618 for DASNY, which are being amortized over the lives of the bonds. At June 30, 2016, $71 of amortized bond costs is included in depreciation and amortization.

(in thousands)

Future minimum debt service payments are as follows:

Year ending June 30,	
2017	$ 1,195
2018	1,215
2019	1,250
2020	1,255
2021	1,125
Thereafter	5,253
	11,293
Plus: Unamortized premium	336
	$11,629

12. Transactions With Affiliates

(a) Based on a written agreement in February 2002, SUS receives partnership management fees from the DeWitt Avenue Supportive Housing Project owned by NLHLP. During fiscal year-end 2016, NLHLP provided $-0- in development fees to SUS-Mental Health Programs, Inc. to be used to fund a social reserve. As of June 30, 2016, the total amount SUS-Mental Health Programs, Inc. received from NLHLP was $561.

SUS is entitled to an annual partnership management fee of 6.7% of gross potential income. SUS received management fees of $74 from NLHLP for the year ended June 30, 2016. At June 30, 2016, SUS had a net payable of $490 to NLHLP.

(b) SUS shares common staff with MRHLP and is entitled to be reimbursed for costs incurred related to the operation of MRHLP’s supportive housing program. SUS is entitled to an annual partnership management fee of 8% of gross potential income. SUS received management fees of $11 from MRHLP for the year ended June 30, 2016. SUS had a net receivable of $13 to MRHLP as of June 30, 2016.

(c) SUS shares common staff with MGHLP and is entitled to be reimbursed for costs incurred related to the operation of MGHLP’s supportive housing program. SUS is entitled to an annual partnership management fee of 8% of gross potential income. SUS received management fees of $41 from MGHLP for the year ended June 30, 2016. SUS had a net receivable from MGHLP of $2 as of June 30, 2016.

(d) SUS shares common staff with TSLP and is entitled to be reimbursed for costs incurred related to the operation of TSLP. SUS received management fees of $49 for the year ended June 30, 2016. SUS did not receive any income from TSLP. SUS had a receivable from TSLP for $327 as of June 30, 2016.

(e) SUS shares common staff and operating expenses with CLP. CLP owes SUS $456 for operating expenses paid on behalf of CLP. SUS is entitled to an annual property management fee of 8% of gross revenues. SUS received management fees from CLP of $21 for the year ended June 30, 2016.

(f) SUS shares common staff and operating expenses with SLP. SLP owes SUS $1,274 for operating expenses paid on behalf of SLP. SUS is entitled to an annual property management fee of 10% of gross revenues. SUS received management fees from SLP of $-0- for the year ended June 30, 2016.

(g) SUS shares common staff and operating expenses with BPRLP. SUS owes BPRLP $213 which represents rental subsidies received on its behalf netted against operating expenses paid on behalf of BPRLP. SUS is entitled to an annual property management fee of 6.4% of gross revenues. SUS received management fees from BPRLP of $10 for the year ended June 30, 2016.

(h) SUS shares common staff and operating expenses with FVLP. FVLP owes SUS $817 for operating expenses paid on behalf of SLP. SUS is entitled to an annual property management fee of 8% of gross revenues. SUS received management fees from FVLP of $3 for the year ended June 30, 2016.

(i) SUS shares common staff and operating expenses with JCLP. JCLP owes SUS $811 for operating expenses paid on behalf of JCLP. SUS is entitled to an annual property management fee of 9% of gross revenues. SUS received management fees from JCLP of $-0- for the year ended June 30, 2016.

(j) SUS shares common staff and operating expenses with WGLP. WGLP owes SUS $1,775 which represents rental subsidies received on its behalf netted against operating expenses paid on behalf of WGLP. SUS is entitled to an annual property management fee of 8% of gross revenues. SUS received management fees from WGLP of $9 for the year ended June 30, 2016.

13. Transfer of Membership

Family Residences & Essential Enterprises, Inc. (“FREE”) entered into an agreement in August 2010 that substitutes FREE for SUS Inc. as sole member of the CDCH Preschool and CDCH Charter School. The agreement also provides that FREE replace SUS in its relationship with CDCH Foundation. The agreement with respect to CDCH Preschool closed on September 1, 2010, and the remaining parts of the agreement for CDCH Charter School closed on October 27, 2010. As consideration for the agreement, FREE paid SUS Inc. the balances due to SUS by CDCH Preschool and CDCH Charter School at closing, subject to a ten-year promissory note of $500 issued at prime plus 1.5%. The note receivable from FREE was $174, net of allowance for bad debt of $326 at June 30, 2014. On June 24, 2015, SUS Inc. entered an agreement with FREE to settle the note and release FREE from its obligation and consider the note fully satisfied.

14. Pension Plan

SUS established a 403(b) defined contribution plan covering all eligible employees of SUS. The plan is administered by SUS. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”).

Employer contributions to the 403(b) plan are discretionary and may vary from year to year. There were no employer contributions to the 403(b) plan for the year ended June 30, 2016.

SUS adopted a deferred compensation retirement plan (the “457 Plan”) under Section 457(b) of the Code. The 457 Plan is intended to provide deferred compensation for a group of SUS management employees. SUS contributed $112 to the 457 Plan for the year ended June 30, 2016.

Palladia, Inc. also maintains a profit sharing plan covering all employees previously employed by Palladia, Inc. who satisfy the plan’s eligibility requirements which provide for discretionary contributions by Palladia, Inc. There were no employer contributions made for the year ended June 30, 2016.

Palladia, Inc. also has a 403(b) Tax Deferred Annuity Plan covering all employees previously employed by Palladia, Inc. Employees can elect to contribute up to the maximum amount permitted by law. There are no matching contributions by Palladia, Inc. for the year ended June 30, 2016.

(in thousands)

15. Deferred Revenue

Deferred revenue consists of the following:

June 30, 2016	
State of New York grants and contracts	$14,731
City of New York grants and contracts	4,865
	$19,596

16. Temporarily Restricted Net Assets

SUS has temporarily restricted net assets that are available for the following purposes:

June 30, 2016	
OMH capital grant for Majestic residence	$1,670
Other	29
	$1,699

SUS's net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

June 30, 2016	
OMH capital grant for Majestic residence	$226
Veteran's employment and housing services	208
Other	14
	$448

17. Commitments and Contingencies

(a) Leases

SUS is obligated under various lease agreements for the use of several residential apartments, office space, equipment and vehicles. SUS has the option to renew certain leases upon expiration. Rental expense was $41,422 for the year ended June 30, 2016. The minimum future annual rental payments are as follows:

Year ending June 30,	
2017	$ 9,104
2018	6,895
2019	6,476
2020	5,538
2021	2,136
Thereafter	4,325
Total	$34,474

(b) SUS is a defendant in various legal actions arising out of the normal course of its operations, the final outcome of which cannot presently be determined. SUS management is of the opinion that the ultimate liability, if any, with respect to all of these matters will not have a material adverse effect on SUS's financial position.

(c) SUS is contingently liable under certain partnership and development agreements to fund operating deficits in its housing limited partnerships. During the year ended June 30, 2016, there were no payments under these guarantees and SUS believes any future payment is unlikely or minimal.

(d) SUS has contracted with various agencies to provide services and receive Medicaid revenue from New York State. Reimbursements received under these contracts and payments from Medicaid are subject to audit by the funding sponsors. Upon audit, if discrepancies are discovered, SUS could be held responsible for refunding the amounts in question. It is the opinion of management that SUS has adequate reserves as of June 30, 2016 to cover liabilities from any future potential audits by government entities.

(e) Regulatory

The Housing and Urban Development Office of Inspector General ("OIG") conducted an audit of Palladia, Inc. for the period 2010 to 2012. The audit report indicated a lack of available documentation to support submitted claims. SUS reviewed the audit report prior to the membership transaction and developed a plan to respond to the report. A review of documentation compared to claims is substantially complete. Palladia, Inc. is currently awaiting the final audit response and OIG's determination.

SUS was awarded a capital grant of $1,435 from New York State Office of Mental Health ("OMH") for major repairs to a residential facility for individuals living with mental illness. As of June 30, 2016, SUS had committed $1,407 of the grant funds. Pursuant to the capital grant, OMH has imposed a state aid lien on the facility. SUS operates the facility in compliance with the lien.

During July 2016, The New York Regional Office of the U.S. Department of Housing and Urban Development ("HUD") performed an onsite monitoring of SUS' Continuum of Care programs for the 2014 contract year. The monitoring report indicated that under certain regulations rental assistance cannot be provided to a program participant who is already receiving rental assistance or living in a housing unit receiving rental assistance or operating assistance through other federal, state or local sources. SUS and HUD have signed agreements for the 2014 year that allow both rental and operating assistance which have been in place for many years. SUS is in the process of working through this issue with HUD. At this point, it cannot be determined whether SUS will incur any liability related to this finding.

Palladia, Inc. was awarded a capital grant by the New York State Office of Alcoholism and Substance Abuse Services ("OASAS") for major upgrades to a residential treatment facility. As of June 30, 2016, Palladia, Inc. had received $2,795 to fund the project. This amount is reported as capital advances from funding sources in the consolidated statement of financial position. When the project is completed, the capital advance will be converted to long-term financing.

18. Transfer to Funding Source

On March 31, 2011, HRA did not renew its contract for the provision of home attendant services with SUS - Home Attendant Program, Inc. ("SUS-HA"). All clients were transferred to other providers in April 2011. Pursuant to the agreement between HRA and SUS-HA, the costs incurred to discontinue the program's operations are funded by HRA by the reduction of the payable balance between SUS-

HA and HRA. HRA will continue to fund these costs until the program is fully liquidated. For the year ended June 30, 2016, the costs incurred for discontinuing operations were $57.

19. Workers' Compensation Assessment Payable Settlement

Between 1999 and 2003, SUS participated in a group self-insurance trust (the "Trust") along with multiple other agencies in the human services, not-for-profit sector. On December 31, 2010, the Trust was terminated with a deficiency of assets. The Trust billed all former members of the Trust with an assessed portion of the total deficit. SUS's assessment was $538 and it was recorded by SUS in the year ended June 30, 2011.

In July 2011, the State of New York Workers' Compensation Board (the "Board") assumed the administration and final distribution of the assets and liabilities of the Trust. Following a forensic audit, the Board issued newly calculated assessments and they were higher than those formerly issued by the Trust. The new assessment for SUS was $734. The increase in the assessment of $196 was recorded in the year ended June 30, 2013. The amount outstanding at June 30, 2016 was $679.

The liability of former members for Trust deficits is "joint and several". While SUS has recorded the full amount of the assessments calculated by the Board, default by other members of the Trust could create future assessments for non-defaulting members. In light of the expansive authority of the Board to recover assessments from all former members, SUS believes the likelihood of an additional assessment is remote.

20. Losses and Recoveries Related to Hurricane Sandy

In October 2012, a SUS facility located in Far Rockaway, Queens was impacted by Hurricane Sandy. The costs incurred by SUS as a result of Hurricane Sandy included clean-up, relocation of residents to temporary quarters, capital reconstruction and mitigation measures. The building was vacated prior to the storm and reoccupied in December 2013 after the reconstruction. During 2015, all the costs incurred have been captured and work is completed. Total operating cost and capital costs incurred as a result of Hurricane Sandy amounted to approximately $5,134. Approximately $3,979 of these costs have been recovered through disaster relief awarded by FEMA, by certain block grants from New York State, by funding from the New York State Office of Mental Health and by grants from private sources. As of June 2016, the accounts receivable related to Sandy amounted to approximately $550.

21. Capital Advances from Funding Sources

On June 11, 2011, Palladia entered into an agreement with OASAS where OASAS will provide funding in the form of a capital grant not to exceed $3,200 for a capital improvement project on Palladia's Star Hill property. As of June 30, 2016, Palladia received $2,795 from OASAS. Pursuant to the capital grant, OASAS has imposed a state aid lien on the facility for a 30 year compliance period.

(in thousands)

22. Transfer of Net Assets

As discussed in Note 1(a) for Undercliff HDFC and JHDFC, the transfer of net assets is comprised of the transfer-in of assets and liabilities for Jerome Court LP on June 28, 2016 and the transfer-out of assets and liabilities to 1434 Undercliff Avenue L.P. on June 30, 2016 as follows:

June 30, 2016	
Assets transferred in (liabilities assumed) for Jerome Court LP:	
Cash and cash equivalents	$ 563
Accounts receivable	103
Assets limited to use	742
Prepaid expenses and other assets	25
Fixed assets, net	3,001
Accounts payable	(69)
Intercompany payable	(806)
Mortgage payable	(4,013)
(Assets transferred out) liabilities transferred to 1434 Undercliff Avenue L.P.:	
Intercompany receivable	(317)
Fixed assets	(1,200)
Mortgage payable	1,560
Net deficit assumed	$ (411)

23. Subsequent Events

In November 2016, SUS entered into a contract to sell the 7th floor and is in the final stages of signing a contract of sale for the 10th floor of 305 Seventh Ave, New York, NY 10001. The net proceeds for this sale are expected to be $10 million. A lease for office space at 463 Seventh Ave, New York, NY 10001 was signed in November 2016. Employees working on the 7th and 10th floors of 305 Seventh Ave, New York, NY 10001 will move to the new leased space.

On November 29, 2016, SUS entered into a refinancing arrangement with DASNY that resulted in the issuance of a debt security to restructure $3,055 of SUS's short-term obligations. The total amount of the DASNY bond offering is approximately $3,600.

SUS has evaluated subsequent events through November 30, 2016, which is the date these consolidated financial statements were available to be issued, and there were no additional subsequent events requiring adjustments to the consolidated financial statements or disclosure as stated therein.

Supplementary Information

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidating Schedule of Financial Position
(with comparative totals for 2015)
(in thousands)

June 30,

	Services for the UnderServed, Inc.	SUS - Mental Health Programs, Inc.	SUS - Developmental Disabilities	SUS - AIDS Services, Inc.	SUS - Home Attendant Programs, Inc.	SUS Home Care Services, Inc.	SUS - Urgent Housing Programs, Inc.	SUS - HDFC Affiliates	SUS Corporate Affiliates, Inc.	Palladia, Inc.	Palladia Housing Corporation
Assets											
Current:											
Cash and cash equivalents (Note 2)	$ 6,393	$ 1,347	$ 37	$ 4	$135	$ -	$ -	$1,034	$ -	$ 2,299	$ -
Accounts receivable, net (Notes 2 and 7)	(134)	10,723	7,587	2,368	-	-	11,541	-	-	8,363	-
Prepaid expenses and other assets (Note 3)	556	1,467	109	174	-	-	125	-	37	570	-
Total Current Assets	6,815	13,537	7,733	2,546	135	-	11,666	1,034	37	11,232	-
Due From Affiliates, Net (Note 11)	24,339	5,015	-	-	12	-	5	83	-	4,212	2,777
Investment in Palladia, Inc. and Affiliates	8,500	-	-	-	-	-	-	-	-	-	-
Assets Limited to Use (Note 4)	437	-	842	-	-	-	-	-	-	101	154
Deferred Bond Financing Costs (Note 10)	204	-	504	-	-	-	-	-	-	-	-
Investments In Limited Partnerships at Cost (Note 11)	-	-	-	-	-	-	-	-	-	-	-
Fixed Assets, Net (Notes 2, 5, 7, 8 and 10)	2,280	16,668	18,020	180	-	-	1,484	-	-	-	15,881
Total Assets	**$42,575**	**$35,220**	**$27,099**	**$2,726**	**$147**	**$ -**	**$13,155**	**$1,117**	**$ 37**	**$15,545**	**$18,812**
Liabilities and Net Assets (Deficit)											
Current Liabilities:											
Accounts payable and accrued expenses	$ 2,120	$ 1,241	$ 1,124	$ 83	$ -	$ -	$ 1,439	$ 7	$ 27	$ 3,394	$ -
Accrued compensation and related taxes	3,595	1,184	2,551	117	18	-	209	-	-	1,767	-
Other liabilities	11	249	62	-	-	-	-	-	-	278	-
Deferred revenue (Notes 2 and 14)	94	12,931	38	522	129	-	1,318	-	-	4,564	-
Lines of credit (Note 7)	13,055	-	-	-	-	-	-	-	-	-	-
Due to governmental agencies (Notes 2 and 6)	62	2,365	736	11	-	-	(34)	-	-	-	-
Current portion of mortgages payable, less current portion (Note 8)	-	1,333	105	-	-	-	-	-	-	-	-
Current portion of loans payable, less current portion (Note 9)	-	-	-	-	-	-	-	-	-	250	-
Current portion of bonds payable, less current portion (Notes 2 and 10)	615	-	580	-	-	-	-	-	-	-	-
Total Current Liabilities	19,552	19,303	5,196	733	147	-	2,932	7	27	10,253	-
Other Liabilities	-	-	-	-	-	-	-	-	-	-	-
Capital Advances From Funding Sources (Notes 2 and 20)	-	-	-	-	-	-	-	-	-	-	2,795
Due to Affiliates (Note 11)	5,136	1,481	8,249	1,322	-	90	8,912	1,110	35	9,027	-
Mortgages Payable (Note 8)	-	3,508	42	-	-	-	-	-	-	-	351
Loans Payable (Note 9)	-	-	-	-	-	-	-	-	-	400	-
Bonds Payable (Note 10)	2,224	-	8,210	-	-	-	-	-	-	-	-
Total Liabilities	26,912	24,292	21,697	2,055	147	90	11,844	1,117	62	19,680	3,146
Commitments and Contingencies (Notes 7, 8, 9, 10, 12, 13, 16, 18, 19, 20 and 21)											
Net Assets (Deficit):											
Unrestricted	15,663	9,258	5,402	671	-	(90)	1,311	-	(25)	(4,164)	15,666
Temporarily restricted	-	1,670	-	-	-	-	-	-	-	29	-
Total Net Assets (Deficit)	15,663	10,928	5,402	671	-	(90)	1,311	-	(25)	(4,135)	15,666
Total Liabilities and Net Assets (Deficit)	**$42,575**	**$35,220**	**$27,099**	**$2,726**	**$147**	**$ -**	**$13,155**	**$1,117**	**$ 37**	**$15,545**	**$18,812**

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidating Schedule of Financial Position
(with comparative totals for 2015)
(in thousands)

June 30,

	Palladia Philanthropies, Inc.	Palladia Year 15, Inc.	Palladia HDFC Affiliates	Palladia Development Corporation Affiliates	Hill House Limited Partnership	Cedar Tremont Limited Partnership	Drietzer Limited Partnership	Jerome Court Limited Partnership	Eliminations	**2016**	2015
Assets											
Current:											
Cash and cash equivalents (Note 2)	$ -	$-	$ -	$ -	$ 1,129	$ 48	$ 25	$ 563	$ -	**$ 13,014**	$ 11,963
Accounts receivable, net (Notes 2 and 7)	-	-	-	-	71	29	59	103	-	**40,710**	28,935
Prepaid expenses and other assets (Note 3)	-	-	-	-	8	27	26	6	-	**3,105**	3,051
Total Current Assets	-	-	-	-	1,208	104	110	672	-	**56,829**	43,949
Due From Affiliates, Net (Note 11)	1,498	-	19	-	-	-	593	-	(36,176)	**2,377**	2,441
Investment in Palladia, Inc. and Affiliates	-	-	-	-	-	-	-	-	(8,500)	**-**	6,351
Assets Limited to Use (Note 4)	79	-	287	144	624	904	2,019	741	-	**6,332**	6,351
Deferred Bond Financing Costs (Note 10)	-	-	-	-	-	-	27	19	-	**754**	808
Investments In Limited Partnerships at Cost (Note 11)	-	-	-	1,165	-	-	-	-	-	**1,165**	1,165
Fixed Assets, Net (Notes 2, 5, 7, 8 and 10)	-	-	-	4	1,955	935	3,294	3,001	-	**63,702**	59,342
Total Assets	**$1,577**	**$-**	**$306**	**$1,313**	**$ 3,787**	**$1,943**	**$6,043**	**$4,433**	**$(44,676)**	**$131,159**	$114,056
Liabilities and Net Assets (Deficit)											
Current Liabilities:											
Accounts payable and accrued expenses	$ -	$-	$ -	$ -	$ 108	$ 71	$ 103	$ 69	$ -	**$ 9,786**	$ 12,355
Accrued compensation and related taxes	-	-	-	-	-	-	-	-	-	**9,441**	6,315
Other liabilities	-	-	-	-	-	-	-	-	-	**600**	1,710
Deferred revenue (Notes 2 and 14)	-	-	-	-	-	-	-	-	-	**19,596**	9,559
Lines of credit (Note 7)	-	-	-	-	-	-	-	-	-	**13,055**	-
Due to governmental agencies (Notes 2 and 6)	-	-	-	-	-	-	-	-	-	**3,140**	4,671
Current portion of mortgages payable, less current portion (Note 8)	-	-	-	-	-	-	-	-	-	**1,438**	1,215
Current portion of loans payable, less current portion (Note 9)	-	-	-	-	-	-	-	-	-	**250**	750
Current portion of bonds payable, less current portion (Notes 2 and 10)	-	-	-	-	-	-	-	-	-	**1,195**	1,170
Total Current Liabilities	-	-	-	-	108	71	103	69	-	**58,501**	37,745
Other Liabilities	-	-	-	-	-	-	-	-	-	**-**	1,544
Capital Advances From Funding Sources (Notes 2 and 20)	-	-	-	-	-	-	-	-	-	**2,795**	7,686
Due to Affiliates (Note 11)	-	-	-	1,750	852	11	-	805	(36,176)	**2,604**	2,517
Mortgages Payable (Note 8)	-	-	-	-	4,095	3,002	5,014	4,013	-	**20,025**	17,607
Lines of Credit Payable (Note 9)	-	-	-	-	-	-	-	-	-	**400**	400
Bonds Payable (Note 10)	-	-	-	-	-	-	-	-	-	**10,434**	11,686
Total Liabilities	-	-	-	1,750	5,055	3,084	5,117	4,887	(36,176)	**94,759**	79,185
Commitments and Contingencies (Notes 7, 8, 9, 10, 12, 13, 16, 18, 19, 20 and 21)											
Net Assets (Deficit):											
Unrestricted	1,577	-	306	(437)	(1,268)	(1,141)	926	(454)	(8,500)	**34,701**	32,724
Temporarily restricted	-	-	-	-	-	-	-	-	-	**1,699**	2,147
Total Net Assets (Deficit)	1,577	-	306	(437)	(1,268)	(1,141)	926	(454)	(8,500)	**36,400**	34,871
Total Liabilities and Net Assets (Deficit)	**$1,577**	**$-**	**$306**	**$1,313**	**$ 3,787**	**$1,943**	**$6,043**	**$4,433**	**$(44,676)**	**$131,159**	$114,056

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidating Schedule of Activities
(with comparative totals for 2015)
(in thousands)

Year ended June 30,	Services for the UnderServed, Inc.	SUS - Mental Health Programs, Inc.	SUS - Developmental Disabilities	SUS - AIDS Services, Inc.	SUS - Home Attendant Programs, Inc.	SUS Home Care Services, Inc.	SUS - Urgent Housing Programs, Inc.	SUS - HDFC Affiliates	SUS -Corporate Affiliates, Inc.	Palladia, Inc.	Palladia Housing Corporation
Public Support and Revenue:											
Medicaid income	$ -	$ 8,278	$51,086	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,808	$ -
Contract revenue	289	41,243	1,022	5,843	-	-	17,255	-	-	35,679	-
Rental income	1,440	133	-	34	-	-	-	-	-	790	-
Participant fees	-	5,246	3,228	291	-	-	-	-	-	448	-
Contributions	547	196	-	-	-	-	-	-	-	5	-
Special events:											
Gross receipts	764	-	-	-	-	-	-	-	-	-	-
Less: Cost of special events	(291)	-	-	-	-	-	-	-	-	-	-
Management fees (Note 11)	10,779	-	-	-	-	-	-	-	-	345	-
Other	-	2,406	-	-	-	-	-	-	-	-	-
Total Public Support and Revenue	13,528	57,502	55,336	6,168	-	-	17,255	-	-	42,075	-
Expenses (Note 2):											
Program services:											
SUS - Mental Health Programs, Inc.	-	52,330	-	-	-	-	-	-	-	-	-
SUS - Developmental Disabilities Services, Inc.	-	-	51,422	-	-	-	-	-	-	-	-
SUS - AIDS Services, Inc.	-	-	-	5,854	-	-	-	-	-	-	-
SUS - Urgent Housing Programs, Inc.	-	-	-	-	-	-	15,428	-	-	-	-
SUS - Palladia Inc. and Affiliates	-	-	-	-	-	-	-	-	-	41,458	-
Total Program Services	-	52,330	51,422	5,854	-	-	15,428	-	-	41,458	-
Supporting services:											
Fundraising	291	-	-	-	-	-	-	-	-	-	-
Management and general	12,209	4,276	4,305	253	-	-	803	-	-	-	995
Total Supporting Services	12,500	4,276	4,305	253	-	-	803	-	-	-	995
Total Expenses	12,500	56,606	55,727	6,107	-	-	16,231	-	-	41,458	995
Excess (Deficiency) of Public Support and Revenues Over Expenses Before Other Changes	1,028	896	(391)	61	-	-	1,024	-	-	617	(995)
Other Changes:											
Contributions (goodwill) from acquisition	-	-	-	-	-	-	-	-	-	-	-
Acquisition related costs	-	-	-	-	-	-	-	-	-	-	-
Expenses - Home Attendant Program, Inc.	-	-	-	-	(57)	-	-	-	-	-	-
Transfer to funding sources	-	-	-	-	57	-	-	-	-	-	-
Gain on sale of property	-	-	-	-	-	-	-	-	-	-	-
Change in Net Assets	1,028	896	(391)	61	-	-	1,024	-	-	617	(995)
Transfer of Net Assets	-	-	-	-	-	-	-	43	-	-	-
Net Assets, Beginning of Year	14,635	10,032	5,793	610	-	(90)	287	(43)	(25)	(4,752)	16,661
Net Assets, End of Year	**$15,663**	**$10,928**	**$ 5,402**	**$ 671**	**$ -**	**$(90)**	**$ 1,311**	**$ -**	**$(25)**	**$ (4,135)**	**$15,666**

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidating Schedule of Activities
(with comparative totals for 2015)
(in thousands)

Year ended June 30,

	Palladia Philanthropies, Inc.	Palladia HDFC Affiliates	Palladia Development Corporation Affiliates	Hill House Limited Partnership	Cedar Tremont Limited Partnership	Drietzer Limited Partnership	Jerome Court Limited Partnership	Eliminations	**2016**	2015
Public Support and Revenue:										
Medicaid income	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	**$ 64,172**	$ 54,861
Contract revenue	-	-	-	171	36	135	-	-	**101,673**	72,913
Rental income	-	-	-	-	-	-	-	(1,174)	**1,223**	859
Participant fees	-	-	-	564	335	468	-	-	**10,580**	10,716
Contributions	-	-	-	-	-	-	-	-	**748**	939
Special events:										
Gross receipts	-	-	-	-	-	-	-	-	**764**	671
Less: Cost of special events	-	-	-	-	-	-	-	-	**(291)**	(312)
Management fees (Note 11)	-	-	-	-	-	-	-	(9,925)	**1,199**	728
Other	-	-	-	-	-	-	-	-	**2,406**	2,068
Total Public Support and Revenue	-	-	-	735	371	603	-	(11,099)	**182,474**	143,443
Expenses (Note 2):										
Program services:										
SUS - Mental Health Programs, Inc.	-	-	-	-	-	-	-	(708)	**51,622**	44,905
SUS - Developmental Disabilities Services, Inc.	-	-	-	-	-	-	-	(479)	**50,943**	46,152
SUS - AIDS Services, Inc.	-	-	-	-	-	-	-	-	**5,854**	5,303
SUS - Urgent Housing Programs, Inc.	-	-	-	-	-	-	-	-	**15,428**	6,695
SUS - Palladia Inc. and Affiliates	-	-	-	-	-	-	-	-	**41,458**	25,662
Total Program Services	-	-	-	-	-	-	-	(1,187)	**165,305**	128,717
Supporting services:										
Fundraising	-	-	-	-	-	-	-	-	**291**	423
Management and general	-	2	9	667	485	846	-	(9,912)	**14,938**	11,617
Total Supporting Services	-	2	9	667	485	846	-	(9,912)	**15,229**	12,040
Total Expenses	-	2	9	667	485	846	-	(11,099)	**180,534**	140,757
Excess (Deficiency) of Public Support and Revenues Over Expenses Before Other Changes	-	(2)	(9)	68	(114)	(243)	-	-	**1,940**	2,686
Other Changes:										
Contributions (goodwill) from acquisition	-	-	-	-	-	-	-	-	**-**	8,500
Acquisition related costs	-	-	-	-	-	-	-	-	**-**	(406)
Expenses - Home Attendant Program, Inc.	-	-	-	-	-	-	-	-	**(57)**	(48)
Transfer to funding sources	-	-	-	-	-	-	-	-	**57**	48
Gain on sale of property	-	-	-	-	-	-	-	-	**-**	2,857
Change in Net Assets	-	(2)	(9)	68	(114)	(243)	-	-	**1,940**	13,637
Transfer of Net Assets	-	-	-	-	-	-	(454)	-	**(411)**	(19)
Net Assets, Beginning of Year	1,577	308	(428)	(1,336)	(1,027)	1,169	-	(8,500)	**34,871**	21,253
Net Assets, End of Year	**$1,577**	**$306**	**$(437)**	**$(1,268)**	**$(1,141)**	**$ 926**	**$(454)**	**$ (8,500)**	**$ 36,400**	$ 34,871

Services for the UnderServed, Inc. and Affiliated Organizations

Schedule of Financial Position - Non-Consolidated Limited Partnerships - Unaudited (with comparative totals for 2015) (in thousands)

June 30,	**2016**	2015
Assets		
Investments in Real Estate:		
Land	**$ 3,977**	$ 3,625
Building and improvements	**70,059**	71,714
Furniture and fixtures	**1,861**	1,945
Less: Accumulated depreciation	**(19,365)**	(18,624)
Net Investments in Real Estate	**56,532**	58,660
Reserves (Assets Limited to Use)	**7,961**	7,933
Cash and Cash Equivalents	**2,715**	2,566
Accounts Receivable	**4,402**	3,540
Due From Affiliates	**1,279**	563
Other Current Assets	**294**	1,748
Total Assets	**$ 73,183**	$ 75,010
Liabilities and Partner's Equity		
Liabilities:		
Mortgage payable	**$ 41,976**	$ 43,049
Accrued interest payable	**2,315**	1,932
Accounts payable and accrued expenses	**1,572**	405
Due to affiliates	**4,506**	4,146
Other current liabilities	**194**	2,055
Total Liabilities	**50,563**	51,587
Partner's Equity	**22,620**	23,423
Total Liabilities and Partner's Equity	**$ 73,183**	$ 75,010

Services for the UnderServed, Inc. and Affiliated Organizations

Schedule of Activities and Changes in Partner's Equity (Deficit) - Non-Consolidated Limited Partnerships - Unaudited (with comparative totals for 2015) (in thousands)

Year ended June 30,	**2016**	2015
Revenue:		
Rental income	**$ 4,771**	$ 3,451
Other operating income	**92**	42
Total Revenue	**4,863**	3,493
Expenses:		
Operating expenses	**3,745**	2,734
Partnership and other expenses	**546**	224
Total Expense	**4,291**	2,958
Net Income Before Interest and Dividend Income and Interest Expense	**572**	535
Interest and Dividend Income	**190**	87
Interest Expense	**(389)**	(104)
Net Income Before Depreciation and Amortization	**373**	518
Depreciation and Amortization	**(2,387)**	(1,769)
Net Operating Loss	**(2,014)**	(1,251)
Contribution from Acquisition/Investor	**800**	12,259
Increase in Equity/Transfer-out	**411**	4,361
Change in Net Assets	**(803)**	15,369
Net Assets, Beginning of Year	**23,423**	8,054
Net Assets, End of Year	**$22,620**	$23,423

Services for the UnderServed, Inc. and Affiliated Organizations

Schedule of Selected Cash Flow Information - Non-Consolidated Limited Partnerships - Unaudited (with comparative totals for 2015) (in thousands)

Year ended June 30,	**2016**	2015
Cash Flows From Operating Activities:		
Net operating loss	**$(2,014)**	$(1,251)
Depreciation	**2,364**	1,746
Amortization	**23**	23
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Current assets	**464**	(440)
Affiliates receivable	**(716)**	(211)
Contributions from acquisition	**-**	1,709
Increase (decrease) in:		
Current liabilities	**(625)**	465
Affiliates payable	**1,166**	(181)
Net Cash Provided By Operating Activities	**662**	1,860
Cash Flows From Investing Activities:		
Payment for fixed assets	**(3,303)**	(4,588)
Increase in reserves	**(770)**	(57)
Net Cash Used In Investing Activities	**(4,073)**	(4,645)
Cash Flows From Financing Activities:		
Cash transfer-out	**(563)**	-
Equity contribution from Investor Limited Partner	**800**	4,091
Mortgage debts	**2,789**	715
Accrued interest	**534**	109
Net Cash Provided By Financing Activities	**3,560**	4,915
Net Increase in Cash and Cash Equivalents	**149**	2,130
Cash and Cash Equivalents, Beginning of Year	**2,566**	436
Cash and Cash Equivalents, End of Year	**$ 2,715**	$ 2,566
Supplemental Non-Cash Transactions Related to Jerome Court LP and Undercliff HDFC:		
Transfer-in of account receivable	**$ 103**	$ -
Transfer-in of assets limited to use	**742**	-
Transfer-in of prepaid and other assets	**25**	-
Transfer-in of accounts payable	**(69)**	-
Net transfer-in of due to affiliates	**(1,182)**	-
Net transfer-in of fixed assets	**1,801**	-
Net transfer-in of mortgage payable	**(2,453)**	-
Net deficit transfer-out	**411**	-

(in thousands)

1. Organization

The non-consolidated Limited Partnerships schedules include accounts for the following entities:

New Life Homes, Limited Partnership	1368 Boston Post Road Associates, L.P.
Macombs Road Housing, L.P.	Stratford Limited Partnership
Mother Gaston Housing, L.P	Chelsea Limited Partnership
21 Truxton Street, L.P.	Flora Vista Limited Partnership
1434 Undercliff Avenue L.P.	Westchester Gardens, L.P.

Each of these Limited Partnerships operate an affordable/supportive housing project. For each Limited Partnership ("LP"), either SUS Mental Health Programs Inc. or Palladia, Inc. is the sole member of a Housing Development Fund Corporation which, in turn, is the sole shareholder of a company that is the General Partner ("G.P.") of each LP. The G.P.'s have a 0.01% interest and the investing limited partners have a 99.99% interest in each LP.

The Schedule of Financial Position - Non-Consolidated Limited Partnerships - Unaudited as of June 30, 2016 does not include Jerome Court LP because Jerome Housing Development Fund Corporation was substituted as the limited partner of Jerome Court LP on June 28, 2016. Jerome Court LP is included in SUS's consolidated financial statements for the year ended June 30, 2016.

2. Significant Accounting Matters

Rental income is a combination of tenant paid rent and subsidy income from a variety of governmental agencies.

In accordance with the partnership and loan agreements, the partnerships are required to maintain reserves for partnership purposes. All withdrawals from the reserves require the approval of the investor limited partner. Securities are valued at fair value.

The partnerships have elected to be treated as pass-through entities for income tax purposes and, as such, are not subject to income tax. Palladia Inc. and SUS – Mental Health Programs, Inc. manage the projects.

Properties are exempt from property taxes under Section 420-c of the New York State Real Property Tax Law.

The projects are funded by mortgages with several New York State and New York City agencies. If the projects remain in compliance with the associated regulatory agreements throughout the regulatory term, there are no payments of mortgage principal or accrued interest in the year ended June 30, 2016 and none were due.

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APPENDIX B-V

UNITED CEREBRAL PALSY OF NEW YORK CITY, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED JUNE 30, 2018, JUNE 30, 2017 AND JUNE 30, 2016)

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ADAPT Community Network and Affiliates

Combined Financial Statements and
Consolidating and Combining Information

June 30, 2018 and 2017

Candor. Insight. Results.

Independent Auditors' Report

Board of Directors
ADAPT Community Network and Affiliates

Report on Combined Financial Statements

We have audited the accompanying combined financial statements of ADAPT Community Network and Affiliates (collectively, the "Agency"), which comprise the combined statements of financial position as of June 30, 2018 and 2017, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Agency as of June 30, 2018 and 2017, and the combined 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

Report on Consolidating and Combining Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The consolidating and combining information presented on pages 34 through 37 is presented for purposes of additional analysis of the combined 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 combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The consolidating and combining information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating and combining information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Baker Tilly Virchow Krause, LLP

New York, New York
November 30, 2018

ADAPT Community Network and Affiliates

Combined Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	$ 20,297,000	$ 25,870,000
Investments (Notes 2 and 3)	152,762,000	147,470,000
Grants and fees receivable from governmental agencies, net of allowance for doubtful accounts of $1,114,000 and $1,272,000 at June 30, 2018 and 2017, respectively, (Note 13)	22,731,000	23,400,000
Other assets	3,258,000	3,127,000
Section 1307 surplus note receivable (Note 5)	8,055,000	7,808,000
Fixed assets, net (Note 6)	81,684,000	80,003,000
Assets limited as to use (Note 9)	3,724,000	3,557,000
Total assets	$ 292,511,000	$ 291,235,000
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 14,710,000	$ 15,884,000
Accrued payroll and related liabilities	10,618,000	12,137,000
Lines of credit and term loan payable (Note 7)	5,342,000	6,423,000
Capital leases payable (Note 8)	871,000	968,000
Mortgages payable, net (Note 9)	64,920,000	60,987,000
Accrued pension liability (Note 11)	14,566,000	18,501,000
Deferred rent	15,724,000	13,849,000
Other liabilities	11,999,000	9,140,000
Total liabilities	138,750,000	137,889,000
Commitments and Contingencies (Note 13)		
Net Assets		
Unrestricted	152,922,000	152,503,000
Temporarily restricted (Note 1)	739,000	743,000
Permanently restricted (Notes 1 and 10)	100,000	100,000
Total net assets	153,761,000	153,346,000
Total liabilities and net assets	$ 292,511,000	$ 291,235,000

See notes to combined financial statements

ADAPT Community Network and Affiliates

Combined Statement of Activities and Changes in Net Assets
Year Ended June 30, 2018 (with summarized comparative totals for 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Total 2017
Support and Revenue					
Support from the public:					
Contributions	$ 249,000	$ 140,000	$ -	$ 389,000	$ 571,000
Special events	824,000	-	-	824,000	286,000
Donated services (Note 1)	-	-	-	-	607,000
Legacies and bequests	30,000	-	-	30,000	71,000
Total support from the public	1,103,000	140,000	-	1,243,000	1,535,000
Direct expenses of special events	(529,000)	-	-	(529,000)	(95,000)
Net support from the public	574,000	140,000	-	714,000	1,440,000
Contracts, grants and fees applicable to program and community services:					
Contracts and grants	4,878,000	-	-	4,878,000	4,790,000
Fees for services	214,344,000	-	-	214,344,000	218,191,000
Total contracts, grants and fees	219,222,000	-	-	219,222,000	222,981,000
Other revenue:					
Rental income	1,146,000	-	-	1,146,000	1,142,000
Other income (Note 12)	1,249,000	-	-	1,249,000	428,000
Investment income:					
Interest and dividends	1,744,000	-	-	1,744,000	1,691,000
Realized and unrealized gains on investments, net	9,410,000	-	-	9,410,000	13,192,000
Total other revenue	13,549,000	-	-	13,549,000	16,453,000
Net assets released from restrictions (Note 1)	144,000	(144,000)	-	-	-
Total support and revenue	233,489,000	(4,000)	-	233,485,000	240,874,000
Expenses					
Program services:					
Educational programs	71,918,000	-	-	71,918,000	74,289,000
Adult day programs	64,759,000	-	-	64,759,000	59,030,000
Residential programs	70,793,000	-	-	70,793,000	67,760,000
Family support services programs	5,612,000	-	-	5,612,000	5,648,000
Total program services	213,082,000	-	-	213,082,000	206,727,000
Supporting services:					
Management and general	24,642,000	-	-	24,642,000	24,001,000
Public relations and fundraising	723,000	-	-	723,000	622,000
Total supporting services	25,365,000	-	-	25,365,000	24,623,000
Total program and supporting services	238,447,000	-	-	238,447,000	231,350,000
Payments to affiliated organizations:					
National program of research, education and service	33,000	-	-	33,000	50,000
State program of education and service	83,000	-	-	83,000	76,000
Total payments to affiliated organizations	116,000	-	-	116,000	126,000
Donated services (Note 1)	-	-	-	-	607,000
Total expenses	238,563,000	-	-	238,563,000	232,083,000
Changes in net assets before pension related changes	(5,074,000)	(4,000)	-	(5,078,000)	8,791,000
Pension related changes other than net periodic pension cost (Note 11)	5,493,000	-	-	5,493,000	3,297,000
Changes in net assets	419,000	(4,000)	-	415,000	12,088,000
Net Assets, Beginning of Year	152,503,000	743,000	100,000	153,346,000	141,258,000
Net Assets, End of Year	$ 152,922,000	$ 739,000	$ 100,000	$ 153,761,000	$ 153,346,000

See notes to combined financial statements

ADAPT Community Network and Affiliates

Combined Statement of Activities and Changes in Net Assets
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Support from the public:				
Contributions	$ 462,000	$ 109,000	$ -	$ 571,000
Special events	286,000	-	-	286,000
Donated services (Note 1)	607,000	-	-	607,000
Legacies and bequests	71,000	-	-	71,000
Total support from the public	1,426,000	109,000	-	1,535,000
Direct expenses of special events	(95,000)	-	-	(95,000)
Net support from the public	1,331,000	109,000	-	1,440,000
Contracts, grants and fees applicable to program and community services:				
Contracts and grants	4,790,000	-	-	4,790,000
Fees for services	218,191,000	-	-	218,191,000
Total contracts, grants and fees	222,981,000	-	-	222,981,000
Other revenue:				
Rental income	1,142,000	-	-	1,142,000
Other income (Note 12)	428,000	-	-	428,000
Investment income:				
Interest and dividends	1,691,000	-		1,691,000
Realized and unrealized gains on investments, net	13,192,000	-	-	13,192,000
Total other revenue	16,453,000	-	-	16,453,000
Net assets released from restrictions (Note 1)	179,000	(179,000)	-	-
Total support and revenue	240,944,000	(70,000)	-	240,874,000
Expenses				
Program services:				
Educational programs	74,289,000	-	-	74,289,000
Adult day programs	59,030,000	-	-	59,030,000
Residential programs	67,760,000	-	-	67,760,000
Family support services programs	5,648,000	-	-	5,648,000
Total program services	206,727,000	-	-	206,727,000
Supporting services:				
Management and general	24,001,000	-	-	24,001,000
Public relations and fundraising	622,000	-	-	622,000
Total supporting services	24,623,000	-	-	24,623,000
Total program and supporting services	231,350,000	-	-	231,350,000
Payments to affiliated organizations:				
National program of research, education and service	50,000	-	-	50,000
State program of education and service	76,000	-	-	76,000
Total payments to affiliated organizations	126,000	-	-	126,000
Donated services (Note 1)	607,000	-	-	607,000
Total expenses	232,083,000	-	-	232,083,000
Changes in net assets before pension related changes	8,861,000	(70,000)	-	8,791,000
Pension related changes other than net periodic pension cost (Note 11)	3,297,000	-	-	3,297,000
Changes in net assets	12,158,000	(70,000)	-	12,088,000
Net Assets, Beginning of Year	140,345,000	813,000	100,000	141,258,000
Net Assets, End of Year	$ 152,503,000	$ 743,000	$ 100,000	$ 153,346,000

See notes to combined financial statements

ADAPT Community Network and Affiliates

Combined Statement of Functional Expenses

Year Ended June 30, 2018 (with summarized comparative totals for 2017)

	Program Services					Supporting Services			Direct			
	Educational Programs	Adult Day Programs	Residential Programs	Family Support Services Programs	Total Program Services	Management and General	Public Relations and Fundraising	Total Supporting Services	Expenses of Special Events	Payments to Affiliated Organizations	Grand Total 2018	Grand Total 2017
Salaries	$ 41,514,000	$ 24,740,000	$ 39,020,000	$ 3,133,000	$ 108,407,000	$ 8,015,000	$ 266,000	$ 8,281,000	$ -	$ -	$ 116,688,000	$ 113,597,000
Payroll taxes and employee benefits	12,284,000	9,442,000	13,589,000	1,083,000	36,398,000	2,715,000	78,000	2,793,000	-	-	39,191,000	39,734,000
Occupancy, principally rent, utilities and building supplies (Note 13)	8,023,000	8,839,000	6,650,000	321,000	23,833,000	5,278,000	41,000	5,319,000	-	-	29,152,000	28,128,000
Clinical consultants and professional fees	5,571,000	3,271,000	2,043,000	111,000	10,996,000	4,013,000	252,000	4,265,000	-	-	15,261,000	16,565,000
Program transportation	16,000	12,007,000	56,000	1,000	12,080,000	1,000	-	1,000	-	-	12,081,000	9,335,000
Interest and bank fees (Notes 7, 8 and 9)	548,000	312,000	476,000	1,000	1,337,000	1,644,000	8,000	1,652,000	-	-	2,989,000	2,919,000
Operating supplies	803,000	800,000	551,000	306,000	2,460,000	-	1,000	1,000	-	-	2,461,000	2,803,000
Insurance	502,000	980,000	772,000	62,000	2,316,000	265,000	3,000	268,000	-	-	2,584,000	2,371,000
Expensed equipment	78,000	827,000	941,000	70,000	1,916,000	133,000	-	133,000	-	-	2,049,000	1,925,000
Equipment rental, repairs and maintenance	268,000	601,000	366,000	119,000	1,354,000	575,000	3,000	578,000	-	-	1,932,000	1,584,000
Telephone	383,000	301,000	406,000	68,000	1,158,000	201,000	10,000	211,000	-	-	1,369,000	1,225,000
Conferences, conventions and meetings	138,000	192,000	213,000	140,000	683,000	211,000	1,000	212,000	-	-	895,000	1,138,000
Food	-	11,000	1,248,000	-	1,259,000	3,000	-	3,000	-	-	1,262,000	1,110,000
Household supplies	-	26,000	1,312,000	1,000	1,339,000	-	-	-	-	-	1,339,000	1,108,000
Medical supplies	63,000	145,000	605,000	29,000	842,000	-	-	-	-	-	842,000	772,000
Office supplies	151,000	122,000	142,000	29,000	444,000	133,000	54,000	187,000	-	-	631,000	524,000
Publications, postage and shipping	42,000	27,000	11,000	8,000	88,000	336,000	1,000	337,000	-	-	425,000	511,000
Vehicle rental and maintenance	14,000	369,000	380,000	22,000	785,000	19,000	-	19,000	-	-	804,000	443,000
Purchased services	-	-	-	-	-	-	-	-	529,000	-	529,000	95,000
Total expenses before payments to affiliated organizations and depreciation and amortization	70,398,000	63,012,000	68,781,000	5,504,000	207,695,000	23,542,000	718,000	24,260,000	529,000	-	232,484,000	225,887,000
Donated services (Note 1)	-	-	-	-	-	-	-	-	-	-	-	607,000
Payments to affiliated organizations	-	-	-	-	-	-	-	-	-	116,000	116,000	126,000
Depreciation and amortization	1,520,000	1,747,000	2,012,000	108,000	5,387,000	1,100,000	5,000	1,105,000	-	-	6,492,000	5,558,000
Total expenses	71,918,000	64,759,000	70,793,000	5,612,000	213,082,000	24,642,000	723,000	25,365,000	529,000	116,000	239,092,000	232,178,000
Less direct expenses of special events	-	-	-	-	-	-	-	-	(529,000)	-	(529,000)	(95,000)
Total expenses per combined statement of activities and changes in net assets	$ 71,918,000	$ 64,759,000	$ 70,793,000	$ 5,612,000	$ 213,082,000	$ 24,642,000	$ 723,000	$ 25,365,000	$ -	$ 116,000	$ 238,563,000	$ 232,083,000

ADAPT Community Network and Affiliates

Combined Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services					Supporting Services			Direct Expenses of Special Events	Payments to Affiliated Organizations	Total Donated Services	Grand Total
	Educational Programs	Adult Day Programs	Residential Programs	Family Support Services Programs	Total Program Services	Management and General	Public Relations and Fundraising	Total Supporting Services				
Salaries	$ 43,108,000	$ 23,502,000	$ 36,040,000	$ 3,141,000	$ 105,791,000	$ 7,611,000	$ 195,000	$ 7,806,000	$ -	$ -	$ -	$ 113,597,000
Payroll taxes and employee benefits	12,428,000	9,696,000	14,045,000	1,089,000	37,258,000	2,408,000	68,000	2,476,000	-	-	-	39,734,000
Occupancy, principally rent, utilities and building supplies (Note 13)	8,167,000	7,678,000	6,859,000	344,000	23,048,000	5,006,000	74,000	5,080,000	-	-	-	28,128,000
Clinical consultants and professional fees	6,003,000	3,780,000	2,101,000	78,000	11,962,000	4,435,000	168,000	4,603,000	-	-	-	16,565,000
Program transportation	-	9,153,000	104,000	78,000	9,335,000	-	-	-	-	-	-	9,335,000
Interest and bank fees (Notes 7, 8 and 9)	572,000	205,000	413,000	1,000	1,191,000	1,713,000	15,000	1,728,000	-	-	-	2,919,000
Operating supplies	784,000	793,000	873,000	314,000	2,764,000	39,000	-	39,000	-	-	-	2,803,000
Insurance	491,000	867,000	729,000	39,000	2,126,000	241,000	4,000	245,000	-	-	-	2,371,000
Expensed equipment	382,000	526,000	786,000	95,000	1,789,000	136,000	-	136,000	-	-	-	1,925,000
Equipment rental, repairs and maintenance	273,000	452,000	255,000	67,000	1,047,000	512,000	25,000	537,000	-	-	-	1,584,000
Telephone	390,000	261,000	380,000	65,000	1,096,000	128,000	1,000	129,000	-	-	-	1,225,000
Conferences, conventions and meetings	174,000	134,000	210,000	91,000	609,000	529,000	-	529,000	-	-	-	1,138,000
Food	-	-	1,110,000	-	1,110,000	-	-	-	-	-	-	1,110,000
Household supplies	-	-	1,108,000	-	1,108,000	-	-	-	-	-	-	1,108,000
Medical supplies	46,000	149,000	453,000	124,000	772,000	-	-	-	-	-	-	772,000
Office supplies	147,000	109,000	104,000	22,000	382,000	86,000	56,000	142,000	-	-	-	524,000
Publications, postage and shipping	41,000	11,000	6,000	11,000	69,000	442,000	-	442,000	-	-	-	511,000
Vehicle rental and maintenance	18,000	138,000	270,000	7,000	433,000	10,000	-	10,000	-	-	-	443,000
Purchased services	-	-	-	-	-	-	-	-	95,000	-	-	95,000
Total expenses before payments to affiliated organizations and depreciation and amortization	73,024,000	57,454,000	65,846,000	5,566,000	201,890,000	23,296,000	606,000	23,902,000	95,000	-	-	225,887,000
Donated services (Note 1)	-	-	-	-	-	-	-	-	-	-	607,000	607,000
Payments to affiliated organizations	-	-	-	-	-	-	-	-	-	126,000	-	126,000
Depreciation and amortization	1,265,000	1,576,000	1,914,000	82,000	4,837,000	705,000	16,000	721,000	-	-	-	5,558,000
Total expenses	74,289,000	59,030,000	67,760,000	5,648,000	206,727,000	24,001,000	622,000	24,623,000	95,000	126,000	607,000	232,178,000
Less direct expenses of special events	-	-	-	-	-	-	-	-	(95,000)	-	-	(95,000)
Total expenses per combined statement of activities and changes in net assets	$ 74,289,000	$ 59,030,000	$ 67,760,000	$ 5,648,000	$ 206,727,000	$ 24,001,000	$ 622,000	$ 24,623,000	$ -	$ 126,000	$ 607,000	$ 232,083,000

See notes to combined financial statements

ADAPT Community Network and Affiliates

Combined Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Changes in net assets	$ 415,000	$ 12,088,000
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Pension related changes other than net periodic pension cost	(5,493,000)	(3,297,000)
Depreciation and amortization	6,492,000	5,558,000
Interest expense - financing costs and bond issue premium	(81,000)	143,000
(Recovery) provision for reimbursement adjustments	(158,000)	80,000
Increase in deferred rent liability	1,875,000	1,564,000
Realized and unrealized gains on investments, net	(9,410,000)	(13,192,000)
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Grants and fees receivable from governmental agencies	827,000	4,771,000
Other assets	(131,000)	480,000
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,174,000)	(3,442,000)
Accrued payroll and related liabilities	39,000	5,609,000
Other liabilities	2,859,000	3,019,000
Net cash flows from operating activities	(3,940,000)	13,381,000
Cash Flows from Investing Activities		
Increase of Section 1307 surplus note	(247,000)	(7,808,000)
Purchases of fixed assets	(7,735,000)	(11,182,000)
Purchases of investments	(34,062,000)	(117,266,000)
Redemption of investments	38,180,000	129,635,000
Net (increase) decrease in assets limited as to use	(167,000)	258,000
Net cash flows from investing activities	(4,031,000)	(6,363,000)
Cash Flows from Financing Activities		
Principal payments on capital lease obligations	(535,000)	(404,000)
Principal payments on mortgages payable	(2,640,000)	(2,418,000)
Proceeds from new mortgages	6,654,000	97,000
Proceeds of draw down on lines of credit and term loan	5,980,000	4,474,000
Repayments of draw down on lines of credit and term loan	(7,061,000)	(5,670,000)
Net cash flows from financing activities	2,398,000	(3,921,000)
Net change in cash and cash equivalents	(5,573,000)	3,097,000
Cash and Cash Equivalents, Beginning of Year	25,870,000	22,773,000
Cash and Cash Equivalents, End of Year	$ 20,297,000	$ 25,870,000
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	$ 2,288,000	$ 2,278,000
Noncash Investing and Financing Activities		
Assets acquired under capital leases	$ 438,000	$ 246,000

See notes to combined financial statements

1. Description of Organization and Summary of Significant Accounting Policies

Nature of Organization

ADAPT Community Network and Affiliates (the "Agency") is a not-for-profit organization, formed under the Not-for-Profit Corporation Law of the State of New York, founded in 1946 by parents of children with disabilities. The mission of the Agency is empowering people through innovative solutions, one person at a time.

The accompanying combined financial statements include the accounts of the Agency, United Cerebral Palsy of New York City Community Mental Retardation Services Company, Inc. ("CMRS"), the New York City Foundation for Cerebral Palsy, Inc. (the "Foundation"), Human First, Inc. ("Human First"), The New York League for Early Learning, Inc. ("NYLEL"), and the United Cerebral Palsy Housing Development Fund Corporation, Inc. ("HDFC") (together, the "Companies"). All corporations except the Foundation, NYLEL, and Human First are under common board of directors' control. The Agency is the sole member of the Foundation, Human First and NYLEL.

Currently, approximately 23,100 individuals receive services annually from the Companies. These services include preschool and school-age programs, residential programs, day programs, vocational programs as well as medical and support services.

Currently, approximately 49% of the Agency's employees are covered under collective bargaining arrangements with the United Federation of Teachers, which expired June 2018, and District Council 1707, which expired May 2018, both of which were extended through November 2018.

Principles of Consolidation and Combination

All intercompany account balances and transactions have been eliminated in consolidation and combination.

Basis of Accounting

The combined financial statements have been prepared on the accrual basis of accounting.

Revenue Recognition

Revenues are recorded when earned as services are provided through residential, educational, adult day program, family support services, and outpatient clinical facilities. Substantially all programs are funded through New York State reimbursement and Medicaid funding. Revenues from the aforementioned sources are subject to audit and possible adjustment by third-party payors.

HDFC receives rent supplement assistance payments for tenants, pursuant to Section 8 of the National Housing Act, from the United States Department of Housing and Urban Development ("HUD").

Donor-Imposed Restrictions

The Companies report gifts of cash and other assets as restricted assets if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities and changes in net assets as net assets released from restrictions. As of June 30, 2018 and 2017, approximately $739,000 and $743,000, respectively, have been restricted for specific purposes.

During the years ended June 30, 2018 and 2017, temporarily restricted net assets of approximately $144,000 and $179,000, respectively, were expended, satisfying the restrictions stipulated by the donors and, accordingly, were released from restrictions.

Permanently Restricted Net Assets - This represents net assets subject to donor-imposed stipulations that they be maintained by NYLEL. Generally, the donors of these assets permit the NYLEL to use all or part of the income earned for unrestricted or donor-specified purposes. NYLEL's permanently restricted net assets amounted to $100,000 as of June 30, 2018 and 2017, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid financial instruments with original maturity dates of three months or less from the date purchased, other than those held as part of the investment portfolio or assets limited as to use.

As of June 30, 2018 and 2017, the Companies had cash balances in financial institutions that exceeded federal depository insurance limits. Approximately 60% and 74% of the Companies' cash and cash equivalents are on deposit in various accounts with one financial institution as of June 30, 2018 and 2017, respectively. Management believes that credit risk related to these deposits is minimal.

Investments

Investments in marketable equity securities with readily determinable fair values and all debt securities are stated at quoted market prices. Investments subject to the provisions of Accounting Standards Update ("ASU") 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share*, with no readily determinable fair values are recorded at net asset value ("NAV") per share as a practical expedient to estimating fair value. Donated marketable securities are recorded at fair value at the date of donation. Realized and unrealized gains or losses on investments are reported in the combined 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.

Fair Value

Under authoritative guidance, fair value refers to the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the entity transacts. The Companies must determine whether their assets and liabilities recorded at fair value are valued 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.

Grants and Fees Receivable from Governmental Agencies

As of June 30, 2018 and 2017, grants and fees receivable from governmental agencies, net, were approximately $22,731,000 and $23,400,000, respectively, of which, approximately 95% and 97%, respectively, have been collected as of the date the combined financial statements were available to be issued.

Allowance for Doubtful Accounts

Periodically, the grants and fees receivable from governmental agencies balances are reviewed and evaluated as to their collectability. An allowance is then set up based on these evaluations.

NYLEL has an allowance for doubtful accounts set up for amounts due from Manhattan Star Academy ("MSA"). An allowance for the entire amount due from MSA has been recorded as of June 30, 2018 and 2017 in the amount of $1,011,000. Related bad debt of approximately $304,000 was written off in the prior year. There were no write offs in the current year.

Assets Limited as to Use

Assets limited as to use consist principally of cash and cash equivalents and are on deposit with three financial institutions. They include debt service reserve funds, replacement reserve and tax escrow accounts and are stated at fair value which approximates their cost.

Fixed Assets, Net

Fixed assets are carried at cost, net of accumulated depreciation and amortization. The carrying amounts of fixed assets and the related accumulated depreciation and amortization are removed from the accounts when such assets are disposed of, and any resulting gain or loss is recorded in the combined statements of activities and changes in net assets. The Companies' policy is to capitalize all purchases in excess of $5,000. Depreciation of fixed assets is recorded using the straight-line method over the estimated useful lives of the assets, and amortization on leasehold improvements is calculated using the straight-line method over the shorter of the asset's useful life or estimated lease term. The useful lives of the fixed assets are as follows: buildings and improvements - 15 to 25 years; furniture and fixtures - 10 to 15 years; computer equipment and software - 3 to 5 years; and heating, ventilation and air conditioning equipment - 10 to 20 years. Depreciation and amortization of fixed assets also includes amortization of assets under capital leases.

Impairment of Long-lived Assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are deemed to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There were no impairment losses for the years ended June 30, 2018 and 2017.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the combined statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on various allocation factors.

Deferred Rent

For accounting purposes, the total rent payable over the life of the lease, which escalates over time, is recognized on the straight-line basis. Actual rent payments differ from these reported amounts; actual rent paid is less than reported amounts in the early years of the lease and exceeds the reported amounts in the later years. Deferred rent reflects the difference between the straight-line calculation reported and the actual rent expense paid.

Donated Services

During the years ended June 30, 2018 and 2017, donated services of approximately $-0- and $607,000, respectively, have been included on the combined statements of functional expenses for advertising services pertaining to the rebranding of the Agency. Other donated services are not included as there is no objective basis available to measure the value of such services and these services would not otherwise be purchased for fundraising events.

Tax Status

The Companies are Section 501(c)(3) not-for-profit organizations exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the "Code"). They are classified as publicly supported charitable organizations under Section 509(a)(1) of the Code and qualify for the maximum charitable deduction by donors. They are also exempt from state and local income taxes.

Uncertain Tax Positions

The Companies follow the provisions of *Accounting for Uncertainty in Income Taxes*. *Accounting for Uncertainty in Income Taxes* prescribes recognition thresholds that must be met before a tax position is recognized in the combined financial statements and provides guidance on de-recognition, classification, interest and penalties, disclosure, and transition. Under *Accounting for Uncertainty in Income Taxes*, an entity may only recognize or continue to recognize tax positions that meet a "more-likely-than-not" threshold. The Companies have evaluated their tax positions for the years ended June 30, 2018 and 2017, and do not believe they have any uncertain tax positions that would qualify for either recognition or disclosure in the accompanying combined financial statements.

Use of Estimates

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

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("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 the Companies for fiscal years beginning after December 15, 2017. Management is currently evaluating the impact of ASU 2014-09 on the Companies' combined 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 the Companies for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of ASU 2016-02 on the Companies' combined 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 the Companies for fiscal years beginning after December 15, 2017. ASU 2016-14 is to be applied retroactively with transition provisions. Management is currently evaluating the impact of ASU 2016-14 on the Companies' combined 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 the Companies 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 ASU 2016-18 on the Companies' combined financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should 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. ASU 2018-08 is effective for the Companies for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of ASU 2018-08 on the Companies' combined financial statements.

2. Investments

The cost and fair value of investments are as follows as of June 30, 2018 and 2017:

	2018	
	Cost	**Fair Value**
Certificates of deposit	$ 488,000	$ 488,000
Cash equivalents	3,000	3,000
Alternative investments	62,909,000	72,846,000
Fixed income funds	9,768,000	9,451,000
Mutual funds	43,024,000	46,062,000
Pooled collective funds	19,269,000	23,732,000
Equity securities	172,000	180,000
Total investments	$ 135,633,000	$ 152,762,000

	2017	
Certificates of deposit	$ 488,000	$ 488,000
Cash equivalents	106,000	106,000
Alternative investments	60,827,000	67,188,000
Fixed income funds	8,571,000	8,555,000
Mutual funds	43,376,000	45,945,000
Pooled collective funds	22,536,000	25,024,000
Equity securities	154,000	162,000
Bonds	2,000	2,000
Total investments	$ 136,060,000	$ 147,470,000

3. Fair Value Measurements

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 Agency 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.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2018 and 2017:

Alternative investments - These funds do not make known nor do they advertise their value and their performance data is not readily available. They do not have a readily determinable fair value and are valued at the Agency's proportionate interest in the underlying fund's NAV.

Fixed income funds - Publicly traded quotes in active markets.

Mutual funds - These funds are registered with the U.S. Securities and Exchange Commission under the Investment Company Act of 1940. The value of these funds is primarily based on quoted market prices of the underlying assets from independent sources. The funds have ticker symbols and the values of the funds are published on the NASDAQ. However, the funds are of a class that is not available for sale to the general public and availability is limited to certain institutional investors.

Pooled collective funds - These funds are not actively traded and are recorded at the Agency's proportionate interest in the underlying fund's respective NAV.

Equity securities - Publicly traded quotes in active markets.

Bonds - Publicly traded quotes in active markets.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks, such as interest rate, market and credit risks.

The following tables represent the fair value hierarchy for the Agency's financial assets measured at fair value on a recurring basis as of June 30, 2018 and 2017:

	June 30, 2018		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total Fair Value
Fixed income funds	$ 9,451,000	$ -	$ 9,451,000
Mutual funds	-	46,062,000	46,062,000
Equity securities	180,000	-	180,000
Total assets in the fair value hierarchy	$ 9,631,000	$ 46,062,000	55,693,000
Investments measured at NAV (a)			96,578,000
Total investments, net of cash			$ 152,271,000

	June 30, 2017		
Fixed income funds	$ 8,555,000	$ -	$ 8,555,000
Mutual funds	-	45,945,000	45,945,000
Equity securities	162,000	-	162,000
Bonds	2,000	-	2,000
Total assets in the fair value hierarchy	$ 8,719,000	$ 45,945,000	54,664,000
Investments measured at NAV (a)			92,212,000
Total investments, net of cash			$ 146,876,000

(a) In accordance with Subtopic 820-10, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the line items presented in the combined statements of financial position. The strategy of these investments is as follows: within a prudent level of risk, generate a total return that will provide a sustainable funding source for the Companies while preserving the Portfolio's purchasing power over the long-run.

The following tables summarize investments for which fair value is measured using NAV per share practical expedient as of June 30, 2018 and 2017:

	June 30, 2018			
	Fair Value	**Unfunded Commitments**	**Redemption Frequency (if currently eligible)**	**Redemption Notice Period**
Alternative investments	$ 72,006,000	None	Ranging from Daily to Quarterly	Ranging from 3 to 90 days
Pooled collective funds	24,572,000	None	Daily	None

	June 30, 2017			
Alternative investments	$ 67,188,000	$ 5,500,000	Ranging from Daily to Quarterly	Ranging from 3 to 90 days
Pooled collective funds	25,024,000	None	Daily	None

4. Investment in a Limited Partnership

The Agency has a 33.34% interest in SA Properties LLC ("SA") which maintains three restaurant properties throughout California and Washington. Based on the information available from SA, the cost method is used to account for this investment. Management believes that any difference between the equity method and cost method would be immaterial. This investment's value is undeterminable as of June 30, 2018 and 2017. Distributions are recorded as income when received. During the years ended June 30, 2018 and 2017, distributions approximated $91,000 and $145,000, respectively.

5. Section 1307 Surplus Note Receivable

In November 2016, the Agency entered into an agreement and transferred approximately $7,708,000 to Partners Health Plan ("PHP") for capital commitment for PHP to meet its reserve requirements established by the New York State Department of Financial Services ("NYSDFS") and funding other pre-operational, start-up or working capital expenditures. In addition, approximately $2,291,000 is available and committed to PHP for subsequent investment. This agreement is structured as a Section 1307 Surplus loan. Section 1307 surplus loans are regulated by NYSDFS under Section 1307 of the New York State Insurance Law. Interest and principal payments on Section 1307 loans can only be repaid upon the occurrence of: (1) written approval of the Commissioner of the New York State Department of Health; (2) the voluntary dissolution of PHP; or (3) the liquidation of PHP. Interest is accrued quarterly at 2% of the total outstanding balance and is approximately $156,000 and $100,000 for the years ended June 30, 2018 and 2017, respectively. In January 2018, the Agency entered into an agreement and transferred approximately $91,000 to Care Design New York for a capital commitment. As of June 30, 2018 and 2017, total receivables due from PHP and Care Design New York were approximately $8,055,000 and $7,808,000, respectively, representing both principal and interest amounts.

6. Fixed Assets, Net

Fixed assets, net, consists of the following as of June 30, 2018 and 2017:

	2018	2017
Land	$ 6,302,000	$ 4,878,000
Buildings	37,996,000	34,888,000
Building improvements	25,439,000	20,575,000
Furniture and fixtures	28,239,000	27,105,000
Leasehold improvements	57,100,000	52,081,000
Construction in progress	210,000	8,319,000
	155,286,000	147,846,000
Less accumulated depreciation and amortization	73,602,000	67,843,000
	$ 81,684,000	$ 80,003,000

7. Lines of Credit Payable and Term Loan Payable

The Agency has an $8,000,000 line of credit with TD Bank, N.A. for the purposes of providing interim financing for acquisition and renovations of residential properties. This line of credit expires on November 30, 2019. Interest on outstanding amounts under this agreement is at the adjusted LIBOR rate (2.97% and 1.74% as of June 30, 2018 and 2017, respectively). As of June 30, 2018 and 2017, the Agency had outstanding balances under this line of credit of $2,441,000 and $4,474,000, respectively. Interest expense was approximately $26,000 for the year ended June 30, 2018. For the year ended June 30, 2017, interest expense of approximately $21,000 was included in capitalized interest in construction in progress.

The Agency also has an $8,000,000 revolving line of credit with TD Bank, N.A. for general operations. The line of credit expires on March 31, 2019. Interest on outstanding amounts under this agreement is at the adjusted LIBOR rate (2.97% and 1.74% as of June 30, 2018, and 2017, respectively). As of June 30, 2018 and 2017, the Agency had no amount outstanding under this line of credit.

The agreements for the lines of credit contain covenants requiring the maintenance of certain financial ratios. The Agency was not in compliance with the debt service coverage ratio as of June 30, 2018. The Agency has received a waiver related to the debt service coverage ratio from TD Bank, N.A. The Agency was in compliance with these covenants as of June 30, 2017.

Human First obtained a $1,000,000 line of credit facility with TD Bank, N.A, to be used for general operations. The line of credit expires on March 31, 2019. As of June 30, 2018 and 2017, respectively, there was no amount outstanding on the line of credit. Interest on the outstanding balance accrues at a variable rate equal to the prime rate (5.0% and 4.25% as of June 30, 2018 and 2017, respectively), plus .50% per annum and is payable monthly.

In December 2017, Human First obtained a term loan in the amount of approximately $355,000 to fund construction at the Manhattan Day Habilitation location. Under the agreement, Human First pays interest only through July 1, 2019 at adjusted LIBOR Rate which equals 3.98% after which principal and interest payments will be made throughout a twenty-five-year amortization period. Interest expense was approximately $8,000 for year ended June 30, 2018.

In March 2018, Human First obtained a $3,250,000 line of credit facility with TD Bank N.A. to be used for acquisition and renovations of its residential program's properties, of which $1,453,000 remains unused as of June 30, 2018. Under the agreement, Human First: (i) obtained $1,332,000 for the purchase and renovation of a residence in Queens, New York in April 2018; and (ii) obtained $465,000 for the purchase of a residence on Long Island, New York in June 2018, totaling approximately $1,797,000 which was outstanding as of June 30, 2018. Interest expense was approximately $7,000 for year ended June 30, 2018. In accordance with the agreement, the first eighteen months will be interest only at the interest rate of equal to three hundred basis points above the thirty day LIBOR rate, which equals (i) 5.03% and (ii) 6.4%. Interest is paid on the first day of the month, during the initial period of each loan. The agreement for this line of credit contains a covenant requiring the maintenance of a debt service coverage ratio. Human First was not in compliance with the debt service coverage ratio as of June 30, 2018. As of November 30, 2018, Human First received a waiver related to the debt service coverage ratio from TD Bank, N.A.

In October 2015, a NYLEL line of credit was converted to a term loan with a bank in the amount of approximately $3,549,000. The loan matures on September 30, 2018 and the terms include a monthly principal payment of $100,000 plus interest. The interest rate is the bank's prime rate plus 3.5% per annum (amounting to interest rates of 8.5% and 7.75% as of June 30, 2018 and 2017, respectively). The outstanding balance of the loan was approximately $749,000 and $1,949,000 as of June 30, 2018 and 2017, respectively. Interest expense was approximately $111,000 and $181,000 for the years ended June 30, 2018 and 2017, respectively. The loan is collateralized by NYLEL's accounts receivable.

8. Capital Leases Payable

The Agency and Human First own certain motor vehicles under capital leases. These leases have terms of 60 months and contain bargain purchase options.

As of June 30, 2018 and 2017, the costs of the fixed assets recorded under the capital leases were approximately $2,453,000 and $2,509,000, respectively. The net book values were approximately $810,000 and $893,000 as of June 30, 2018 and 2017, respectively.

Future minimum payments under the lease agreements, by year and in the aggregate, consisted approximately of the following:

Years ending June 30:	
2019	$ 348,000
2020	317,000
2021	226,000
2022	119,000
2023	21,000
Total minimum lease payments	1,031,000
Less amounts representing interest	160,000
Net minimum lease payments	871,000
Less current portion	298,000
Long-term portion of capital leases included in capital leases payable	$ 573,000

Interest expense on the capital leases for the years ended June 30, 2018 and 2017 were approximately $67,000 and $55,000, respectively.

9. Mortgages Payable

A summary of mortgages payable is as follows as of June 30, 2018 and 2017:

	2018	2017
Insured mortgage with the Dormitory Authority of the State of New York ("Dormitory Authority") on various individual residential alternatives properties payable in annual installments ranging from approximately $114,000 to $242,000 through June 30, 2021, including interest at the rate of 5.1% per annum as of June 30, 2018 and 2017. Includes bond premium of approximately $6,000 and $8,000 as of June 30, 2018 and 2017, respectively. (a)	$ 516,000	$ 608,000
Mortgage on the Joseph Belsky Apartment House, 140 Lawrence Avenue, Brooklyn, New York, payable in full on February 1, 2032, including interest at 1.0% per annum. (b)	2,667,000	2,689,000
Mortgage with the New York State Housing Trust Fund Corporation on the Joseph Belsky Apartment House, 140 Lawrence Avenue, Brooklyn, New York, payable in full on March 1, 2044, is non-interest bearing. (c)	2,162,000	2,029,000

	2018	2017
Mortgage with Office for People With Developmental Disabilities ("OPWDD") on Lake Street Intermediate Care Facility, Brooklyn, New York, scheduled payments in semi-annual installments of approximately $120,000, which was paid through June 30, 2018 including interest at 6.4% per annum. (d)	$ -	$ 324,000
Mortgage with the Dormitory Authority on the Stillwell Avenue IRA, Bronx, New York, payable in annual installments ranging from approximately $39,000 to $182,000 through June 30, 2024, including interest at the rates of 3.45% and 3.20% per annum as of June 30, 2018 and 2017, respectively. (e)	680,000	805,000
Mortgage with JPMorgan Chase Bank on the Avenue D IRA, Manhattan, New York, payable in monthly installments of $9,432, through May 2021, including interest at 7.5% per annum. (f)	289,000	376,000
Mortgage with the Dormitory Authority on 251 W. 154th Street, Manhattan, New York, payable in annual installments ranging from approximately $302,000 to $486,000 through June 30, 2026, including interest at the rate of 1.4% per annum as of June 30, 2018 and 2017. Includes bond premium of approximately $95,000 and $107,000 as of June 30, 2018 and 2017, respectively. (g)	2,705,000	3,007,000
Mortgage with Build New York City on the Stillwell Mortgage with the Israel Discount Bank of New York on the Hearst Building in Brooklyn, New York, and the Staten Island Rehabilitation Center, payable in annual installments ranging from approximately $644,000 to $649,000 through July 1, 2024, including interest at 3.2% per annum. (h)	3,995,000	4,500,000
Mortgage with Build New York City on the mortgage with TD Bank, N.A. on 80 West End Avenue, Manhattan, New York, payable in monthly installments ranging from approximately $75,000 to $164,000 through June 1, 2046, including interest at 3.285%. (i)	43,249,000	44,176,000
Mortgage with the Dormitory Authority on Flushing Ave, Brooklyn, New York and Webster Seton individual residential alternative Brooklyn, New York payable in annual installments ranging from approximately $105,000 to $460,000 through June 30, 2037, including interest at the rates of 3.0% and 4.0% per annum as of June 30, 2018. Includes bond premium of approximately $212,000 as of June 30, 2018. (j)	6,732,000	-

	2018	2017
Mortgage with TD Bank, N.A. on 211-44 94th Rd, Queens Village, New York, payable in monthly installments of $9,000 through 2030, including interest at 5.21% per annum. (k)	$ 913,000	$ 967,000
Mortgage with TD Bank, N.A. on 199-13 111th Ave, Queens Village, New York, payable in monthly installments of $9,000 through 2030, including interest at 5.16% per annum. (k)	969,000	1,026,000
Mortgage with TD Bank, N.A. on 120-24 196th Street, St. Albans, New York, payable in monthly installments of $9,000 through 2029, including interest at 6.40% per annum. (k)	857,000	913,000
Mortgage with TD Bank, N.A. on 29th Street, Astoria, New York, payable in monthly installments of $4,000 through 2022, including interest at 4.6% per annum. (k)	83,000	127,000
Mortgage with TD Bank, N.A. on 217-25 106th Avenue, Queens Village, New York, payable in monthly installments of $10,000 through 2029, including interest at 5.89% per annum. (k)	923,000	981,000
Mortgages payable	66,740,000	62,528,000
Less unamortized debt issuance costs	1,820,000	1,541,000
Total mortgages payable, net	$ 64,920,000	$ 60,987,000

Land, buildings and improvements with an aggregate net book value of approximately $14,074,000 and $30,768,000 as of June 30, 2018 and 2017, respectively, are subject to the above mortgages.

(a) In April 2002, the Agency became a participant in the Dormitory Authority's New York United Cerebral Palsy Affiliates Pooled Loan Program No. 1 Insured Revenue Bonds, consisting of Series 2002A and Series 2002B (the "Pooled Bonds"). The aggregate amount of this issue was $16,520,000, of which $1,430,000 benefits the Agency. Proceeds were used to pay down monies previously borrowed from a revolving line of credit (see Note 7), to fund the cost of issuance of these bonds, and to make a deposit into a Debt Service Reserve Fund. Repayment of the Pooled Bonds is insured under the provisions of the Dormitory Authority's Master Insured Revenue Bond Resolution. As of June 30, 2018 and 2017, approximately $126,000 and $124,000, respectively, was on deposit in the Debt Service Reserve Fund and has been included in assets limited as to use in the accompanying combined statements of financial position.

As a condition of this borrowing, the Agency is required to make monthly deposits into a Debt Service Fund. The fund accumulates amounts necessary to make annual principal and semi-annual interest payments. Payments are made on January 1 and July 1. As of June 30, 2018 and 2017, approximately $104,000 and $101,000, respectively, was on deposit in the Debt Service Reserve Fund and has been included in assets limited as to use in the accompanying combined statements of financial position. The agreement for the Pooled Bonds contains covenants requiring, among other restrictions, the maintenance of certain financial ratios. The Agency was in compliance with these covenants, except for the debt service coverage ratio, as of June 30, 2018. The Agency has received a waiver related to the debt service coverage ratio from the Dormitory Authority. The Agency was in compliance with these covenants as of June 30, 2017.

The Pooled Bonds are secured by the gross receipts of the Agency in an amount equal in each Bond Year to the greatest amount required in any bond year to pay the interest on the Outstanding Bonds payable during such year and the principal and Sinking Fund Installments of Outstanding Bonds payable on July 1 of such bond year.

(b) In January 2002, the Joseph Belsky Apartment House mortgage was restructured under the Mark-to-Market Program of the Office of Multifamily Housing Assistance Restructuring. The property is secured by two mortgage loans. The balance of principal and interest is due at the Maturity Date of February 1, 2032 (the "Maturity Date"). The first mortgage is a Restructuring Loan for approximately $996,000. This mortgage requires annual payments of interest in the amount of 1% of the outstanding principal balance. Principal and interest payments are based upon a calculation of cash on hand. Through June 30, 2018 and 2017, a total of $93,000 and $71,000, respectively, has been paid towards the principal amounts. The second mortgage, which is subordinate to the first, is a Contingent Repayment Note (the "Note") for approximately $1,764,000. No payments are due on the Note until the Maturity Date. This Note bears interest at the rate of 1% per annum.

In accordance with the terms of the Joseph Belsky Apartment House mortgage, amounts equal to a fixed percentage of the original mortgage balance are restricted each year for replacement of the related building and improvements. Such amounts aggregated approximately $134,000 and $145,000 as of June 30, 2018 and 2017, respectively. These amounts are included in assets limited as to use in the accompanying combined statements of financial position. The mortgage is collateralized by the Joseph Belsky Apartment House building and improvements and is insured by HUD.

(c) In February 2014, the Agency entered into a mortgage with the New York State Housing Trust Fund Corporation for Joseph Belsky Apartment House for a total of $2,162,000 for the purposes of renovating the building, of which approximately $2,162,000 and $2,029,000 was utilized as of June 30, 2018 and 2017, respectively. The mortgage has a Maturity Date of March 1, 2044. During the years ended June 30, 2018 and 2017, approximately $-0- and $50,000, respectively, of the proceeds received have been included in assets limited as to use in the accompanying combined statements of financial position in conjunction with this mortgage for the purpose of construction costs associated with the approved renovation projects. The mortgage is collateralized by the Joseph Belsky Apartment House building and improvements and is subordinate to the two mortgages insured by HUD. See (b).

(d) During fiscal 1994, the Agency entered into a mortgage agreement with OPWDD to provide long-term financing for the Lake Street Intermediate Care Facility. The funds were provided to OPWDD by the New York State Medical Care Facilities Finance Agency from the sale of Facilities Improvement Revenue Bonds, 1991 Series D and 1992 Series F. During fiscal 1998, the mortgage loan agreement was amended to increase the principal balance due to OPWDD based upon an advance to the Agency of approximately $113,000 for the Lake Street Intermediate Care Facility. In addition to the Lake Street Intermediate Care Facility, this mortgage loan is collateralized by all accounts receivable and proceeds thereof, including any amounts paid or payable by the State of New York to the Agency with respect to the property. As a condition of this borrowing, the Agency is required to maintain Debt Service Reserve Funds aggregating approximately $-0- and $183,000 as of June 30, 2018 and 2017, respectively. These funds have been included in assets limited as to use in the accompanying combined statements of financial position as of June 30, 2018 and 2017.

Reduction of the principal as well as payment of interest and financing costs related to the mortgaged property is achieved through an agreement with OPWDD whereby, reimbursement of future program expenditures is reduced based upon OPWDD mortgage repayment schedules as of June 30, 2018 all repayments have been made and loan satisfied.

(e) In June 2010, the Agency became a participant in the Dormitory Authority's New York Interagency Council's Pooled Loan Program Revenue Bonds, consisting of Series 2010A-1 and Series 2010A-2 (the "Pooled Bonds"). The aggregate amount of this issue was $29,670,000, of which $1,540,000 benefits the Agency. Proceeds were used to pay down monies previously borrowed from a revolving line of credit, to fund the cost of issuance of these bonds, and to make a deposit into a Debt Service Reserve Fund. As of June 30, 2018 and 2017, approximately $204,000 and $205,000, respectively, was on deposit in the Debt Service Reserve Fund and has been included in assets limited as to use in the accompanying combined statements of financial position.

As a condition of the borrowing, the Agency is required to make monthly deposits into a Debt Service Fund. The fund accumulated amounts necessary to make principal and interest payments semi-annually. Payments are made on January 1 and July 1. The agreement for the Pooled Bonds contains covenants requiring, among other restrictions, the maintenance of certain financial ratios. The Agency was in compliance with these covenants, except for the debt service coverage ratio, as of June 30, 2018. The Agency has received a waiver related to the debt service coverage ratio from the Dormitory Authority. The Agency was in compliance with these covenants as of June 30, 2017.

(f) In March 2010, the Agency entered into a mortgage agreement with JPMorgan Chase Bank to refinance the Agency's condominium apartments at Avenue D, Manhattan, New York. The mortgage is secured by the apartments at Avenue D. The debt agreement for the mortgage contains covenants requiring, among other restrictions, the maintenance of certain financial ratios. The Agency was not in compliance with the debt service coverage ratio as of June 30, 2018. The Agency has received a waiver related to the debt service coverage ratio from JP Morgan Chase. The Agency was in compliance with these covenants as of June 30, 2017.

(g) In March 2012, the Agency became a participant in the Dormitory Authority's New York Interagency Council's Pooled Loan Program Revenue Bonds, consisting of Series 2012A-1 and Series 2012A-2 (the "Pooled Bonds"). The aggregate amount of this issue was $12,745,000, of which $4,266,000 benefits the Agency, of which $168,000 represented a bond issue premium. The Bond Premium will be amortized over the duration of the bond and for the years ended June 30, 2018 and 2017 amounted to approximately $95,000 and $107,000, respectively. Proceeds were used to pay down monies previously borrowed from a revolving line of credit, to fund the cost of issuance of these bonds, and to make a deposit into a Debt Service Reserve Fund. As of June 30, 2018 and 2017, approximately $560,000 and $563,000, respectively, was on deposit in the Debt Service Reserve Fund and has been included in assets limited as to use in the accompanying combined statements of financial position.

As a condition of the borrowing, the Agency is required to make monthly deposits into a Debt Service Fund. The fund accumulated amounts necessary to make principal and interest payments annually. Payments are made on July 1. The agreement for the Pooled Bonds contains covenants requiring, among other restrictions, the maintenance of certain financial ratios. The Agency was in compliance with these covenants, except for the debt service coverage ratio, as of June 30, 2018. The Agency has received a waiver related to the debt service coverage ratio from the Dormitory Authority. The Agency was in compliance with these covenants as of June 30, 2017.

(h) In April 2013, Build New York City ("NYC") Resource Corporation issued $5,995,000 of Build NYC Resource Corporation Revenue Bonds which were purchased by the Israel Discount Bank of New York. Build NYC Resource Corporation simultaneously loaned the bond proceeds to the Agency. The bond proceeds were used to pay off the remaining balance of the Series 1996 Revenue Bonds. As of June 30, 2018 and 2017, approximately $532,000 and $518,000, respectively, was on deposit in the Debt Service Reserve Fund and has been included in assets limited as to use in the accompanying combined statements of financial position.

As a condition of the borrowing, the Agency is required to make monthly deposits into a Debt Service Fund. The fund accumulated amounts necessary to make principal payments annually and interest payments monthly. Principal payments are made on July 1. The agreement contains covenants requiring, among other restrictions, the maintenance of certain financial ratios. The Agency was not in compliance with the debt service coverage ratio as of June 30, 2018. The Agency has received a waiver related to the debt service coverage ratio from Israel Discount Bank of New York. The Agency was in compliance with these covenants as of June 30, 2017.

(i) In June 2016, Build NYC Resource Corporation issued $45,000,000 of Build NYC Resource Corporation Revenue Bonds which were purchased by TD Bank, N.A. Build NYC Resource Corporation simultaneously loaned the bond proceeds to the Agency. The bond proceeds were used to pay off a portion of the balance of a line of credit. As of June 30, 2018 and 2017, approximately $44,000 was on deposit in the Debt Service Reserve Fund and has been included in assets limited as to use in the accompanying combined statements of financial position.

As a condition of the borrowing, the Agency is required to make monthly deposits into a Debt Service Fund, which began July 2016. The fund will accumulate amounts necessary to make principal and interest payments monthly. The agreement contains covenants requiring, among other restrictions, the maintenance of certain financial ratios. The Agency was in compliance with these covenants as of June 30, 2018. The Foundation has guaranteed this borrowing.

(j) In August 2017, the Agency became a participant in the Dormitory Authority's New York Interagency Council's Pooled Loan Program Revenue Bonds, consisting of Series 2017A-1 and Series 2017A-2 (the "Pooled Bonds"). The aggregate amount of this issue was $17,145,000, of which $6,742,000 benefits the Agency, of which $222,000 represented a bond issue premium. The Bond Premium will be amortized over the duration of the bond and amounted to approximately $212,000 as of June 30, 2018. Proceeds were used to pay down monies previously borrowed from a revolving line of credit, to fund the cost of issuance of these bonds, and to make a deposit into a Debt Service Reserve Fund. As of June 30, 2018, approximately $540,000 was on deposit in the Debt Service Reserve Fund and has been included in assets limited as to use in the accompanying combined statements of financial position.

As a condition of the borrowing, the Agency is required to make monthly deposits into a Debt Service Reserve Fund. The fund accumulated amounts necessary to make principal and interest payments annually. Payments are made on July 1. The agreement for the Pooled Bonds contains covenants requiring, among other restrictions, the maintenance of certain financial ratios. The Agency was in compliance with these covenants, except for the debt service coverage ratio, as of June 30, 2018. The Agency has received a waiver related to the debt service coverage ratio from the Dormitory Authority. The Agency was in compliance with these covenants as of June 30, 2017.

(k) Human First financed the purchase of properties with TD Bank, N.A. All mortgages are secured by the properties.

Interest expense on the mortgages payable for the years ended June 30, 2018 and 2017 approximated $2,245,000 and $2,009,000, respectively.

Certain of the tax exempt bonds issued are through public offerings and are publicly traded bonds. As a result, the Agency is considered a conduit debt obligor which qualifies the Agency as a public business entity. Certain ASUs are required to be adopted by the Agency as a public business entity which generally accelerate the effective dates on the applicable ASUs by one year.

Scheduled future principal payments on mortgages payable are approximately as follows:

Years ending June 30:	
2019	$ 2,686,000
2020	2,631,000
2021	2,784,000
2022	2,941,000
2023	2,658,000
Thereafter	53,040,000
Total	$ 66,740,000

10. Endowment Fund

Endowment net assets consist of a donor-restricted fund. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on existence or absence of donor imposed restrictions.

NYLEL adheres to the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). NYLEL recognizes that NYPMIFA permits the Board of Directors to appropriate for expenditure all earnings of endowment funds (both realized and unrealized) with a presumption of prudence to a ceiling of 7% annually of the fair value of the endowment funds. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected in temporarily restricted until appropriated.

NYLEL's Board has interpreted NYPMIFA as allowing NYLEL to appropriate for expenditure or accumulate so much of an endowment fund as NYLEL determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

The objective of NYLEL is to maintain the principal of its endowment fund at the original amount donated by the donor. The investment policy to achieve this objective is to invest in low-risk investments that will provide a predictable stream of funding. Even though the donor did not restrict the earnings of the endowment, NYLEL records earnings as temporarily restricted until appropriated by the Board for expenditure as required by U.S. GAAP.

In accordance with U.S. GAAP, organizations are required to disclose any deterioration of the fair value of assets associated with donor-restricted endowment funds that fall below the level the donor requires the organizations to retain in perpetuity. NYLEL has not incurred such deficiencies in its endowment fund as of June 30, 2018 and 2017.

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 100,000	$ 100,000
Interest income	63	-	63
Board appropriation	(63)	-	(63)
Endowment net assets, end of year	$ -	$ 100,000	$ 100,000

Changes in endowment net assets for the year ended June 30, 2017 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 100,000	$ 100,000
Interest income	10	-	10
Board appropriation	(10)	-	(10)
Endowment net assets, end of year	$ -	$ 100,000	$ 100,000

11. Pension Plans

Defined Benefit Plan

The Agency sponsors a qualified noncontributory Pension Trust Plan (the "Plan") covering employees 21 years and older who have been employed by the Agency for at least one year. Plan benefits are paid directly from the Plan's assets. The Agency's policy is to satisfy annual minimum funding requirements as set forth by the Employee Retirement Income Security Act of 1974. The Plan's actuary performed the computations required for financial statement disclosure as of June 30, 2018. Employee data as of July 1, 2016 was projected forward to the June 30, 2017 measurement date. Effective June 30, 2007, the Plan was frozen.

The following sets forth the Plan's funded status and amounts recognized in the combined financial statements as of June 30, 2018 and 2017:

	2018	2017
Reconciliation of projected benefit obligation:		
Projected benefit obligation, beginning of year	$ 71,115,000	$ 67,692,000
Interest cost	2,802,000	2,772,000
Change due to assumption changes	(2,563,000)	2,789,000
Actuarial loss	564,000	344,000
Benefits disbursed	(2,542,000)	(2,482,000)
Projected benefit obligation, end of year	$ 69,376,000	$ 71,115,000
Funded status:		
Fair value of plan assets, consisting principally of stocks and bonds, at beginning of year	$ 52,614,000	$ 49,490,000
Actual return on plan assets	4,240,000	5,773,000
Employer contributions	676,000	-
Benefits disbursed from plan assets (including expense charges)	(2,720,000)	(2,649,000)
Fair value of plan assets, end of year	54,810,000	52,614,000
Projected benefit obligation in excess of plan assets	14,566,000	18,501,000
Accumulated benefit obligation, end of year	$ 69,376,000	$ 71,115,000

Weighted-average assumptions used to measure benefit obligations are as follows as of June 30, 2018 and 2017:

	2018	2017
Discount rate	4.25 %	4.00 %

Weighted-average assumptions used to measure net periodic pension cost are as follows for the years ended June 30, 2018 and 2017:

	2018	2017
Discount rate	4.00 %	4.00 %
Expected long-term rate of return on Plan assets	6.00 %	6.00 %

The fair value hierarchy of the Plan's assets is as follows as of June 30, 2018 and 2017:

	June 30, 2018	
	Level 2	Total
Assets:		
Separate investment accounts:		
S&P 500 Index Fund	$ 17,839,000	$ 17,839,000
Equity funds	15,063,000	15,063,000
Fixed income funds	21,908,000	21,908,000
	$ 54,810,000	$ 54,810,000

	June 30, 2017	
Assets:		
Separate investment accounts:		
S&P 500 Index Fund	$ 18,216,000	$ 18,216,000
Equity funds	15,147,000	15,147,000
Fixed income funds	19,251,000	19,251,000
	$ 52,614,000	$ 52,614,000

The Agency's investment policy during the year ended June 30, 2018 is to invest approximately 65% and 35% of plan assets in equity and fixed income instruments, respectively. Plan assets consist primarily of mutual funds managed by the Plan's trustee that are invested in equities and debt obligation instruments. The expected long-term rate of return on plan assets assumption of 6.0% was selected based on guidelines set forth in Actuarial Standards Board in *Actuarial Standard of Practice No. 27 - Selection of Economic Assumptions for Measuring Pension Obligations*. Based on the Agency's investment policy for the Plan in effect as of the beginning of the fiscal year, and financial models taking in to account capital market assumptions for expected returns and risk by assets class, and inflation, a best estimate range of 3.3% to 9.7% was determined. A rate of 6.0%, which is near the midpoint of the best estimate range, was selected.

Net periodic pension cost includes the following for the years ended June 30, 2018 and 2017:

	2018	2017
Service cost, benefits earned during the year	$ -	$ -
Interest cost on projected benefit obligation	2,802,000	2,772,000
Expected return on Plan assets	(3,080,000)	(2,879,000)
Amortization of net loss	2,512,000	3,702,000
Net periodic pension cost	$ 2,234,000	$ 3,595,000

As of June 30, 2018 and 2017, unamortized net loss of approximately $13,681,000 and $19,174,000, respectively, was included in unrestricted net assets.

The percentages of fair value of total plan assets by asset category are as follows as of June 30, 2018 and 2017:

	2018	2017
Equity	60.03 %	63.41 %
Fixed income funds	39.97 %	36.59 %
	100.00 %	100.00 %

The following benefits, which reflect expected future service, have been valued using the same assumptions adopted for valuing the projected benefit obligation and are expected to be paid as follows:

Years ending June 30:	
2019	$ 3,689,000
2020	3,828,000
2021	3,984,000
2022	4,146,000
2023	4,207,000
2024 - 2028	21,468,000

The Agency anticipates contributing approximately $1,217,000 to the Plan during the year ending June 30, 2019.

Defined Contribution Pension Plans

Effective July 1, 2007, the Agency established a defined contribution plan for all employees, with the exception of hourly and contracted employees, who have worked one year, worked at least 1,000 hours, and have attained the age of 21. Annual base contributions to the plan are based on 5% of each eligible participant's compensation, plus an additional contribution as determined by a fixed percentage depending upon the years of service and the description of the title of the employee, subject to approval by the board of directors. Pension expense for the years ended June 30, 2018 and 2017 approximated $3,251,000 and $3,012,000, respectively.

NYLEL has discretionary defined contribution retirement plans covering substantially all of its employees. To be eligible, employees must complete 12 months of service and 1,000 hours. Contributions and costs of these plans are based on amounts determined in accordance with Section 415 of the Code on an annual basis. Such amounts are included in accounts payable and accrued expenses on the combined statements of financial position.

Tax-Deferred Annuity Plan

The Agency maintains a tax-deferred annuity plan as defined under Section 403(b) of the Code. Investments are self-directed by employees and are maintained by a major insurance company.

NYLEL maintains a tax-deferred annuity plan as defined under Section 403(b) of the Code. Investments are self-directed by employees and are maintained by a major insurance company.

Human First maintains a 403(b) retirement plan which covers all eligible employees. Employees may elect to defer compensation and make contributions to the plan. The employer may also make a discretionary contribution to the plan each year. Employees fully vest in the plan after six years of service. Human First has decided not to make a discretionary contribution for the years ended June 30, 2018 and 2017. The discretionary contribution of approximately $262,000 for the year 2016 was funded during June 30, 2018, but outstanding as of June 30, 2017.

12. Related Party Transactions

During the years ended June 30, 2018 and 2017, the Agency provided services related to administrative functions for NYLEL and Human First. The Agency has recognized approximately $4,734,000 and $4,899,000, respectively, in revenue under this agreement, which is included in other income as well as a corresponding $4,734,000 and $4,889,000, respectively, in expenses, which is included in management and general expenses for the years ended June 30, 2018 and 2017. As of June 30, 2018 and 2017, the Agency owed approximately $-0- and $85,000, respectively, to NYLEL and NYLEL has an outstanding balance of approximately, $484,000 and $-0- as of June 30, 2018 and 2017, respectively, due to the Agency. Human First has an outstanding balance of approximately $609,000 and $757,000 as of June 30, 2018 and 2017, respectively, due to the Agency. These intercompany transactions are eliminated through consolidation.

13. Commitments and Contingencies

Reimbursement of Expenditures

Contracts, grants and fees applicable to program and community services are reported in the year earned at net realizable amounts for services rendered under contracts and reimbursement agreements. Certain contracts and grants provide for reimbursement rates that are subject to potential changes based on periodic reviews by the funding agencies. Such rates are either adjusted prospectively through future reimbursement rates or are adjusted retroactively. Prospective rate adjustments are generally insignificant and are reflected in the revenues of the future periods based on when the adjusted reimbursement rates are determined. Retroactive rate adjustments are recorded as adjustments to revenues in the period that the amounts are determinable and are reasonably measurable.

Some of the Companies' contracts and grants do not provide for rate adjustments although they may be subject to audits. It has been the experience of the Companies that adjustments as a result of audits have been insignificant. Management of the Companies is not aware of any potential material liabilities as of June 30, 2018 and 2017 resulting from any audits.

NYLEL was audited by the New York Office of State Comptroller ("OSC"), related to the expenses submitted by NYLEL to the New York State Education Department ("SED") for purposes of establishing the preschool special education tuition reimbursement rates used to bill public funding sources that are supported by State aid payments. The audit covered the three-year period of July 1, 2011 through June 30, 2014. The audit focused on whether the costs and other required data submitted by NYLEL to SED on its Consolidated Fiscal Report ("CFR") for purposes of rate-setting and State reimbursement were properly calculated, adequately documented and allowable under the SED's guidelines, including the SED reimbursable cost manual. In November 2018, NYLEL and SED signed an agreement for the settlement of this audit, which resulted in a liability of one million dollars being recorded in other liabilities in the combined statements of financial position. Also included in other liabilities is $10,041,000 and $7,410,000 as of June 30, 2018 and 2017, respectively, due to governmental agencies for all Companies.

Medicaid and other programs in which the Agency and Human First participate are based on a set of complex laws and regulations. Noncompliance with such laws and regulations could result in repayments of amounts improperly reimbursed, fines, penalties, and exclusion from such programs. Management of the Companies is not aware of any allegations of noncompliance that could have a material effect on the accompanying combined financial statements and believes the Agency and Human First are in compliance with all applicable laws and regulations.

The Companies have established specific reserves against revenues of $1,114,000 and $1,272,000 as of June 30, 2018 and 2017, respectively, for potential denied claims for reimbursement. Denied claims arise principally due to unresolved participant eligibility issues. It is the opinion of management that denied claims, if any, in excess of the reserve for reimbursement adjustments would not have a material effect on the combined financial position of the Companies.

Operating Leases

The Companies have noncancelable operating leases with remaining terms of 1 year or more, some of which have escalation clauses. Future minimum payments under these operating leases, net of sublease proceeds, are approximately as follows:

Years ending June 30:	
2019	$ 17,339,000
2020	16,422,000
2021	15,165,000
2022	13,915,000
2023	13,384,000
Thereafter	175,699,000
Total	$ 251,924,000

Gross rent expense on real property was approximately $20,801,000 and $19,377,000 for the years ended June 30, 2018 and 2017, respectively. On June 30, 2016, the Agency entered into an agreement to sell shares in a leasehold condominium with a New York not-for-profit organization pertaining to five floors in the aforementioned lease. This agreement includes a provision of cross default.

Rent expense on equipment for the years ended June 30, 2018 and 2017 was approximately $366,000 and $354,000, respectively.

NYLEL reflects assets limited as to use in the accompanying combined statements of financial position representing cash which is a required collateral by a bank since the NYLEL is the guarantor of a construction loan for MSA in the amounts of $1,208,000 and $1,680,000 as of June 30, 2018 and 2017, respectively. This guarantor agreement requires NYLEL to set aside 105% of MSA's outstanding principal balance, and has been included in assets limited as to use in the accompanying combined statements of financial position. MSA is not in default on this loan.

Litigation

There are various lawsuits and claims pending against the Companies which arose in the ordinary course of business. In the opinion of the Companies' management, these lawsuits are either without merit, or are covered by insurance, and will not result in any material adverse effect on the Companies' combined financial position or changes in net assets.

14. Subsequent Events

The Companies have evaluated events and transactions that occurred between July 1, 2018 and November 30, 2018, which is the date the combined financial statements were available to be issued, for possible disclosure and recognition in the combined financial statements. The following events or transactions were identified during this period that required disclosure or recognition.

Subsequent to the year ended June 30, 2018, the Agency closed on various properties in the Bronx. In August 2018, Human First closed on a property in Queens.

ADAPT Community Network and Affiliates

Consolidating and Combining Statement of Financial Position

June 30, 2018

	Combined Totals	Intercompany Eliminations	ADAPT *	Foundation	NYLEL	Human First
Assets						
Cash and cash equivalents	$ 20,297,000	$ -	$ 17,674,000	$ 404,000	$ 1,640,000	$ 579,000
Investments (Notes 2 and 3)	152,762,000	-	23,448,000	129,314,000	-	-
Grants and fees receivable from governmental agencies, net of allowance for doubtful accounts of $1,114,000 (Note 13)	22,731,000	-	16,833,000	-	3,825,000	2,073,000
Other assets	3,258,000	-	2,456,000	-	445,000	357,000
Section 1307 surplus note receivable (Note 5)	8,055,000	-	8,055,000	-	-	-
Due from affiliates	-	(1,139,000)	1,139,000	-	-	-
Fixed assets, net (Note 6)	81,684,000	-	72,548,000	-	2,903,000	6,233,000
Assets limited as to use (Note 9)	3,724,000	-	2,456,000	-	1,268,000	-
Total assets	$ 292,511,000	$ (1,139,000)	$ 144,609,000	$ 129,718,000	$ 10,081,000	$ 9,242,000
Liabilities and Net Assets						
Liabilities						
Accounts payable and accrued expenses	$ 14,710,000	$ -	$ 12,140,000	$ 120,000	$ 1,668,000	$ 782,000
Accrued payroll and related liabilities	10,618,000	-	8,449,000	-	1,386,000	783,000
Due to affiliates	-	(1,139,000)	-	46,000	484,000	609,000
Lines of credit and term loan payable (Note 7)	5,342,000	-	2,441,000	-	749,000	2,152,000
Capital leases payable (Note 8)	871,000	-	870,000	-	-	1,000
Mortgages payable, net (Note 9)	64,920,000	-	61,175,000	-	-	3,745,000
Accrued pension Liability (Note 11)	14,566,000	-	14,566,000	-	-	-
Deferred rent	15,724,000	-	14,563,000	-	931,000	230,000
Other liabilities	11,999,000	-	7,916,000	-	3,697,000	386,000
Total liabilities	138,750,000	(1,139,000)	122,120,000	166,000	8,915,000	8,688,000
Commitments and Contingencies (Note 13)						
Net Assets						
Unrestricted	152,922,000	-	21,750,000	129,552,000	1,066,000	554,000
Temporarily restricted (Note 1)	739,000	-	739,000	-	-	-
Permanently restricted (Notes 1 and 10)	100,000	-	-	-	100,000	-
Total net assets	153,761,000	-	22,489,000	129,552,000	1,166,000	554,000
Total liabilities and net assets	$ 292,511,000	$ (1,139,000)	$ 144,609,000	$ 129,718,000	$ 10,081,000	$ 9,242,000

* This column includes the accounts of ADAPT, HDFC and CMRS.

ADAPT Community Network and Affiliates

Consolidating and Combining Statement of Financial Position

June 30, 2017

	Combined Totals	Intercompany Eliminations	ADAPT *	Foundation	NYLEL	Human First
Assets						
Cash and cash equivalents	$ 25,870,000	$ -	$ 21,029,000	$ 110,000	$ 3,967,000	$ 764,000
Investments (Notes 2 and 3)	147,470,000	-	22,060,000	125,410,000	-	-
Grants and fees receivable from governmental agencies, net of allowance for doubtful accounts of $1,272,000 (Note 13)	23,400,000	-	15,808,000	-	5,174,000	2,418,000
Other assets	3,127,000	-	2,432,000	-	468,000	227,000
Section 1307 surplus note receivable (Note 5)	7,808,000	-	7,808,000	-	-	-
Due from affiliates	-	(879,000)	794,000	-	85,000	-
Fixed assets, net (Note 6)	80,003,000	-	71,279,000	-	3,402,000	5,322,000
Assets limited as to use (Note 9)	3,557,000	-	1,933,000	-	1,624,000	-
Total assets	$ 291,235,000	$ (879,000)	$ 143,143,000	$ 125,520,000	$ 14,720,000	$ 8,731,000
Liabilities and Net Assets						
Liabilities						
Accounts payable and accrued expenses	$ 15,884,000	$ -	$ 12,743,000	$ 56,000	$ 2,306,000	$ 779,000
Accrued payroll and related liabilities	12,137,000	-	7,305,000	-	4,137,000	695,000
Due to affiliates	-	(879,000)	85,000	37,000	-	757,000
Lines of credit and term loan payable (Note 7)	6,423,000	-	4,474,000	-	1,949,000	-
Capital leases payable (Note 8)	968,000	-	774,000	-	-	194,000
Mortgages payable, net (Note 9)	60,987,000	-	56,973,000	-	-	4,014,000
Accrued pension liability (Note 11)	18,501,000	-	18,501,000	-	-	-
Deferred rent	13,849,000	-	13,097,000	-	752,000	-
Other liabilities	9,140,000	-	6,683,000	-	2,340,000	117,000
Total liabilities	137,889,000	(879,000)	120,635,000	93,000	11,484,000	6,556,000
Commitments and Contingencies (Note 13)						
Net Assets						
Unrestricted	152,503,000	-	21,765,000	125,427,000	3,136,000	2,175,000
Temporarily restricted (Note 1)	743,000	-	743,000	-	-	-
Permanently restricted (Notes 1 and 10)	100,000	-	-	-	100,000	-
Total net assets	153,346,000	-	22,508,000	125,427,000	3,236,000	2,175,000
Total liabilities and net assets	$ 291,235,000	$ (879,000)	$ 143,143,000	$ 125,520,000	$ 14,720,000	$ 8,731,000

* This column includes the accounts of ADAPT, HDFC and CMRS.

ADAPT Community Network and Affiliates

Consolidating and Combining Statement of Activities and Changes in Net Assets

Year Ended June 30, 2018

	Combined Totals 2018	Intercompany Eliminations	ADAPT *	Foundation	NYLEL	Human First
Support and Revenue						
Support from the public:						
Contributions	$ 389,000	$ -	$ 324,000	$ -	$ 63,000	$ 2,000
Special events	824,000	-	695,000	-	-	129,000
Legacies and bequests	30,000	-	30,000	-	-	-
Contribution from affiliate	-	(5,000,000)	5,000,000	-	-	-
Direct expenses of special events	(529,000)	-	(499,000)	-	-	(30,000)
Net support from the public	714,000	(5,000,000)	5,550,000	-	63,000	101,000
Contracts, grants and fees applicable to program and community services:						
Contracts and grants	4,878,000	-	3,408,000	-	1,014,000	456,000
Fees for services	214,344,000	-	147,498,000	-	45,832,000	21,014,000
Total contracts, grants and fees	219,222,000	-	150,906,000	-	46,846,000	21,470,000
Other revenue:						
Rental income	1,146,000	-	1,146,000	-	-	-
Other income (Note 12)	1,249,000	(4,734,000)	5,949,000	-	7,000	27,000
Investment income:						
Interest and dividends	1,744,000	-	786,000	955,000	3,000	-
Realized and unrealized gains on investments, net	9,410,000	-	878,000	8,532,000	-	-
Total other revenue	13,549,000	(4,734,000)	8,759,000	9,487,000	10,000	27,000
Total support and revenue	233,485,000	(9,734,000)	165,215,000	9,487,000	46,919,000	21,598,000
Expenses						
Program services:						
Educational programs	71,918,000	-	28,379,000	-	43,539,000	-
Adult day programs	64,759,000	-	54,343,000	-	-	10,416,000
Residential programs	70,793,000	-	63,830,000	-	-	6,963,000
Family support services programs	5,612,000	-	3,308,000	-	-	2,304,000
Total program services	213,082,000	-	149,860,000	-	43,539,000	19,683,000
Supporting services:						
Management and general	24,642,000	(4,734,000)	20,129,000	362,000	5,441,000	3,444,000
Public relations and fundraising	723,000	-	622,000	-	9,000	92,000
Total supporting services	25,365,000	(4,734,000)	20,751,000	362,000	5,450,000	3,536,000
Total program and supporting services	238,447,000	(4,734,000)	170,611,000	362,000	48,989,000	23,219,000
Payments to affiliated organizations:						
National program of research, education and service	33,000	-	33,000	-	-	-
State program of education and service	83,000	-	83,000	-	-	-
Contribution to affiliate	-	(5,000,000)	-	5,000,000	-	-
Total payments to affiliated organizations	116,000	(5,000,000)	116,000	5,000,000	-	-
Donated services (Note 1)	-	-	-	-	-	-
Total expenses	238,563,000	(9,734,000)	170,727,000	5,362,000	48,989,000	23,219,000
Changes in net assets before adjustments	(5,078,000)	-	(5,512,000)	4,125,000	(2,070,000)	(1,621,000)
Pension related changes other than net periodic pension cost (Note 11)	5,493,000	-	5,493,000	-	-	-
Changes in net assets	415,000	-	(19,000)	4,125,000	(2,070,000)	(1,621,000)
Net Assets, Beginning of Year	153,346,000	-	22,508,000	125,427,000	3,236,000	2,175,000
Net Assets, End of Year	$ 153,761,000	$ -	$ 22,489,000	$ 129,552,000	$ 1,166,000	$ 554,000

* This column includes the accounts of ADAPT, HDFC and CMRS

ADAPT Community Network and Affiliates

Consolidating and Combining Statement of Activities and Changes in Net Assets

Year Ended June 30, 2017

	Combined Totals	Intercompany Eliminations	ADAPT *	Foundation	NYLEL	Human First
Support and Revenue						
Support from the public:						
Contributions	$ 571,000	$ -	$ 514,000	$ -	$ 57,000	$ -
Special events	286,000	-	283,000	-	-	3,000
Donated services (Note 1)	607,000	-	607,000	-	-	-
Legacies and bequests	71,000	-	71,000	-	-	-
Direct expenses of special events	(95,000)	-	(95,000)	-	-	-
Net support from the public	1,440,000	-	1,380,000	-	57,000	3,000
Contracts, grants and fees applicable to program and community services:						
Contracts and grants	4,790,000	-	3,790,000	-	1,000,000	-
Fees for services	218,191,000	-	145,550,000	-	50,179,000	22,462,000
Total contracts, grants and fees	222,981,000	-	149,340,000	-	51,179,000	22,462,000
Other revenue:						
Rental income	1,142,000	-	1,142,000	-	-	-
Other income (Note 12)	428,000	(4,899,000)	5,230,000	-	87,000	10,000
Investment income:						
Interest and dividends	1,691,000	-	859,000	830,000	2,000	-
Realized and unrealized gains on investments, net	13,192,000	-	1,030,000	12,162,000	-	-
Total other revenue	16,453,000	(4,899,000)	8,261,000	12,992,000	89,000	10,000
Total support and revenue	240,874,000	(4,899,000)	158,981,000	12,992,000	51,325,000	22,475,000
Expenses						
Program services:						
Educational programs	74,289,000	-	27,914,000	-	46,375,000	-
Adult day programs	59,030,000	-	48,437,000	-	-	10,593,000
Residential programs	67,760,000	-	60,578,000	-	-	7,182,000
Family support services programs	5,648,000	-	3,095,000	-	-	2,553,000
Total program services	206,727,000	-	140,024,000	-	46,375,000	20,328,000
Supporting services:						
Management and general	24,001,000	(4,899,000)	18,978,000	333,000	6,357,000	3,232,000
Public relations and fundraising	622,000	-	615,000	-	4,000	3,000
Total supporting services	24,623,000	(4,899,000)	19,593,000	333,000	6,361,000	3,235,000
Total program and supporting services	231,350,000	(4,899,000)	159,617,000	333,000	52,736,000	23,563,000
Payments to affiliated organizations:						
National program of research, education and service	50,000	-	50,000	-	-	-
State program of education and service	76,000	-	76,000	-	-	-
Total payments to affiliated organizations	126,000	-	126,000	-	-	-
Donated services (Note 1)	607,000	-	607,000	-	-	-
Total expenses	232,083,000	(4,899,000)	160,350,000	333,000	52,736,000	23,563,000
Changes in net assets before adjustments	8,791,000	-	(1,369,000)	12,659,000	(1,411,000)	(1,088,000)
Debt forgiveness	-	-	(1,299,000)	-	1,299,000	-
Pension related changes other than net periodic pension cost (Note 11)	3,297,000	-	3,297,000	-	-	-
Changes in net assets	12,088,000	-	629,000	12,659,000	(112,000)	(1,088,000)
Net Assets, Beginning of Year	141,258,000	-	21,879,000	112,768,000	3,348,000	3,263,000
Net Assets, End of Year	$ 153,346,000	$ -	$ 22,508,000	$ 125,427,000	$ 3,236,000	$ 2,175,000

* This column includes the accounts of ADAPT, HDFC and CMRS

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ADAPT Community Network

Combined Financial Statements and
Consolidating and Combining Information

June 30, 2017

BAKER TILLY

Candor. Insight. Results.

ADAPT Community Network

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June 30, 2017

Independent Auditors' Report

Board of Directors
ADAPT Community Network

Report on Combined Financial Statements

We have audited the accompanying combined financial statements of United Cerebral Palsy of New York City, Inc. (Doing Business As ADAPT Community Network) (the "Agency"), which comprise the combined statement of financial position as of June 30, 2017, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Agency as of June 30, 2017, and the combined changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Report on Consolidating and Combining Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The consolidating information presented on pages 29 and 30 is presented for purposes of additional analysis of the combined 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 combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The consolidating and combining information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating and combining information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Baker Tilly Virchow Krause, LLP

New York, New York
November 30, 2017

ADAPT Community Network

Combined Statement of Financial Position
June 30, 2017

Assets

Cash and cash equivalents	$ 25,870,000
Investments (Notes 2 and 3)	147,470,000
Grants and fees receivable from governmental agencies, net of allowance for doubtful accounts of $1,272,000 (Note 13)	23,400,000
Other assets	3,127,000
Section 1307 surplus note receivable (Note 5)	7,808,000
Fixed assets, net (Note 6)	80,003,000
Assets limited as to use (Notes 7 and 9)	3,557,000
Total assets	$ 291,235,000

Liabilities and Net Assets

Liabilities:	
Accounts payable and accrued expenses	$ 15,884,000
Accrued payroll and related liabilities	12,137,000
Lines of credit and term loan payable (Note 7)	6,423,000
Capital leases payable (Note 8)	968,000
Mortgages payable, net (Note 9)	60,987,000
Accrued pension liability (Note 11)	18,501,000
Deferred rent	13,849,000
Other liabilities	9,140,000
Total liabilities	137,889,000

Commitments and Contingencies (Note 13)

Net assets:	
Unrestricted	152,503,000
Temporarily restricted (Note 1)	743,000
Permanently restricted (Notes 1 and 10)	100,000
Total net assets	153,346,000
Total liabilities and net assets	$ 291,235,000

See notes to combined financial statements

ADAPT Community Network

Combined Statement of Activities and Changes in Net Assets
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Support from the public:				
Contributions	$ 462,000	$ 109,000	$ -	$ 571,000
Special events	286,000	-	-	286,000
Donated services (Note 1)	607,000	-	-	607,000
Legacies and bequests	71,000	-	-	71,000
Total support from the public	1,426,000	109,000	-	1,535,000
Direct expenses of special events	(95,000)	-	-	(95,000)
Net support from the public	1,331,000	109,000	-	1,440,000
Contracts, grants and fees applicable to program and community services:				
Contracts and grants	4,790,000	-	-	4,790,000
Fees for services	218,191,000	-	-	218,191,000
Total contracts, grants and fees	222,981,000	-	-	222,981,000
Other revenue:				
Rental income	1,142,000	-	-	1,142,000
Other income (Note 12)	428,000	-	-	428,000
Investment income:				
Interest and dividends	1,691,000	-	-	1,691,000
Realized and unrealized gains on investments, net	13,192,000	-	-	13,192,000
Total other revenue	16,453,000	-	-	16,453,000
Net assets released from restrictions (Note 1)	179,000	(179,000)	-	-
Total support and revenue	240,944,000	(70,000)	-	240,874,000
Expenses				
Program services:				
Educational programs	74,289,000	-	-	74,289,000
Adult day programs	59,030,000	-	-	59,030,000
Residential programs	67,760,000	-	-	67,760,000
Family support services programs	5,648,000	-	-	5,648,000
Total program services	206,727,000	-	-	206,727,000
Supporting services:				
Management and general	24,001,000	-	-	24,001,000
Public relations and fundraising	622,000	-	-	622,000
Total supporting services	24,623,000	-	-	24,623,000
Total program and supporting services	231,350,000	-	-	231,350,000
Payments to affiliated organizations:				
National program of research, education and service	50,000	-	-	50,000
State program of education and service	76,000	-	-	76,000
Total payments to affiliated organizations	126,000	-	-	126,000
Donated services (Note 1):	607,000	-	-	607,000
Total expenses	232,083,000	-	-	232,083,000
Changes in net assets before pension related changes	8,861,000	(70,000)	-	8,791,000
Pension related changes other than net periodic Pension cost (Note 11)	3,297,000	-	-	3,297,000
Changes in net assets	12,158,000	(70,000)	-	12,088,000
Net Assets, Beginning of Year	140,345,000	813,000	100,000	141,258,000
Net Assets, End of Year	$ 152,503,000	$ 743,000	$ 100,000	$ 153,346,000

See notes to combined financial statements

	Program Services					Supporting Services			Direct			
	Educational Programs	Adult Day Programs	Residential Programs	Family Services Programs	Total Program Services	Management and General	Public Relations Fundraising	Total Supporting Services	Expenses of Special Events	Payments to Affiliated Organizations	Total Donated Services	Grand Total
Salaries	$ 43,108,000	$ 23,502,000	$ 36,040,000	$ 3,141,000	$ 105,791,000	$ 7,611,000	$ 195,000	$ 7,806,000	$ -	$ -	$ -	$ 113,597,000
Payroll taxes and employee benefits	12,428,000	9,696,000	14,045,000	1,089,000	37,258,000	2,408,000	68,000	2,476,000	-	-	-	39,734,000
Occupancy, principally rent, utilities and building supplies (Note 13)	8,167,000	7,678,000	6,859,000	344,000	23,048,000	5,006,000	74,000	5,080,000	-	-	-	28,128,000
Clinical consultants and professional fees	6,003,000	3,780,000	2,101,000	78,000	11,962,000	4,435,000	168,000	4,603,000	-	-	-	16,565,000
Program transportation	-	9,153,000	104,000	78,000	9,335,000	-	-	-	-	-	-	9,335,000
Interest and bank fees (Notes 7, 8 and 9)	572,000	205,000	413,000	1,000	1,191,000	1,713,000	15,000	1,728,000	-	-	-	2,919,000
Operating supplies	784,000	793,000	873,000	314,000	2,764,000	39,000	-	39,000	-	-	-	2,803,000
Insurance	491,000	867,000	729,000	39,000	2,126,000	241,000	4,000	245,000	-	-	-	2,371,000
Expensed equipment	382,000	526,000	786,000	95,000	1,789,000	136,000	-	136,000	-	-	-	1,925,000
Equipment rental, repairs and maintenance	273,000	452,000	255,000	67,000	1,047,000	512,000	25,000	537,000	-	-	-	1,584,000
Telephone	390,000	261,000	380,000	65,000	1,096,000	128,000	1,000	129,000	-	-	-	1,225,000
Conferences, conventions and meetings	174,000	134,000	210,000	91,000	609,000	529,000	-	529,000	-	-	-	1,138,000
Food	-	-	1,110,000	-	1,110,000	-	-	-	-	-	-	1,110,000
Household supplies	-	-	1,108,000	-	1,108,000	-	-	-	-	-	-	1,108,000
Medical supplies	46,000	149,000	453,000	124,000	772,000	-	-	-	-	-	-	772,000
Office supplies	147,000	109,000	104,000	22,000	382,000	86,000	56,000	142,000	-	-	-	524,000
Publications, postage and shipping	41,000	11,000	6,000	11,000	69,000	442,000	-	442,000	-	-	-	511,000
Vehicle rental and maintenance	18,000	138,000	270,000	7,000	433,000	10,000	-	10,000	-	-	-	443,000
Purchased services	-	-	-	-	-	-	-	-	95,000	-	-	95,000
Total expenses before payments to affiliated organizations and depreciation and amortization	73,024,000	57,454,000	65,846,000	5,566,000	201,890,000	23,296,000	606,000	23,902,000	95,000	-	-	225,887,000
Donated services (Note 1)	-	-	-	-	-	-	-	-	-	-	607,000	607,000
Payments to affiliated organizations	-	-	-	-	-	-	-	-	-	126,000	-	126,000
Depreciation and amortization	1,265,000	1,576,000	1,914,000	82,000	4,837,000	705,000	16,000	721,000	-	-	-	5,558,000
Total expenses	74,289,000	59,030,000	67,760,000	5,648,000	206,727,000	24,001,000	622,000	24,623,000	95,000	126,000	607,000	232,178,000
Less direct expenses of special events	-	-	-	-	-	-	-	-	(95,000)	-	-	(95,000)
Total expenses per combined statement of activities and changes in net assets	$ 74,289,000	$ 59,030,000	$ 67,760,000	$ 5,648,000	$ 206,727,000	$ 24,001,000	$ 622,000	$ 24,623,000	$ -	$ 126,000	$ 607,000	$ 232,083,000

See notes to combined financial statements

ADAPT Community Network

Combined Statement of Cash Flows
Year Ended June 30, 2017

Cash Flows from Operating Activities	
Changes in net assets	$ 12,088,000
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Pension related changes other than net periodic pension cost	(3,297,000)
Depreciation and amortization	5,558,000
Deferred financing costs and bond issue premium	143,000
Provision for reimbursement adjustments	80,000
Increase in deferred rent liability	1,564,000
Realized and unrealized gains on investments, net	(13,192,000)
Changes in operating assets and liabilities:	
Decrease in assets:	
Grants and fees receivable from governmental agencies	4,771,000
Other assets	480,000
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(3,442,000)
Accrued payroll and related liabilities	5,609,000
Other liabilities	3,019,000
Net cash provided by operating activities	13,381,000
Cash Flows from Investing Activities	
Increase of section1307 surplus note	(7,808,000)
Purchases of fixed assets	(11,182,000)
Purchases of investments	(117,266,000)
Redemption of investments	129,635,000
Net decrease in assets limited as to use	258,000
Net cash used in investing activities	(6,363,000)
Cash Flows from Financing Activities	
Principal payments on capital lease obligations	(404,000)
Principal payments on mortgages payable	(2,418,000)
Proceeds of new mortgages	97,000
Proceeds of draw down on lines of credit and term loan payable	4,474,000
Repayments of draw down on lines of credit and term loan payable	(5,670,000)
Net cash used in financing activities	(3,921,000)
Net increase in cash and cash equivalents	3,097,000
Cash and Cash Equivalents, Beginning of year	22,773,000
Cash And Cash Equivalents, End of Year	$ 25,870,000
Supplemental Disclosures of Cash Flow Information:	
Cash paid during the year for interest	$ 2,278,000
Noncash Investing and Financing Activities	
Assets acquired under capital leases	$ 246,000

See notes to combined financial statements

1. Description of Organization and Summary of Significant Accounting Policies

Nature of Organization

United Cerebral Palsy of New York City, Inc. (Doing Business As ADAPT Community Network) (the "Agency") is a not-for-profit organization, formed under the Not-for-Profit Corporation Law of the State of New York, founded in 1946 by parents of children with disabilities. The mission of the Agency is empowering people through innovative solutions, one person at a time.

The accompanying combined financial statements include the accounts of the Agency, United Cerebral Palsy of New York City Community Mental Retardation Services Company, Inc., the New York City Foundation for Cerebral Palsy, Inc. (the "Foundation"), Human First, Inc. ("Human First"), The New York League for Early Learning, Inc. ("NYLEL"), and the United Cerebral Palsy Housing Development Fund Corporation, Inc. ("Housing") (together the "Companies"). All corporations except the Foundation, NYLEL, and Human First are under common board of directors' control. The Agency is the sole member of the Foundation, Human First (effective August 2016) and NYLEL (effective November 2016).

Currently, approximately 23,100 individuals receive services annually from the Companies. These services include preschool and school-age programs, residential programs, day programs, vocational programs as well as medical and support services.

Currently, approximately 53% of the Agency's employees are covered under collective bargaining arrangements with the United Federation of Teachers which expires June 2018 and District Council 1707 which expires May 2018.

Principles of consolidation and combination

All intercompany account balances and transactions have been eliminated in consolidation and combination.

Basis of Accounting

The combined financial statements have been prepared on the accrual basis of accounting.

Revenue Recognition

Revenues are recorded when earned as services are provided through residential, educational, adult day program, family support services, and outpatient clinical facilities. Substantially all programs are funded through New York State reimbursement and Medicaid funding. Revenues from the aforementioned sources are subject to audit and possible adjustment by third-party payors.

Housing receives rent supplement assistance payments for tenants, pursuant to Section 8 of the National Housing Act, from the United States Department of Housing and Urban Development ("HUD").

Donor-Imposed Restrictions

The Companies report gifts of cash and other assets as restricted assets if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities and changes in net assets as net assets released from restrictions. As of June 30, 2017, approximately $743,000, have been restricted for specific purposes.

During the year ended June 30, 2017, temporarily restricted net assets of approximately $179,000, were expended, satisfying the restrictions stipulated by the donors and, accordingly, were released from restrictions.

Permanently Restricted Net Assets - This represents net assets subject to donor-imposed stipulations that they be maintained by NYLEL. Generally, the donors of these assets permit the NYLEL to use all or part of the income earned for unrestricted or donor-specified purposes. NYLEL’s permanently restricted net assets amounted to $100,000 as of June 30, 2017.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid financial instruments with original maturity dates of three months or less from the date purchased, other than those held as part of the investment portfolio or assets limited as to use.

As of June 30, 2017, the Companies had cash balances in financial institutions that exceeded federal depository insurance limits. Approximately 74% of the Companies' cash and cash equivalents are on deposit in various accounts with one financial institution as of June 30, 2017. Management believes that credit risk related to these deposits is minimal.

Investments

Investments in marketable equity securities with readily determinable fair values and all debt securities are stated at quoted market prices. Investments subject to the provisions of Accounting Standards Update ("ASU") 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share*, with no readily determinable fair values are recorded at net asset value per share as a practical expedient to estimating fair value. Donated marketable securities are recorded at fair value at the date of donation. Realized and unrealized gains or losses on investments are reported in the combined statement 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.

Fair Value

Under authoritative guidance, fair value refers to the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the entity transacts. The Companies must determine whether their assets and liabilities recorded at fair value are valued 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.

Grants and Fees Receivable from Governmental Agencies

As of June 30, 2017, grants and fees receivable from governmental agencies was approximately $23,400,000, of which, approximately 97% has been collected as of the date the combined financial statements were available to be issued.

Allowance for Doubtful Accounts

Periodically, the grants and fees receivable from governmental agencies balances are reviewed and evaluated as to their collectibility. An allowance is then set up based on these evaluations.

NYLEL has an allowance for doubtful accounts set up for amounts due from Manhattan Star Academy (“MSA”). An allowance for the entire amount due from MSA has been recorded as of June 30, 2017 in the amount of $1,011,000. Related bad debt of approximately $304,000 was written off in the current year.

Assets Limited as to Use

Assets limited as to use consist principally of cash and cash equivalents and are on deposit with three financial institutions. Assets limited as to use are stated at fair value which approximates their cost.

Fixed Assets, Net

Fixed assets are carried at cost, net of accumulated depreciation and amortization. The carrying amounts of fixed assets and the related accumulated depreciation and amortization are removed from the accounts when such assets are disposed of, and any resulting gain or loss is recorded in the combined statement of activities and changes in net assets. The Companies' policy is to capitalize all purchases in excess of $5,000. Depreciation of fixed assets is recorded using the straight-line method over the estimated useful lives of the assets, and amortization on leasehold improvements is calculated using the straight-line method over the shorter of the asset's useful life or estimated lease term. The useful lives of the fixed assets are as follows: buildings and improvements - 15 to 25 years; furniture and fixtures - 10 to 15 years; computer equipment and software 3 to 5 years; and heating, ventilation and air conditioning equipment - 10 to 20 years. Depreciation and amortization of fixed assets also includes amortization of assets under capital leases.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the combined statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on various allocation factors.

Deferred Rent

For accounting purposes, the total rent payable over the life of the lease, which escalates over time, is recognized on the straight-line basis. Actual rent payments differ from these reported amounts; actual rent paid is less than reported amounts in the early years of the lease and exceeds the reported amounts in the later years. Deferred rent reflects the difference between the straight-line calculation reported and the actual rent expense paid.

Donated Services

During the year ended June 30, 2017, donated services of approximately $607,000, have been included on the combined statement of functional expenses for advertising services pertaining to the rebranding of the Agency. Other donated services are not included as there is no objective basis available to measure the value of such services and these services would not otherwise be purchased for fundraising events.

Tax Status

The Companies are Section 501(c)(3) not-for-profit organizations exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the "Code"). They are classified as publicly supported charitable organizations under Section 509(a)(1) of the Code and qualify for the maximum charitable deduction by donors. They are also exempt from state and local income taxes.

Uncertain Tax Positions

The Companies follow the provisions of *Accounting for Uncertainty in Income Taxes*. *Accounting for Uncertainty in Income Taxes* prescribes recognition thresholds that must be met before a tax position is recognized in the combined financial statements and provides guidance on de-recognition, classification, interest and penalties, disclosure, and transition. Under *Accounting for Uncertainty in Income Taxes*, an entity may only recognize or continue to recognize tax positions that meet a "more-likely-than-not" threshold. The Companies have evaluated their tax positions for the year ended June 30, 2017, and do not believe they have any uncertain tax positions that would qualify for either recognition or disclosure in the accompanying combined financial statements.

Use of Estimates

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

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 ASU 2014-09 on the Companies' combined financial statements.

In August 2014, the FASB issued 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 was effective for fiscal years ending after December 15, 2016. Management has adopted the provisions of this new standard. The adoption of ASU 2014-15 did not have a material impact on the Companies' combined 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 statement of financial position as a direct deduction from the carrying amount of that debt liability. Management has adopted ASU 2015-03 and has reclassified debt issuance costs related to existing debt liabilities from assets to liabilities on the statement of financial position, and the related amortization expense to interest expense on the statement of functional expenses. The adoption of ASU 2015-03 did not have a material impact on the Companies' combined financial statements.

In May 2015, the FASB issued ASU No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. ASU 2015-07 removes the requirement to include investments in the fair value hierarchy for which fair value is measured using the net asset value practical expedient in Accounting Standards Codification 820. ASU 2015-07 requires retrospective application and is effective for fiscal years beginning after December 15, 2016 with early adoption permitted. Management has elected to early adopt the provisions of this new standard. Accordingly, the standard was retrospectively applied. The adoption of ASU 2015-07 did not have a material impact on the Companies' combined 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 ASU 2016-02 on the Companies' combined 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 ASU 2016-14 on the Companies' combined 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 ASU 2016-18 on the Companies' combined financial statements.

Subsequent Events

The Companies have evaluated events and transactions that occurred between July 1, 2017 and November 30, 2017, which is the date the combined financial statements were available to be issued, for possible disclosure and recognition in the combined financial statements. See Note 14 for events or transactions, which were identified during this period that required disclosure or recognition.

2. Investments

The cost and fair value of investments are as follows as of June 30, 2017:

	Cost	Fair Value
Certificates of deposit	$ 488,000	$ 488,000
Cash equivalents	106,000	106,000
Alternative investments	60,827,000	67,188,000
Fixed income funds	8,571,000	8,555,000
Mutual funds	43,376,000	45,945,000
Pooled collective funds	22,536,000	25,024,000
Equity securities	154,000	162,000
Bonds	2,000	2,000
Total investments	$ 136,060,000	$ 147,470,000

3. Fair Value Measurements

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 Agency 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.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

Alternative investments - These funds do not make known nor do they advertise their value and their performance data is not readily available. They do not have a readily determinable fair value and are valued at the Agency's proportionate interest in the underlying fund's net asset value.

Fixed income funds - Publicly traded quotes in active markets.

Mutual funds - These funds are registered with the U.S. Securities and Exchange Commission under the Investment Company Act of 1940. The value of these funds is primarily based on quoted market prices of the underlying assets from independent sources. The funds have ticker symbols and the values of the funds are published on the NASDAQ. However, the funds are of a class that is not available for sale to the general public and availability is limited to certain institutional investors.

Pooled collective funds - These funds are not actively traded and are recorded at the Agency's proportionate interest in the underlying fund's respective net asset value.

Equity securities - Publicly traded quotes in active markets.

Bonds - Publicly traded quotes in active markets.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks, such as interest rate, market and credit risks.

The following tables represent the fair value hierarchy for the Agency's financial assets measured at fair value on a recurring basis as of June 30, 2017:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total Fair Value
Fixed income funds	$ 8,555,000	$ -	$ 8,555,000
Mutual funds	-	45,945,000	45,945,000
Equity securities	162,000	-	162,000
Bonds	2,000	-	2,000
Total assets in the fair value hierarchy	$ 8,719,000	$ 45,945,000	54,664,000
Investments measured at net asset value (a)			92,212,000
Total investments, net of cash			$ 146,876,000

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the line items presented in the combined statement of financial position. The strategy of these investments is as follows: within a prudent level of risk, generate a total return that will provide a sustainable funding source for the Foundation while preserving the Portfolio's purchasing power over the long-run.

The following table summarize investments for which fair value is measured using NAV per share practical expedient as of June 30, 2017:

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Alternative investments	$ 67,188,000	$5,500,000	Ranging from Daily to Quarterly	Ranging from 3 to 90 days
Pooled collective funds	25,024,000	None	Daily	None

4. Investment in a Limited Partnership

The Agency has a 33.34% interest in SA Properties LLC ("SA") which maintains three restaurant properties throughout California and Washington. Based on the information available from SA, the cost method is used to account for this investment. Management believes that any difference between the equity method and cost method would be immaterial. This investment's value is undeterminable as of June 30, 2017. Distributions are recorded as income when received. During the year ended June 30, 2017, distributions approximated $145,000.

5. Section 1307 Surplus Note Receivable

In November 2016, the Agency entered into an agreement and transferred approximately $7,708,000 to Partners Health Plan ("PHP") for capital commitment for PHP to meet its reserve requirements established by the New York State Department of Financial Services ("NYSDFS") and funding other pre-operational, start-up or working capital expenditures. In addition, approximately $2,291,000 is available and committed to PHP for subsequent investment. This agreement is structured as a Section 1307 Surplus loan. Section 1307 surplus loans are regulated by NYSDFS under Section 1307 of the New York State Insurance Law. Interest and principal payments on Section 1307 loans can be repaid upon the occurrence of: (1) the prior written approval of the Commissioner of the New York State Department of Health; (2) the voluntary dissolution of PHP; or (3) the liquidation of PHP. Interest accrues quarterly at 2% of total outstanding balance and is approximately $100,000 for year ended June 30, 2017. As of June 30, 2017, total receivable due from PHP was approximately $7,808,000 representing both principal and interest amounts.

6. Fixed Assets, Net

Fixed assets, net, consists of the following as of June 30, 2017:

Land	$ 4,878,000
Buildings	34,888,000
Building improvements	20,575,000
Furniture and fixtures	27,105,000
Leasehold improvements	52,081,000
Construction in progress	8,319,000
	147,846,000
Less accumulated depreciation and amortization	67,843,000
	$ 80,003,000

Included in construction in progress is approximately $21,000 of capitalized interest for the year ended June 30, 2017.

7. Lines of Credit Payable and Term Loan Payable

The Agency has an $8,000,000 bridge loan with TD Bank, N.A. for the purposes of providing interim financing for acquisition and renovations of residential properties. This bridge loan matures on November 30, 2019. Interest on outstanding amounts under this agreement is at the adjusted LIBOR rate (1.74% at June 30, 2017). As of June 30, 2017, the Agency had an outstanding balance under this line of credit of $4,474,000. Interest expense is included in capitalized interest in construction in progress (see note 6).

The Agency also has an $8,000,000 revolving line of credit with TD Bank, N.A. for general operations. The line of credit expires on November 30, 2017. Interest on outstanding amounts under this agreement is at the adjusted LIBOR rate (1.74% at June 30, 2017). As of June 30, 2017, the Agency had no amount outstanding under this line of credit.

The agreements for the lines of credits contain covenants requiring the maintenance of certain financial ratios. The Agency was in compliance with these covenants at June 30, 2017.

Human First obtained a $1,000,000 line of credit facility with TD Bank, N.A, to be used for general operations. The line of credit expires on March 31, 2018. As of June 30, 2017, there was no amount outstanding on the line of credit. Interest on the outstanding balance accrues at a variable rate equal to the prime rate (4.25% at June 30, 2017), plus .50% per annum and is payable monthly.

In October 2015, a NYLEL line of credit was converted to a term loan with a bank in the amount of approximately $3,549,000. The loan matures on September 30, 2018 and the terms include a monthly principal payment of $100,000 plus interest. The interest rate is the bank's prime rate plus 3.5% per annum (amounting to an interest rate of 7.75% at June 30, 2017). The outstanding balance of the loan was approximately $1,949,000 as of June 30, 2017. Interest expense is approximately $181,000 for the year ended June 30, 2017. The loan is collateralized by NYLEL's accounts receivable.

8. Capital Leases Payable

The Agency and Human First own certain motor vehicles under capital leases. These leases have terms of 60 months and contain bargain purchase options.

As of June 30, 2017, the costs of the fixed assets recorded under the capital leases were approximately $2,509,000. The net book values were approximately $893,000 as of June 30, 2017.

Future minimum payments under the lease agreements, by year and in the aggregate, consisted approximately of the following:

Years ending June 30:	
2018	$ 415,000
2019	312,000
2020	252,000
2021	125,000
2022	13,000
Total minimum lease payments	1,117,000
Less amounts representing interest	149,000
Net minimum lease payments	968,000
Less current portion	267,000
Long-term portion of capital leases included in capital leases payable	$ 701,000

Interest expense on the capital leases for the year ended June 30, 2017 was approximately $55,000.

9. Mortgages Payable

A summary of mortgages payable is as follows as of June 30, 2017:

Insured mortgage with the Dormitory Authority of the State of New York ("Dormitory Authority") on various individual residential alternatives properties payable in annual installments ranging from approximately $114,000 to $242,000 through June 30, 2021, including interest at the rate of 5.1% per annum at June 30, 2017. Includes bond premium of approximately $8,000 at June 30, 2017. (a)	$ 608,000
Mortgage on the Joseph Belsky Apartment House, 140 Lawrence Avenue, Brooklyn, New York, payable in full on February 1, 2032, including interest at 1.0% per annum. (b)	2,689,000
Mortgage with the New York State Housing Trust Fund Corporation on the Joseph Belsky Apartment House, 140 Lawrence Avenue, Brooklyn, New York, payable in full on March 1, 2044, is non-interest bearing. (c)	2,029,000
Mortgage with Office for People With Developmental Disabilities ("OPWDD") on Lake Street Intermediate Care Facility, Brooklyn, New York, scheduled payments in semi-annual installments of approximately $120,000 through February 15, 2019, including interest at 6.4% per annum. (d)	324,000
Mortgage with the Dormitory Authority on the Stillwell Avenue IRA, Bronx, New York, payable in annual installments ranging from approximately $39,000 to $182,000 through June 30, 2024, including interest at the rates of 2.75% per annum at June 30, 2017. (e)	805,000
Mortgage with JPMorgan Chase Bank on the Avenue D IRA, Manhattan, New York, payable in monthly installments of $9,432, through May 2021, including interest at 7.5% per annum. (f)	376,000
Mortgage with the Dormitory Authority on 251 W. 154th Street, Manhattan, New York, payable in annual installments ranging from approximately $302,000 to $486,000 through June 30, 2026, including interest at the rates of 1.4% per annum at June 30, 2017. Includes bond premium of approximately $107,000 at June 30, 2017. (g)	3,007,000
Mortgage with the Israel Discount Bank of New York on the Hearst Building in Brooklyn, New York, and the Staten Island Rehabilitation Center, payable in annual installments ranging from approximately $644,000 to $649,000 through July 1, 2024, including interest at 3.2% per annum. (h)	4,500,000
Mortgage with TD Bank, N.A. on 80 West End Avenue, Manhattan, New York, payable in monthly installments ranging from approximately $75,000 to $164,000 through June 1, 2046, including interest at 3.285%. (i)	44,176,000

Mortgage with TD Bank, N.A. on Queens Village, NY, payable in monthly installments of $9,000 through 2030, including interest at 5.21% per annum. (j)	$ 967,000
Mortgage with TD Bank, N.A. on Queens Village, NY, payable in monthly installments of $9,000 through 2030, including interest at 5.16% per annum. (j)	1,026,000
Mortgage with TD Bank, N.A. on Queens Village, NY, payable in monthly installments of $9,000 through 2029, including interest at 6.40% per annum. (j)	913,000
Mortgage with TD Bank, N.A. in Astoria, NY, payable in monthly installments of $4,000 through 2022, including interest at 4.6% per annum. (j)	127,000
Mortgage with TD Bank, N.A. on Queens Village, NY, payable in monthly installments of $10,000 through 2029, including interest at 5.89% per annum (j)	981,000
Mortgages Payable	62,528,000
Less unamortized debt issuance costs	1,541,000
Total Mortgages Payable, net	$ 60,987,000

Land, buildings and improvements with an aggregate net book value of approximately $30,768,000 as of June 30, 2017, are subject to the above mortgages.

(a) In April 2002, the Agency became a participant in the Dormitory Authority's New York United Cerebral Palsy Affiliates Pooled Loan Program No.1 Insured Revenue Bonds, consisting of Series 2002A and Series 2002B (the "Pooled Bonds"). The aggregate amount of this issue was $16,520,000, of which $1,430,000 benefits the Agency. Proceeds were used to pay down monies previously borrowed from a revolving line of credit (see Note 7), to fund the cost of issuance of these bonds, and to make a deposit into a Debt Service Reserve Fund. Repayment of the Pooled Bonds is insured under the provisions of the Dormitory Authority's Master Insured Revenue Bond Resolution. As of June 30, 2017, approximately $124,000, was on deposit in the Debt Service Reserve Fund and has been included in assets limited as to use in the accompanying combined statement of financial position.

As a condition of this borrowing, the Agency is required to make monthly deposits into a Debt Service Fund. The fund accumulates amounts necessary to make annual principal and semi-annual interest payments. Payments are made on January 1 and July 1. As of June 30, 2017, approximately $101,000 was on deposit in the Debt Service Fund and has been included in assets limited as to use in the accompanying combined statement of financial position. The debt agreement for the Pooled Bonds contains covenants requiring, among other restrictions, the maintenance of certain financial ratios. The Agency was in compliance with these covenants at June 30, 2017.

The Pooled Bonds are secured by the gross receipts of the Agency in an amount equal in each Bond Year to the greatest amount required in any bond year to pay the interest on the Outstanding Bonds payable during such year and the principal and Sinking Fund Installments of Outstanding Bonds payable on July 1 of such bond year.

(b) In January 2002, the Joseph Belsky Apartment House mortgage was restructured under the Mark-to-Market Program of the Office of Multifamily Housing Assistance Restructuring. The property is secured by two mortgage loans. The balance of principal and interest is due at the Maturity Date of February 1, 2032 (the "Maturity Date"). The first mortgage is a Restructuring Loan for approximately $996,000. This mortgage requires annual payments of interest in the amount of 1% of the outstanding principal balance. Principal and interest payments are based upon a calculation of cash on hand. Through June 30, 2017, a total of $71,000 has been paid towards the principal amounts. The second mortgage, which is subordinate to the first, is a Contingent Repayment Note (the "Note") for approximately $1,764,000. No payments are due on the Note until the Maturity Date. This Note bears interest at the rate of 1% per annum.

In accordance with the terms of the Joseph Belsky Apartment House mortgage, amounts equal to a fixed percentage of the original mortgage balance are restricted each year for replacement of the related building and improvements. Such amounts aggregated approximately $145,000 as of June 30, 2017. These amounts are included in assets limited as to use in the accompanying combined statement of financial position. The mortgage is collateralized by the Joseph Belsky Apartment House building and improvements and is insured by HUD.

(c) In February 2014, the Agency entered into a mortgage with the New York State Housing Trust Fund Corporation for Joseph Belsky Apartment House for a total of $2,162,000 for the purposes of renovating the building, of which approximately $2,029,000 was utilized as of June 30, 2017. The mortgage has a Maturity Date of March 1, 2044. During the year ended June 30, 2017, approximately $50,000 of the proceeds received have been included in assets limited as to use in the accompanying combined statement of financial position in conjunction with this mortgage for the purpose of construction costs associated with the approved renovation projects. The mortgage is collateralized by the Joseph Belsky Apartment House building and improvements and is subordinate to the two mortgages insured by HUD. See (b).

(d) During fiscal 1994, the Agency entered into a mortgage agreement with OPWDD to provide long-term financing for the Lake Street Intermediate Care Facility. The funds were provided to OPWDD by the New York State Medical Care Facilities Finance Agency from the sale of Facilities Improvement Revenue Bonds, 1991 Series D and 1992 Series F. During fiscal 1998, the mortgage loan agreement was amended to increase the principal balance due to OPWDD based upon an advance to the Agency of approximately $113,000 for the Lake Street Intermediate Care Facility. In addition to the Lake Street Intermediate Care Facility, this mortgage loan is collateralized by all accounts receivable and proceeds thereof, including any amounts paid or payable by the State of New York to the Agency with respect to the property. As a condition of this borrowing, the Agency is required to maintain debt service reserve funds aggregating approximately $183,000 as of June 30, 2017. These funds have been included in assets limited as to use in the accompanying combined statement of financial position as of June 30, 2017.

Reduction of the principal as well as payment of interest and financing costs related to the mortgaged property is achieved through an agreement with OPWDD whereby, reimbursement of future program expenditures is reduced based upon OPWDD mortgage repayment schedules. Such schedules do not correspond with the repayment schedules found in the original mortgage agreements. The cumulative principal and interest liability to OPWDD as of June 30, 2017 is approximately $235,000 greater than what the principal and interest liability would have been had OPWDD deducted principal and interest payments in accordance with the terms of the repayment schedules found in the original mortgage agreements.

(e) In June 2010, the Agency became a participant in the Dormitory Authority's New York Interagency Council's Pooled Loan Program Revenue Bonds, consisting of Series 2010A-1 and Series 2010A-2 (the "Pooled Bonds"). The aggregate amount of this issue was $29,670,000, of which $1,540,000 benefits the Agency. Proceeds were used to pay down monies previously borrowed from a revolving line of credit, to fund the cost of issuance of these bonds, and to make a deposit into a Debt Service Reserve Fund. As of June 30, 2017, approximately $205,000 was on deposit in the Debt Service Reserve Fund and has been included in assets limited as to use in the accompanying combined statement of financial position.

As a condition of the borrowing, the Agency is required to make monthly deposits into a Debt Service Fund. The fund accumulated amounts necessary to make principal and interest payments semi-annually. Payments are made on January 1 and July 1. The debt agreement for the Pooled Bonds contains covenants requiring, among other restrictions, the maintenance of certain financial ratios. The Agency was in compliance with these covenants at June 30, 2017.

(f) In March 2010, the Agency entered into a mortgage agreement with JPMorgan Chase Bank to refinance the Agency's condominium apartments at Avenue D, Manhattan, New York. The mortgage is secured by the apartments at Avenue D. The debt agreement for the mortgage contains covenants requiring, among other restrictions, the maintenance of certain financial ratios. The Agency was in compliance with these covenants at June 30, 2017.

(g) In March 2012, the Agency became a participant in the Dormitory Authority's New York Interagency Council's Pooled Loan Program Revenue Bonds, consisting of Series 2012A-1 and Series 2012A-2 (the "Pooled Bonds"). The aggregate amount of this issue was $12,745,000, of which $4,266,000 benefits the Agency, of which $168,000 represented a bond issue premium. The Bond Premium will be amortized over the duration of the bond and for the year ended June 30, 2017 amounted to approximately $107,000. Proceeds were used to pay down monies previously borrowed from a revolving line of credit, to fund the cost of issuance of these bonds, and to make a deposit into a Debt Service Reserve Fund. As of June 30, 2017, approximately $563,000 was on deposit in the Debt Service Reserve Fund and has been included in assets limited as to use in the accompanying combined statement of financial position.

As a condition of the borrowing, the Agency is required to make monthly deposits into a Debt Service Fund. The fund accumulated amounts necessary to make principal and interest payments annually. Payments are made on July 1. The debt agreement for the Pooled Bonds contains covenants requiring, among other restrictions, the maintenance of certain financial ratios. The Agency was in compliance with these covenants at June 30, 2017.

(h) In April 2013, Build New York City ("NYC") Resource Corporation issued $5,995,000 of Build NYC Resource Corporation Revenue Bonds which were purchased by the Israel Discount Bank of New York. Build NYC Resource Corporation simultaneously loaned the bond proceeds to the Agency. The bond proceeds were used to pay off the remaining balance of the Series 1996 Revenue Bonds. As of June 30, 2017, approximately $518,000 was on deposit in the Debt Service Fund and has been included in assets limited as to use in the accompanying combined statement of financial position.

As a condition of the borrowing, the Agency is required to make monthly deposits into a Debt Service Fund. The fund accumulated amounts necessary to make principal payments annually and interest payments monthly. Principal payments are made on July 1. The loan agreement contains covenants requiring, among other restrictions, the maintenance of certain financial ratios. The Agency was in compliance with these covenants at June 30, 2017.

(i) In June 2016, Build NYC Resource Corporation issued $45,000,000 of Build NYC Resource Corporation Revenue Bonds which were purchased by TD Bank, N.A. Build NYC Resource Corporation simultaneously loaned the bond proceeds to the Agency. The bond proceeds were used to pay off a portion of the balance of a line of credit.

As a condition of the borrowing, the Agency is required to make monthly deposits into a Debt Service Fund, which began July 2016. The fund will accumulate amounts necessary to make principal and interest payments monthly. The loan agreement contains covenants requiring, among other restrictions, the maintenance of certain financial ratios. The Agency was in compliance with these covenants at June 30, 2017. The Foundation has guaranteed this borrowing.

(j) Human First financed the purchase of properties with TD Bank, N.A. All mortgages are secured by the property.

Interest expense on the mortgages payable for the year ended June 30, 2017 approximated $2,009,000.

Scheduled future principal payments on mortgages payable are approximately as follows:

Years ending June 30:	
2018	$ 2,516,000
2019	2,604,000
2020	2,337,000
2021	2,473,000
2022	2,615,000
Thereafter	49,983,000
Total	$ 62,528,000

10. Endowment Fund

Endowment net assets consist of a donor-restricted fund. As required by accounting principles generally accepted in the United States of America ("U.S. GAAP"), net assets associated with endowment funds are classified and reported based on existence or absence of donor imposed restrictions.

NYLEL adheres to the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). NYLEL recognizes that NYPMIFA permits the Board of Directors to appropriate for expenditure all earnings of endowment funds (both realized and unrealized) with a presumption of prudence to a ceiling of 7% annually of the fair value of the endowment funds. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected in temporarily restricted until appropriated.

NYLEL's Board has interpreted NYPMIFA as allowing NYLEL to appropriate for expenditure or accumulate so much of an endowment fund as NYLEL determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

The objective of NYLEL is to maintain the principal of its endowment fund at the original amount designated by the donor. The investment policy to achieve this objective is to invest in low-risk investments that will provide a predictable stream of funding. Even though the donor did not restrict the earnings of the endowment, NYLEL records earnings as temporarily restricted until appropriated by the Board for expenditure as required by U.S. GAAP.

In accordance with U.S. GAAP, organizations are required to disclose any deterioration of the fair value of assets associated with donor-restricted endowment funds that fall below the level the donor requires the organizations to retain in perpetuity. NYLEL has not incurred such deficiencies in its endowment fund as of June 30, 2017.

Changes in endowment net assets for the year ended June 30, 2017 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 100,000	$ 100,000
Interest income	10	-	10
Board appropriation	(10)	-	(10)
Endowment net assets, end of year	$ -	$ 100,000	$ 100,000

11. Pension Plans

Defined Benefit Plan

The Agency sponsors a qualified noncontributory Pension Trust Plan (the "Plan") covering employees 21 years and older who have been employed by the Agency for at least one year. Plan benefits are paid directly from the Plan's assets. The Agency's policy is to satisfy annual minimum funding requirements as set forth by the Employee Retirement Income Security Act of 1974. The Plan's actuary performed the computations required for financial statement disclosure as of June 30, 2017. Employee data as of July 1, 2016 was projected forward to the June 30, 2017 measurement date. Effective June 30, 2007, the Plan was frozen.

The following sets forth the Plan's funded status and amounts recognized in the combined financial statements as of and for the year ended June 30, 2017:

Reconciliation of projected benefit obligation:	
Projected benefit obligation, beginning of year	$ 67,692,000
Interest cost	2,772,000
Change due to assumption changes	2,789,000
Actuarial loss	344,000
Benefits disbursed	(2,482,000)
Projected benefit obligation, end of year	71,115,000
Funded status:	
Fair value of plan assets, consisting principally of stocks and bonds, at beginning of year	49,490,000
Actual return on plan assets	5,773,000
Employer contributions	-
Benefits disbursed from plan assets (including expense charges)	(2,649,000)
Fair value of plan assets, end of year	52,614,000
Projected benefit obligation in excess of plan assets	18,501,000
Accumulated benefit obligation, end of year	$ 71,115,000

Weighted-average assumptions used to measure benefit obligations are as follows as of June 30, 2017:

Discount rate	4.00 %

Weighted-average assumptions used to measure net periodic pension cost are as follows for the year ended June 30, 2017:

Discount rate	4.00 %
Expected long-term rate of return on Plan assets	6.00 %

The fair value hierarchy of the Plan's assets is as follows as of June 30, 2017:

	Level 2	Total
Assets:		
Separate investment accounts:		
S&P 500 Index Fund	$ 18,216,000	$ 18,216,000
Fixed income funds	34,398,000	34,398,000
	$ 52,614,000	$ 52,614,000

The Agency's investment policy during the year ended June 30, 2017 is to invest approximately 65% and 35% of plan assets in equity and fixed income instruments, respectively. Plan assets consist primarily of mutual funds managed by the Plan's trustee that are invested in equities and debt obligation instruments. The expected long-term rate of return on plan assets assumption of 6.0% was selected based on guidelines set forth in Actuarial Standards Board in *Actuarial Standard of Practice No. 27 - Selection of Economic Assumptions for Measuring Pension Obligations*. Based on the Agency's investment policy for the Plan in effect as of the beginning of the fiscal year, and financial models taking in to account capital market assumptions for expected returns and risk by assets class, and inflation, a best estimate range of 3.3% to 9.7% was determined. A rate of 6.0%, which is near the midpoint of the best estimate range, was selected.

Net periodic pension cost includes the following for the year ended June 30, 2017:

Service cost, benefits earned during the year	$ -
Interest cost on projected benefit obligation	2,772,000
Expected return on Plan assets	(2,879,000)
Amortization of net loss	3,702,000
Net periodic pension cost	$ 3,595,000

As of June 30, 2017, unamortized net loss of approximately $19,174,000 was included in unrestricted net assets.

The percentages of fair value of total plan assets by asset category are as follows as of June 30, 2017:

Equity	34.6 %
Fixed income funds	65.4
	100.0 %

The following benefits, which reflect expected future service, have been valued using the same assumptions adopted for valuing the projected benefit obligation and are expected to be paid as follows:

Years ending June 30:	
2018	$ 3,466,000
2019	3,591,000
2020	3,738,000
2021	3,901,000
2022	4,065,000
2023 - 2026	20,973,000

The Agency anticipates contributing approximately $676,000 to the Plan during the year ending June 30, 2018.

Defined Contribution Pension Plans

Effective July 1, 2007, the Agency established a defined contribution plan for all employees, with the exception of hourly and contracted employees, who have worked one year, worked at least 1,000 hours, and have attained the age of 21. Annual base contributions to the plan are based on 5% of each eligible participant's compensation, plus an additional contribution as determined by a fixed percentage depending upon the years of service and the description of the title of the employee, subject to approval by the board of directors. Pension expense for the year ended June 30, 2017 approximated $3,012,000.

NYLEL has discretionary defined contribution retirement plans covering substantially all of its employees. To be eligible, employees must complete 12 months of service and 1,000 hours. Contributions and costs of these plans are based on amounts determined in accordance with Section 415 of the Code on an annual basis. Such amounts are included in accounts payable and accrued expenses on the combined statement of financial position.

Tax-Deferred Annuity Plan

The Agency maintains a tax-deferred annuity plan as defined under Section 403(b) of the Code. Investments are self-directed by employees and are maintained by a major insurance company.

NYLEL maintains a tax-deferred annuity plan as defined under Section 403(b) of the Code. Investments are self-directed by employees and are maintained by a major insurance company.

Human First maintains a 403(b) retirement plan which covers all eligible employees. Employees may elect to defer compensation and make contributions to the plan. The employer may also make a discretionary contribution to the plan each year. Employees fully vest in the plan after six years of service. Human First has decided not to make a discretionary contribution for the year ended June 30, 2017. The discretionary contribution of approximately $262,000 for the year 2016 is outstanding as of June 30, 2017. Human First intends to fund the plan as soon as possible.

12. Related Party Transactions

During the year ended June 30, 2017, the Agency provided services related to administrative functions for NYLEL and Human First. The Agency has recognized approximately $4,899,000 in revenue under this agreement, which is included in other income as well as a corresponding $4,899,000 in expenses, which is included in management and general expenses for the year ended June 30, 2017. As of June 30, 2017, the Agency owes approximately $85,000 to NYLEL and Human First has an outstanding balance of approximately $757,000 as of June 30, 2017 due to the Agency. These intercompany transactions are eliminated through consolidation.

13. Commitments and Contingencies

Reimbursement of Expenditures

Contracts, grants and fees applicable to program and community services are reported in the year earned at net realizable amounts for services rendered under contracts and reimbursement agreements. Certain contracts and grants provide for reimbursement rates that are subject to potential changes based on periodic reviews by the funding agencies. Such rates are either adjusted prospectively through future reimbursement rates or are adjusted retroactively. Prospective rate adjustments are generally insignificant and are reflected in the revenues of the future periods based on when the adjusted reimbursement rates are determined. Retroactive rate adjustments are recorded as adjustments to revenues in the period that the amounts are determinable and are reasonably measurable.

Some of the Companies' contracts and grants do not provide for rate adjustments although they may be subject to audits. It has been the experience of the Companies that adjustments as a result of audits have been insignificant. Management of the Companies is not aware of any potential material liabilities as of June 30, 2017 resulting from any audits.

NYLEL was audited by the New York Office of State Comptroller ("OSC"), related to the expenses submitted by NYLEL to the New York State Education Department ("SED") for purposes of establishing the preschool special education tuition reimbursement rates used to bill public funding sources that are supported by State aid payments. The audit covered the three-year period of July 1, 2011 through June 30, 2014. The audit focused on whether the costs and other required data submitted by NYLEL to SED on its Consolidated Fiscal Report ("CFR") for purposes of rate-setting and State reimbursement were properly calculated, adequately documented and allowable under the SED's guidelines, including the SED reimbursable cost manual. SED’s final calculation recommended disallowances in the amount of $4,580,000 over the three audited years.

Medicaid and other programs in which the Agency and Human First participate are based on a set of complex laws and regulations. Noncompliance with such laws and regulations could result in repayments of amounts improperly reimbursed, fines, penalties, and exclusion from such programs. Management of the Companies is not aware of any allegations of noncompliance that could have a material effect on the accompanying combined financial statements and believes the Agency and Human First are in compliance with all applicable laws and regulations.

The Companies have established specific reserves against revenues of $1,272,000 at June 30, 2017, for potential denied claims for reimbursement. Denied claims arise principally due to unresolved participant eligibility issues. It is the opinion of management that denied claims, if any, in excess of the reserve for reimbursement adjustments would not have a material effect on the combined financial position of the Companies.

Going Concern of NYLEL

NYLEL had a decrease in unrestricted net assets of approximately $112,000 for the year ended June 30, 2017. After subtracting the unrestricted net assets that relate to the debt forgiveness of approximately $1,299,000 which the Agency provided for NYLEL, NYLEL has an unrestricted operational deficit of approximately $1,411,000 for the year ended June 30, 2017. NYLEL is taking numerous steps to eliminate the unrestricted operational net asset deficit over time. These steps include management plans to reduce operational costs, review of the financial viability of all of its programs, and working towards revenue streams that could produce net income in the future. If the future operating costs are not sufficiently reduced, it is at least reasonably possible that NYLEL will be unable to sustain its operations. Additionally, the outcome of NYLEL’s dispute on the OSC audit findings of $4,580,000, and the possibility that MSA could default on the $1,680,000 construction loan that NYLEL currently guarantees, could have a material impact on NYLEL's ability to continue as a going concern.

Operating Leases

The Companies have noncancelable operating leases with remaining terms of 1 year or more, some of which have escalation clauses. Future minimum payments under these operating leases, net of sublease proceeds, are approximately as follows:

Years ending June 30:	
2018	$ 15,297,000
2019	13,663,000
2020	13,233,000
2021	12,461,000
2022	11,285,000
Thereafter	171,326,000
Total	$ 237,265,000

Gross rent expense on real property was approximately $19,377,000 for the year ended June 30, 2017. At June 30, 2016, the Agency entered into an agreement to sell shares in a leasehold condominium with a New York not-for-profit organization pertaining to five floors in the aforementioned lease. This agreement includes a provision of cross default.

Rent expense on equipment for the year ended June 30, 2017 was approximately $354,000.

NYLEL reflects assets whose use is limited in the accompanying combined statement of financial position representing cash which is a required collateral by a bank since the NYLEL is the guarantor of a construction loan for MSA in the amount of $1,680,000 as of June 30, 2017. This guarantor agreement requires NYLEL to set aside 105% of MSA's outstanding principal balance, and has been included in assets limited as to use in the accompanying combined statement of financial position. MSA is not in default on this loan.

Litigation

There are various lawsuits and claims pending against the Companies which arose in the ordinary course of business. In the opinion of the Companies' management, these lawsuits are either without merit, or are covered by insurance, and will not result in any material adverse effect on the Companies' combined financial position or changes in net assets.

14. Subsequent Events

In July 2017 NYLEL brought an action against the New York State Comptroller Thomas P. DiNapoli, SED and the New York State Division of the Budget disputing the audit findings by OSC (Note 13). This legal action is pending as of the date the combined financial statements were available to be issued.

Subsequent to the year ended June 30, 2017, the Agency closed on a tax exempt bond with DASNY for construction projects previously funded with the TD Bridge Loan (Note 7) totaling approximately $6,325,000 with a premium of approximately $223,000. The bond’s average interest rate is 3.25% and monthly installments are due through June 2037 ranging from $21,000 to $22,000.

CONSOLIDATING AND COMBINING INFORMATION

ADAPT Community Network

Consolidating and Combining Statement of Financial Position

June 30, 2017

	Combined Totals	Intercompany Transactions' Eliminations	ADAPT *	Foundation	NYLEL	Human First
Assets						
Assets:						
Cash and cash equivalents	**$ 25,870,000**	$ -	$ 21,029,000	$ 110,000	$ 3,967,000	$ 764,000
Investments (Notes 2 and 3)	**147,470,000**	-	22,060,000	125,410,000	-	-
Grants and fees receivable from governmental agencies, net of allowance for doubtful accounts of $1,272,000 (Note 13)	**23,400,000**	-	15,808,000	-	5,174,000	2,418,000
Other Assets	**3,127,000**	-	2,432,000	-	468,000	227,000
Section 1307 surplus note receivable (Note 5)	**7,808,000**	-	7,808,000	-	-	-
Due from affiliates	**-**	(879,000)	794,000	-	85,000	-
Fixed assets, net (Note 6)	**80,003,000**	-	71,279,000	-	3,402,000	5,322,000
Assets limited as to use (Notes 7 and 9)	**3,557,000**	-	1,933,000	-	1,624,000	-
Total assets	**$ 291,235,000**	$ (879,000)	$ 143,143,000	$ 125,520,000	$ 14,720,000	$ 8,731,000
Liabilities and Net Assets						
Liabilities:						
Accounts payable and accrued expenses	**$ 15,884,000**	$ -	$ 12,743,000	$ 56,000	$ 2,306,000	$ 779,000
Accrued payroll and related liabilities	**12,137,000**	-	7,305,000	-	4,137,000	695,000
Due to affiliates	**-**	(879,000)	85,000	37,000	-	757,000
Lines of credit and term loan payable (Note 7)	**6,423,000**	-	4,474,000	-	1,949,000	-
Capital leases payable (Note 8)	**968,000**	-	774,000	-	-	194,000
Mortgages payable, net (Note 9)	**60,987,000**	-	56,973,000	-	-	4,014,000
Accrued pension Liability (Note 11)	**18,501,000**	-	18,501,000	-	-	-
Deferred rent	**13,849,000**	-	13,097,000	-	752,000	-
Other liabilities	**9,140,000**	-	6,683,000	-	2,340,000	117,000
Total liabilities	**137,889,000**	(879,000)	120,635,000	93,000	11,484,000	6,556,000
Commitments and Contingencies (Note 13)						
Net Assets:						
Unrestricted	**152,503,000**	-	21,765,000	125,427,000	3,136,000	2,175,000
Temporarily restricted (Note 1)	**743,000**	-	743,000	-	-	-
Permanently restricted (Notes 1 and 10)	**100,000**	-	-	-	100,000	-
Total net assets	**153,346,000**	-	22,508,000	125,427,000	3,236,000	2,175,000
Total liabilities and net assets	**$ 291,235,000**	$ (879,000)	$ 143,143,000	$ 125,520,000	$ 14,720,000	$ 8,731,000

***This column includes the accounts of ADAPT, HDFC and CMRS**

ADAPT Community Network

Consolidating and Combining Statement of Activities and Changes in Net Assets

Year Ended June 30, 2017

	Combined Totals	Intercompany Transactions' Eliminations	ADAPT *	Foundation	NYLEL	Human First
Support and Revenue						
Support from the public:						
Contributions	**$ 571,000**	$ -	$ 514,000	$ -	$ 57,000	$ -
Special events	**286,000**	-	283,000	-	-	3,000
Donated services (Note 1)	**607,000**	-	607,000	-	-	-
Legacies and bequests	**71,000**	-	71,000	-	-	-
Direct expenses of special events	**(95,000)**	-	(95,000)	-	-	-
Net support from the public	**1,440,000**	-	1,380,000	-	57,000	3,000
Contracts, grants and fees applicable to program and community services:						
Contracts and grants	**4,790,000**	-	3,790,000	-	1,000,000	-
Fees for services	**218,191,000**	-	145,550,000	-	50,179,000	22,462,000
Total contracts, grants and fees	**222,981,000**	-	149,340,000	-	51,179,000	22,462,000
Other revenue:						
Rental income	**1,142,000**	-	1,142,000	-	-	-
Other income (Note 12)	**428,000**	(4,899,000)	5,230,000	-	87,000	10,000
Investment income:						
Interest and dividends	**1,691,000**	-	859,000	830,000	2,000	-
Realized and unrealized gains on investments, net	**13,192,000**	-	1,030,000	12,162,000	-	-
Total other revenue	**16,453,000**	(4,899,000)	8,261,000	12,992,000	89,000	10,000
Total support and revenue	**240,874,000**	(4,899,000)	158,981,000	12,992,000	51,325,000	22,475,000
Expenses:						
Program services:						
Educational programs	**74,289,000**	-	27,914,000	-	46,375,000	-
Adult day programs	**59,030,000**	-	48,437,000	-	-	10,593,000
Residential programs	**67,760,000**	-	60,578,000	-	-	7,182,000
Family support services programs	**5,648,000**	-	3,095,000	-	-	2,553,000
Total program services	**206,727,000**	-	140,024,000	-	46,375,000	20,328,000
Supporting services:						
Management and general	**24,001,000**	(4,899,000)	18,978,000	333,000	6,357,000	3,232,000
Public relations and fundraising	**622,000**	-	615,000	-	4,000	3,000
Total supporting services	**24,623,000**	(4,899,000)	19,593,000	333,000	6,361,000	3,235,000
Payments to affiliated organizations:						
National program of research, education and service	**50,000**	-	50,000	-	-	-
State program of education and service	**76,000**	-	76,000	-	-	-
Total payments to affiliated organizations	**126,000**	-	126,000	-	-	-
Donated services (Note 1)	**607,000**	-	607,000	-	-	-
Total expenses	**232,083,000**	(4,899,000)	160,350,000	333,000	52,736,000	23,563,000
Changes in net assets before adjustments	**8,791,000**	-	(1,369,000)	12,659,000	(1,411,000)	(1,088,000)
Debt forgiveness	**-**	-	(1,299,000)	-	1,299,000	-
Pension related changes other than net periodic pension cost (Note 11)	**3,297,000**	-	3,297,000	-	-	-
Changes in net assets	**12,088,000**	-	629,000	12,659,000	(112,000)	(1,088,000)
Net Assets, Beginning of Year	**141,258,000**	-	21,879,000	112,768,000	3,348,000	3,263,000
Net Assets, End of Year	**$ 153,346,000**	$ -	$ 22,508,000	$ 125,427,000	$ 3,236,000	$ 2,175,000

***This column includes the accounts of ADAPT, HDFC and CMRS**

See independent auditors' report

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UNITED CEREBRAL PALSY
OF NEW YORK CITY, INC.

New York, New York

COMBINED FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended June 30, 2016 and 2015

UNITED CEREBRAL PALSY OF NEW YORK CITY, INC.

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Combined Financial Statements

COMBINED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
United Cerebral Palsy of New York City, Inc.
New York, New York

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of United Cerebral Palsy of New York City, Inc. (the "Agency"), which comprise the combined statements of financial position as of June 30, 2016 and 2015, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of United Cerebral Palsy of New York City, Inc. as of June 30, 2016 and 2015, and the combined 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.

Baker Tilly Virchow Krause, LLP

New York, New York
November 23, 2016

Combined Statements of Financial Position

As of June 30,	**2016**	2015
Assets		
Cash and Cash Equivalents	**$ 18,034,000**	$ 90,291,000
Investments (Notes 2 and 3)	**146,650,000**	40,438,000
Grants and Fees Receivable from Governmental Agencies	**20,620,000**	14,119,000
Other Assets	**5,187,000**	2,420,000
Fixed Assets (Note 5)	**64,524,000**	72,863,000
Assets Limited as to Use (Notes 6 and 8)	**1,846,000**	35,573,000
Total Assets	**$ 256,861,000**	$ 255,704,000
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 15,591,000**	$ 15,871,000
Accrued payroll and related liabilities	**6,162,000**	5,005,000
Lines of credit payable (Note 6)	**4,470,000**	38,744,000
Capital leases payable (Note 7)	**838,000**	428,000
Mortgages payable (Note 8)	**60,515,000**	16,208,000
Accrued pension liability (Note 9)	**18,203,000**	13,612,000
Deferred rent	**11,646,000**	20,525,000
Other liabilities	**4,789,000**	21,363,000
Total Liabilities	**122,214,000**	131,756,000
Commitments and Contingencies (Note 12)		
Net Assets:		
Unrestricted	**133,834,000**	123,186,000
Temporarily restricted (Note 1)	**813,000**	762,000
Total Net Assets	**134,647,000**	123,948,000
Total Liabilities and Net Assets	**$ 256,861,000**	$ 255,704,000

Combined Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2016 (with summarized comparative totals for 2015)

	Unrestricted	Temporarily Restricted	**Total 2016**	Total 2015
Support and Revenue				
Support from the Public:				
Contributions	$ 196,000	$ 196,000	**$ 392,000**	$ 626,000
Special events	831,000	-	**831,000**	738,000
Legacies and bequests	325,000	-	**325,000**	865,000
Total Support from the Public	1,352,000	196,000	**1,548,000**	2,229,000
Direct Expenses of Special Events	(306,000)	-	**(306,000)**	(353,000)
Net Support from the Public	1,046,000	196,000	**1,242,000**	1,876,000
Contracts, Grants and Fees Applicable to Program and Community Services:				
Contracts and grants	3,250,000	-	**3,250,000**	2,697,000
Fees for services	136,848,000	-	**136,848,000**	101,637,000
Total Contracts, Grants and Fees	140,098,000	-	**140,098,000**	104,334,000
Other Revenue:				
Rental income	1,114,000	-	**1,114,000**	1,096,000
Other income (Note 11)	1,714,000	-	**1,714,000**	563,000
Investment income:				
Interest and dividends	1,605,000	-	**1,605,000**	776,000
Realized and unrealized gains on investments, net	(2,946,000)	-	**(2,946,000)**	279,000
Total Other Revenue	1,487,000	-	**1,487,000**	2,714,000
Net Assets Released from Restrictions (Note 1)	145,000	(145,000)	**-**	-
Total Support and Revenue	142,776,000	51,000	**142,827,000**	108,924,000
Expenses				
Program Services:				
Educational programs	23,157,000	-	**23,157,000**	20,531,000
Adult day programs	44,959,000	-	**44,959,000**	34,898,000
Residential programs	53,821,000	-	**53,821,000**	39,644,000
Family support services programs	2,473,000	-	**2,473,000**	2,238,000
Total Program Services	124,410,000	-	**124,410,000**	97,311,000
Supporting Services:				
Management and general	12,898,000	-	**12,898,000**	9,617,000
Public relations and fundraising	723,000	-	**723,000**	368,000
Total Supporting Services	13,621,000	-	**13,621,000**	9,985,000
Total Program and Supporting Services	138,031,000	-	**138,031,000**	107,296,000
Payments to Affiliated Organizations:				
National program of research, education and service	50,000	-	**50,000**	50,000
State program of education and service	63,000	-	**63,000**	52,000
Total Payments to Affiliated Organizations	113,000	-	**113,000**	102,000
Total Expenses	138,144,000	-	**138,144,000**	107,398,000
Changes in Net Assets before the Following Items	4,632,000	51,000	**4,683,000**	1,526,000
Net Deferred Rent Adjustments related to Unoccupied Space	11,959,000	-	**11,959,000**	(12,281,000)
Net Loss on Sales of Leasehold Condominium	(1,723,000)	-	**(1,723,000)**	-
Gain on Sales of Buildings (Note 5)	-	-	**-**	129,604,000
Pension Related Changes Other than Net Periodic Pension Cost (Note 9)	(4,220,000)	-	**(4,220,000)**	(8,413,000)
Changes in Net Assets	10,648,000	51,000	**10,699,000**	110,436,000
Net Assets, beginning of year	123,186,000	762,000	**123,948,000**	13,512,000
Net Assets, end of year	$ 133,834,000	$ 813,000	**$ 134,647,000**	$ 123,948,000

See notes to combined financial statements.

Combined Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total 2015
Support and Revenue			
Support from the Public:			
Contributions	$ 524,000	$ 102,000	$ 626,000
Special events	738,000	-	738,000
Legacies and bequests	850,000	15,000	865,000
Total Support from the Public	2,112,000	117,000	2,229,000
Direct Expenses of Special Events	(353,000)	-	(353,000)
Net Support from the Public	1,759,000	117,000	1,876,000
Contracts, Grants and Fees Applicable to Program and Community Services:			
Contracts and grants	2,697,000	-	2,697,000
Fees for services	101,637,000	-	101,637,000
Total Contracts, Grants and Fees	104,334,000	-	104,334,000
Other Revenue:			
Rental income	1,096,000	-	1,096,000
Other income	563,000	-	563,000
Investment income:			
Interest and dividends	776,000	-	776,000
Realized and unrealized gains on investments, net	279,000	-	279,000
Total Other Revenue	2,714,000	-	2,714,000
Net Assets Released from Restrictions (Note 1)	191,000	(191,000)	-
Total Support and Revenue	108,998,000	(74,000)	108,924,000
Expenses			
Program Services:			
Educational programs	20,531,000	-	20,531,000
Adult day programs	34,898,000	-	34,898,000
Residential programs	39,644,000	-	39,644,000
Family support services programs	2,238,000	-	2,238,000
Total Program Services	97,311,000	-	97,311,000
Supporting Services:			
Management and general	9,617,000	-	9,617,000
Public relations and fundraising	368,000	-	368,000
Total Supporting Services	9,985,000	-	9,985,000
Total Program and Supporting Services	107,296,000	-	107,296,000
Payments to Affiliated Organizations:			
National program of research, education and service	50,000	-	50,000
State program of education and service	52,000	-	52,000
Total Payments to Affiliated Organizations	102,000	-	102,000
Total Expenses	107,398,000	-	107,398,000
Changes in Net Assets before the Following Items	1,600,000	(74,000)	1,526,000
Net Deferred Rent Expense from Unoccupied Space	(12,281,000)	-	(12,281,000)
Gain on Sales of Buildings (Note 5)	129,604,000	-	129,604,000
Pension Related Changes Other than Net Periodic Pension Cost (Note 9)	(8,413,000)	-	(8,413,000)
Changes in Net Assets	110,510,000	(74,000)	110,436,000
Net Assets, beginning of year	12,676,000	836,000	13,512,000
Net Assets, end of year	$ 123,186,000	$ 762,000	$ 123,948,000

See notes to combined financial statements.

Combined Statement of Functional Expenses

For the Year Ended June 30, 2015

	Program Services					Supporting Services					
	Educational Programs	Adult Day Programs	Residential Programs	Family Support Services Programs	Total Program Services	Management and General	Public Relations and Fund-Raising	Total Supporting Services	Direct Expenses of Special Events	Payments to Affiliated Organizations	2015 Grand Total
Salaries	$ 10,965,000	$ 14,168,000	$ 21,808,000	$ 1,187,000	$ 48,128,000	$ 4,386,000	$ 173,000	$ 4,559,000	$ -	$ -	$ 52,687,000
Payroll Taxes and Employee Benefits	3,621,000	4,605,000	7,453,000	381,000	16,060,000	1,256,000	58,000	1,314,000	-	-	17,374,000
Net Deferred Rent Expense from Unoccupied Space	-	-	-	-	-	12,281,000	-	12,281,000	-	-	12,281,000
Clinical Consultants and Professional Fees	3,461,000	2,929,000	1,820,000	36,000	8,246,000	1,656,000	26,000	1,682,000	-	-	9,928,000
Occupancy, Principally Rent, Utilities and Building Supplies (Note 11)	908,000	3,530,000	3,084,000	105,000	7,627,000	1,069,000	20,000	1,089,000	-	-	8,716,000
Program Transportation	-	6,239,000	40,000	-	6,279,000	-	-	-	-	-	6,279,000
Insurance	260,000	561,000	435,000	17,000	1,273,000	106,000	1,000	107,000	-	-	1,380,000
Operating Supplies	133,000	464,000	284,000	397,000	1,278,000	-	-	-	-	-	1,278,000
Household Supplies	-	-	1,059,000	-	1,059,000	-	-	-	-	-	1,059,000
Interest and Bank Fees (Notes 6, 7 and 8)	133,000	242,000	222,000	1,000	598,000	346,000	14,000	360,000	-	-	958,000
Food	-	-	790,000	-	790,000	-	-	-	-	-	790,000
Medical Supplies	47,000	222,000	387,000	-	656,000	-	-	-	-	-	656,000
Telephone	110,000	142,000	195,000	9,000	456,000	120,000	2,000	122,000	-	-	578,000
Equipment Rental, Repairs and Maintenance	61,000	156,000	103,000	16,000	336,000	181,000	54,000	235,000	-	-	571,000
Conferences, Conventions and Meetings	67,000	87,000	155,000	27,000	336,000	103,000	1,000	104,000	-	-	440,000
Purchased Services	-	-	-	-	-	-	-	-	353,000	-	353,000
Vehicle Rental and Maintenance	16,000	105,000	187,000	7,000	315,000	1,000	-	1,000	-	-	316,000
Office Supplies	52,000	91,000	98,000	10,000	251,000	55,000	6,000	61,000	-	-	312,000
Publications, Postage and Shipping	13,000	15,000	9,000	5,000	42,000	205,000	8,000	213,000	-	-	255,000
Expensed Equipment	18,000	51,000	111,000	2,000	182,000	7,000	-	7,000	-	-	189,000
Total Expenses before Payments to Affiliated Organizations and Depreciation and Amortization	19,865,000	33,607,000	38,240,000	2,200,000	93,912,000	21,772,000	363,000	22,135,000	353,000	-	116,400,000
Payments to Affiliated Organizations	-	-	-	-	-	-	-	-	-	102,000	102,000
Depreciation and Amortization	666,000	1,291,000	1,404,000	38,000	3,399,000	126,000	5,000	131,000	-	-	3,530,000
Total Expenses	20,531,000	34,898,000	39,644,000	2,238,000	97,311,000	21,898,000	368,000	22,266,000	353,000	102,000	120,032,000
Less Net Deferred Rent Expense from Unoccupied Space	-	-	-	-	-	(12,281,000)	-	(12,281,000)	-	-	(12,281,000)
Less Direct Expenses of Special Events	-	-	-	-	-	-	-	-	(353,000)	-	(353,000)
Total Expenses per Combined Statements of Activities and Changes in Net Assets	$ 20,531,000	$ 34,898,000	$ 39,644,000	$ 2,238,000	$ 97,311,000	$ 9,617,000	$ 368,000	$ 9,985,000	$ -	$ 102,000	$ 107,398,000

Combined Statement of Functional Expenses

For the Year Ended June 30, 2016 (with summarized comparative totals for 2015)

	Program Services					Supporting Services						
	Educational Programs	Adult Day Programs	Residential Programs	Family Support Services Programs	Total Program Services	Management and General	Public Relations and Fund-Raising	Total Supporting Services	Direct Expenses of Special Events	Payments to Affiliated Organizations	**2016 Grand Total**	2015 Grand Total
Salaries	$ 11,477,000	$ 17,943,000	$ 29,307,000	$ 1,459,000	$ 60,186,000	$ 5,008,000	$ 194,000	$ 5,202,000	$ -	$ -	**$ 65,388,000**	$ 52,687,000
Payroll Taxes and Employee Benefits	3,950,000	6,252,000	10,389,000	387,000	20,978,000	1,254,000	51,000	1,305,000	-	-	**22,283,000**	17,374,000
Occupancy, Principally Rent, Utilities and Building Supplies (Note 11)	2,461,000	5,624,000	4,934,000	85,000	13,104,000	3,304,000	20,000	3,324,000	-	-	**16,428,000**	8,716,000
Clinical Consultants and Professional Fees	3,600,000	3,215,000	2,577,000	25,000	9,417,000	1,969,000	39,000	2,008,000	-	-	**11,425,000**	9,928,000
Program Transportation	-	8,284,000	45,000	-	8,329,000	-	-	-	-	-	**8,329,000**	6,279,000
Insurance	275,000	602,000	610,000	13,000	1,500,000	49,000	1,000	50,000	-	-	**1,550,000**	1,380,000
Operating Supplies	159,000	539,000	433,000	294,000	1,425,000	-	-	-	-	-	**1,425,000**	1,278,000
Interest and Bank Fees (Notes 6, 7 and 8)	219,000	209,000	206,000	1,000	635,000	384,000	352,000	736,000	-	-	**1,371,000**	958,000
Household Supplies	-	-	1,085,000	-	1,085,000	-	-	-	-	-	**1,085,000**	1,059,000
Food	-	-	1,059,000	-	1,059,000	-	-	-	-	-	**1,059,000**	790,000
Telephone	145,000	168,000	256,000	27,000	596,000	160,000	3,000	163,000	-	-	**759,000**	578,000
Net Deferred Rent Expense from Unoccupied Space	-	-	-	-	-	736,000	-	736,000	-	-	**736,000**	12,281,000
Medical Supplies	44,000	151,000	465,000	4,000	664,000	-	-	-	-	-	**664,000**	656,000
Conferences, Conventions and Meetings	90,000	87,000	173,000	61,000	411,000	113,000	-	113,000	-	-	**524,000**	440,000
Equipment Rental, Repairs and Maintenance	50,000	260,000	153,000	27,000	490,000	14,000	-	14,000	-	-	**504,000**	571,000
Expensed Equipment	21,000	60,000	160,000	22,000	263,000	192,000	9,000	201,000	-	-	**464,000**	189,000
Office Supplies	42,000	97,000	96,000	16,000	251,000	81,000	45,000	126,000	-	-	**377,000**	312,000
Vehicle Rental and Maintenance	13,000	95,000	241,000	5,000	354,000	-	-	-	-	-	**354,000**	316,000
Purchased Services	-	-	-	-	-	-	-	-	306,000	-	**306,000**	353,000
Publications, Postage and Shipping	10,000	20,000	7,000	9,000	46,000	229,000	-	229,000	-	-	**275,000**	255,000
Total Expenses before Payments to Affiliated Organizations and Depreciation and Amortization	22,556,000	43,606,000	52,196,000	2,435,000	120,793,000	13,493,000	714,000	14,207,000	306,000	-	**135,306,000**	116,400,000
Payments to Affiliated Organizations	-	-	-	-	-	-	-	-	-	113,000	**113,000**	102,000
Depreciation and Amortization	601,000	1,353,000	1,625,000	38,000	3,617,000	141,000	9,000	150,000	-	-	**3,767,000**	3,530,000
Total Expenses	23,157,000	44,959,000	53,821,000	2,473,000	124,410,000	13,634,000	723,000	14,357,000	306,000	113,000	**139,186,000**	120,032,000
Less Net Deferred Rent Expense from Unoccupied Space	-	-	-	-	-	(736,000)	-	(736,000)	-	-	**(736,000)**	(12,281,000)
Less Direct Expenses of Special Events	-	-	-	-	-	-	-	-	(306,000)	-	**(306,000)**	(353,000)
Total Expenses per Combined Statements of Activities and Changes in Net Assets	$ 23,157,000	$ 44,959,000	$ 53,821,000	$ 2,473,000	$ 124,410,000	$ 12,898,000	$ 723,000	$ 13,621,000	$ -	$ 113,000	**$ 138,144,000**	$ 107,398,000

See notes to combined financial statements.

Combined Statements of Cash Flows

For the Years Ended June 30,	**2016**	2015
Cash Flows from Operating Activities:		
Changes in net assets before pension related changes	**$ 14,919,000**	$ 118,849,000
Adjustments to reconcile changes in net assets before pension related changes to net cash (used in) provided by operating activities:		
Depreciation and amortization	**3,767,000**	3,530,000
Realized gain on sales of buildings	**-**	(129,604,000)
Realized loss on sale of leasehold condominium	**1,723,000**	-
Provision for reimbursement adjustments	**350,000**	334,000
(Decrease) increase in deferred rent liability	**(8,879,000)**	13,011,000
Realized and unrealized loss (gains) on investments, net	**2,946,000**	(279,000)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Grants and fees receivable from governmental agencies	**(6,851,000)**	(3,569,000)
Other assets	**(2,767,000)**	322,000
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	**(280,000)**	4,058,000
Accrued payroll and related liabilities	**1,521,000**	(558,000)
Other liabilities	**(16,574,000)**	10,637,000
Net Cash (Used in) Provided by Operating Activities	**(10,125,000)**	16,731,000
Cash Flows from Investing Activities:		
Proceeds from sales of buildings	**-**	132,247,000
Net proceeds from sale of leasehold condominium	**19,331,000**	-
Purchases of fixed assets	**(15,760,000)**	(42,558,000)
Purchases of investments	**(143,555,000)**	(30,234,000)
Redemption of investments	**34,393,000**	4,470,000
Net decrease (increase) in assets limited as to use	**33,727,000**	(33,710,000)
Net Cash (Used in) Provided by Investing Activities	**(71,864,000)**	30,215,000
Cash Flows from Financing Activities:		
Principal payments on capital lease obligations	**(301,000)**	(188,000)
Principal payments on mortgages payable	**(1,466,000)**	(1,486,000)
Proceeds of new mortgages	**45,773,000**	934,000
Proceeds of draw down on lines of credit	**15,726,000**	37,544,000
Repayments of draw down on lines of credit	**(50,000,000)**	-
Net Cash Provided by Financing Activities	**9,732,000**	36,804,000
Net (Decrease) Increase in Cash and Cash Equivalents	**(72,257,000)**	83,750,000
Cash and Cash Equivalents, beginning of year	**90,291,000**	6,541,000
Cash and Cash Equivalents, end of year	**$ 18,034,000**	$ 90,291,000
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for interest	**$ 780,000**	$ 577,000
Noncash investing and financing activities:		
Assets acquired under capital leases	**$ 711,000**	$ 166,000

See notes to combined financial statements.

Notes to Combined Financial Statements

As of and for the Years Ended June 30, 2016 and 2015

1. Description of Organization and Summary of Significant Accounting Policies

Nature of organization - United Cerebral Palsy of New York City, Inc. (the "Agency") is a not-for-profit organization, formed under the Not-for-Profit Corporation Law of the State of New York, founded in 1946 by parents of children with disabilities. The mission of the Agency is to create opportunities for people with disabilities to lead independent and fulfilling lives.

Currently, approximately 21,000 individuals receive services annually from the Agency. These services include preschool and school-age programs, residential programs, day programs, vocational programs and medical and support services.

The accompanying combined financial statements include the accounts of the Agency, United Cerebral Palsy of New York City Community Mental Retardation Services Company, Inc., the New York City Foundation for Cerebral Palsy, Inc. (the “Foundation”) and the United Cerebral Palsy Housing Development Fund Corporation, Inc. ("Housing") (together the "Companies"). All corporations except the Foundation are under common board of directors' control. The Agency is the sole member of the Foundation. All intercompany transactions have been eliminated.

Currently, approximately 46% of the Agency's employees are covered under collective bargaining arrangements with the United Federation of Teachers which expires June 2018. In September 2016, another collective bargaining arrangement was signed with District Council 1707.

Basis of accounting - The combined financial statements have been prepared on the accrual basis of accounting.

Revenue recognition - Revenues are recorded when earned as services are provided through residential, educational, adult day program, family support services, and outpatient clinical facilities. Substantially all programs are funded through New York State reimbursement and Medicaid funding. Revenues from the aforementioned sources are subject to audit and possible adjustment by third-party payors.

Housing receives rent supplement assistance payments for tenants, pursuant to Section 8 of the National Housing Act, from the United States Department of Housing and Urban Development ("HUD").

Donor-imposed restrictions - The Agency 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. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities and changes in net assets as net assets released from restrictions. At June 30, 2016 and 2015, approximately $813,000 and $762,000, respectively, have been restricted for specific purposes.

During the years ended June 30, 2016 and 2015, temporarily restricted net assets of approximately $145,000 and $191,000, respectively, were expended, satisfying the restrictions stipulated by the donors and, accordingly, were released from restrictions.

Cash and cash equivalents - Cash and cash equivalents include cash and highly liquid financial instruments with original maturity dates of three months or less from the date purchased, other than those held as part of the investment portfolio or assets limited as to use.

At June 30, 2016 and 2015, the Companies had cash balances in financial institutions that exceeded federal depository insurance limits. Approximately 100% and 79% of the Companies' cash and cash equivalents are on deposit in various accounts with one financial institution at June 30, 2016 and 2015, respectively. Management believes that credit risk related to these deposits is minimal.

Investments - Investments in marketable equity securities with readily determinable fair values and all debt securities are stated at quoted market prices. Investments subject to the provisions of Accounting Standards Update ("ASU") 2009-12, "*Investments in Certain Entities That Calculate Net Asset Value per Share*", with no readily determinable fair values are recorded at net asset value per share as a practical expedient to estimating fair value. Donated marketable securities are recorded at fair value at the date of donation. Realized and unrealized gains or losses on investments are reported in the combined 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.

In May 2015, the Financial Accounting Standards Board ("FASB") issued ASU No. 2015-07, Fair Value Measurement (Topic 820): *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. ASU 2015-07 removes the requirement to include investments in the fair value hierarchy for which fair value is measured using the net asset value practical expedient in Accounting Standards Codification 820. ASU 2015-07 requires retrospective application and is effective for fiscal years beginning after December 15, 2016 with early adoption permitted. Management has elected to early adopt the provisions of this new standard. Accordingly, the standard was retrospectively applied.

Allowance for doubtful accounts - Periodically, the accounts receivable balances are reviewed and evaluated as to their collectibility. An allowance is then set up based on these evaluations.

Assets limited as to use - Assets limited as to use consist principally of cash and cash equivalents and are on deposit with two financial institutions. Assets limited as to use are stated at fair value which approximates their cost.

Fixed assets, net - Fixed assets are carried at cost, net of accumulated depreciation and amortization. The carrying amounts of fixed assets and the related accumulated depreciation and amortization are removed from the accounts when such assets are disposed of, and any resulting gain or loss is recorded in the combined statements of activities and changes in net assets. The Companies' policy is to capitalize all purchases in excess of $1,000. Depreciation of fixed assets is recorded using the straight-line method over the estimated useful lives of the assets, and amortization on leasehold improvements is calculated using the straight-line method over the shorter of the asset's useful life or estimated lease term. The useful lives of the fixed assets are as follows: buildings and improvements - 15 to 25 years; furniture and fixtures - 10 to 15 years; computer equipment and software - 3 to 5 years; and heating, ventilation and air conditioning equipment - 10 to 20 years. Depreciation and amortization of fixed assets also includes amortization of assets under capital leases.

Functional expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the combined statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on various allocation factors.

Deferred rent - For accounting purposes, the total rent payable over the life of the lease, which escalates over time, is recognized on the straight-line basis. Actual rent payments differ from these reported amounts; actual rent paid is less than reported amounts in the early years of the lease and exceeds the reported amounts in the later years. Deferred rent reflects the difference between the straight-line calculation reported and the actual rent expense paid.

Donated services - No amounts have been included in the accompanying combined financial statements for donated services since no objective basis is available to measure the value of such services and these services would not otherwise be purchased for fundraising events.

Tax status - The Agency and its related corporations whose accounts are included in the accompanying combined financial statements are Section 501(c)(3) not-for-profit organizations exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the "Code"). They are classified as publicly supported charitable organizations under Section 509(a)(1) of the Code and qualify for the maximum charitable deduction by donors. They are also exempt from state and local income taxes.

Uncertain tax positions - The Companies follow the provisions of *"Accounting for Uncertainty in Income Taxes". "Accounting for Uncertainty in Income Taxes"* prescribes recognition thresholds that must be met before a tax position is recognized in the combined financial statements and provides guidance on de-recognition, classification, interest and penalties, disclosure, and transition. Under "*Accounting for Uncertainty in Income Taxes",* an entity may only recognize or continue to recognize tax positions that meet a "more-likely-than-not" threshold. The Companies have evaluated their tax positions for the years ended June 30, 2016 and 2015, and do not believe they have any uncertain tax positions that would qualify for either recognition or disclosure in the accompanying combined financial statements.

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

Reclassifications - Certain accounts in the prior year combined financial statements have been reclassified for comparative purposes to conform to the presentation in the current year combined financial statements. These reclassifications have no effect on previously reported changes in net assets.

Subsequent events - The Companies have evaluated events and transactions that occurred between July 1, 2016 and November 23, 2016, which is the date the combined financial statements were available to be issued, for possible disclosure and recognition in the combined financial statements. See Note 13 for events or transactions, which were identified during this period that required disclosure or recognition.

2. Investments

The cost and fair value of investments are as follows:

As of June 30,	**2016**		2015	
	Cost	**Fair Value**	Cost	Fair Value
Certificates of Deposit	**$ 488,000**	**$ 488,000**	$ 256,000	$ 256,000
Cash Equivalents	**749,000**	**749,000**	877,000	877,000
Alternative Investments	**50,558,000**	**49,863,000**	-	-
Fixed Income Funds	**41,956,000**	**41,966,000**	5,670,000	5,475,000
Mutual Funds	**25,218,000**	**24,562,000**	-	-
Pooled Collective Funds	**20,224,000**	**20,384,000**	24,520,000	24,520,000
Equity Securities	**7,705,000**	**8,636,000**	7,604,000	9,308,000
Bonds	**2,000**	**2,000**	2,000	2,000
Total Investments	**$ 146,900,000**	**$ 146,650,000**	$ 38,929,000	$ 40,438,000

3. Fair Value Measurements

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 Agency 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.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

Alternative investments - These funds do not make known nor do they advertise their value and their performance data is not readily available. They do not have a readily determinable fair value and are valued at net asset value.

Fixed income funds - Publicly traded in active markets.

Mutual funds - These funds are registered with the Securities and Exchange Commission under the Investment Company Act of 1940. The value of these funds is primarily based on quoted market prices of the underlying assets from independent sources. The funds have ticker symbols and the values of the funds are published on the NASDAQ. However, the funds are of a class that is not available for sale to the general public and availability is limited to certain institutional investors.

Pooled collective funds - These funds are not actively traded and are recorded at their respective net asset value or its equivalent, which represents fair value.

Equity securities - Publicly traded in active markets.

Bonds - Publicly traded in active markets.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks, such as interest rate, market and credit risks.

The following tables represent the fair value hierarchy for the Agency's financial assets measured at fair value on a recurring basis:

As of June 30, 2016	**Total Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**
Fixed Income Funds	**$ 41,966,000**	**$ 41,966,000**	**$ -**
Mutual Funds	**24,562,000**	**-**	**24,562,000**
Equity Securities	**8,636,000**	**8,636,000**	**-**
Bonds	**2,000**	**2,000**	**-**
Total assets in the fair value hierarchy	**75,166,000**	**$ 50,604,000**	**$ 24,562,000**
Investments measured at net asset value (a)	**70,247,000**		
Total Investments, net of cash	**$ 145,413,000**		

Notes to Combined Financial Statements

As of and for the Years Ended June 30, 2016 and 2015

As of June 30, 2015	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Equity Securities	$ 9,308,000	$ 9,308,000	$ -
Fixed Income	5,475,000	5,475,000	-
Bonds	2,000	2,000	-
Total Assets in the Fair Value Hierarchy	14,785,000	$ 14,785,000	**$ -**
Investments Measured at Net Asset Value (a)	24,520,000		
Total Investments, net of cash	$ 39,305,000		

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the line items presented in the combined statements of financial position.

The following tables summarize investments for which fair value is measured using NAV per share practical expedient as of June 30, 2016 and 2015.

	June 30, 2016			
	Fair Value	**Unfunded Commitments**	**Redemption Frequency (if currently eligible)**	**Redemption Notice Period**
Alternative Investments	$ 49,863,000	None	Ranging from Daily to Quarterly	Ranging from 3 to 90 days
Pooled Collective Funds	$ 20,384,000	None	Daily	None
	June 30, 2015			
Pooled Collective Funds	$ 24,520,000	None	Daily	None

4. Investment in a Limited Partnership

The Agency has a 33.34% interest in SA Properties LLC ("SA") which maintains three restaurant properties throughout California and Washington. Based on the information available from SA, the cost method is used to account for this investment. Management believes that any difference between the equity method and cost method would be immaterial. This investment's value is undeterminable at June 30, 2016 and 2015. Distributions are recorded as income when received. During the years ended June 30, 2016 and 2015, distributions approximated $113,000 and $79,000, respectively.

5. Fixed Assets, net

Fixed assets, net, consists of the following:

As of June 30,	**2016**	2015
Land	**$ 4,083,000**	$ 4,083,000
Buildings	**33,329,000**	33,329,000
Building Improvements	**15,917,000**	14,684,000
Furniture and Fixtures	**22,034,000**	19,867,000
Leasehold Improvements	**11,369,000**	10,765,000
Construction in Progress	**35,400,000**	43,976,000
	122,132,000	126,704,000
Less Accumulated Depreciation and Amortization	**57,608,000**	53,841,000
	$ 64,524,000	$ 72,863,000

The Agency disposed of approximately $21,042,000 of Construction in Progress during the year ended June 30, 2016 pertaining to costs associated with five floors of one of the Agency's facilities, where the Agency sold shares in a leasehold condominium on June 30, 2016, for which the Agency received net proceeds of $19,331,000. Included in construction in progress is approximately $264,000 and $350,000 of capitalized interest for the years ended June 30, 2016 and 2015, respectively.

The Agency sold two buildings during the year ended June 30, 2015. All land, building, building improvements and furniture, where the Agency vacated the premises, were disposed. The net book value of these assets approximated $2,643,000. Certain other fees associated with the sales were offset against the proceeds, which yielded a gain of approximately $129,604,000, which is reflected in the accompanying combined statements of activities and changes in net assets.

6. Lines of Credit Payable

The Agency has a $3,000,000 revolving line of credit with JPMorgan Chase for the purpose of funding the purchase and renovation of residential properties under the New York State Cares initiative. The revolving line of credit expires on January 31, 2017. As of June 30, 2016 and 2015, the Agency had an outstanding balance under this line of credit of $270,000 and $-0-, respectively. Interest on outstanding amounts under this agreement is at the prime rate (3.50% and 3.25% at June 30, 2016 and 2015, respectively) plus 1.00%. The line of credit agreement contains covenants requiring, among other restrictions, that the Agency maintain certain financial ratios. The Agency was in compliance with these covenants at June 30, 2016 and 2015. The line of credit is unsecured. Interest expense on the line of credit for the years ended June 30, 2016 and 2015 approximated $1,000 and $-0-, respectively.

The Agency also has a working capital line of credit with JPMorgan Chase in the amount of $8,000,000. Short-term loans may be made under this line of credit from time to time at the discretion of JPMorgan Chase. Borrowings under the line bear an interest rate of 3.25% as of June 30, 2016 and 2015. As of June 30, 2016 and 2015, the Agency had an outstanding balance under this line of credit of $4,200,000 and $1,200,000, respectively. This line of credit expires on January 31, 2017. Interest expense on the line of credit for the years ended June 30, 2016 and 2015 approximated $42,000 and $21,000, respectively.

The Agency also had a non-revolving line of credit with First Republic Bank in the amount of $50,000,000 for the purpose of funding a construction project. The line of credit was paid off on June 30, 2016. As of June 30, 2015, the Agency had an outstanding balance under this line of credit of $37,544,000. As a condition of borrowing, the Agency was required to hold $33,547,000 with the bank as collateral, which is included in assets limited as to use at June 30, 2015. Interest expense on the line of credit for the year ended June 30, 2016 approximated $186,000 for the portions that were not capitalized (see Note 5).

7. Capital Leases Payable

The Agency owns certain motor vehicles under capital leases. These leases have terms of 60 months and contain bargain purchase options.

As of June 30, 2016 and 2015, the costs of the fixed assets recorded under the capital leases were approximately $1,713,000 and $2,188,000, respectively. The net book values were approximately $838,000 and $428,000 as of June 30, 2016 and 2015, respectively.

Future minimum payments under the lease agreements, by year and in the aggregate, consisted approximately of the following:

For the Year Ending June 30,	
2017	$ 305,000
2018	257,000
2019	189,000
2020	154,000
2021	63,000
Total Minimum Lease Payments	968,000
Less Amounts Representing Interest	130,000
Net Minimum Lease Payments	838,000
Less Current Portion	268,000
Long-Term Portion of Capital Leases Included in Capital Leases Payable	$ 570,000

Interest expense on the capital leases for the years ended June 30, 2016 and 2015 was approximately $34,000 and $23,000, respectively.

8. Mortgages Payable

A summary of mortgages payable is as follows:

As of June 30,	**2016**	2015
Insured mortgage with the Dormitory Authority of the State of New York ("Dormitory Authority") on various individual residential alternatives properties payable in annual installments ranging from approximately $114,000 to $242,000 through June 30, 2021, including interest at the rate of 5.1% per annum at June 30, 2016 and 2015. Includes bond premium of approximately $9,000 and $10,000 at June 30, 2016 and 2015, respectively. (a)	**$ 689,000**	$ 765,000

Mortgage on the Joseph Belsky Apartment House, 140 Lawrence Avenue, Brooklyn, New York, payable in full on February 1, 2032, including interest at 1.0% per annum. (b)	**2,689,000**	2,727,000
Mortgage with the New York State Housing Trust Fund Corporation on the Joseph Belsky Apartment House, 140 Lawrence Avenue, Brooklyn, New York, payable in full on March 1, 2044, is non-interest bearing. (c)	**1,931,000**	1,158,000
Mortgage with Office for People With Developmental Disabilities ("OPWDD") on Lake Street Intermediate Care Facility, Brooklyn, New York, scheduled payments in semi-annual installments of approximately $120,000 through February 15, 2019, including interest at 6.4% per annum. (d)	**524,000**	709,000
Mortgage with the New York State Housing Finance Agency on the Brooklyn Educational Center, 175 Lawrence Avenue, Brooklyn, New York, which was payable in monthly installments of approximately $27,000, including interest at 7.0% per annum.	**-**	195,000
Mortgage with the Dormitory Authority on the Stillwell Avenue IRA, Bronx, New York, payable in annual installments ranging from approximately $39,000 to $182,000 through June 30, 2024, including interest at the rates of 2.75% and 2.5% per annum at June 30, 2016 and 2015, respectively. (e)	**930,000**	1,055,000
Mortgage with JPMorgan Chase Bank on the Avenue D IRA, Manhattan, New York, payable in monthly installments of $9,432, through May 2021, including interest at 7.5% per annum. (f)	**458,000**	533,000
Mortgage with the Dormitory Authority on 251 W. 154th Street, Manhattan, New York, payable in annual installments ranging from approximately $302,000 to $486,000 through June 30, 2026, including interest at the rates of 1.4% and 1.1% per annum at June 30, 2016 and 2015, respectively. Includes bond premium of approximately $119,000 and $131,000 at June 30, 2016 and 2015, respectively. (g)	**3,309,000**	3,611,000
Mortgage with the Israel Discount Bank of New York on the Hearst Building in Brooklyn, New York, and the Staten Island Rehabilitation Center, payable in annual installments ranging from approximately $644,000 to $649,000 through July 1, 2024, including interest at 3.2% per annum. (h)	**4,985,000**	5,455,000
Mortgage with TD Bank, N.A. on 80 West End Avenue, Manhattan, New York, payable in monthly installments ranging from approximately $75,000 to $164,000 through June 1, 2046. (i)	**45,000,000**	-
	$ 60,515,000	$ 16,208,000

Land, buildings and improvements with an aggregate net book value of approximately $16,183,000 and $16,438,000 at June 30, 2016 and 2015, respectively, are subject to the above mortgages.

(a) In April 2002, the Agency became a participant in the Dormitory Authority's New York United Cerebral Palsy Affiliates Pooled Loan Program No.1 Insured Revenue Bonds, consisting of Series 2002A and Series 2002B (the "Pooled Bonds"). The aggregate amount of this issue was $16,520,000, of which

$1,430,000 benefits the Agency. Proceeds were used to pay down monies previously borrowed from a revolving line of credit (see Note 6), to fund the cost of issuance of these bonds, and to make a deposit into a Debt Service Reserve Fund. Repayment of the Pooled Bonds is insured under the provisions of the Dormitory Authority's Master Insured Revenue Bond Resolution. At June 30, 2016 and 2015, approximately $124,000 and $123,000, respectively, was on deposit in the Debt Service Reserve Fund and has been included in assets limited as to use in the accompanying combined statements of financial position.

As a condition of this borrowing, the Agency is required to make monthly deposits into a Debt Service Fund. The fund accumulates amounts necessary to make annual principal and semi-annual interest payments. Payments are made on January 1 and July 1. At June 30, 2016 and 2015, approximately $98,000 and $95,000, respectively, was on deposit in the Debt Service Fund and has been included in assets limited as to use in the accompanying combined statements of financial position. The debt agreement for the Pooled Bonds contains covenants requiring, among other restrictions, the maintenance of certain financial ratios. The Agency was in compliance with these covenants at June 30, 2016 and 2015.

The Pooled Bonds are secured by the gross receipts of the Agency in an amount equal in each Bond Year to the greatest amount required in any bond ear to pay the interest on the Outstanding Bonds payable during such year and the principal and Sinking Fund Installments of Outstanding Bonds payable on July 1 of such bond year.

(b) In January 2002, the Joseph Belsky Apartment House mortgage was restructured under the Mark-to-Market Program of the Office of Multifamily Housing Assistance Restructuring. The property is secured by two mortgage loans. The balance of principal and interest is due at the Maturity Date of February 1, 2032 (the "Maturity Date"). The first mortgage is a Restructuring Loan for approximately $996,000. This mortgage requires annual payments of interest in the amount of 1% of the outstanding principal balance. Principal and interest payments are based upon a calculation of cash on hand. Through June 30, 2016, a total of $70,000 has been paid towards the principal amounts. The second mortgage, which is subordinate to the first, is a Contingent Repayment Note (the "Note") for approximately $1,764,000. No payments are due on the Note until the Maturity Date. This Note bears interest at the rate of 1% per annum.

In accordance with the terms of the Joseph Belsky Apartment House mortgage, amounts equal to a fixed percentage of the original mortgage balance are restricted each year for replacement of the related building and improvements. Such amounts aggregated approximately $104,000 and $172,000 as of June 30, 2016 and 2015, respectively. These amounts are included in assets limited as to use in the accompanying combined statements of financial position. The mortgage is collateralized by the Joseph Belsky Apartment House building and improvements and is insured by HUD.

(c) In February 2014, the Agency entered into a mortgage with the New York State Housing Trust Fund Corporation for Joseph Belsky Apartment House for a total of $2,162,000 for the purposes of renovating the building, of which approximately $1,931,000 and $1,158,000 was utilized as of June 30, 2016 and 2015, respectively. The mortgage has a Maturity Date of March 1, 2044. During the years ended June 30, 2016 and 2015, approximately $42,000 and $164,000, respectively, of the proceeds received have been included in assets limited as to use in the accompanying combined statements of financial position in conjunction with this mortgage for the purpose of construction costs associated with the approved renovation projects. The mortgage is collateralized by the Joseph Belsky Apartment House building and improvements and is subordinate to the two mortgages insured by HUD. See Note (b).

(d) During fiscal 1994, the Agency entered into a mortgage agreement with OPWDD to provide long-term financing for the Lake Street Intermediate Care Facility. The funds were provided to OPWDD by the New York State Medical Care Facilities Finance Agency from the sale of Facilities Improvement Revenue Bonds, 1991 Series D and 1992 Series F. During fiscal 1998, the mortgage loan agreement was amended to increase the principal balance due to OPWDD based upon an advance to the Agency of approximately $113,000 for the Lake Street Intermediate Care Facility. In addition to the Lake Street Intermediate Care Facility, this mortgage loan is collateralized by all accounts receivable and proceeds thereof, including any amounts paid or payable by the State of New York to the Agency with respect to the property. As a condition of this borrowing, the Agency is required to maintain debt service reserve funds aggregating approximately $183,000 as of June 30, 2016 and 2015. These funds have been included in assets limited as to use in the accompanying combined statements of financial position at June 30, 2016 and 2015.

Reduction of the principal as well as payment of interest and financing costs related to the mortgaged property is achieved through an agreement with OPWDD whereby, reimbursement of future program expenditures is reduced based upon OPWDD mortgage repayment schedules. Such schedules do not correspond with the repayment schedules found in the original mortgage agreements. The cumulative principal and interest liability to OPWDD at both June 30, 2016 and 2015 is approximately $49,000 greater than what the principal and interest liability would have been had OPWDD deducted principal and interest payments in accordance with the terms of the repayment schedules found in the original mortgage agreements.

(e) In June 2010, the Agency became a participant in the Dormitory Authority's New York Interagency Council's Pooled Loan Program Revenue Bonds, consisting of Series 2010A-1 and Series 2010A-2 (the "Pooled Bonds"). The aggregate amount of this issue was $29,670,000, of which $1,540,000 benefits the Agency. Proceeds were used to pay down monies previously borrowed from a revolving line of credit, to fund the cost of issuance of these bonds, and to make a deposit into a Debt Service Reserve Fund. At June 30, 2016 and 2015, approximately $207,000 and $208,000, respectively, was on deposit in the Debt Service Reserve Fund and has been included in assets limited as to use in the accompanying combined statements of financial position.

As a condition of the borrowing, the Agency is required to make monthly deposits into a Debt Service Fund. The fund accumulated amounts necessary to make principal and interest payments semi-annually. Payments are made on January 1 and July 1. The debt agreement for the Pooled Bonds contains covenants requiring, among other restrictions, the maintenance of certain financial ratios. The Agency was in compliance with these covenants at June 30, 2016 and 2015.

(f) In March 2010, the Agency entered into a mortgage agreement with JPMorgan Chase Bank to refinance the Agency's condominium apartments at Avenue D, Manhattan, New York. The mortgage is secured by the apartments at Avenue D. The debt agreement for the mortgage contains covenants requiring, among other restrictions, the maintenance of certain financial ratios. The Agency was in compliance with these covenants at June 30, 2016 and 2015.

(g) In March 2012, the Agency became a participant in the Dormitory Authority's New York Interagency Council's Pooled Loan Program Revenue Bonds, consisting of Series 2012A-1 and Series 2012A-2 (the "Pooled Bonds"). The aggregate amount of this issue was $12,745,000, of which $4,266,000 benefits the Agency, of which $168,000 represented a bond issue premium. The Bond Premium will be amortized over the duration of the bond and in June 30, 2016 and 2015 amounted to approximately $12,000. Proceeds were used to pay down monies previously borrowed from a revolving line of credit, to fund the cost of issuance of these bonds, and to make a deposit into a Debt Service Reserve Fund. At June 30, 2016 and 2015, approximately $590,000 and $596,000, respectively, was on deposit in the Debt Service Reserve Fund and has been included in assets limited as to use in the accompanying combined statements of financial position.

As a condition of the borrowing, the Agency is required to make monthly deposits into a Debt Service Fund. The fund accumulated amounts necessary to make principal and interest payments annually. Payments are made on July 1. The debt agreement for the Pooled Bonds contains covenants requiring, among other restrictions, the maintenance of certain financial ratios. The Agency was in compliance with these covenants at June 30, 2016 and 2015.

(h) In April 2013, Build New York City ("NYC") Resource Corporation issued $5,995,000 of Build NYC Resource Corporation Revenue Bonds which were purchased by the Israel Discount Bank of New York. Build NYC Resource Corporation simultaneously loaned the bond proceeds to the Agency. The bond proceeds were used to pay off the remaining balance of the Series 1996 Revenue Bonds. At June 30, 2016 and 2015, approximately $498,000 and $485,000, respectively, was on deposit in the Debt Service Fund and has been included in assets limited as to use in the accompanying combined statements of financial position.

As a condition of the borrowing, the Agency is required to make monthly deposits into a Debt Service Fund. The fund accumulated amounts necessary to make principal payments annually and interest payments monthly. Principal payments are made on July 1. The loan agreement contains covenants requiring, among other restrictions, the maintenance of certain financial ratios. The Agency was in compliance with these covenants at June 30, 2016 and 2015.

(i) In June 2016, Build NYC Resource Corporation issued $45,000,000 of Build NYC Resource Corporation Revenue Bonds which were purchased by TD Bank, N.A. Build NYC Resource Corporation simultaneously loaned the bond proceeds to the Agency. The bond proceeds were used to pay off a portion of the balance of the First Republic Bank line of credit (Note 6).

As a condition of the borrowing, the Agency is required to make monthly deposits into a Debt Service Fund, which begins July 2016. The fund will accumulate amounts necessary to make principal and interest payments monthly. The loan agreement contains covenants requiring, among other restrictions, the maintenance of certain financial ratios. The Agency was in compliance with these covenants at June 30, 2016. The Foundation has guaranteed this borrowing.

Interest expense on the mortgages payable for the years ended June 30, 2016 and 2015 approximated $483,000 and $573,000, respectively.

Scheduled future principal payments on mortgages payable are approximately as follows:

For the Year Ending June 30,	
2017	$ 2,099,000
2018	2,248,000
2019	2,320,000
2020	2,036,000
2021	2,199,000
Thereafter	49,613,000
	$ 60,515,000

9. Pension Plans

Defined benefit plan - The Agency sponsors a qualified noncontributory Pension Trust Plan (the "Plan") covering employees 21 years and older who have been employed by the Agency for at least one year. Plan benefits are paid directly from Plan assets. The Agency's policy is to satisfy annual minimum funding requirements as set forth by the Employee Retirement Income Security Act of 1974. The Plan's actuary performed the computations required for financial statement disclosure as of June 30, 2016 and 2015. Employee data as of July 1, 2015 and 2014 was projected forward to the June 30, 2016 and 2015 measurement dates, respectively. Effective June 30, 2007, the Plan has been frozen.

Notes to Combined Financial Statements

As of and for the Years Ended June 30, 2016 and 2015

The following sets forth the Plan's funded status and amounts recognized in the combined financial statements:

As and for the Year Ended of June 30,	**2016**	2015
Reconciliation of Projected Benefit Obligation:		
Projected benefit obligation, at beginning of year	**$ 64,677,000**	$ 58,787,000
Interest cost	**2,713,000**	2,483,000
Change due to assumption changes	**2,026,000**	4,786,000
Actuarial loss	**564,000**	642,000
Benefits disbursed	**(2,287,000)**	(2,021,000)
Projected Benefit Obligation, at end of year	**67,693,000**	64,677,000
Funded Status:		
Fair value of Plan assets, consisting principally of stocks and bonds, at beginning of year	**51,065,000**	52,078,000
Actual return on Plan assets	**877,000**	702,000
Employer contributions	**-**	495,000
Benefits disbursed from Plan assets (including expense charges)	**(2,452,000)**	(2,210,000)
Fair Value of Plan Assets, at end of year	**49,490,000**	51,065,000
Projected Benefit Obligation in Excess of Plan Assets	**(18,203,000)**	(13,612,000)
Accumulated Benefit Obligation, at end of year	**$ 67,693,000**	$ 64,677,000

Weighted-average assumptions used to measure benefit obligations are as follows:

As of June 30,	**2016**	2015
Discount Rate	**4.00%**	4.25%

Weighted-average assumptions used to measure net periodic pension cost are as follows:

Years Ended June 30,	**2016**	2015
Discount Rate	**4.25%**	4.25%
Expected Long-Term Rate of Return on Plan Assets	**8.00%**	8.00%

The fair value hierarchy of the Plan's assets is as follows:

As of June 30, 2016	**Level 2**	**Total**
Assets:		
Separate Investment Accounts:		
S&P 500 Index Fund	**$ 16,382,000**	**$ 16,382,000**
Fixed Income Funds	**33,108,000**	**33,108,000**
Total	**$ 49,490,000**	**$ 49,490,000**

Notes to Combined Financial Statements

As of and for the Years Ended June 30, 2016 and 2015

As of June 30, 2015	Level 2	Total
Assets:		
Separate Investment Accounts:		
S&P 500 Index Fund	$ 16,660,000	$ 16,660,000
Fixed Income Funds	34,405,000	34,405,000
Total	$ 51,065,000	$ 51,065,000

The Agency's investment policy during the year ended June 30, 2016 is to invest approximately 40% and 60% of Plan assets in equity and fixed income instruments, respectively. Plan assets consist primarily of mutual funds managed by the Plan's trustee that are invested in equities and debt obligation instruments. The expected long-term rate of return on Plan assets assumption of 8.0% was selected using the "building block" approach described by the Actuarial Standards Board in Actuarial Standard of Practice No. 27 - "*Selection of Economic Assumptions for Measuring Pension Obligations"*. Based on the Agency's investment policy for the Plan in effect as of the beginning of the fiscal year, a best estimate range was determined for both the real rate of return (net of inflation) and for inflation based on historical 30 year period rolling averages. An average inflation rate within the range equal to 2.54% was selected and added to the real rate of return range to arrive at the best estimate range of 7.04% to 9.34%. A rate of 8.0%, which is near the midpoint of the best estimate range, was selected.

Net periodic pension cost includes the following:

Years Ended June 30,	**2016**	2015
Service Cost - benefits earned during the year	**$ -**	$ -
Interest Cost on Projected Benefit Obligation	**2,713,000**	2,483,000
Expected Return on Plan Assets	**(3,973,000)**	(4,105,000)
Net Amortization and Deferral of Asset Loss	**1,631,000**	607,000
Net Periodic Pension Cost	**$ 371,000**	$ (1,015,000)

The percentages of fair value of total Plan assets by asset category are as follows:

As of June 30,	**2016**	2015
Equity	**33.1%**	32.6%
Fixed Income Funds	**66.9%**	67.4%
	100.0%	100.0%

The following benefits, which reflect expected future service, have been valued using the same assumptions adopted for valuing the projected benefit obligation and are expected to be paid as follows:

For the Year Ending June 30,	
2017	$ 3,075,000
2018	3,209,000
2019	3,380,000
2020	3,509,000
2021	3,651,000
2022 to 2026	20,062,000

The Agency anticipates contributing approximately $500,000 to the Plan during the year ending June 30, 2017.

Defined contribution pension plan - Effective July 1, 2007, the Agency established a defined contribution plan for all employees, with the exception of hourly and contracted employees, who have worked one year, worked at least 1,000 hours, and have attained the age of 21. Annual base contributions to the plan are based on 5% of each eligible participant's compensation, plus an additional contribution as determined by a fixed percentage depending upon the years of service and the description of the title of the employee, subject to approval by the board of directors. Pension expense for the years ended June 30, 2016 and 2015 approximated $2,564,000 and $2,269,000, respectively.

Tax-deferred annuity plan - The Agency maintains a tax-deferred annuity plan as defined under Section 403(b) of the Internal Revenue Code. Investments are self-directed by employees and are maintained by a major insurance company.

10. Reimbursement of Expenditures

Contracts, grants and fees applicable to program and community services are reported in the year earned at net realizable amounts for services rendered under contracts and reimbursement agreements. Certain contracts and grants provide for reimbursement rates that are subject to potential changes based on periodic reviews by the funding agencies. Such rates are either adjusted prospectively through future reimbursement rates or are adjusted retroactively. Prospective rate adjustments are generally insignificant and are reflected in the revenues of the future periods based on when the adjusted reimbursement rates are determined. Retroactive rate adjustments are recorded as adjustments to revenues in the period that the amounts are determinable and are reasonably measurable.

Some of the Agency's contracts and grants do not provide for rate adjustments although they may be subject to audits. It has been the experience of the Agency that adjustments as a result of audits have been insignificant. Management of the Agency is not aware of any potential material liabilities at June 30, 2016 resulting from any audits.

Medicaid and other programs in which the Agency participates are based on a set of complex laws and regulations. Noncompliance with such laws and regulations could result in repayments of amounts improperly reimbursed, fines, penalties, and exclusion from such programs. Management of the Agency is not aware of any allegations of noncompliance that could have a material effect on the accompanying combined financial statements and believes the Agency is in compliance with all applicable laws and regulations.

Management has established specific reserves against revenues of $812,000 and $1,096,000 at June 30, 2016 and 2015, respectively, for potential denied claims for reimbursement. Denied claims arise principally due to unresolved participant eligibility issues. It is the opinion of management that denied claims, if any, in excess of the reserve for reimbursement adjustments would not have a material effect on the combined financial position of the Agency.

11. Management Fees

During the year ended June 30, 2016, the Agency provided administrative functions for The New York League for Early Learning, Inc. (“NYLEL”), a New York City not-for-profit organization, through a management agreement. The Agency has recognized approximately $1,300,000 in revenue under this agreement, which is included in other income as well as a corresponding $1,300,000 in expenses, which is included in management and general expenses for the year ended June 30, 2016.

Notes to Combined Financial Statements

As of and for the Years Ended June 30, 2016 and 2015

12. Commitments and Contingencies

Operating leases - The Agency has noncancelable operating leases with remaining terms of 1 year or more, some of which have escalation clauses. Future minimum payments under these operating leases, net of sublease proceeds, are approximately as follows:

For the Year Ending June 30,	
2017	$ 10,503,000
2018	9,793,000
2019	8,780,000
2020	8,307,000
2021	8,198,000
Thereafter	155,964,000
	$ 201,545,000

Gross rent expense on real property was approximately $12,709,000 and $17,106,000 for the years ended June 30, 2016 and 2015, respectively, of which $736,000 and $12,281,000 for the years ended June 30, 2016 and 2015, respectively was for unoccupied space. During October 2013, the Agency entered into a 30 year non-cancelable lease agreement for a new facility in Manhattan, New York. The lease, commencing December 1, 2013, calls for escalation charges throughout the term of the lease and no rent payments due for the first 30 months of the lease. At June 30, 2016, the Agency entered into an agreement to sell shares in a leasehold condominium with a New York not-for-profit organization pertaining to five floors in the aforementioned lease (Note 5). As a result, the Agency recognized net deferred rent adjustments pertaining to the recalculation of the deferred rent obligation under this lease. The net deferred rent adjustments related to unoccupied space for the year ended June 30, 2016 was approximately $11,959,000. This agreement includes a provision of cross default.

Sublease rental income under the non-cancelable sublease was approximately $-0- and $152,000 for the years ended June 30, 2016 and 2015, respectively. Rent expense on equipment for the years ended June 30, 2016 and 2015 was approximately $264,000 and $231,000, respectively.

Litigation - There are various lawsuits and claims pending against the Agency which arose in the ordinary course of business. In the opinion of the Agency's management, these lawsuits are either without merit, or are covered by insurance, and will not result in any material adverse effect on the Agency's combined financial position or changes in net assets.

13. Subsequent Events

Effective August 1, 2016 the Agency became the sole corporate member of Human First, Inc., a Long Island based not-for-profit organization. Effective November 7, 2016, the Agency became the sole corporate member of NYLEL.

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APPENDIX B-VI

YOUNG ADULT INSTITUTE, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED JUNE 30, 2018, JUNE 30, 2017 AND JUNE 30, 2016)

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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, 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

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.

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

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

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 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

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

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 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.

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.

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The Young Adult Institute, Inc. ("YAI") is organized under the Not-for-Profit Corporation Law of New York State and was incorporated in 1964. YAI has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. YAI has an equivalent exemption at the state and local levels.

YAI serves people of all ages with developmental and learning disabilities, from infants through the elderly, in a variety of community settings and at home through state-of-the-art programs that help to build skills, expand opportunities, and support community living. YAI's many programs and direct services benefit thousands of individuals and their families daily throughout the New York metropolitan area. YAI is funded primarily by Medicaid. YAI's has over 300 programs and direct services that benefit over 21,000 individuals and their families daily in ten counties throughout the New York metropolitan area. YAI is funded primarily by Medicaid.

YAI is part of a network of independent agencies, collectively known as the YAI Network. The network provides programs and support for people with intellectual and developmental disabilities throughout New York City, Westchester County, Rockland County, Long Island, New Jersey, and Puerto Rico. YAI is the sole corporate member of three of these agencies which have been included in the consolidated financial statements. Further descriptions follow:

- YAI is the sole corporate member of Premier Healthcare, Inc. ("PHC"). PHC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. PHC has an equivalent exemption at the state and local levels. PHC is an outpatient diagnostic and treatment center offering health care services to the general public with a specialty in medical services for people with developmental and learning disabilities and their families in many sites throughout the New York area. PHC is a quality health care practice providing outpatient clinic services which include: primary health, pediatrics, internal medicine, dentistry (including desensitization), nutrition, gynecology, neurology, podiatry, psychiatry, physical therapy, occupational therapy, ophthalmology, speech pathology and psychology. PHC's primary source of revenue is patient service fees received from Medicaid, Medicare and other third-party payors.

- YAI is the sole corporate member of the Rockland County Association for People with Disabilities ("RCAPD"). RCAPD has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. RCAPD has an equivalent exemption at the state and local levels. RCAPD provides a wide variety of employment, residential, family support and social/recreational programs which promote essential social and vocational skills that enable people with learning and other developmental disabilities to lead independent, productive and dignified lives. RCAPD provides extensive support and education to families and guidance and training to professionals who are assisting people with developmental and learning disabilities. RCAPD is funded primarily by service fees paid by various New York State agencies and government grants.

- YAI is the sole corporate member of the International Institute for People with Disabilities of Puerto Rico, Inc. ("IIPD-PR"), which was incorporated in 1998 under the Not-for-Profit Corporation Law of the Commonwealth of Puerto Rico. IIPD-PR has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has a similar exemption at the state and local levels. IIPD-PR's mission is to create employment opportunities for people with disabilities. By providing competitive employment opportunities for persons with disabilities, IIPD-PR demonstrated a commitment to independence, community inclusion and productivity for people with special needs. IIPD-PR did not have any programmatic operations during fiscal year ending June 30, 2018.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Accounting and Use of Estimates -*** The Agency's consolidated financial statements have been prepared on the accrual basis of accounting. The Agency adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Consolidation ***-*** The Agency's accompanying consolidated financial statements include the activities of: YAI; PHC; RCAPD and IIPD-PR. YAI has consolidated these entities pursuant to U.S. GAAP due to its financial interest and control over them. All material intercompany transactions and balances have been eliminated upon consolidation.

C. *Basis of Net Asset Presentation -* The Agency maintains its net assets under the following three classes:

Unrestricted - This represents net assets not subject to donor-imposed stipulations and that have no time restrictions. Such resources are available for support of the Agency's operations over which the Board of Directors has discretionary control.

Temporarily Restricted - This represents net assets subject to donor-imposed stipulations that will be met by actions of the Agency or by the passage of time. When a stipulated time restriction ends or purpose restriction is accomplished, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Permanently Restricted - This represents net assets subject to donor-imposed stipulations that they be maintained permanently by the Agency. Generally, the donors of these assets permit the Agency to use all or part of the income earned for unrestricted or donor-specified purposes.

D. *Cash and Cash Equivalents* - The Agency considers highly liquid debt instruments with maturities of three months or less, when acquired, to be cash and cash equivalents. Program participant funds included in cash and cash equivalents amounted to approximately $1,226,000 and $1,489,000, respectively, for the years ended June 30, 2018 and 2017. Such amounts are also included as a liability in the accompanying consolidated financial statements.

E. *Short-term Investments and Fair Value Measurements* - Short-term investments are carried at fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 4.

F. *Allowance for Uncollectible Receivables -* The Agency determines whether an allowance for uncollectible receivables should be provided for accounts receivable. Such estimate is based on management's assessment of the aged basis of its receivables, current economic conditions, historical experience, and collections subsequent to year end. As of June 30, 2018 and 2017, the Agency determined an allowance of $2,203,462 and $2,103,290, respectively, for accounts receivable were necessary. In addition, the Agency has established an allowance for doubtful accounts for other receivables due from network agencies of $1,182,988 as of both June 30 ,2018 and 2017 representing nearly the entire balance due.

G. *Revenue Recognition -* The Agency records Medicaid revenue based on established rates multiplied by the number of units of service provided. Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, the Agency records a liability due to funding sources. Other revenue includes management programmatic services provided to other network agencies. Such revenue is recorded based on the support service agreement.

H. *Property and Equipment -* Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the applicable lease. Property and equipment is capitalized by the Agency provided its cost is $5,000 or more and its useful life is greater than one year.

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

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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MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Directors of the
Young Adult Institute, Inc. and Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Young Adult Institute, Inc. ("YAI") ("YAI") and its Affiliates: Rockland County Association for 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

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016	Unrestricted	Temporarily Restricted	Permanently Restricted
REVENUE AND SUPPORT								
Medicaid (Notes 2G and 2K)	$ 162,511,388	$ -	$ -	$ 162,511,388	$ 162,975,440	$ 162,975,440	$ -	$ -
Government Contracts (Note 2G)	19,985,946	-	-	19,985,946	20,203,646	20,203,646	-	-
Medicare and Client Fees (Note 2G)	9,830,514	-	-	9,830,514	10,586,148	10,586,148	-	-
Vocational Rehabilitation	34,200	-	-	34,200	204,867	204,867	-	-
Other Revenues	1,736,671	-	-	1,736,671	4,170,978	4,170,978	-	-
Contributions (Note 2I)	590,761	170,019	-	760,780	1,689,422	489,422	1,200,000	-
Special Events (net of direct costs of $283,894 and $350,063 for 2017 and 2016)	325,532	113,764	-	439,296	383,877	383,877	-	-
Investment Activity (Note 4)	101,097	-	-	101,097	108,896	108,896	-	-
Net Assets Released from Restrictions (Note 2C)	679,862	(679,862)	-	-	-	491,127	(491,127)	-
TOTAL REVENUE AND SUPPORT	195,795,971	(396,079)	-	195,399,892	200,323,274	199,614,401	708,873	-
EXPENSES:								
Program Services:								
Residential Services	86,188,459	-	-	86,188,459	80,907,533	80,907,533	-	-
Day and Community Services	61,528,924	-	-	61,528,924	59,174,405	59,174,405	-	-
Clinical Services	21,006,826	-	-	21,006,826	21,797,061	21,797,061	-	-
Employment Services	1,741,892	-	-	1,741,892	2,141,639	2,141,639	-	-
Total Program Services	170,466,101	-	-	170,466,101	164,020,638	164,020,638	-	-
Supporting Services:								
Management and General (Note 2J)	23,538,859	-	-	23,538,859	29,336,921	29,336,921	-	-
Fundraising	537,870	-	-	537,870	441,828	441,828	-	-
Total Supporting Services	24,076,729	-	-	24,076,729	29,778,749	29,778,749	-	-
TOTAL EXPENSES	194,542,830	-	-	194,542,830	193,799,387	193,799,387	-	-
CHANGE IN NET ASSETS	1,253,141	(396,079)	-	857,062	6,523,887	5,815,014	708,873	-
Net Assets - Beginning of Year	29,781,683	1,096,685	10,000	30,888,368	24,364,481	23,966,669	387,812	10,000
NET ASSETS - END OF YEAR	$ 31,034,824	$ 700,606	$ 10,000	$ 31,745,430	$ 30,888,368	$ 29,781,683	$ 1,096,685	$ 10,000

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

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	For the Year Ended June 30, 2017									
	Program Services					Supporting Services				
	Residential	Day and Community Services	Clinical Services	Employment Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2017	Total 2016
Salaries	$ 51,540,412	$ 30,094,058	$ 12,305,504	$ 1,114,031	$ 95,054,005	$ 10,187,053	$ 150,366	$ 10,337,419	$ 105,391,424	$ 100,887,833
Payroll taxes and benefits (Note 12)	14,968,642	8,750,341	2,826,656	299,853	26,845,492	2,886,340	46,829	2,933,169	29,778,661	30,519,055
Total Personnel Costs	66,509,054	38,844,399	15,132,160	1,413,884	121,899,497	13,073,393	197,195	13,270,588	135,170,085	131,406,888
Contracted services	1,205,625	393,719	1,135,112	10,904	2,745,360	544,558	-	544,558	3,289,918	3,227,563
Professional fees	351,697	124,503	34,318	4,758	515,276	3,037,490	80,965	3,118,455	3,633,731	6,200,109
Program supplies	2,500,612	1,353,485	357,245	6,276	4,217,618	48,808	-	48,808	4,266,426	3,887,073
Food	1,754,925	200,839	962	194	1,956,920	0	29,107	29,107	1,986,027	2,064,462
Transportation (Note 8)	1,344,544	10,495,751	222,124	33,810	12,096,229	78,415	3,061	81,476	12,177,705	11,265,135
Office and equipment expense	829,949	334,227	215,598	11,757	1,391,531	541,349	48,955	590,304	1,981,835	2,067,989
Staff development and expenses	207,701	232,185	44,835	9,340	494,061	298,739	2,670	301,409	795,470	893,195
Occupancy (Note 8)	2,348,329	5,049,624	1,765,651	118,064	9,281,668	1,923,880	-	1,923,880	11,205,548	10,571,757
Repairs and maintenance	1,727,812	712,926	342,260	29,541	2,812,539	267,390	-	267,390	3,079,929	3,486,414
Insurance	782,960	431,080	153,028	13,751	1,380,819	840,925	1,858	842,783	2,223,602	2,215,836
Utilities	1,261,355	536,879	110,087	14,331	1,922,652	217,564	-	217,564	2,140,216	2,206,041
Telephone	582,794	310,254	112,212	27,101	1,032,361	504,828	-	504,828	1,537,189	1,557,309
Information technology	378,181	530,109	310,771	21,000	1,240,061	1,163,313	107,523	1,270,836	2,510,897	2,307,007
Depreciation and amortization (Notes 2H and 5)	2,643,074	425,759	856,126	8,607	3,933,566	405,799	57,067	462,866	4,396,432	4,846,212
Interest	1,055,160	144,645	5,790	-	1,205,595	514,476	-	514,476	1,720,071	1,813,760
Bad debts	672,555	1,400,762	200,745	18,390	2,292,452	-	-	-	2,292,452	3,502,365
Miscellaneous	32,132	7,778	7,802	184	47,896	77,932	9,469	87,401	135,297	280,273
TOTAL EXPENSES	$ 86,188,459	$ 61,528,924	$ 21,006,826	$ 1,741,892	$ 170,466,101	$ 23,538,859	$ 537,870	$ 24,076,729	$ 194,542,830	$ 193,799,387

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

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services					Supporting Services			
	Residential	Day and Community Services	Clinical Services	Employment Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2016
Salaries	$ 47,353,829	$ 27,768,917	$ 13,371,956	$ 1,280,606	$ 89,775,308	$ 11,077,236	$ 35,289	$ 11,112,525	$ 100,887,833
Payroll taxes and benefits (Note 12)	14,960,108	8,823,554	3,112,626	361,944	27,258,232	3,249,728	11,095	3,260,823	30,519,055
Total Personnel Costs	62,313,937	36,592,470	16,484,582	1,642,550	117,033,540	14,326,964	46,384	14,373,348	131,406,888
Contracted services	607,737	455,671	1,350,591	15,581	2,429,580	797,983	-	797,983	3,227,563
Professional fees	356,419	199,984	57,737	12,046	626,187	5,449,188	124,734	5,573,922	6,200,109
Program supplies	2,228,229	1,371,470	279,852	7,522	3,887,073	-	-	-	3,887,073
Food	1,806,145	182,753	971	881	1,990,750	-	73,712	73,712	2,064,462
Transportation (Note 8)	1,141,389	9,933,833	7,712	63,425	11,146,359	107,790	10,986	118,776	11,265,135
Office and equipment expense	769,904	378,774	212,714	17,177	1,378,569	651,770	37,650	689,420	2,067,989
Staff development and expenses	153,122	130,593	48,533	18,970	351,217	541,978	-	541,978	893,195
Occupancy (Note 8)	2,029,158	4,844,860	1,756,395	124,630	8,755,043	1,816,714	-	1,816,714	10,571,757
Utilities	1,225,657	582,521	118,469	35,184	1,961,831	244,210	-	244,210	2,206,041
Repairs and maintenance	1,720,713	1,060,808	340,433	10,548	3,132,503	353,911	-	353,911	3,486,414
Insurance	829,382	407,177	237,433	20,533	1,494,525	719,747	1,564	721,311	2,215,836
Telephone	575,539	303,398	98,787	37,050	1,014,774	542,535	-	542,535	1,557,309
Information technology	243,917	501,275	23,737	30,048	798,977	1,391,578	116,452	1,508,030	2,307,007
Depreciation and amortization (Notes 2H and 5)	2,787,268	593,545	547,423	33,759	3,961,996	884,216	-	884,216	4,846,212
Interest	1,163,275	153,088	21,793	12,537	1,350,693	463,067	-	463,067	1,813,760
Bad debts	856,481	1,473,456	200,028	58,849	2,588,814	913,551	-	913,551	3,502,365
Miscellaneous	99,261	8,727	9,871	349	118,208	131,719	30,346	162,065	280,273
TOTAL EXPENSES	$ 80,907,533	$ 59,174,405	$ 21,797,061	$ 2,141,639	$ 164,020,638	$ 29,336,921	$ 441,828	$ 29,778,749	$ 193,799,387

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.

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

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.

YOUNG ADULT INSTITUTE, INC. AND AFFILIATE
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2017

	YAI	RCAPD	PHC	IIPD-PR	Consolidating Eliminations	Total 2017
ASSETS						
Cash and cash equivalents	$ 18,585,550	$ 301,112	$ 1,599,601	$ 3,803	$ -	$ 20,490,066
Short-term Investments	18,579,116	-	-	-	-	18,579,116
Accounts receivable, net	23,686,406	964,263	2,114,243	-	-	26,764,912
Other receivables, net	997,210	-	-	-	-	997,210
Prepaid expenses and other assets	3,769,879	268,379	480,983	5,568	(35,327)	4,489,482
Property and equipment, net	34,881,726	1,398,443	1,402,247	-	-	37,682,416
Debt service reserve	2,352,081	313,379	-	-	-	2,665,460
TOTAL ASSETS	$ 102,851,968	$ 3,245,576	$ 5,597,074	$ 9,371	$ (35,327)	$ 111,668,662
LIABILITIES						
Accounts payable and accrued expenses	$ 8,368,856	$ 215,551	$ 722,932	$ 4,717	$ -	$ 9,312,056
Accrued salary	5,808,738	166,311	441,463	-	-	6,416,512
Accrued vacation	2,666,714	123,982	275,074	-	-	3,065,770
Accrued pension	2,884,414	45,924	84,043	-	-	3,014,381
Other liabilities	3,818,722	-	-	-	-	3,818,722
Due to funding sources	10,165,846	175,177	6,185,014	-	-	16,526,037
Notes and mortgages payable	31,085,566	1,511,905	1,267,734	-	-	33,865,205
Capital lease obligations	132,137	-	-	-	-	132,137
Due to Related Party	-	2,576	5,883,308	593,031	(6,478,915)	-
Deferred rent	3,488,140	27,687	256,585	-	-	3,772,412
TOTAL LIABILITIES	68,419,133	2,269,113	15,116,153	597,748	(6,478,915)	79,923,232
COMMITMENTS AND CONTINGENCIES						
NET ASSETS (DEFICIT)						
Unrestricted						
Invested in property and equipment	14,859,015	199,917	134,513	-	-	15,193,445
Available for operations	18,873,214	766,546	(9,653,592)	(588,377)	6,443,588	15,841,379
Total Unrestricted	33,732,229	966,463	(9,519,079)	(588,377)	6,443,588	31,034,824
Temporarily restricted	700,606	-	-	-	-	700,606
Permanently restricted	-	10,000	-	-	-	10,000
TOTAL NET ASSETS	34,432,835	976,463	(9,519,079)	(588,377)	6,443,588	31,745,430
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	$ 102,851,968	$ 3,245,576	$ 5,597,074	$ 9,371	$ (35,327)	$ 111,668,662

See independent auditors' report.

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Young Adult Institute, Inc.			Rockland County Association for People with Disabilities			Premier Healthcare, Inc.		International Intitute for People With Disabilities of Puerto Rico, Inc			Consolidated Total			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Permanent Restricted	Total	Unrestricted	Total	Unrestricted	Total	Consolidating Eliminations	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017
REVENUE AND SUPPORT															
Medicaid	$ 143,510,666	$ -	$ 143,510,666	4,948,379	$ -	$ 4,948,379	14,052,343	$ 14,052,343	$ -	$ -	$ -	$ 162,511,388	$ -	$ -	$ 162,511,388
Government Contracts	18,626,558	-	18,626,558	1,359,388	-	1,359,388	-	-	-	-	-	19,985,946	-	-	19,985,946
Medicare and Client fees	7,704,996	-	7,704,996	488,400	-	488,400	1,637,118	1,637,118	-	-	-	9,830,514	-	-	9,830,514
Vocational Rehabilitation	-	-	-	-	-	-	-	-	34,200	34,200	-	34,200	-	-	34,200
Other revenues	3,046,314	-	3,046,314	-	-	-	459,846	459,846	-	-	(1,769,489)	1,736,671	-	-	1,736,671
Contributions	569,959	170,019	739,978	17,437	-	17,437	3,365	3,365	-	-	-	590,761	170,019	-	760,780
Special Events (net of direct costs of $280,751 and $350,063 for 2017 and 2016)	325,532	113,764	439,296	-	-	-	-	-	-	-	-	325,532	113,764.00	-	439,296
Investment Activity	93,413	-	93,413	7,393	-	7,393	291	291	-	-	-	101,097	-	-	101,097
Net Assets Released from Restrictions	679,862	(679,862)	-	-	-	-	-	-	-	-	-	679,862	(679,862)	-	-
TOTAL REVENUE AND SUPPORT	174,557,300	(396,079)	174,161,221	6,820,997	-	6,820,997	16,152,963	16,152,963	34,200	34,200	(1,769,489)	195,795,971	(396,079)	-	195,399,892
EXPENSES:															
Program Services:															
Residential Services	82,154,021	-	82,154,021	4,034,438	-	4,034,438	-	-	-	-		86,188,459	-	-	86,188,459
Day and Community Services	60,741,770	-	60,741,770	787,154	-	787,154	-	-	-	-	-	61,528,924	-	-	61,528,924
Clinical Services	6,284,710	-	6,284,710	-	-	-	14,722,116	14,722,116	-	-	-	21,006,826	-	-	21,006,826
Employment Initative Services	919,655	-	919,655	767,997	-	767,997	-	-	54,240	54,240	-	1,741,892	-	-	1,741,892
Total Program Services	150,100,156	-	150,100,156	5,589,589	-	5,589,589	14,722,116	14,722,116	54,240	54,240	-	170,466,101	-	-	170,466,101
Supporting Services:															
Management and General	21,777,432	-	21,777,432	1,140,385	-	1,140,385	2,253,254	2,253,254	14,939	14,939	(1,647,151)	23,538,859	-	-	23,538,859
Fundraising	528,267	-	528,267	6,976	-	6,976	2,627	2,627	-	-	-	537,870	-	-	537,870
Total Supporting Services	22,305,699	-	22,305,699	1,147,361	-	1,147,361	2,255,881	2,255,881	14,939	14,939	(1,647,151)	24,076,729	-	-	24,076,729
TOTAL EXPENSES	172,405,855	-	172,405,855	6,736,950	-	6,736,950	16,977,997	16,977,997	69,179	69,179	(1,647,151)	194,542,830	-	-	194,542,830
CHANGE IN NET ASSETS	2,151,445	(396,079)	1,755,366	84,047	-	84,047	(825,034)	(825,034)	(34,979)	(34,979)	(122,338)	1,253,141	(396,079)	-	857,062
Net Assets - Beginning of Year	31,580,784	1,096,685	32,677,469	882,416	10,000	892,416	(8,694,045)	(8,694,045)	(553,398)	(553,398)	6,565,926	29,781,683	1,096,685	10,000	30,888,368
NET ASSETS - END OF YEAR	$ 33,732,229	$ 700,606	$ 34,432,835	$ 966,463	$ 10,000	$ 976,463	$ (9,519,079)	$ (9,519,079)	$ (588,377)	$ (588,377)	$ 6,443,588	$ 31,034,824	$ 700,606	$ 10,000	$ 31,745,430

See independent auditors' report.

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Young Adult Institute, Inc. and Affiliates

YAI
Seeing beyond disability.

Consolidated Financial Statements
(Together with Independent Auditors' Report)

Year Ended June 30, 2016

MARKS PANETH
ACCOUNTANTS & ADVISORS

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEAR ENDED JUNE 30, 2016

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MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Directors of the
Young Adult Institute, Inc. and Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Young Adult Institute, Inc. ("YAI") ("YAI") and its Affiliates: Rockland County Association for the Learning Disabled ("RCALD"), Premier HealthCare, Inc. ("PHC") and the International Institute for People with Disabilities of Puerto Rico ("IIPD-PR") (YAI and its Affiliates are collectively referred to as the "Agency") which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Agency as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter- Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules (shown on pages 15-16) are presented for the purposes of additional analysis of the consolidated financial statements, rather than to present the financial position, change in net assets and cash flows of the individual affiliates, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Marks Paneth LLP

New York, NY
November 30, 2016

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2016

ASSETS		
Cash and cash equivalents (Notes 2D and 11)	$	16,228,595
Short-term Investments (Notes 2E and 4)		17,550,824
Accounts receivable, net (Notes 2F and 3)		29,782,322
Other receivables, net (Note 2F)		1,737,673
Prepaid expenses and other assets		4,611,533
Bond issuance costs, net (Note 2M)		1,712,382
Property and equipment, net (Notes 2H, 5, 6 and 7)		37,913,705
Debt service reserve (Notes 2N and 4)		3,113,580
Deferred charges		209,598
TOTAL ASSETS	$	112,860,212
LIABILITIES		
Accounts payable and accrued expenses	$	8,189,599
Accrued salary		5,727,660
Accrued vacation		3,039,649
Accrued pension (Note 12D)		2,305,401
Other liabilities		2,612,292
Due to funding sources (Note 8C)		14,335,552
Notes and mortgages payable (Note 7)		41,155,860
Capital lease obligations (Note 6)		1,035,936
Deferred rent (Note 2L)		3,569,895
TOTAL LIABILITIES		81,971,844
COMMITMENTS AND CONTINGENCIES (Note 8)		
NET ASSETS (Note 2C)		
Unrestricted		29,781,683
Temporarily restricted (Note 9)		1,096,685
Permanently restricted (Note 10)		10,000
TOTAL NET ASSETS		30,888,368
TOTAL LIABILITIES AND NET ASSETS	$	112,860,212

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

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Medicaid (Notes 2G and 2K)	$ 162,975,440	$ -	$ -	$ 162,975,440
Government Grants (Note 2G)	20,203,646	-	-	20,203,646
Medicare and Client Fees (Note 2G)	10,586,148	-	-	10,586,148
Vocational Rehabilitation	204,867	-	-	204,867
Other Revenues	4,170,978	-	-	4,170,978
Contributions (Note 2I)	489,422	1,200,000	-	1,689,422
Special Events (net of direct costs of $350,063)	383,877	-	-	383,877
Investment Activity (Note 4)	108,896	-	-	108,896
Net Assets Released from Restrictions (Note 2B)	491,127	(491,127)	-	-
TOTAL REVENUE AND SUPPORT	199,614,401	708,873	-	200,323,274
EXPENSES:				
Program Services:				
Residential Services	80,907,533	-	-	80,907,533
Day and Community Services	59,174,405	-	-	59,174,405
Clinical Services	21,797,061	-	-	21,797,061
Employment Services	2,141,639	-	-	2,141,639
Total Program Services	164,020,638	-	-	164,020,638
Supporting Services:				
Management and General (Note 2J)	29,336,921	-	-	29,336,921
Fundraising	441,828	-	-	441,828
Total Supporting Services	29,778,749	-	-	29,778,749
TOTAL EXPENSES	193,799,387	-	-	193,799,387
CHANGE IN NET ASSETS	5,815,014	708,873	-	6,523,887
Net Assets - Beginning of Year	23,966,669	387,812	10,000	24,364,481
NET ASSETS - END OF YEAR	$ 29,781,683	$ 1,096,685	$ 10,000	$ 30,888,368

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

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services					Supporting Services			
	Residential	Day and Community Services	Clinical Services	Employment Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	$ 47,353,829	$ 27,768,917	$ 13,371,956	$ 1,280,606	$ 89,775,308	$ 11,077,236	$ 35,289	$ 11,112,525	$ 100,887,833
Payroll taxes and benefits (Note 12)	14,960,108	8,823,554	3,112,626	361,944	27,258,232	3,249,728	11,095	3,260,823	30,519,055
Total Personnel Costs	62,313,937	36,592,470	16,484,582	1,642,550	117,033,540	14,326,964	46,383	14,373,347	131,406,887
Contracted services	607,737	455,671	1,350,591	15,581	2,429,580	797,983	-	797,983	3,227,563
Professional fees	356,419	199,984	57,737	12,046	626,187	5,449,188	124,734	5,573,922	6,200,109
Program supplies	2,228,229	1,371,470	279,852	7,522	3,887,073	-	-	-	3,887,073
Food	1,806,145	182,753	971	881	1,990,750	-	73,712	73,712	2,064,462
Transportation (Note 8)	1,141,389	9,933,833	7,712	63,425	11,146,359	107,790	10,986	118,776	11,265,135
Office and equipment expense	769,904	378,774	212,714	17,177	1,378,569	651,770	37,650	689,420	2,067,990
Staff development and expenses	153,122	130,593	48,533	18,970	351,217	541,978	-	541,978	893,195
Occupancy (Note 8)	2,029,158	4,844,860	1,756,395	124,630	8,755,043	1,816,714	-	1,816,714	10,571,757
Utilities	1,225,657	582,521	118,469	35,184	1,961,831	244,210	-	244,210	2,206,041
Repairs and maintenance	1,720,713	1,060,808	340,433	10,548	3,132,503	353,911	-	353,911	3,486,414
Insurance	829,382	407,177	237,433	20,533	1,494,525	719,747	1,564	721,311	2,215,836
Telephone	575,539	303,398	98,787	37,050	1,014,774	542,535	-	542,535	1,557,309
Information technology	243,917	501,275	23,737	30,048	798,977	1,391,578	116,452	1,508,030	2,307,007
Depreciation and amortization (Notes 2H and 5)	2,787,268	593,545	547,423	33,759	3,961,996	884,216	-	884,216	4,846,212
Interest	1,163,275	153,088	21,793	12,537	1,350,693	463,067	-	463,067	1,813,760
Bad debts	856,481	1,473,456	200,028	58,849	2,588,814	913,551	-	913,551	3,502,365
Miscellaneous	99,261	8,727	9,871	349	118,208	131,719	30,346	162,065	280,273
TOTAL EXPENSES	$ 80,907,533	$ 59,174,405	$ 21,797,061	$ 2,141,639	$ 164,020,638	$ 29,336,921	$ 441,828	$ 29,778,749	$ 193,799,387

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

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 6,523,887
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	4,846,214
Amortization of bond issuance costs	178,561
Unrealized gains on investments	(31,720)
Bad debts	3,502,366
Subtotal	15,019,308
Changes in operating assets and liabilities:	
(Increase) or decrease in assets:	
Accounts receivable	(6,047,801)
Prepaid expenses and other assets	(896,722)
Deferred charges	3,200,938
Other receivables	1,661,056
Increase or (decrease) in liabilities:	
Accounts payable and accrued expenses	(1,316,137)
Accrued salary	1,271,393
Accrued vacation	(678,011)
Accrued pension	(558,914)
Due to funding sources	(9,596,697)
Deferred rent	335,540
Other liabilities	(2,502,427)
Net Cash Used in Operating Activities	(108,474)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(5,945,615)
Sale of securities	989,220
Increase in debt service reserve	(118,672)
Net Cash Used in Investing Activities	(5,075,067)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from notes and mortgages	13,651,824
Principal repayments of notes and mortgages	(12,185,311)
Principal repayments of capital lease obligations	(728,703)
Net Cash Provided by Financing Activities	737,810
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,445,731)
Cash and Cash Equivalents - Beginning of Year	20,674,326
CASH AND CASH EQUIVALENTS- END OF YEAR	$ 16,228,595
Supplemental Disclosure of Cash Flow Information:	
Cash paid for interest	$ 1,813,761

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The Young Adult Institute, Inc. ("YAI") is organized under the Not-for-Profit Corporation Law of New York State and was incorporated in 1957. YAI has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. YAI has an equivalent exemption at the state and local level.

YAI serves people of all ages with developmental and learning disabilities, from infants through the elderly, in a variety of community settings and at home through state-of-the-art programs that help to build skills, expand opportunities, and support community living. YAI's many programs and direct services benefit thousands of individuals and their families daily throughout the New York metropolitan area. YAI is funded primarily by Medicaid. YAI's 311 programs and direct services benefit over 10,400 individuals and their families daily in 10 counties throughout the New York metropolitan area. YAI is funded primarily by Medicaid.

YAI is part of a network of independent agencies, collectively known as the YAI Network. The network provides programs and support for people with intellectual and developmental disabilities throughout New York City, Westchester County, Rockland County, Long Island, New Jersey, and Puerto Rico. YAI is the sole corporate member of three of these agencies which have been included in the consolidated financial statements. Further descriptions follow:

- YAI is the sole corporate member of Premier Healthcare, Inc. (“PHC”). PHC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. PHC has an equivalent exemption at the state and local level. PHC is an outpatient diagnostic and treatment center offering health care services to the general public with a specialty in medical services for people with developmental and learning disabilities and their families in many sites throughout the New York area. PHC is a quality health care practice providing outpatient clinic services which include: primary health, pediatrics, internal medicine, dentistry (including desensitization), nutrition, gynecology, neurology, podiatry, psychiatry, physical therapy, occupational therapy, ophthalmology, speech pathology and psychology. PHC’s primary source of revenue is patient service fees received from Medicaid, Medicare and other third-party payors.

- YAI is the sole corporate member of the Rockland County Association for the Learning Disabled (“RCALD”). RCALD has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. RCALD has an equivalent exemption at the state and local level. RCALD provides a wide variety of employment, residential, family support and social/recreational programs which promote essential social and vocational skills that enable people with learning and other developmental disabilities to lead independent, productive and dignified lives. RCALD provides extensive support and education to families and guidance and training to professionals who are assisting people with developmental and learning disabilities. RCALD is funded primarily by service fees paid by various New York State agencies and government grants.

- YAI is the sole corporate member of the International Institute for People with Disabilities of Puerto Rico, Inc. (“IIPD-PR”), which was incorporated in 1998 under the Not-for-Profit Corporation Law of the Commonwealth of Puerto Rico. IIPD-PR has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has a similar exemption at the state and local level. IIPD-PR creates employment opportunities for people with disabilities. The primary source of support is facilitated through long-term contracts with government and private industry and the development of affirmative businesses. By providing competitive employment opportunities for persons with disabilities, IIPD-PR demonstrates a commitment to independence, community inclusion and productivity for people with special needs. IIPD-PR is supported primarily by a government contract. IIPD-PR was dissolved subsequent to June 30, 2016 (see note 14B).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Accounting and Use of Estimates -*** The Agency's consolidated financial statements have been prepared on the accrual basis of accounting. The Agency adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

B. Basis of Consolidation – The Agency's accompanying consolidated financial statements include the activities of: YAI; PHC; RCALD and IIPD-PR. YAI has consolidated these entities pursuant to U.S. GAAP due to its financial interest and control over them. All material intercompany transactions and balances have been eliminated upon consolidation.

C. ***Basis of Net Asset Presentation -*** The Agency maintains its net assets under the following three classes:

Unrestricted - This represents net assets not subject to donor-imposed stipulations and that have no time restrictions. Such resources are available for support of the Agency's operations over which the Board of Directors has discretionary control.

Temporarily Restricted - This represents net assets subject to donor-imposed stipulations that will be met by actions of the Agency or by the passage of time. When a stipulated time restriction ends or purpose restriction is accomplished, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Permanently Restricted - This represents net assets subject to donor-imposed stipulations that they be maintained permanently by the Agency. Generally, the donors of these assets permit the Agency to use all or part of the income earned for unrestricted or donor-specified purposes.

D. ***Cash and Cash Equivalents*** **-** The Agency considers highly liquid debt instruments with maturities of three months or less, when acquired, to be cash and cash equivalents. Program participant funds included in cash and cash equivalents amounted to approximately $1,190,000 as of June 30, 2016. Such amounts are also included as a liability in the accompanying consolidated financial statements.

E. ***Short-term Investments and Fair Value Measurements*** **–** Short-term investments are carried at fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 4.

F. ***Allowance for Uncollectible Receivables -*** The Agency determines whether an allowance for uncollectible receivables should be provided for accounts receivable. Such estimate is based on management's assessment of the aged basis of its receivables, current economic conditions, historical experience, and collections subsequent to year end. As of June 30, 2016, the Agency determined an allowance of $2,629,043 was necessary for accounts receivable. In addition, the Agency has established an allowance for doubtful accounts for other receivables due from network agencies of approximately $1,244,800, representing nearly the entire balance due.

G. ***Revenue Recognition -*** The Agency records Medicaid revenue based on established rates multiplied by the number of units of service provided. Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, the Agency records a liability due to funding sources. Other revenue include management programmatic services provided to other network agencies. Such revenue is recorded based on the support service agreement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. ***Property and Equipment -*** Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the applicable lease. Property and equipment is capitalized by the Agency provided its cost is $5,000 or more and its useful life is greater than one year.

I. ***Contributions -*** Unconditional contributions, including promises to give cash and other assets, are reported at their fair value on the date the contribution is received. The Agency reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose of restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

J. ***Functional Expenses -*** The costs of providing program and supporting services of the Agency have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and general supporting services benefited. Included in management and general are costs associated with providing management services for other agencies which reimburse YAI for services provided

K. ***Prior Period Revenue -*** There are occasions when funding source reimbursements for prior years are adjusted in the current year. Such adjustments may be due to retroactive rate adjustments, funding source audit findings, additional monies available over and above original contract amounts, rate appeal results, etc. Included in Medicaid revenue for the year ended June 30, 2016 is an increase of approximately $600,000 of prior year revenues relating to such adjustments.

L. ***Deferred Rent -*** The Agency leases real property under various operating leases. The leases include rent escalations. Since the rent increases over time, the Agency records an adjustment to rent expense each year to reflect its straight-lining policy. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent in the accompanying consolidated statement of financial position.

M. ***Bond Issuance Costs -*** Bond issuance costs consist of financing costs which are amortized over the life of the bond. The amortization is on the straight line method which does not differ materially from the effective interest rate method.

N. ***Debt Service Reserves -*** Under the terms of the Industrial Development Agency ("IDA"), and Dormitory Authority State of new York ("DASNY"), the Agency is required to deposit with the bond trustee an amount to be held in a debt service reserve fund, which will be utilized to satisfy the last payment required on the mortgage, or can be used prior to that point under the direction of IDA or DASNY to make any loan payments due by reason of default or other causes spelled out in the loan agreement. The debt service reserve is carried at market value in the accompanying consolidated statement of financial position.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following as of June 30, 2016:

Due from Medicaid	$ 22,391,873
Due from the State of New York	7,077,504
Due from the City of New York	552,640
Due from other sources	2,389,348
	32,411,365
Less: allowance for doubtful accounts	(2,629,043)
	$ 29,782,322

NOTE 4 – SHORT-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS

Short-term investments consist of the following as of June 30, 2016:

Money market funds	$	16,498,354
Corporate bonds		817,375
Government bonds		235,095
	$	17,550,824

Investment activity consists of the following for the year ended June 30, 2016:

Interest	$	77,176
Unrealized gains		31,720
	$	108,896

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs. The Agency has no level 3 investments.

In determining fair value, the Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. Investments in money markets are valued using market prices in active markets (Level 1). Fair value of these investments are determined by management through the investment managers. Level 1 instrument valuations are obtained from real-time quotes in active exchange markets involving identical assets. Corporate bonds and U.S. Government bonds are designated as Level 2 instruments and valuations are obtained from similar market or model derived valuations in which all significant inputs are observable or can be derived primarily from or corroborated with observable market data (credit risk/grade, maturities, etc.).

Financial assets carried at fair value as of June 30, 2016 are classified in the table as follows:

	Level 1	Level 2	Total
Short-term Investments:			
Money market funds	$ 16,498,354	$ -	$ 16,498,354
Corporate bonds	-	817,375	817,375
Government bonds	-	235,095	235,095
Total Short-Term Investments	$ 16,498,354	1,052,470	17,550,824
Debt Service Reserve Fund:			
U.S. Treasury bills	3,113,580	-	3,113,580
	$ 19,611,934	$ 1,052,470	$ 20,664,404

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2016:

	Amount	Estimated Useful Lives
Land	$ 10,522,584	
Buildings and building improvements	55,639,346	15-25 years
Leasehold improvements	24,219,385	5-25 years
Furniture and equipment	15,813,187	3-10 years
Construction in progress (see below)	3,071,909	
	109,266,413	
Less: accumulated depreciation and amortization	(71,352,708)	
	$ 37,913,705	

Construction in progress consists of construction at a new location and various renovations with a combined additional estimated cost to complete of approximately $1.4 million and estimated completion dates in fiscal years 2017 and 2018.

NOTE 6 – CAPITAL LEASE OBLIGATIONS

YAI has capital lease agreements to fund the purchase of buildings, building improvements and equipment through two issuances in 2001 and 2002.

The New York City Industrial Development Agency ("NYCIDA"), a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York, issued and sold revenue bonds (Special Needs Pooled Program) carrying interest rates ranging from 6% to 7.25% per annum payable in semiannual installments with maturities in 2017. The proceeds of the loans were used to finance the purchase and renovation of various collateralized properties in New York. As part of the agreement with NYCIDA, YAI transferred the titles to all the facilities. NYCIDA has leased the facilities back to YAI for a term and at an amount concurrent with the bond repayment schedules. At the conclusion of the lease terms, YAI has the option to purchase each of the leased properties for $1.

The capital lease agreements require YAI to comply with certain terms and conditions. YAI was in compliance with all applicable financial covenants as of June 30, 2016.

Pursuant to the capital lease agreement, the debt service reserve fund was established with a balance of $482,116 as of June 30, 2016, included in the consolidated statement of financial position under debt service reserves.

In addition, YAI has capital leases for computer and electronic equipment with maturities in 2019.

As of June 30, 2016, future minimum principal lease payments are as follows:

2017	$ 903,801
2018	112,747
2019	19,388
	$ 1,035,936

NOTE 7 – NOTES AND MORTGAGES PAYABLE

	Amount
A. YAI has available an $18 million working capital line of credit with a bank and carrying an interest rate of prime or 30-day LIBOR (at YAI's election) plus 2% per annum, which at June 30, 2016 was 2.75%. The loan is collateralized by YAI's accounts receivable and matures in December 2017. The outstanding balance as of November 30, 2016 amounted to $12,342,911.	$ 12,842,911
B. YAI has available an $8 million line of credit with a bank for the acquisition and renovation of program sites. Upon receipt of New York State prior property approvals, the funds drawn down on this line of credit are subsequently converted into notes. As of June 30, 2016, there were four notes executed. The notes bear an interest rate of prime or 30-day LIBOR (at YAI's election) plus 2% per annum, resulting in a rate of 2.75% at June 30, 2016. The notes are collateralized by related property and mature in December 2017. The outstanding balance as of November 30, 2016 amounted to $1,044,393.	745,393
C. YAI has entered into various loan agreements with the Dormitory Authority of the State of New York. The loans carry interest rates ranging from 1.5% to 7.82% per annum, payable in semi-annual installments and have maturity dates ranging from August 2018 through July 2040. The loans are collateralized by YAI's underlying real property.	23,981,184
D. PHC has a $3 million revolving line of credit with a bank. The line has an interest rate of one half percent above prime rate (amounting to an interest rate of 4.00% as of June 30, 2016). Borrowings are secured by PHC's accounts receivable. The outstanding balance as of November 30, 2016 amounted to 1,346,907.	1,497,527
E. PHC has a self-liquidating mortgage with a bank bearing an interest rate of 4.541% per annum that is secured by property. Monthly payments of principal and interest amount to $20,910. This loan matures in August 2017.	241,964
F. RCALD has a line of credit with a bank in the amount of $1 million that will expire in March 2017. The line of credit bears an interest rate at the lender's prime rate. The line of credit is guaranteed by YAI. The outstanding balance as of November 30, 2016 amounted to $609,754.	651,881
G. RCALD financed the purchase and renovation of certain properties through the issuance of Civic Facility Revenue Bonds Series 2006J by the County of Rockland Industrial Development Agency (Special Needs Facilities Pooled Program) carrying average interest rates of: 4.75%, 4.74%, 4.78% and 4.75% per annum maturing in July 2020. The proceeds of the loan were used to finance the purchase and renovation of collateralized properties located in Rockland County, New York.	1,195,000
	$ 41,155,860

Most of the loans have provisions for loan covenants. The Agency was in compliance with these covenants as of and during the year ended June 30, 2016.

NOTE 7 – NOTES AND MORTGAGES PAYABLE (Continued)

Required future annual principal payments are payable as follows for the years ending June 30:

2017	$ 5,389,093
2018	16,514,817
2019	2,798,006
2020	2,851,936
2021	1,761,820
Thereafter	11,840,188
	$ 41,155,860

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. The Agency has a number of operating lease agreements. Annual future minimum rentals payable for real and personal property principally under long-term noncancellable operating leases expiring at varying dates through 2038 follows:

	Real Property	Vehicles and Equipment	Total
2017	$ 7,673,341	$ 641,001	$ 8,314,342
2018	6,711,224	470,690	7,181,914
2019	6,296,143	279,405	6,575,548
2020	5,723,073	53,415	5,776,488
2021	3,977,179	-	3,977,179
Thereafter	23,037,212	-	23,037,212
	$ 53,418,172	$ 1,444,511	$ 54,862,683

Rent expense (shown as occupancy and transportation in the accompanying consolidated statement of functional expenses) amounted to the following for the year ended June 30, 2016:

Real property	$ 9,573,596
Vehicles and equipment	1,196,679
	$ 10,770,275

B. The Agency believes it has no uncertain tax positions as of June 30, 2016 in accordance with Accounting Standard Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

C. The Agency receives a significant portion of its revenue for services provided from third-party reimbursement through government agencies and Medicaid. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the government. The Agency, when appropriate, records an estimated liability to governmental agencies for any excess reimbursement over allowable costs and underspending of interim rates. As of June 30, 2016, due to funding source represents overpayments from the 2010-2016 fiscal years for the Agency's programs. Such amounts are expected to be recouped by the funding sources.

D. The Agency is subject to legal proceedings and claims which have arisen in the ordinary course of its business and which have not been fully adjudicated. Management does not believe there will be a material adverse effect upon the financial position of the Agency.

NOTE 9 –TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2016, temporarily restricted net assets consist of $1,096,685 restricted for the Community of Learners and Linking Individuals to Necessary Knowledge (“LINK”) program.

NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of a $10,000 permanently restricted endowment fund maintained by RCALD.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (referred as “underwater”). When underwater endowment funds exist, the amount that is below the initial value is classified as a reduction of unrestricted net assets. As of June 30, 2016, there were no underwater funds.

NOTE 11 – CONCENTRATION

Cash and cash equivalents that potentially subject the Agency to a concentration of credit risk include cash and short-term investment accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Cash and short-term investment accounts are insured up to $250,000 per depositor. As of June 30, 2016, there was approximately $18.8 million of cash and cash equivalents and $16.5 million of short-term investments held by banks that exceeded FDIC limits.

NOTE 12 – RETIREMENT PLANS

On July 1, 2015, the Agency adopted the YAI Network Affiliates 401(a) Plan. Employees are eligible to participate in the plan upon completion of one year of service after July 1, 2015 and when the employee worked at least 1,000 hours. Contributions to this plan are based on amounts determined in accordance with the Internal Revenue Service Code Section 415. The liability and expense for the Agencies amounted to approximately $2,305,000 and $2,121,000, respectively as of and for the year ended June 30, 2016.

NOTE 13 – DUE TO MEDICAID

As required by statute, the New York State Department of Health (“DOH”) has begun transitioning Medicaid payments to diagnostic and treatment centers licensed under Article 28 of the New York Public Health Law (“D&TCs”) to the Ambulatory Patient Group (“APG”) payment methodology. On February 25, 2013, PHC, along with other D&TCs, received notice from DOH that the capital component of PHC’s Medicaid payment rate for the period September 1, 2009 through December 31, 2012 had been retroactively rebased, purportedly in accordance with annual D&TC cost reports submitted by PHC for successive years. In the same notice, DOH advised PHC that it intended to commence a take-back equal to 15 percent of PHC’s Medicaid remittances to recoup payments received during that period in excess of PHC’s recalculated rate.

PHC immediately contested DOH’s interpretation of applicable statutes and resulting retroactive reduction of PHC’s Medicaid payments. DOH agreed to suspend the imposition of a Medicaid withhold while it considered PHC’s position that the take-back violated these statutes.

PHC initiated negotiations with DOH seeking to invalidate the retroactive take-back in its entirety. During 2014, DOH began recoupments at 15% of cash receipts from February 2013 until May 2013, which amounted to $551,000. DOH returned approximately $409,000 of the recouped amount to PHC based on the negotiations.

The amount outstanding as of June 30, 2016 is $6,051,279. The start of the recoupment is still pending.

NOTE 14 – SUBSEQUENT EVENTS

A. Management has evaluated, for potential recognition or disclosure, events subsequent to the date of the statement of financial position through November 30, 2016, the date the financial statements were issued.

B. Subsequent to June 30, 2016, IIDP-PR ceased providing services and its operations are being closed down. IIPD-PR is supported by a single grant with the Commonwealth of Puerto Rico. IIDP-PR did not submit for an additional year of funding after the existing contract ended in September 2016. Subsequently, the Board of Trustees of IIDP-PR resigned and the Executive Director and staff ceased to be employed by IIDP-PR. YAI is the sole member of IIDP-PR and will cease operations of the business and dissolve the IIDP-PR nonstock corporation once the existing funding requirements have been satisfied.

YOUNG ADULT INSTITUTE, INC. AND AFFILIATE
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2016

	Young Adult Institute, Inc	RCLAD	Premier Healthcare	IIPR-PD	Consolidating Eliminations	Consolidated Total
ASSETS						
Cash and cash equivalents	$ 13,100,241	$ 377,315	$ 2,615,768	$ 135,271	$ -	$ 16,228,595
Short-term Investments	17,550,824	-	-	-	-	17,550,824
Accounts receivable, net	26,622,555	947,917	2,185,250	26,600	-	29,782,322
Other receivables, net	1,750,885	-	-	-	(13,212)	1,737,673
Prepaid expenses and other assets	3,975,463	251,704	363,263	21,103	-	4,611,533
Bond issuance costs, net	1,608,217	104,165	-	-	-	1,712,382
Property and equipment, net	34,535,025	1,388,011	1,990,669	-	-	37,913,705
Debt service reserve	2,806,580	307,000	-	-	-	3,113,580
Deferred charges	209,598	-	-	-	-	209,598
TOTAL ASSETS	$ 102,159,388	$ 3,376,112	$ 7,154,950	$ 182,974	$ (13,212)	$ 112,860,212
LIABILITIES						
Accounts payable and accrued expenses	$ 7,553,316	$ 129,264	$ 498,199	$ 8,820	$ -	$ 8,189,599
Accrued salary	5,104,892	185,615	428,196	8,957	-	5,727,660
Accrued vacation	2,573,169	131,731	331,523	3,226	-	3,039,649
Accrued pension	1,985,474	62,731	257,196	-	-	2,305,401
Other liabilities	2,612,292	-	-	-	-	2,612,292
Due to funding sources	7,753,135	92,016	6,490,401	-	-	14,335,552
Notes and mortgages payable	37,569,487	1,846,882	1,739,491	-	-	41,155,860
Capital lease obligations	1,035,936	-	-	-	-	1,035,936
Due to Related Party	-	13,212	5,850,557	715,369	(6,579,138)	-
Deferred rent	3,294,218	22,245	253,432	-	-	3,569,895
TOTAL LIABILITIES	69,481,919	2,483,696	15,848,995	736,372	(6,579,138)	81,971,844
COMMITMENTS AND CONTINGENCIES						
NET ASSETS						
Unrestricted	31,580,784	882,416	(8,694,045)	(553,398)	6,565,926	29,781,683
Temporarily restricted	1,096,685	-	-	-	-	1,096,685
Permanently restricted	-	10,000	-	-	-	10,000
TOTAL NET ASSETS	32,677,469	892,416	(8,694,045)	(553,398)	(13,212)	30,888,368
TOTAL LIABILITIES AND NET ASSETS	$ 102,159,388	$ 3,376,112	$ 7,154,950	$ 182,974	$ (13,212)	$ 112,860,212

See independent auditors' report.

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Young Adult Institute, Inc			Rockland County Association for the Learning Disable			Premier Healthcare, Inc.			International Intitute for People With Disability of Puerto Rico				Consolidated Total			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Permanent Restricted	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	Consolidating Eliminations	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016
REVENUE AND SUPPORT																	
Medicaid	$ 144,956,105	$ -	$ 144,956,105	$ 4,724,417	$ -	$ 4,724,417	$ 13,294,918	$ -	$ 13,294,918	$ -	$ -	$ -	$ -	$ 162,975,440	$ -	$ -	$ 162,975,440
New York Contractual Agreements	18,770,763	-	18,770,763	1,432,883	-	1,432,883	-	-	-	-	-	-	-	20,203,646	-	-	20,203,646
Medicare and Client fees	7,366,929	-	7,366,929	484,570	-	484,570	2,734,649	-	2,734,649	-	-	-	-	10,586,148	-	-	10,586,148
Vocational Rehabilitation	-	-	-	-	-	-	-	-	-	204,867	-	204,867	-	204,867	-	-	204,867
Other Revenues	5,882,982	-	5,882,982	-	-	-	-	-	-	-	-	-	(1,712,004)	4,170,978	-	-	4,170,978
Contributions	447,322	1,200,000	1,647,322	7,805	-	7,805	18,000	-	18,000	16,295	-	16,295	-	489,422	1,200,000	-	1,689,422
Special Events (net of direct costs of $350,063)	371,777	-	371,777	12,100	-	12,100	-	-	-	-	-	-	-	383,877	-	-	383,877
Investment Activity	93,427	-	93,427	14,266	-	14,266	1,203	-	1,203	-	-	-	-	108,896	-	-	108,896
Net Assets Released from Restrictions	491,127	(491,127)	-	-	-	-	-	-	-	-	-	-	-	491,127	(491,127)	-	-
TOTAL REVENUE AND SUPPORT	178,380,432	708,873	179,089,305	6,676,041	-	6,676,041	16,048,770	-	16,048,770	221,162	-	221,162	(1,712,004)	199,614,401	708,873	-	200,323,274
EXPENSES:																	
Program Services:																	
Residential Services	76,893,215	-	76,893,215	4,014,318	-	4,014,318	-	-	-	-	-	-	-	80,907,533	-	-	80,907,533
Day and Community Services	58,364,524	-	58,364,524	809,881	-	809,881	-	-	-	-	-	-	-	59,174,405	-	-	59,174,405
Clinical Services	7,363,688	-	7,363,688	-	-	-	14,433,373	-	14,433,373	-	-	-	-	21,797,061	-	-	21,797,061
Employment Initative Services	1,174,976	-	1,174,976	797,109	-	797,109	-	-	-	169,554	-	169,554	-	2,141,639	-	-	2,141,639
Total Program Services	143,796,403	-	143,796,403	5,621,308	-	5,621,308	14,433,373	-	14,433,373	169,554	-	169,554	-	164,020,638	-	-	164,020,638
Supporting Services:																	
Management and General	27,175,714	-	27,175,714	1,161,143	-	1,161,143	2,678,955	-	-	33,113	-	33,113	(1,712,004)	29,336,921	-	-	29,336,921
Fundraising	437,218	-	437,218	3,739	-	3,739	-	-	-	871	-	871	-	441,828	-	-	441,828
Total Supporting Services	27,612,932	-	27,612,932	1,164,882	-	1,164,882	2,678,955	-	-	33,984	-	33,984	(1,712,004)	29,778,749	-	-	29,778,749
TOTAL EXPENSES	171,409,335	-	171,409,335	6,786,190	-	6,786,190	17,112,328	-	17,112,328	203,538	-	203,538	(1,712,004)	193,799,387	-	-	193,799,387
CHANGE IN NET ASSETS	6,971,097	708,873	7,679,970	(110,149)	-	(110,149)	(1,063,558)	-	(1,063,558)	17,624	-	17,624	-	5,815,014	708,873	-	6,523,887
Net Assets - Beginning of Year	24,609,687	387,812	24,997,499	992,565	10,000	1,002,565	(7,630,487)	-	(7,630,487)	(571,022)	-	(571,022)	6,565,926	23,966,669	387,812	10,000	24,364,481
NET ASSETS - END OF YEAR	$ 31,580,784	$ 1,096,685	$ 32,677,469	$ 882,416	$ 10,000	$ 892,416	$ (8,694,045)	$ -	$ (8,694,045)	$ (553,398)	$ -	$ (553,398)	$ 6,565,926	$ 29,781,683	$ 1,096,685	$ 10,000	$ 30,888,368

See independent auditors' report.

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APPENDIX C

UNAUDITED FINANCIAL STATEMENTS OF SERIES 2019 PARTICIPANTS

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APPENDIX C-I

DEVELOPMENTAL DISABILITIES, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF DECEMBER 31, 2018)

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DEVELOPMENTAL DISABILITIES INSTITUTE, INC.

Financial Report for the period ending December 31, 2018

Developmental Disabilities Institute, Inc.
Balance Sheet
December 31, 2018 and December 31, 2017

	December 31, 2018	November 30, 2018	December 31, 2017
	Assets		
Current Assets			
Cash	$ 9,948,718	$ 15,134,224	$ 13,686,881
Restricted Cash - Pension	-	-	1,035,273
Restricted Cash - Workers Comp	1,278,323	1,278,105	1,275,769
Restricted Cash - Capital Campaign	214,955	214,635	-
Accounts Receivable (less allowance for doubtful accounts of $541,858 and $592,615 respectively)	19,895,169	17,737,569	19,203,954
Grants Receivable	1,046,578	1,037,739	1,011,872
Capital Campaign Receivable	58,942	63,937	-
Prepaid Expenses and Other Current Assets	3,837,020	1,339,103	2,891,338
Total Current Assets	36,279,705	36,805,312	39,105,087
Fixed Assets			
Land, Buildings and Improvements	51,809,767	51,786,893	50,540,942
Leasehold Improvements	2,008,209	2,008,209	2,008,209
Furniture, Fixtures and Equipment	9,262,404	9,237,748	8,606,772
Vehicles	6,180,159	6,180,159	5,937,665
	69,260,539	69,213,009	67,093,588
Less Accumulated Depreciation	(43,179,832)	(42,920,891)	(40,253,083)
Construction-In-Progress	4,248,728	3,618,698	785,149
Net Fixed Assets	30,329,435	29,910,816	27,625,654
Other Assets			
Due from Affiliates (DDI Foundation)	-	-	35,956
Assets Limited as to use	4,917,325	4,746,746	4,708,559
Other investments	28,688	28,688	28,688
Other Assets	4,946,013	4,775,434	4,773,203
Total Assets	**$ 71,555,153**	**$ 71,491,562**	**$ 71,503,944**
	Liabilities And Net Assets		
Current Liabilities			
Accounts Payable	$ 2,096,276	$ 1,878,440	$ 950,928
Accrued Expenses	4,035,584	3,970,929	3,470,125
Interest Payable	174,906	161,886	177,208
Accrued Payroll	4,431,575	3,613,984	4,132,129
Accrued related benefits	997,542	936,412	826,753
Reserve for worker's compensation	1,291,879	1,299,467	1,356,231
Accrued Pension	1,296,578	-	879,584
Deferred Revenue	949,059	1,115,910	2,634,870
Current portion of Capital Leases	644,503	644,503	765,696
Current portion Mortgages and Notes Payable	193,379	193,379	184,349
Current portion of Bonds Payable	2,053,208	2,053,208	1,972,176
Current portion of Due to Governmental Agencies	4,064,266	4,054,867	4,062,105
Total Current Liabilities	22,228,755	19,922,985	21,412,154
Long - Term Liabilities			
Deferred Revenue, less current	2,173,716	2,172,334	2,270,137
Capital Lease Obligation, less current	906,207	973,748	1,053,118
Mortgages and Notes Payable, less current	1,535,196	1,550,571	1,724,224
Bonds Payable, less current	16,998,519	17,014,534	19,046,728
Due to Governmental Agencies, less current portion	663,791	655,497	678,153
Long-Term Liabilities	22,277,429	22,366,684	24,772,360
Total Liabilities	**44,506,184**	**42,289,669**	**46,184,514**
Net Assets			
Without donor restrictions	*26,647,483*	*28,822,823*	*25,319,430*
With donor restrictions	401,486	379,070	-
Total Net Asssets	27,048,969	29,201,893	25,319,430
Liabilities and Net Assets	**$ 71,555,153**	**$ 71,491,562**	**$ 71,503,944**

Note: Effective 4/1/18, the Irrevocable Letter of Credit issued to AIG relating to the worker's comp policy increased to $3,816,837 from $3,616,837; as of December 31, 2018 there were no draw downs on this Letter of Credit.

Developmental Disabilities Institute, Inc.
Statement of Cash Flows
For the Twelve Months Ended December 31, 2018

	December 31, 2018	November 30, 2018
Operating activities		
Excess of support and revenue over expenses	777,342	2,930,264
Transfer of Net Assets from Foundation	952,197	952,197
Adjustments to reconcile excess of support and revenue over expenses to net cash provided by operating activities:		
Depreciation and Amortization	3,263,555	3,004,615
Increase/decrease to:		
Accounts Receivable	(691,215)	1,466,385
Grants Receivable	(34,706)	(25,867)
Capital Campaign Receivable	(58,942)	(63,937)
Due from Affiliate	35,956	35,956
Prepaid and Other Assets	(945,682)	1,552,235
Accounts Payable	1,145,348	927,512
Accrued Expenses	565,459	500,804
Workers Compensation	(64,352)	(56,764)
Interest Payable	(2,302)	(15,322)
Accrued Payroll	299,446	(518,145)
Accrued Related Benefits	170,789	109,659
Accrued Pension Payable	416,994	(879,584)
Deferred Revenue	(1,782,232)	(1,616,763)
Due to Governmental Agencies	(12,201)	(29,892)
Net cash provided by operating activities	**4,035,454**	**8,273,353**
Investing activities		
Purchases of Property and Equipment - Net of Disposals	(5,967,336)	(5,289,777)
Assets Limited as to use	(208,766)	(38,187)
Net cash used in investing activities	(6,176,102)	(5,327,964)
Financing activities		
Principal payments on Capital Lease	(268,104)	(200,563)
Principal payments on Mortgages and Notes Payable	(179,998)	(164,623)
Principal payments on Bonds	(1,967,177)	(1,951,162)
Net cash used in financing activities:	**(2,415,279)**	**(2,316,348)**
Increase in cash and cash equivalents	**(4,555,927)**	**629,041**
Cash and cash equivalents, at December 31, 2017	15,997,923	15,997,923
Cash and cash equivalents, at December 31, 2018	**$ 11,441,996**	**$ 16,626,964**

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Developmental Disabilities Institute, Inc.
Statement of Revenue and Functional Expenses
For the Month ended December 31, 2018
Summary of All Divisions

	Program Services												
	Children's Day Program	Early Childhood Services	Children's Residential Program	Adult Day Services	Adult ICF Services	Adult IRA Services	Care Coordination/ Case Mgmt	Self Direction	Other Programs	Fundraising	Subtotal	ADMIN	Grand Total
Change in Net Assets without donor restrictions													
Revenue													
SED/ EI	1,416,170	1,485,625	0	0	0	0	0	0	0	0	2,901,795	0	2,901,795
Medicaid	21,558	3,239	1,010,140	1,497,486	344,490	2,383,933	0	51,184	0	0	5,312,030	0	5,312,030
Grants	9,340	78,985	985	4,793	0	0	126	11	7,317	0	101,557	1,461	103,018
Special Events	0	0	0	0	0	0	0	0	0	1,345	1,345	0	1,345
Other Income	3,549	29,298	155	61,625	54	210,407	132,734	10,980	58,942	20,868	528,612	20,051	548,663
Total Revenue	**1,450,617**	**1,597,147**	**1,011,280**	**1,563,904**	**344,544**	**2,594,340**	**132,860**	**62,175**	**66,259**	**22,213**	**8,845,339**	**21,512**	**8,866,851**
Expenses													
Salary expenses													
Direct Care	446,613	552,327	475,014	624,364	219,556	1,545,730	0	20,435	0	0	3,884,039	0	3,884,039
Support	0	0	10,186	1,945	7,001	52,710	0	0	0	0	71,842	0	71,842
Clinical	330,480	369,072	139,469	169,751	24,155	204,965	49,512	7,172	3,215	0	1,297,791	15,501	1,313,292
Program Admin/Admin	58,861	96,592	49,734	83,002	5,745	46,887	0	207	0	28,524	369,552	391,766	761,318
Maintenance	43,562	53,008	21,233	65,102	6,939	41,019	1,004	98	5,490	147	237,602	8,220	245,822
Transportation	5,108	1,749	8,997	250,394	2,266	17,027	33	3	140	5	285,722	3,689	289,411
Accrued Vacation	670	875	15	527	196	1,016	23	0	0	0	3,322	74	3,396
Employee Recruitment Salaries	0	600	600	0	0	600	0	0	0	0	1,800	0	1,800
Workmen's Comp Reimbursement	(5,988)	(4,233)	(3,498)	(10,244)	(2,527)	(14,329)	(15)	(1)	(65)	(2)	(40,902)	(3,892)	(44,794)
Total Salaries Expense	879,306	1,069,990	701,750	1,184,841	263,331	1,895,625	50,557	27,914	8,780	28,674	6,110,768	415,358	6,526,126
Fringe Benefits & OTPS													
Employee Benefits	497,588	543,637	274,531	513,564	105,293	792,560	26,215	5,524	4,325	10,089	2,773,326	182,881	2,956,207
Fees For Service Professionals	177	2,599	6,246	0	1,950	16,976	0	4,770	0	3,500	36,218	375	36,593
Telephone & Communications	5,880	8,448	5,058	19,791	1,097	12,169	435	34	815	142	53,869	4,002	57,871
Travel	1,582	3,642	959	4,915	518	4,232	2,458	147	143	5	18,601	584	19,185
Food & Household Supplies	26	0	48,452	4,513	11,511	82,561	0	0	0	0	147,063	0	147,063
Program & Recreation Expense	7,061	10,276	10,341	10,309	2,801	27,080	0	0	2,856	11,961	82,685	479	83,164
Supplies & Office Expense	5,995	12,828	3,169	7,090	467	4,491	59	922	1,337	5,418	41,776	54,749	96,525
Miscellaneous Expense	0	0	0	0	0	2,023	0	0	0	0	2,023	578	2,601
Furniture & Equipment	290	194	1	4,441	71	1,598	0	0	0	0	6,595	2,439	9,034
Medical Expense	1,089	469	3,110	693	3,251	5,969	0	0	0	0	14,581	0	14,581
Staff Expenses	8,334	4,152	2,125	5,525	660	6,245	3	235	12	68	27,359	26,070	53,429
Vehicle Expense	1,277	353	3,491	53,291	3,870	35,853	6	1	28	282	98,452	159	98,611
Insurance Expense	11,395	10,952	11,256	40,864	4,838	35,195	255	170	573	62	115,560	4,179	119,739
Meetings & Conferences	278	0	0	635	12	98	0	0	0	0	1,023	1,599	2,622
Legal & Accounting	0	0	101	0	0	(1,860)	0	0	0	0	(1,759)	5,502	3,743
Admin Fees	168	166	64	105	11	126	0	0	0	0	640	99	739
Fuel & Utilities	15,144	18,919	12,537	25,526	4,381	27,655	335	34	5,801	52	110,384	3,865	114,249
Repairs & Maintenance	13,723	15,334	11,815	30,836	2,807	26,844	193	20	2,696	30	104,298	2,008	106,306
Medicaid Assessment Tax	0	0	52,652	0	17,994	0	0	0	0	0	70,646	0	70,646
Transportation Serv. Exp.	0	0	0	2,405	0	0	0	0	0	0	2,405	0	2,405
OTPS - Self Directed Reimbursement	0	0	0	0	0	0	0	12,358	0	0	12,358	0	12,358
Total Fringe Benefits & OTPS	**570,007**	**631,969**	**445,908**	**724,503**	**161,532**	**1,079,815**	**29,959**	**24,215**	**18,586**	**31,609**	**3,718,103**	**289,568**	**4,007,671**
Property													
Rent	38	39,728	0	77,227	0	0	0	0	20,583	0	137,576	1,751	139,327
Property Insurance	1,620	2,250	1,025	955	230	3,036	41	4	322	6	9,489	436	9,925
Property Interest	12,890	3,694	15,344	11,953	405	28,722	1,151	116	8,262	27	82,564	5,873	88,437
Depreciation & Capital Lease Amort.	22,938	16,055	38,843	52,086	5,838	91,523	671	151	9,731	18	237,854	21,090	258,944
Property - Self Directed Reimbursement	0	0	0	0	0	0	0	1,828	0	0	1,828	0	1,828
Total Property	**37,486**	**61,727**	**55,212**	**142,221**	**6,473**	**123,281**	**1,863**	**2,099**	**38,898**	**51**	**469,311**	**29,150**	**498,461**
Total Functional Expenses	**1,486,799**	**1,763,686**	**1,202,870**	**2,051,565**	**431,336**	**3,098,721**	**82,379**	**54,228**	**66,264**	**60,334**	**10,298,182**	**734,076**	**11,032,258**
Allocation Of Central Admin Exp	108,243	127,112	85,714	142,601	31,731	222,223	6,013	3,893	2,044	4,502	734,076	(734,076)	0
Total Functional Exp After Allocations	**1,595,042**	**1,890,798**	**1,288,584**	**2,194,166**	**463,067**	**3,320,944**	**88,392**	**58,121**	**68,308**	**64,836**	**11,032,258**	**0**	**11,032,258**
Operating Surplus / Deficit	**(144,425)**	**(293,651)**	**(277,304)**	**(630,262)**	**(118,523)**	**(726,604)**	**44,468**	**4,054**	**(2,049)**	**(42,623)**	**(2,186,919)**	**21,512**	**(2,165,407)**
Prior Period Adjustment	0	150	0	(10,088)	0	0	0	0	0	0	(9,938)	0	(9,938)
Net Surplus/Deficit (Increase/Decrease in Net Assets without donor restrictions)	**(144,425)**	**(293,501)**	**(277,304)**	**(640,350)**	**(118,523)**	**(726,604)**	**44,468**	**4,054**	**(2,049)**	**(42,623)**	**(2,196,857)**	**21,512**	**(2,175,345)**
Change in Net Assets with donor restrictions													
Capital Campaign	0	0	0	0	0	0	0	0	0	4,110	4,110	0	4,110
Other Income	0	0	0	0	0	0	0	0	0	27,407	27,407	0	27,407
Net Assets released from restrictions	0	0	0	0	0	0	0	0	0	(9,100)	(9,100)	0	(9,100)
Increase/Decrease in Net Assets with donor restrictions	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**22,417**	**22,417**	**0**	**22,417**
Total Increase/Decrease in Net Assets	**(144,425)**	**(293,501)**	**(277,304)**	**(640,350)**	**(118,523)**	**(726,604)**	**44,468**	**4,054**	**(2,049)**	**(20,206)**	**(2,174,440)**	**21,512**	**(2,152,928)**
Fringe %	56.59%	50.81%	39.12%	43.34%	39.99%	41.81%	51.85%	19.79%	49.26%	35.19%	45.38%	44.03%	
Admin Allocation	7.47%	7.47%	7.47%	7.47%	7.47%	7.47%	7.47%	7.47%	7.47%	7.47%	7.47%	7.47%	

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Developmental Disabilities Institute, Inc.
Statement of Revenue and Functional Expenses
For the Twelve Months Ended December 31, 2018
Summary of All Divisions

	Program Services												
	Children's Day Program	Early Childhood Services	Children's Residential Program	Adult Day Services	Adult ICF Services	Adult IRA Services	Care Coordination Case Mgmt	Self Direction	Other Programs	Fundraising	Total	ADMIN	Grand Total
Change in Net Assets without donor restrictions													
Revenue													
SED/ EI	15,932,419	17,762,072	0	0	0	0	0	0	0	0	33,694,491	0	33,694,491
Medicaid	243,757	39,410	11,801,800	18,502,500	4,032,123	27,259,477	505,396	403,979	0	0	62,788,442	0	62,788,442
Grants	225,457	736,403	15,152	83,478	0	0	1,367	64	24,544	0	1,086,465	13,723	1,100,188
Special Events	0	0	0	0	0	0	0	0	0	259,841	259,841	0	259,841
Other Income	74,170	378,004	2,123	860,440	650	2,504,182	746,229	116,130	768,110	39,426	5,489,464	254,353	5,743,817
Total Revenue	**16,475,803**	**18,915,889**	**11,819,075**	**19,446,418**	**4,032,773**	**29,763,659**	**1,252,992**	**520,173**	**792,654**	**299,267**	**103,318,703**	**268,076**	**103,586,779**
Expenses													
Salary expenses													
Direct Care	5,536,088	6,364,909	4,581,157	5,587,385	1,949,239	14,132,155	0	157,417	0	0	38,308,350	46	38,308,396
Support	0	0	96,534	20,593	56,555	445,335	0	0	0	0	619,017	0	619,017
Clinical	3,860,309	4,172,510	1,261,592	1,726,046	226,421	1,770,771	470,584	65,926	42,437	0	13,596,596	113,408	13,710,004
Program Admin/Admin	622,169	1,034,519	439,711	748,953	56,316	450,192	6,778	1,729	(6)	74,586	3,434,947	3,666,175	7,101,122
Maintenance	438,474	462,157	164,481	469,652	76,999	484,506	11,310	1,093	53,415	789	2,162,876	94,641	2,257,517
Transportation	40,211	13,017	47,036	2,232,256	19,089	139,323	318	31	1,024	24	2,492,329	29,658	2,521,987
Accrued Vacation	8,046	10,505	177	6,327	2,356	12,194	277	0	0	0	39,882	892	40,774
Employee Recruitment Salaries	8,742	19,448	8,820	14,040	2,748	15,301	1,724	1	21	0	70,845	771	71,616
Workmen's Comp Reimbursement	(5,988)	(4,233)	(3,498)	(10,244)	(2,527)	(14,329)	(15)	(1)	(65)	(2)	(40,902)	(3,892)	(44,794)
Total Salaries Expense	10,508,051	12,072,832	6,596,010	10,795,008	2,387,196	17,435,448	490,976	226,196	96,826	75,397	60,683,940	3,901,699	64,585,639
Fringe Benefits & OTPS													
Employee Benefits	3,818,308	3,883,349	1,844,490	3,393,245	694,193	5,197,557	182,277	33,207	31,169	24,808	19,102,603	1,259,788	20,362,391
Fees For Service Professionals	3,173	29,227	25,900	0	21,573	111,448	0	41,370	0	10,500	243,191	87,492	330,683
Telephone & Communications	72,003	101,262	59,197	222,608	13,178	133,487	5,166	411	13,190	623	621,125	44,848	665,973
Travel	21,895	31,031	13,084	51,946	7,179	53,516	26,260	2,445	1,581	284	209,221	18,858	228,079
Food & Household Supplies	2,270	2,623	553,920	57,965	165,794	1,130,686	262	0	0	0	1,913,520	753	1,914,273
Program & Recreation Expense	139,890	586,498	145,946	129,168	24,726	169,704	2	0	11,199	58,644	1,265,777	2,099	1,267,876
Supplies & Office Expense	86,977	128,065	33,466	80,528	13,449	51,203	12,075	9,858	1,851	31,694	449,166	729,373	1,178,539
Miscellaneous Expense	0	0	0	418	0	2,023	0	0	0	0	2,441	5,888	8,329
Furniture & Equipment	10,780	24,193	6,781	20,599	1,417	13,716	75	8	43	1,822	79,434	34,660	114,094
Medical Expense	7,943	12,424	36,589	10,509	17,731	100,775	5	1	5	1	185,983	383	186,366
Staff Expenses	113,493	94,465	67,169	87,370	12,929	118,864	494	1,024	236	501	496,545	153,763	650,308
Vehicle Expense	18,666	3,794	55,161	591,476	39,743	289,063	94	9	297	288	998,591	2,190	1,000,781
Insurance Expense	133,921	124,233	124,258	446,653	55,198	393,975	4,628	1,618	6,736	163	1,291,383	50,579	1,341,962
Meetings & Conferences	2,639	5,409	4,111	13,037	1,270	9,961	45	99	1,058	540	38,169	15,747	53,916
Legal & Accounting	488	2,465	28,652	556	27	2,067	313	0	0	3,150	37,718	196,193	233,911
Admin Fees	1,937	1,928	734	1,145	150	1,403	3	0	5	0	7,305	1,280	8,585
Fuel & Utilities	141,315	215,620	128,328	239,762	51,318	332,283	2,939	300	68,008	200	1,180,073	33,733	1,213,806
Repairs & Maintenance	149,959	219,757	212,865	394,693	51,196	355,743	2,962	453	51,848	778	1,440,254	38,570	1,478,824
Medicaid Assessment Tax	0	0	615,195	0	210,614	0	0	0	0	0	825,809	0	825,809
Bad Debt Expense	1,502	0	0	0	0	0	0	0	0	0	1,502	0	1,502
Transportation Serv. Exp.	0	0	0	42,659	0	0	0	0	0	0	42,659	0	42,659
OTPS - Self Directed Reimbursement	0	0	0	0	0	0	0	106,277	0	0	106,277	0	106,277
Total Fringe Benefits & OTPS	**4,727,159**	**5,466,343**	**3,955,846**	**5,784,337**	**1,381,685**	**8,467,474**	**237,600**	**197,080**	**187,226**	**133,996**	**30,538,746**	**2,676,197**	**33,214,943**
Property													
Rent	387	474,371	4	921,342	11	86	0	0	244,732	0	1,640,933	20,842	1,661,775
Property Insurance	20,689	28,339	12,605	11,808	2,807	36,639	498	51	3,908	32	117,376	5,254	122,630
Property Interest	161,253	47,489	186,141	157,473	5,392	354,604	14,459	1,457	107,488	139	1,035,895	71,037	1,106,932
Depreciation & Capital Lease Amort.	292,803	201,137	459,179	665,357	72,309	1,087,419	8,125	1,406	130,319	95	2,918,149	345,405	3,263,554
Property - Self Directed Reimbursement	0	0	0	0	0	0	0	13,972	0	0	13,972	0	13,972
Total Property	**475,132**	**751,336**	**657,929**	**1,755,980**	**80,519**	**1,478,748**	**23,082**	**16,886**	**486,447**	**266**	**5,726,325**	**442,538**	**6,168,863**
Total Functional Expenses	**15,710,342**	**18,290,511**	**11,209,785**	**18,335,325**	**3,849,400**	**27,381,670**	**751,658**	**440,162**	**770,499**	**209,659**	**96,949,011**	**7,020,434**	**103,969,445**
Allocation Of Central Admin Exp	1,172,491	1,349,803	812,063	1,275,935	290,050	1,993,471	56,071	32,575	21,860	16,115	7,020,434	(7,020,434)	0
Total Functional Exp After Allocations	**16,882,833**	**19,640,314**	**12,021,848**	**19,611,260**	**4,139,450**	**29,375,141**	**807,729**	**472,737**	**792,359**	**225,774**	**103,969,445**	**(0)**	**103,969,445**
Operating Surplus / Deficit	**(407,030)**	**(724,425)**	**(202,773)**	**(164,842)**	**(106,677)**	**388,518**	**445,263**	**47,436**	**295**	**73,493**	**(650,742)**	**268,076**	**(382,666)**
Prior Period Adjustment	64,789	85,927	677,320	246,827	(2,027)	2,373	(27)	0	45	0	1,075,227	(997)	1,074,230
Net Surplus/Deficit (Increase/Decrease in Net Assets without donor restrictions)	**(342,241)**	**(638,498)**	**474,547**	**81,985**	**(108,704)**	**390,891**	**445,236**	**47,436**	**340**	**73,493**	**424,485**	**267,079**	**691,564**
Change in Net Assets with donor restrictions													
Capital Campaign	0	0	0	0	0	0	0	0	0	8,834	8,834	0	8,834
Other Income	0	0	0	0	0	0	0	0	0	96,259	96,259	0	96,259
Net Assets released from restrictions	0	0	0	0	0	0	0	0	0	(19,315)	(19,315)	0	(19,315)
Increase/Decrease in Net Assets with donor restrictions	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**85,778**	**85,778**	**0**	**85,778**
Transfer of Net Assets from Foundation	0	0	0	0	0	0	0	0	0	952,197	952,197	0	952,197
Total Increase/Decrease in Net Assets	**(342,241)**	**(638,498)**	**474,547**	**81,985**	**(108,704)**	**390,891**	**445,236**	**47,436**	**340**	**1,111,468**	**1,462,460**	**267,079**	**1,729,539**
Fringe %	36.34%	32.17%	27.96%	31.43%	29.08%	29.81%	37.13%	14.68%	32.19%	32.9%	31.48%	32.29%	
Admin Allocation	7.70%	7.70%	7.70%	7.70%	7.70%	7.70%	7.70%	7.70%	7.70%	7.70%	7.70%	7.70%	

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Summary of All Divisions

For the Twelve Months Ended December 31, 2018

	MTD		Variance		YTD		Variance	
	Actual	Budget	$	%	Actual	Budget	$	%
Change in Net Assets without donor								
Revenue								
SED/ EI	2,901,795	3,016,801	(115,006)	-3.81%	33,694,491	34,687,979	(993,488)	-2.86%
Medicaid	5,312,030	5,366,982	(54,953)	-1.02%	62,788,442	62,527,667	260,776	0.42%
Grants	103,018	92,440	10,578	11.44%	1,100,188	1,300,480	(200,292)	-15.40%
Special Events	1,345	0	1,345	0.00%	259,841	0	259,841	0.00%
Other Income	548,663	414,252	134,411	32.45%	5,743,817	4,834,503	909,315	18.81%
Total Revenue	**8,866,851**	**8,890,475**	**(23,625)**	**-0.27%**	**103,586,779**	**103,350,629**	**236,152**	**0.23%**
Expenses								
Salary expenses								
Direct Care	3,884,039	3,220,599	663,442	20.60%	38,308,396	36,669,408	1,638,988	4.47%
Support	71,842	111,122	(39,279)	-35.35%	619,017	1,251,110	(632,093)	-50.52%
Clinical	1,313,292	1,195,740	117,552	9.83%	13,710,004	13,902,406	(192,401)	-1.38%
Program Admin/Admin	761,318	631,229	130,089	20.61%	7,101,122	7,392,069	(290,947)	-3.94%
Maintenance	245,822	190,907	54,915	28.77%	2,257,517	2,214,467	43,051	1.94%
Transportation	289,410	176,489	112,921	63.98%	2,521,987	2,064,744	457,245	22.15%
Accrued Vacation	3,398	0	3,398	0.00%	40,774	0	40,775	0.00%
Employee Recruitment Salaries	1,800	8,038	(6,238)	-77.61%	71,617	96,458	(24,841)	-25.75%
Workers Comp Reimbursement	(44,795)	0	(44,795)	0.00%	(44,795)	0	(44,795)	0.00%
Total Salaries Expense	6,526,126	5,534,124	992,005	17.93%	64,585,639	63,590,662	994,982	1.56%
Fringe Benefits & OTPS								
Employee Benefits	2,956,205	1,739,437	1,216,768	69.95%	20,362,391	20,037,393	325,001	1.62%
Fees For Service Professionals	36,592	47,457	(10,865)	-22.89%	330,682	544,194	(213,512)	-39.23%
Contingent Spending - Direct Care	0	862	(862)	-100.00%	0	1,009,947	(1,009,947)	-100.00%
Telephone & Communications	57,869	60,332	(2,463)	-4.08%	665,973	702,442	(36,468)	-5.19%
Travel	19,188	17,936	1,252	6.98%	228,077	208,556	19,521	9.36%
Food & Household Supplies	147,066	162,959	(15,893)	-9.75%	1,914,273	1,934,213	(19,940)	-1.03%
Program & Recreation Expense	83,165	54,604	28,561	52.31%	1,267,876	740,176	527,703	71.29%
Supplies & Office Expense	96,525	104,013	(7,485)	-7.20%	1,178,539	1,236,809	(58,270)	-4.71%
Miscellaneous Expense	2,600	0	2,600	0.00%	8,329	0	8,329	0.00%
Furniture & Equipment	9,035	10,120	(1,085)	-10.72%	114,094	120,520	(6,426)	-5.33%
Medical Expense	14,581	15,238	(656)	-4.31%	186,549	172,490	14,059	8.15%
Staff Expenses	53,428	49,034	4,394	8.96%	650,126	573,950	76,176	13.27%
Vehicle Expense	98,611	79,545	19,068	23.97%	1,000,780	921,645	79,135	8.59%
Insurance Expense	119,739	106,142	13,598	12.81%	1,341,961	1,240,299	101,662	8.20%
Meetings & Conferences	2,622	6,245	(3,623)	-58.01%	53,916	75,872	(21,954)	-28.94%
Legal & Accounting	3,743	19,434	(15,691)	-80.74%	233,911	233,208	703	0.30%
Admin Fees	739	633	107	16.90%	8,585	7,617	968	12.71%
Utilities	114,249	102,564	11,686	11.39%	1,213,806	1,187,726	26,083	2.20%
Repairs & Maintenance	106,305	104,789	1,516	1.45%	1,478,828	1,220,363	258,465	21.18%
Medicaid Assessment Tax	70,646	64,794	5,852	9.03%	825,809	778,136	47,673	6.13%
Bad Debt Expense	0	0	0	0.00%	1,502	0	1,502	0.00%
Transportation Serv. Exp.	2,405	0	2,405	0.00%	42,659	0	42,659	0.00%
OTPS - Self Directed Reimbursement	12,358	0	12,358	0.00%	106,277	0	106,277	0.00%
Total Fringe Benefits & OTPS	**4,007,671**	**2,746,138**	**1,261,542**	**45.94%**	**33,214,943**	**32,945,556**	**269,399**	**0.82%**
Property								
Rent	139,327	150,027	(10,701)	-7.13%	1,661,775	1,750,254	(88,481)	-5.06%
Property Insurance	9,925	10,616	(689)	-6.49%	122,630	124,919	(2,289)	-1.83%
Property Interest	88,437	103,235	(14,797)	-14.33%	1,106,932	1,149,880	(42,948)	-3.73%
Depreciation & Capital Lease Amort.	258,944	287,720	(28,780)	-10.00%	3,263,554	3,378,212	(114,658)	-3.39%
Property - Self Directed Reimbursement	1,828	0	1,828	0.00%	13,972	0	13,972	0.00%
Total Property	**498,461**	**551,598**	**(53,139)**	**-9.63%**	**6,168,863**	**6,403,265**	**(234,404)**	**-3.66%**
Total Functional Expenses	**11,032,258**	**8,831,860**	**2,200,408**	**24.91%**	**103,969,445**	**102,939,483**	**1,029,977**	**1.00%**
Allocation of Central Admin Exp								
Total Functional Exp After Allocations	**11,032,258**	**8,831,860**	**2,200,408**	**24.91%**	**103,969,445**	**102,939,483**	**1,029,977**	**1.00%**
Prior Period Adjustment	(9,938)	0	(9,938)	0.00%	1,074,230	0	1,074,231	0.00%
Net Surplus/Deficit (Increase/Decrease in Net Assets without donor restrictions)	**(2,175,345)**	**58,615**	**(2,233,971)**	**-3,811.26%**	**691,564**	**411,146**	**280,406**	**68.20%**
Change in Net Assets with donor restrictions								
Capital Campaign	4,110	0	4,110	0.00%	8,834	0	8,834	0.00%
Other Income	27,407	0	27,407	0.00%	96,259	0	96,259	0.00%
Net Assets released from restrictions	(9,100)	0	(9,100)	0.00%	(19,315)	0	(19,315)	0.00%
Net Surplus/Deficit (Increase/Decrease in Net Assets with donor restrictions)	**22,417**	**0**	**22,417**	**0.00%**	**85,778**	**0**	**85,778**	**0.00%**
Transfer of Net Assets from Foundation	0	0	0	0.00%	952,197	0	952,197	0.00%
Total Increase/Decrease in Net Assets	**(2,152,928)**	**58,615**	**(2,211,554)**	**-3,773.02%**	**1,729,539**	**411,146**	**1,318,381**	**320.66%**

Developmental Disabilities Institute
Children's Day Program
For the Twelve Months Ended December 31, 2018

	MTD		Variance		YTD		Variance	
	Actual	Budget	$	%	Actual	Budget	$	%
Change in Net Assets without donor								
Revenue								
SED/ EI	1,416,170	1,463,793	(47,623)	-3.25%	15,932,419	16,445,041	(512,622)	-3.12%
Medicaid	21,558	21,696	(138)	-0.64%	243,757	276,815	(33,058)	-11.94%
Grants	9,340	9,465	(125)	-1.32%	225,457	215,245	10,212	4.74%
Other Income	3,549	4,465	(916)	-20.52%	74,170	56,109	18,061	32.19%
Total Revenue	**1,450,617**	**1,499,419**	**(48,802)**	**-3.25%**	**16,475,803**	**16,993,210**	**(517,407)**	**-3.04%**
Expenses								
Salary Expenses								
Direct Care	446,613	499,178	(52,565)	-10.53%	5,536,088	5,877,422	(341,334)	-5.81%
Clinical	330,480	339,045	(8,565)	-2.53%	3,860,309	3,991,987	(131,678)	-3.30%
Program Admin/Admin	58,861	55,297	3,564	6.45%	622,169	651,077	(28,908)	-4.44%
Maintenance	43,562	37,523	6,039	16.09%	438,474	441,801	(3,327)	-0.75%
Transportation	5,108	3,201	1,907	59.58%	40,211	37,684	2,527	6.71%
Accrued Vacation	670	0	670	0.00%	8,046	0	8,046	0.00%
Employee Recruitment Salaries	0	1,423	(1,423)	-100.00%	8,742	17,078	(8,336)	-48.81%
Workers Comp Reimbursement	(5,988)	0	(5,988)	0.00%	(5,988)	0	(5,988)	0.00%
Total Salaries Expense	**879,306**	**935,667**	**(56,361)**	**-6.02%**	**10,508,051**	**11,017,049**	**(508,998)**	**-4.62%**
Fringe Benefits & OTPS								
Employee Benefits	497,588	300,380	197,208	65.65%	3,818,308	3,545,209	273,099	7.70%
Fees for Service Professionals	177	962	(785)	-81.60%	3,173	11,500	(8,327)	-72.41%
Contingent Spending -Direct Care	0	0	0	0.00%	0	84,518	(84,518)	-100.00%
Telephone & Communications	5,880	6,786	(906)	-13.35%	72,003	79,999	(7,996)	-10.00%
Travel	1,582	1,581	1	0.06%	21,895	18,622	3,273	17.58%
Food & Household Supplies	26	174	(148)	-85.06%	2,270	2,000	270	13.50%
Program & Recreation Expense	7,061	9,062	(2,001)	-22.08%	139,890	163,614	(23,724)	-14.50%
Supplies & Office Expense	5,995	7,077	(1,082)	-15.29%	86,977	84,722	2,255	2.66%
Furniture & Equipment	290	1,146	(856)	-74.69%	10,780	13,749	(2,969)	-21.59%
Medical Expense	1,089	867	222	25.61%	7,943	10,275	(2,332)	-22.70%
Staff Expenses	8,334	5,936	2,398	40.40%	113,493	71,218	42,275	59.36%
Vehicle Expense	1,277	1,317	(40)	-3.04%	18,666	15,690	2,976	18.97%
Insurance Expense	11,395	10,697	698	6.53%	133,921	128,361	5,560	4.33%
Meetings & Conferences	278	707	(429)	-60.68%	2,639	10,385	(7,746)	-74.59%
Legal & Accounting	0	0	0	0.00%	488	0	488	0.00%
Admin Fees	168	121	47	38.84%	1,937	1,577	360	22.83%
Fuel & Utilities	15,144	12,379	2,765	22.34%	141,315	145,756	(4,441)	-3.05%
Repairs & Maintenance	13,723	14,371	(648)	-4.51%	149,959	170,258	(20,299)	-11.92%
Bad Debt Expense	0	0	0	0.00%	1,502	0	1,502	0.00%
Total Fringe Benefits and OTPS	**570,007**	**373,563**	**196,444**	**52.59%**	**4,727,159**	**4,557,453**	**169,706**	**3.72%**
Property								
Rent	38	41	(3)	-7.32%	387	478	(91)	-19.04%
Property Insurance	1,620	1,740	(120)	-6.90%	20,689	20,875	(186)	-0.89%
Property Interest	12,890	13,345	(455)	-3.41%	161,253	163,023	(1,770)	-1.09%
Depreciation & Capital Lease Amort.	22,938	25,809	(2,871)	-11.12%	292,803	307,994	(15,191)	-4.93%
Total Property	**37,486**	**40,935**	**(3,449)**	**-8.43%**	**475,132**	**492,370**	**(17,238)**	**-3.50%**
Total Functional Expenses	**1,486,799**	**1,350,165**	**136,634**	**10.12%**	**15,710,342**	**16,066,872**	**(356,530)**	**-2.22%**
Allocation of Central Admin exp	108,243	105,647	2,596	2.46%	1,172,491	1,277,936	(105,445)	-8.25%
Total functional exp after Allocations	**1,595,042**	**1,455,812**	**139,230**	**9.56%**	**16,882,833**	**17,344,808**	**(461,975)**	**-2.66%**
Operating Surplus/Deficit	**(144,425)**	**43,607**	**(188,032)**	**-431.20%**	**(407,030)**	**(351,598)**	**(55,432)**	**15.77%**
Prior Period Adjustment	0	0	0	0.00%	64,789	0	64,789	0.00%
Net Surplus/Deficit (Increase/Decrease in Net Assets without donor restrictions)	**(144,425)**	**43,607**	**(188,032)**	**-431.20%**	**(342,241)**	**(351,598)**	**9,357**	**-2.66%**
Change in Net Assets with donor restrictions								
Total Increase/Decrease in Net Assets	**(144,425)**	**43,607**	**(188,032)**	**-431.20%**	**(342,241)**	**(351,598)**	**9,357**	**-2.66%**

1/15/2019 | 2018 Budget to Actual by Dept

Developmental Disabilities Institute
Early Childhood Services
For the Twelve Months Ended December 31, 2018

	MTD				YTD			
			Variance				Variance	
	Actual	Budget	$	%	Actual	Budget	$	%
Change in Net Assets without donor								
Revenue								
SED/ EI	1,485,625	1,553,008	(67,383)	-4.34%	17,762,072	18,242,938	(480,866)	-2.64%
Medicaid	3,239	5,040	(1,801)	-35.73%	39,410	60,480	(21,070)	-34.84%
Grants	78,985	68,022	10,963	16.12%	736,403	906,999	(170,596)	-18.81%
Other Income	29,298	44,896	(15,598)	-34.74%	378,004	464,908	(86,904)	-18.69%
Total Revenue	**1,597,147**	**1,670,966**	**(73,819)**	**-4.42%**	**18,915,889**	**19,675,325**	**(759,436)**	**-3.86%**
Expenses								
Salary Expenses								
Direct Care	552,327	527,148	25,179	4.78%	6,364,909	6,206,746	158,163	2.55%
Clinical	369,072	355,285	13,787	3.88%	4,172,510	4,183,191	(10,681)	-0.26%
Program Admin/Admin	96,592	81,177	15,415	18.99%	1,034,519	955,792	78,727	8.24%
Maintenance	53,008	38,224	14,784	38.68%	462,157	450,053	12,104	2.69%
Transportation	1,749	889	860	96.74%	13,017	10,473	2,544	24.29%
Accrued Vacation	875	0	875	0.00%	10,505	0	10,505	0.00%
Employee Recruitment Salaries	600	2,385	(1,785)	-74.84%	19,448	28,624	(9,176)	-32.06%
Workers Comp Reimbursement	(4,233)	0	(4,233)	0.00%	(4,233)	0	(4,233)	0.00%
Total Salaries Expense	**1,069,990**	**1,005,108**	**64,882**	**6.46%**	**12,072,832**	**11,834,879**	**237,953**	**2.01%**
Fringe Benefits & OTPS								
Employee Benefits	543,637	336,438	207,199	61.59%	3,883,349	3,963,047	(79,698)	-2.01%
Fees for Service Professionals	2,599	3,732	(1,133)	-30.36%	29,227	44,000	(14,773)	-33.58%
Contingent Spending -Direct Care	0	10	(10)	-100.00%	0	915,201	(915,201)	-100.00%
Telephone & Communications	8,448	9,083	(635)	-6.99%	101,262	107,164	(5,902)	-5.51%
Travel	3,642	2,146	1,496	69.71%	31,031	25,404	5,627	22.15%
Food & Household Supplies	0	55	(55)	-100.00%	2,623	700	1,923	274.71%
Program & Recreation Expense	10,276	10,303	(27)	-0.26%	586,498	166,451	420,047	252.35%
Supplies & Office Expense	12,828	9,370	3,458	36.91%	128,065	111,027	17,038	15.35%
Furniture & Equipment	194	772	(578)	-74.87%	24,193	9,142	15,051	164.64%
Medical Expense	469	1,098	(629)	-57.29%	12,424	12,996	(572)	-4.40%
Staff Expenses	4,152	5,217	(1,065)	-20.41%	94,465	62,261	32,204	51.72%
Vehicle Expense	353	235	118	50.21%	3,794	2,774	1,020	36.77%
Insurance Expense	10,952	10,233	719	7.03%	124,233	122,795	1,438	1.17%
Meetings & Conferences	0	955	(955)	-100.00%	5,409	11,207	(5,798)	-51.74%
Legal & Accounting	0	0	0	0.00%	2,465	0	2,465	0.00%
Admin Fees	166	157	9	5.73%	1,928	1,880	48	2.55%
Fuel & Utilities	18,919	18,318	601	3.28%	215,620	216,149	(529)	-0.24%
Repairs & Maintenance	15,334	14,179	1,155	8.15%	219,757	167,353	52,404	31.31%
Total Fringe Benefits and OTPS	**631,969**	**422,301**	**209,668**	**49.65%**	**5,466,343**	**5,939,551**	**(473,208)**	**-7.97%**
Property								
Rent	39,728	42,371	(2,643)	-6.24%	474,371	498,887	(24,516)	-4.91%
Property Insurance	2,250	2,631	(381)	-14.48%	28,339	31,575	(3,236)	-10.25%
Property Interest	3,694	4,009	(315)	-7.86%	47,489	47,394	95	0.20%
Depreciation & Capital Lease Amort.	16,055	17,538	(1,483)	-8.46%	201,137	207,776	(6,639)	-3.20%
Total Property	**61,727**	**66,549**	**(4,822)**	**-7.25%**	**751,336**	**785,632**	**(34,296)**	**-4.37%**
Total Functional Expenses	**1,763,686**	**1,493,958**	**269,728**	**18.05%**	**18,290,511**	**18,560,062**	**(269,551)**	**-1.45%**
Allocation of Central Admin exp	127,112	115,184	11,928	10.36%	1,349,803	1,458,447	(108,645)	-7.45%
Total functional exp after Allocations	**1,890,798**	**1,609,142**	**281,656**	**17.50%**	**19,640,314**	**20,018,509**	**(378,196)**	**-1.89%**
Operating Surplus/Deficit	**(293,651)**	**61,824**	**(355,475)**	**-574.98%**	**(724,425)**	**(343,184)**	**(381,240)**	**111.09%**
Prior Period Adjustment	150	0	150	0.00%	85,927	0	85,927	0.00%
Net Surplus/Deficit (Increase/Decrease in Net Assets without donor restrictions)	**(293,501)**	**61,824**	**(355,325)**	**-574.73%**	**(638,498)**	**(343,184)**	**(295,313)**	**86.05%**
Change in Net Assets with donor restrictions								
Total Increase/Decrease in Net Assets	**(293,501)**	**61,824**	**(355,325)**	**-574.73%**	**(638,498)**	**(343,184)**	**(295,313)**	**86.05%**

Developmental Disabilities Institute
Children's Residential Program
For the Twelve Months Ended December 31, 2018

	MTD		Variance		YTD		Variance	
	Actual	Budget	$	%	Actual	Budget	$	%
Change in Net Assets without donor								
Revenue								
Medicaid	1,010,140	970,066	40,074	4.13%	11,801,800	11,669,641	132,159	1.13%
Grants	985	269	716	266.17%	15,152	3,167	11,985	378.43%
Other Income	155	333	(178)	-53.45%	2,123	3,925	(1,802)	-45.91%
Total Revenue	**1,011,280**	**970,668**	**40,612**	**4.18%**	**11,819,075**	**11,676,733**	**142,342**	**1.22%**
Expenses								
Salary Expenses								
Direct Care	475,014	367,008	108,006	29.43%	4,581,157	4,321,228	259,929	6.02%
Support	10,186	17,028	(6,842)	-40.18%	96,534	200,489	(103,955)	-51.85%
Clinical	139,469	102,326	37,143	36.30%	1,261,592	1,204,801	56,791	4.71%
Program Admin/Admin	49,734	41,159	8,575	20.83%	439,711	484,609	(44,898)	-9.26%
Maintenance	21,233	11,587	9,646	83.25%	164,481	136,426	28,055	20.56%
Transportation	8,997	2,268	6,729	296.69%	47,036	26,708	20,328	76.11%
Accrued Vacation	15	0	15	0.00%	177	0	177	0.00%
Employee Recruitment Salaries	600	604	(4)	-0.66%	8,820	7,253	1,567	21.60%
Workers Comp Reimbursement	(3,498)	0	(3,498)	0.00%	(3,498)	0	(3,498)	0.00%
Total Salaries Expense	**701,750**	**541,980**	**159,770**	**29.48%**	**6,596,010**	**6,381,514**	**214,496**	**3.36%**
Fringe Benefits & OTPS								
Employee Benefits	274,531	153,607	120,924	78.72%	1,844,490	1,813,865	30,625	1.69%
Fees for Service Professionals	6,246	4,144	2,102	50.72%	25,900	49,500	(23,600)	-47.68%
Telephone & Communications	5,058	5,671	(613)	-10.81%	59,197	67,135	(7,938)	-11.82%
Travel	959	1,071	(112)	-10.46%	13,084	12,937	147	1.14%
Food & Household Supplies	48,452	45,709	2,743	6.00%	553,920	548,300	5,620	1.02%
Program & Recreation Expense	10,341	10,786	(445)	-4.13%	145,946	129,204	16,742	12.96%
Supplies & Office Expense	3,169	2,979	190	6.38%	33,466	35,023	(1,557)	-4.45%
Furniture & Equipment	1	1,411	(1,410)	-99.93%	6,781	16,917	(10,136)	-59.92%
Medical Expense	3,110	2,850	260	9.12%	36,589	34,250	2,339	6.83%
Staff Expenses	2,125	4,202	(2,077)	-49.43%	67,169	49,585	17,584	35.46%
Vehicle Expense	3,491	2,851	640	22.45%	55,161	33,920	21,241	62.62%
Insurance Expense	11,256	9,600	1,656	17.25%	124,258	115,196	9,062	7.87%
Meetings & Conferences	0	719	(719)	-100.00%	4,111	8,553	(4,442)	-51.93%
Legal & Accounting	101	0	101	0.00%	28,652	0	28,652	0.00%
Admin Fees	64	61	3	4.92%	734	717	17	2.37%
Fuel & Utilities	12,537	11,103	1,434	12.92%	128,328	132,050	(3,722)	-2.82%
Repairs & Maintenance	11,815	9,305	2,510	26.97%	212,865	110,685	102,180	92.32%
Medicaid Assessment tax	52,652	48,990	3,662	7.47%	615,195	591,943	23,252	3.93%
Total Fringe Benefits and OTPS	**445,908**	**315,059**	**130,849**	**41.53%**	**3,955,846**	**3,749,780**	**206,066**	**5.50%**
Property								
Rent	0	1	(1)	-100.00%	4	7	(3)	-42.86%
Property Insurance	1,025	1,225	(200)	-16.33%	12,605	14,703	(2,098)	-14.27%
Property Interest	15,344	15,209	135	0.89%	186,141	185,742	399	0.21%
Depreciation & Capital Lease Amort.	38,843	38,876	(33)	-0.08%	459,179	461,876	(2,697)	-0.58%
Total Property	**55,212**	**55,311**	**(99)**	**-0.18%**	**657,929**	**662,328**	**(4,399)**	**-0.66%**
Total Functional Expenses	**1,202,870**	**912,350**	**290,520**	**31.84%**	**11,209,785**	**10,793,622**	**416,163**	**3.86%**
Allocation of Central Admin exp	85,714	69,158	16,555	23.94%	812,063	831,304	(19,241)	-2.31%
Total functional exp after Allocations	**1,288,584**	**981,508**	**307,075**	**31.29%**	**12,021,848**	**11,624,926**	**396,922**	**3.41%**
Operating Surplus/Deficit	**(277,304)**	**(10,840)**	**(266,463)**	**2,458.11%**	**(202,773)**	**51,807**	**(254,580)**	**-491.40%**
Prior Period Adjustment	0	0	0	0.00%	677,320	0	677,320	0.00%
Net Surplus/Deficit (Increase/Decrease in Net Assets without donor restrictions)	**(277,304)**	**(10,840)**	**(266,463)**	**2,458.11%**	**474,547**	**51,807**	**422,740**	**815.99%**
Change in Net Assets with donor restrictions								
Total Increase/Decrease in Net Assets	**(277,304)**	**(10,840)**	**(266,463)**	**2,458.11%**	**474,547**	**51,807**	**422,740**	**815.99%**

Developmental Disabilities Institute
Adult Day Services
For the Twelve Months Ended December 31, 2018

	MTD		Variance		YTD		Variance	
	Actual	Budget	$	%	Actual	Budget	$	%
Change in Net Assets without donor								
Revenue								
Medicaid	1,497,486	1,393,097	104,389	7.49%	18,502,500	17,976,346	526,154	2.93%
Grants	4,793	13,957	(9,164)	-65.66%	83,478	166,355	(82,877)	-49.82%
Other Income	61,625	62,407	(782)	-1.25%	860,440	871,563	(11,123)	-1.28%
Total Revenue	**1,563,904**	**1,469,461**	**94,443**	**6.43%**	**19,446,418**	**19,014,264**	**432,154**	**2.27%**
Expenses								
Salary Expenses								
Direct Care	624,364	458,594	165,770	36.15%	5,587,385	5,399,580	187,805	3.48%
Support	1,945	36,704	(34,759)	-94.70%	20,593	432,164	(411,571)	-95.23%
Clinical	169,751	156,753	12,998	8.29%	1,726,046	1,845,640	(119,594)	-6.48%
Program Admin/Admin	83,002	70,668	12,334	17.45%	748,953	832,053	(83,100)	-9.99%
Maintenance	65,102	32,328	32,774	101.38%	469,652	380,634	89,018	23.39%
Transportation	250,394	155,223	95,171	61.31%	2,232,256	1,827,630	404,626	22.14%
Accrued Vacation	527	0	527	0.00%	6,327	0	6,327	0.00%
Employee Recruitment Salaries	0	1,425	(1,425)	-100.00%	14,040	17,103	(3,063)	-17.91%
Workers Comp Reimbursement	(10,244)	0	(10,244)	0.00%	(10,244)	0	(10,244)	0.00%
Total Salaries Expense	**1,184,841**	**911,695**	**273,146**	**29.96%**	**10,795,008**	**10,734,804**	**60,204**	**0.56%**
Fringe Benefits & OTPS								
Employee Benefits	513,564	293,036	220,528	75.26%	3,393,245	3,451,766	(58,521)	-1.70%
Fees for Service Professionals	0	3,783	(3,783)	-100.00%	0	45,000	(45,000)	-100.00%
Contingent Spending -Direct Care	0	852	(852)	-100.00%	0	10,228	(10,228)	-100.00%
Telephone & Communications	19,791	19,604	187	0.95%	222,608	232,239	(9,631)	-4.15%
Travel	4,915	3,381	1,534	45.37%	51,946	40,262	11,684	29.02%
Food & Household Supplies	4,513	4,276	237	5.54%	57,965	50,920	7,045	13.84%
Program & Recreation Expense	10,309	11,368	(1,059)	-9.32%	129,168	136,650	(7,482)	-5.48%
Supplies & Office Expense	7,090	7,600	(510)	-6.71%	80,528	90,256	(9,728)	-10.78%
Miscellanous Expense	0	0	0	0.00%	418	0	418	0.00%
Furniture & Equipment	4,441	1,086	3,355	308.93%	20,599	13,101	7,498	57.23%
Medical Expense	693	787	(94)	-11.94%	10,692	9,465	1,227	12.96%
Staff Expenses	5,525	8,656	(3,131)	-36.17%	87,187	102,177	(14,990)	-14.67%
Vehicle Expense	53,291	47,675	5,616	11.78%	591,476	568,543	22,933	4.03%
Insurance Expense	40,864	33,171	7,693	23.19%	446,653	398,050	48,603	12.21%
Meetings & Conferences	635	1,366	(731)	-53.51%	13,037	16,396	(3,359)	-20.49%
Legal & Accounting	0	0	0	0.00%	556	0	556	0.00%
Admin Fees	105	79	26	32.91%	1,145	929	216	23.25%
Fuel & Utilities	25,526	19,841	5,685	28.65%	239,762	235,441	4,321	1.84%
Repairs & Maintenance	30,836	30,732	104	0.34%	394,693	365,219	29,474	8.07%
Transportation Serv. Exp.	2,405	0	2,405	0.00%	42,659	0	42,659	0.00%
Total Fringe Benefits and OTPS	**724,503**	**487,293**	**237,210**	**48.68%**	**5,784,337**	**5,766,642**	**17,695**	**0.31%**
Property								
Rent	77,227	81,412	(4,185)	-5.14%	921,342	970,741	(49,399)	-5.09%
Property Insurance	955	1,161	(206)	-17.74%	11,808	13,934	(2,126)	-15.26%
Property Interest	11,953	14,043	(2,090)	-14.88%	157,473	160,051	(2,578)	-1.61%
Depreciation & Capital Lease Amort.	52,086	57,317	(5,231)	-9.13%	665,357	682,503	(17,146)	-2.51%
Total Property	**142,221**	**153,933**	**(11,712)**	**-7.61%**	**1,755,980**	**1,827,229**	**(71,249)**	**-3.90%**
Total Functional Expenses	**2,051,565**	**1,552,921**	**498,644**	**32.11%**	**18,335,325**	**18,328,675**	**6,650**	**0.04%**
Allocation of Central Admin exp	142,601	112,890	29,710	26.32%	1,275,935	1,353,995	(78,060)	-5.77%
Total functional exp after Allocations	**2,194,166**	**1,665,811**	**528,354**	**31.72%**	**19,611,260**	**19,682,670**	**(71,410)**	**-0.36%**
Operating Surplus/Deficit	**(630,262)**	**(196,350)**	**(433,911)**	**220.99%**	**(164,842)**	**(668,406)**	**503,564**	**-75.34%**
Prior Period Adjustment	(10,088)	0	(10,088)	0.00%	246,827	0	246,827	0.00%
Net Surplus/Deficit (Increase/Decrease in Net Assets without donor restrictions)	**(640,350)**	**(196,350)**	**(443,999)**	**226.13%**	**81,985**	**(668,406)**	**750,391**	**-112.27%**
Change in Net Assets with donor restrictions								
Total Increase/Decrease in Net Assets	**(640,350)**	**(196,350)**	**(443,999)**	**226.13%**	**81,985**	**(668,406)**	**750,391**	**-112.27%**

1/15/2019

2018 Budget to Actual by Dept

Developmental Disabilities Institute
Adult ICF Services
For the Twelve Months Ended December 31, 2018

	MTD				YTD			
			Variance				Variance	
	Actual	Budget	$	%	Actual	Budget	$	%
Change in Net Assets without donor								
Revenue								
Medicaid	344,490	325,066	19,424	5.98%	4,032,123	3,901,892	130,231	3.34%
Other Income	54	54	0	0.00%	650	650	0	0.00%
Total Revenue	**344,544**	**325,120**	**19,424**	**5.97%**	**4,032,773**	**3,902,542**	**130,231**	**3.34%**
Expenses								
Salary Expenses								
Direct Care	219,556	144,681	74,875	51.75%	1,949,239	1,703,501	245,738	14.43%
Support	7,001	4,886	2,115	43.29%	56,555	57,533	(978)	-1.70%
Clinical	24,155	19,078	5,077	26.61%	226,421	224,626	1,795	0.80%
Program Admin/Admin	5,745	5,250	495	9.43%	56,316	61,812	(5,496)	-8.89%
Maintenance	6,939	7,426	(487)	-6.56%	76,999	87,429	(10,430)	-11.93%
Transportation	2,266	1,433	833	58.13%	19,089	16,869	2,220	13.16%
Accrued Vacation	196	0	196	0.00%	2,356	0	2,356	0.00%
Employee Recruitment Salaries	0	484	(484)	-100.00%	2,748	5,813	(3,065)	-52.73%
Workers Comp Reimbursement	(2,527)	0	(2,527)	0.00%	(2,527)	0	(2,527)	0.00%
Total Salaries Expense	**263,331**	**183,238**	**80,093**	**43.71%**	**2,387,196**	**2,157,583**	**229,613**	**10.64%**
Fringe Benefits & OTPS								
Employee Benefits	105,293	57,944	47,349	81.72%	694,193	683,031	11,162	1.63%
Fees for Service Professionals	1,950	2,676	(726)	-27.13%	21,573	32,084	(10,511)	-32.76%
Telephone & Communications	1,097	1,017	80	7.87%	13,178	12,129	1,049	8.65%
Travel	518	604	(86)	-14.24%	7,179	7,086	93	1.31%
Food & Household Supplies	11,511	12,730	(1,219)	-9.58%	165,794	163,085	2,709	1.66%
Program & Recreation Expense	2,801	1,294	1,507	116.46%	24,726	15,521	9,205	59.31%
Supplies & Office Expense	467	658	(191)	-29.03%	13,449	7,695	5,754	74.78%
Furniture & Equipment	71	89	(18)	-20.22%	1,417	1,158	259	22.37%
Medical Expense	3,251	1,414	1,837	129.92%	17,731	16,902	829	4.90%
Staff Expenses	660	1,194	(534)	-44.72%	12,929	14,361	(1,432)	-9.97%
Vehicle Expense	3,870	2,884	986	34.19%	39,743	34,395	5,348	15.55%
Insurance Expense	4,838	4,393	445	10.13%	55,198	52,722	2,476	4.70%
Meetings & Conferences	12	76	(64)	-84.21%	1,270	970	300	30.93%
Legal & Accounting	0	0	0	0.00%	27	0	27	0.00%
Admin Fees	11	13	(2)	-15.38%	150	153	(3)	-1.96%
Fuel & Utilities	4,381	3,805	576	15.14%	51,318	45,686	5,632	12.33%
Repairs & Maintenance	2,807	2,920	(113)	-3.87%	51,196	35,100	16,096	45.86%
Medicaid Assessment tax	17,994	15,805	2,189	13.85%	210,614	186,193	24,421	13.12%
Total Fringe Benefits and OTPS	**161,532**	**109,516**	**52,016**	**47.50%**	**1,381,685**	**1,308,271**	**73,414**	**5.61%**
Property								
Rent	0	2	(2)	-100.00%	11	22	(11)	-50.00%
Property Insurance	230	201	29	14.43%	2,807	2,410	397	16.47%
Property Interest	405	584	(179)	-30.65%	5,392	7,282	(1,890)	-25.95%
Depreciation & Capital Lease Amort.	5,838	6,451	(613)	-9.50%	72,309	77,293	(4,984)	-6.45%
Total Property	**6,473**	**7,238**	**(765)**	**-10.57%**	**80,519**	**87,007**	**(6,488)**	**-7.46%**
Total Functional Expenses	**431,336**	**299,992**	**131,344**	**43.78%**	**3,849,400**	**3,552,861**	**296,539**	**8.35%**
Allocation of Central Admin exp	31,731	23,624	8,108	34.32%	290,050	284,384	5,666	1.99%
Total functional exp after Allocations	**463,067**	**323,616**	**139,452**	**43.09%**	**4,139,450**	**3,837,245**	**302,205**	**7.88%**
Operating Surplus/Deficit	**(118,523)**	**1,504**	**(120,028)**	**-7,978.35%**	**(106,677)**	**65,297**	**(171,974)**	**-263.37%**
Prior Period Adjustment	0	0	0	0.00%	(2,027)	0	(2,027)	0.00%
Net Surplus/Deficit (Increase/Decrease in Net Assets without donor restrictions)	**(118,523)**	**1,504**	**(120,028)**	**-7,978.35%**	**(108,704)**	**65,297**	**(174,001)**	**-266.48%**
Change in Net Assets with donor restrictions								
Total Increase/Decrease in Net Assets	**(118,523)**	**1,504**	**(120,028)**	**-7,978.35%**	**(108,704)**	**65,297**	**(174,001)**	**-266.48%**

Developmental Disabilities Institute
Adult IRA Services
For the Twelve Months Ended December 31, 2018

	MTD				YTD			
			Variance				Variance	
	Actual	Budget	$	%	Actual	Budget	$	%
Change in Net Assets without donor								
Revenue								
Medicaid	2,383,933	2,534,647	(150,714)	-5.95%	27,259,477	27,388,392	(128,915)	-0.47%
Other Income	210,407	229,617	(19,210)	-8.37%	2,504,182	2,572,009	(67,827)	-2.64%
Total Revenue	**2,594,340**	**2,764,264**	**(169,924)**	**-6.15%**	**29,763,659**	**29,960,401**	**(196,742)**	**-0.66%**
Expenses								
Salary Expenses								
Direct Care	1,545,730	1,223,989	321,741	26.29%	14,132,155	13,160,930	971,225	7.38%
Support	52,710	52,504	206	0.39%	445,335	560,925	(115,590)	-20.61%
Clinical	204,965	171,258	33,707	19.68%	1,770,771	1,839,953	(69,182)	-3.76%
Program Admin/Admin	46,887	45,964	923	2.01%	450,192	501,050	(50,858)	-10.15%
Maintenance	41,019	50,549	(9,530)	-18.85%	484,506	561,864	(77,358)	-13.77%
Transportation	17,027	11,762	5,265	44.76%	139,323	125,211	14,112	11.27%
Accrued Vacation	1,016	0	1,016	0.00%	12,194	0	12,194	0.00%
Employee Recruitment Salaries	600	1,635	(1,035)	-63.30%	15,301	19,615	(4,314)	-21.99%
Workers Comp Reimbursement	(14,329)	0	(14,329)	0.00%	(14,329)	0	(14,329)	0.00%
Total Salaries Expense	**1,895,625**	**1,557,661**	**337,964**	**21.70%**	**17,435,448**	**16,769,548**	**665,900**	**3.97%**
Fringe Benefits & OTPS								
Employee Benefits	792,560	471,162	321,398	68.21%	5,197,557	5,083,280	114,277	2.25%
Fees for Service Professionals	16,976	20,834	(3,858)	-18.52%	111,448	226,210	(114,762)	-50.73%
Telephone & Communications	12,169	11,306	863	7.63%	133,487	122,209	11,278	9.23%
Travel	4,232	4,815	(583)	-12.11%	53,516	52,440	1,076	2.05%
Food & Household Supplies	82,561	99,983	(17,422)	-17.42%	1,130,686	1,168,759	(38,073)	-3.26%
Program & Recreation Expense	27,080	11,788	15,292	129.73%	169,704	128,691	41,013	31.87%
Supplies & Office Expense	4,491	6,022	(1,531)	-25.42%	51,203	64,585	(13,382)	-20.72%
Miscellanous Expense	2,023	0	2,023	0.00%	2,023	0	2,023	0.00%
Furniture & Equipment	1,598	655	943	143.97%	13,716	6,929	6,787	97.95%
Medical Expense	5,969	8,222	(2,253)	-27.40%	100,775	88,602	12,173	13.74%
Staff Expenses	6,245	10,774	(4,529)	-42.04%	118,864	117,298	1,566	1.34%
Vehicle Expense	35,853	24,439	11,414	46.70%	289,063	264,614	24,449	9.24%
Insurance Expense	35,195	33,536	1,659	4.95%	393,975	369,031	24,944	6.76%
Meetings & Conferences	98	745	(647)	-86.85%	9,961	8,200	1,761	21.48%
Legal & Accounting	(1,860)	0	(1,860)	0.00%	2,067	0	2,067	0.00%
Admin Fees	126	114	12	10.53%	1,403	1,229	174	14.16%
Fuel & Utilities	27,655	28,742	(1,087)	-3.78%	332,283	313,154	19,129	6.11%
Repairs & Maintenance	26,844	26,389	455	1.72%	355,743	289,658	66,085	22.81%
Total Fringe Benefits and OTPS	**1,079,815**	**759,526**	**320,289**	**42.17%**	**8,467,474**	**8,304,889**	**162,585**	**1.96%**
Property								
Rent	0	3,873	(3,873)	-100.00%	86	12,172	(12,086)	-99.29%
Property Insurance	3,036	3,070	(34)	-1.11%	36,639	34,363	2,276	6.62%
Property Interest	28,722	41,277	(12,555)	-30.42%	354,604	398,167	(43,563)	-10.94%
Depreciation & Capital Lease Amort.	91,523	101,648	(10,125)	-9.96%	1,087,419	1,160,433	(73,014)	-6.29%
Total Property	**123,281**	**149,868**	**(26,587)**	**-17.74%**	**1,478,748**	**1,605,135**	**(126,387)**	**-7.87%**
Total Functional Expenses	**3,098,721**	**2,467,055**	**631,666**	**25.60%**	**27,381,670**	**26,679,572**	**702,098**	**2.63%**
Allocation of Central Admin exp	222,223	186,984	35,239	18.85%	1,993,471	2,057,436	(63,965)	-3.11%
Total functional exp after Allocations	**3,320,944**	**2,654,039**	**666,905**	**25.13%**	**29,375,141**	**28,737,008**	**638,133**	**2.22%**
Operating Surplus/Deficit	**(726,604)**	**110,225**	**(836,829)**	**-759.20%**	**388,518**	**1,223,393**	**(834,875)**	**-68.24%**
Prior Period Adjustment	0	0	0	0.00%	2,373	0	2,373	0.00%
Net Surplus/Deficit (Increase/Decrease in Net Assets without donor restrictions)	**(726,604)**	**110,225**	**(836,829)**	**-759.20%**	**390,891**	**1,223,393**	**(832,502)**	**-68.05%**
Change in Net Assets with donor restrictions								
Total Increase/Decrease in Net Assets	**(726,604)**	**110,225**	**(836,829)**	**-759.20%**	**390,891**	**1,223,393**	**(832,502)**	**-68.05%**

Developmental Disabilities Institute
Care Coordination/Case Management
For the Twelve Months Ended December 31, 2018

	MTD		Variance		YTD		Variance	
	Actual	Budget	$	%	Actual	Budget	$	%
Change in Net Assets without donor								
Revenue								
Medicaid	0	84,980	(84,980)	-100.00%	505,396	1,020,252	(514,856)	-50.46%
Grants	126	0	126	0.00%	1,367	0	1,367	0.00%
Other Income	132,734	111	132,623	119,480.18%	746,229	1,303	744,926	57,170.07%
Total Revenue	**132,860**	**85,091**	**47,769**	**56.14%**	**1,252,992**	**1,021,555**	**231,437**	**22.66%**
Expenses								
Salary Expenses								
Clinical	49,512	39,483	10,029	25.40%	470,584	464,886	5,698	1.23%
Program Admin/Admin	0	105	(105)	-100.00%	6,778	1,239	5,539	447.05%
Maintenance	1,004	917	87	9.49%	11,310	10,800	510	4.72%
Transportation	33	21	12	57.14%	318	251	67	26.69%
Accrued Vacation	23	0	23	0.00%	277	0	277	0.00%
Employee Recruitment Salaries	0	0	0	0.00%	1,724	4	1,720	43,000.00%
Workers Comp Reimbursement	(15)	0	(15)	0.00%	(15)	0	(15)	0.00%
Total Salaries Expense	**50,557**	**40,526**	**10,031**	**24.75%**	**490,976**	**477,180**	**13,796**	**2.89%**
Fringe Benefits & OTPS								
Employee Benefits	26,215	13,274	12,941	97.49%	182,277	156,646	25,631	16.36%
Telephone & Communications	435	693	(258)	-37.23%	5,166	8,251	(3,085)	-37.39%
Travel	2,458	2,033	425	20.91%	26,260	24,389	1,871	7.67%
Food & Household Supplies	0	32	(32)	-100.00%	262	450	(188)	-41.78%
Program & Recreation Expense	0	0	0	0.00%	2	0	2	0.00%
Supplies & Office Expense	59	1,119	(1,060)	-94.73%	12,075	13,465	(1,390)	-10.32%
Furniture & Equipment	0	112	(112)	-100.00%	75	1,306	(1,231)	-94.26%
Medical Expense	0	0	0	0.00%	5	0	5	0.00%
Staff Expenses	3	78	(75)	-96.15%	494	940	(446)	-47.45%
Vehicle Expense	6	6	0	0.00%	94	67	27	40.30%
Insurance Expense	255	462	(207)	-44.81%	4,628	5,544	(916)	-16.52%
Meetings & Conferences	0	50	(50)	-100.00%	45	602	(557)	-92.52%
Legal & Accounting	0	0	0	0.00%	313	0	313	0.00%
Admin Fees	0	0	0	0.00%	3	2	1	50.00%
Fuel & Utilities	335	262	73	27.86%	2,939	3,096	(157)	-5.07%
Repairs & Maintenance	193	216	(23)	-10.65%	2,962	2,557	405	15.84%
Total Fringe Benefits and OTPS	**29,959**	**18,337**	**11,622**	**63.38%**	**237,600**	**217,315**	**20,285**	**9.33%**
Property								
Rent	0	0	0	0.00%	0	1	(1)	-100.00%
Property Insurance	41	42	(1)	-2.38%	498	502	(4)	-0.80%
Property Interest	1,151	1,150	1	0.09%	14,459	14,784	(325)	-2.20%
Depreciation & Capital Lease Amort.	671	473	198	41.86%	8,125	5,646	2,479	43.91%
Total Property	**1,863**	**1,665**	**198**	**11.89%**	**23,082**	**20,933**	**2,149**	**10.27%**
Total Functional Expenses	**82,379**	**60,528**	**21,851**	**36.10%**	**751,658**	**715,428**	**36,230**	**5.06%**
Allocation of Central Admin exp	6,013	4,750	1,263	26.60%	56,071	56,985	(915)	-1.61%
Total functional exp after Allocations	**88,392**	**65,278**	**23,114**	**35.41%**	**807,729**	**772,413**	**35,315**	**4.57%**
Operating Surplus/Deficit	**44,468**	**19,813**	**24,655**	**124.44%**	**445,263**	**249,142**	**196,122**	**78.72%**
Prior Period Adjustment	0	0	0	0.00%	(27)	0	(27)	0.00%
Net Surplus/Deficit (Increase/Decrease in Net Assets without donor restrictions)	**44,468**	**19,813**	**24,655**	**124.44%**	**445,236**	**249,142**	**196,095**	**78.71%**
Change in Net Assets with donor restrictions								
Total Increase/Decrease in Net Assets	**44,468**	**19,813**	**24,655**	**124.44%**	**445,236**	**249,142**	**196,095**	**78.71%**

1/15/2019 2018 Budget to Actual by Dept

Developmental Disabilities Institute
Self Direction
For the Twelve Months Ended December 31, 2018

	MTD		Variance		YTD		Variance	
	Actual	Budget	$	%	Actual	Budget	$	%
Change in Net Assets without donor								
Revenue								
Medicaid	51,184	32,390	18,794	58.02%	403,979	233,850	170,129	72.75%
Grants	11	0	11	0.00%	64	0	64	0.00%
Other Income	10,980	0	10,980	0.00%	116,130	0	116,130	0.00%
Total Revenue	**62,175**	**32,390**	**29,785**	**91.96%**	**520,173**	**233,850**	**286,323**	**122.44%**
Expenses								
Salary Expenses								
Direct Care	20,435	0	20,435	0.00%	157,417	0	157,417	0.00%
Clinical	7,172	9,666	(2,494)	-25.80%	65,926	113,805	(47,879)	-42.07%
Program Admin/Admin	207	0	207	0.00%	1,729	0	1,729	0.00%
Maintenance	98	94	4	4.26%	1,093	1,102	(9)	-0.82%
Transportation	3	2	1	50.00%	31	26	5	19.23%
Employee Recruitment Salaries	0	0	0	0.00%	1	1	0	0.00%
Workers Comp Reimbursement	(1)	0	(1)	0.00%	(1)	0	(1)	0.00%
Total Salaries Expense	**27,914**	**9,762**	**18,152**	**185.95%**	**226,196**	**114,934**	**111,262**	**96.81%**
Fringe Benefits & OTPS								
Employee Benefits	5,524	2,157	3,367	156.10%	33,207	25,538	7,669	30.03%
Fees for Service Professionals	4,770	0	4,770	0.00%	41,370	0	41,370	0.00%
Telephone & Communications	34	38	(4)	-10.53%	411	452	(41)	-9.07%
Travel	147	303	(156)	-51.49%	2,445	3,640	(1,195)	-32.83%
Supplies & Office Expense	922	870	52	5.98%	9,858	10,423	(565)	-5.42%
Furniture & Equipment	0	125	(125)	-100.00%	8	1,501	(1,493)	-99.47%
Medical Expense	0	0	0	0.00%	1	0	1	0.00%
Staff Expenses	235	68	167	245.59%	1,024	849	175	20.61%
Vehicle Expense	1	1	0	0.00%	9	7	2	28.57%
Insurance Expense	170	47	123	261.70%	1,618	575	1,043	181.39%
Meetings & Conferences	0	76	(76)	-100.00%	99	1,000	(901)	-90.10%
Fuel & Utilities	34	27	7	25.93%	300	317	(17)	-5.36%
Repairs & Maintenance	20	93	(73)	-78.49%	453	1,201	(748)	-62.28%
OTPS - Self Directed Reimbursement	12,358	0	12,358	0.00%	106,277	0	106,277	0.00%
Total Fringe Benefits and OTPS	**24,215**	**3,805**	**20,410**	**536.40%**	**197,080**	**45,503**	**151,577**	**333.11%**
Property								
Property Insurance	4	14	(10)	-71.43%	51	164	(113)	-68.90%
Property Interest	116	116	0	0.00%	1,457	1,487	(30)	-2.02%
Depreciation & Capital Lease Amort.	151	36	115	319.44%	1,406	419	987	235.56%
Property - Self Directed Reimbursement	1,828	0	1,828	0.00%	13,972	0	13,972	0.00%
Total Property	**2,099**	**166**	**1,933**	**1,164.46%**	**16,886**	**2,070**	**14,816**	**715.75%**
Total Functional Expenses	**54,228**	**13,733**	**40,495**	**294.87%**	**440,162**	**162,507**	**277,655**	**170.86%**
Allocation of Central Admin exp	3,893	1,095	2,799	255.62%	32,575	13,164	19,411	147.45%
Total functional exp after Allocations	**58,121**	**14,828**	**43,294**	**291.98%**	**472,737**	**175,671**	**297,066**	**169.10%**
Operating Surplus/Deficit	**4,054**	**17,562**	**(13,509)**	**-76.92%**	**47,436**	**58,179**	**(10,743)**	**-18.46%**
Net Surplus/Deficit (Increase/Decrease in Net Assets without donor restrictions)	**4,054**	**17,562**	**(13,509)**	**-76.92%**	**47,436**	**58,179**	**(10,743)**	**-18.46%**
Change in Net Assets with donor restrictions								
Total Increase/Decrease in Net Assets	**4,054**	**17,562**	**(13,509)**	**-76.92%**	**47,436**	**58,179**	**(10,743)**	**-18.46%**

Developmental Disabilities Institute
Other Programs
For the Twelve Months Ended December 31, 2018

	MTD		Variance		YTD		Variance	
	Actual	Budget	$	%	Actual	Budget	$	%
Change in Net Assets without donor								
Revenue								
Grants	7,317	0	7,317	0.00%	24,544	0	24,544	0.00%
Other Income	58,942	62,334	(3,392)	-5.44%	768,110	748,012	20,098	2.69%
Total Revenue	**66,259**	**62,334**	**3,925**	**6.30%**	**792,654**	**748,012**	**44,642**	**5.97%**
Expenses								
Salary Expenses								
Clinical	3,215	2,847	368	12.93%	42,437	33,517	8,920	26.61%
Program Admin/Admin	0	0	0	0.00%	(6)	0	(6)	0.00%
Maintenance	5,490	4,503	987	21.92%	53,415	53,022	393	0.74%
Transportation	140	81	59	72.84%	1,024	949	75	7.90%
Employee Recruitment Salaries	0	1	(1)	-100.00%	21	18	3	16.67%
Workers Comp Reimbursement	(65)	0	(65)	0.00%	(65)	0	(65)	0.00%
Total Salaries Expense	**8,780**	**7,432**	**1,348**	**18.14%**	**96,826**	**87,506**	**9,320**	**10.65%**
Fringe Benefits & OTPS								
Employee Benefits	4,325	2,651	1,674	63.15%	31,169	31,211	(42)	-0.13%
Telephone & Communications	815	2,913	(2,098)	-72.02%	13,190	34,806	(21,616)	-62.10%
Travel	143	125	18	14.40%	1,581	1,470	111	7.55%
Program & Recreation Expense	2,856	0	2,856	0.00%	11,199	1	11,198	1,119,800.00%
Supplies & Office Expense	1,337	76	1,261	1,659.21%	1,851	891	960	107.74%
Furniture & Equipment	0	2	(2)	-100.00%	43	21	22	104.76%
Medical Expense	0	0	0	0.00%	5	0	5	0.00%
Staff Expenses	12	13	(1)	-7.69%	236	150	86	57.33%
Vehicle Expense	28	21	7	33.33%	297	252	45	17.86%
Insurance Expense	573	267	306	114.61%	6,736	3,201	3,535	110.43%
Meetings & Conferences	0	1	(1)	-100.00%	1,058	9	1,049	11,655.56%
Admin Fees	0	1	(1)	-100.00%	5	6	(1)	-16.67%
Fuel & Utilities	5,801	5,204	597	11.47%	68,008	62,134	5,874	9.45%
Repairs & Maintenance	2,696	3,834	(1,138)	-29.68%	51,848	45,738	6,110	13.36%
Total Fringe Benefits and OTPS	**18,586**	**15,108**	**3,478**	**23.02%**	**187,226**	**179,890**	**7,336**	**4.08%**
Property								
Rent	20,583	20,728	(145)	-0.70%	244,732	248,758	(4,026)	-1.62%
Property Insurance	322	93	229	246.24%	3,908	1,120	2,788	248.93%
Property Interest	8,262	8,277	(15)	-0.18%	107,488	106,847	641	0.60%
Depreciation & Capital Lease Amort.	9,731	8,371	1,360	16.25%	130,319	100,148	30,171	30.13%
Total Property	**38,898**	**37,469**	**1,429**	**3.81%**	**486,447**	**456,873**	**29,574**	**6.47%**
Total Functional Expenses	**66,264**	**60,009**	**6,255**	**10.42%**	**770,499**	**724,269**	**46,230**	**6.38%**
Allocation of Central Admin exp	2,044	1,819	225	12.37%	21,860	21,941	(80)	-0.37%
Total functional exp after Allocations	**68,308**	**61,828**	**6,480**	**10.48%**	**792,359**	**746,210**	**46,150**	**6.18%**
Operating Surplus/Deficit	**(2,049)**	**506**	**(2,555)**	**-504.79%**	**295**	**1,802**	**(1,508)**	**-83.66%**
Prior Period Adjustment	0	0	0	0.00%	45	0	45	0.00%
Net Surplus/Deficit (Increase/Decrease in Net Assets without donor restrictions)	**(2,049)**	**506**	**(2,555)**	**-504.79%**	**340**	**1,802**	**(1,463)**	**-81.16%**
Change in Net Assets with donor restrictions								
Total Increase/Decrease in Net Assets	**(2,049)**	**506**	**(2,555)**	**-504.79%**	**340**	**1,802**	**(1,463)**	**-81.16%**

Developmental Disabilities Institute
Fundraising
For the Twelve Months Ended December 31, 2018

	MTD		MTD Variance		YTD		YTD Variance	
	Actual	Budget	$	%	Actual	Budget	$	%
Change in Net Assets without donor								
Revenue								
Special Events	$1,345	$0	$1,345	0.00%	$259,841	$0	$259,841	0.00%
Other Income	20,868	0	20,868	0.00%	39,426	0	39,426	0.00%
Total Revenue	**22,213**	**0**	**22,213**	**0.00%**	**299,267**	**0**	**299,267**	**0.00%**
Expenses								
Salary Expenses								
Program Admin/Admin	28,524	0	28,524	0.00%	74,586	0	74,586	0.00%
Maintenance	147	0	147	0.00%	789	0	789	0.00%
Transportation	5	0	5	0.00%	24	0	24	0.00%
Workers Comp Reimbursement	(2)	0	(2)	0.00%	(2)	0	(2)	0.00%
Total Salaries Expense	**28,674**	**0**	**28,674**	**0.00%**	**75,397**	**0**	**75,397**	**0.00%**
Fringe Benefits & OTPS								
Employee Benefits	10,089	0	10,089	0.00%	24,808	0	24,808	0.00%
Fees for Service Professionals	3,500	0	3,500	0.00%	10,500	0	10,500	0.00%
Telephone & Communications	142	0	142	0.00%	623	0	623	0.00%
Travel	5	0	5	0.00%	284	0	284	0.00%
Program & Recreation Expense	11,961	0	11,961	0.00%	58,644	0	58,644	0.00%
Supplies & Office Expense	5,418	0	5,418	0.00%	31,694	0	31,694	0.00%
Furniture & Equipment	0	0	0	0.00%	1,822	0	1,822	0.00%
Medical Expense	0	0	0	0.00%	1	0	1	0.00%
Staff Expenses	68	0	68	0.00%	501	0	501	0.00%
Vehicle Expense	282	0	282	0.00%	288	0	288	0.00%
Insurance Expense	62	0	62	0.00%	163	0	163	0.00%
Meetings & Conferences	0	0	0	0.00%	540	0	540	0.00%
Legal & Accounting	0	0	0	0.00%	3,150	0	3,150	0.00%
Fuel & Utilities	52	0	52	0.00%	200	0	200	0.00%
Repairs & Maintenance	30	0	30	0.00%	778	0	778	0.00%
Total Fringe Benefits and OTPS	**31,609**	**0**	**31,609**	**0.00%**	**133,996**	**0**	**133,996**	**0.00%**
Property								
Property Insurance	6	0	6	0.00%	32	0	32	0.00%
Property Interest	27	0	27	0.00%	139	0	139	0.00%
Depreciation & Capital Lease Amort.	18	0	18	0.00%	95	0	95	0.00%
Total Property	**51**	**0**	**51**	**0.00%**	**266**	**0**	**266**	**0.00%**
Total Functional Expenses	**60,334**	**0**	**60,334**	**0.00%**	**209,659**	**0**	**209,659**	**0.00%**
Allocation of Central Admin exp	4,502	0	4,502	0.00%	16,115	0	16,115	0.00%
Total functional exp after Allocations	**64,836**	**0**	**64,836**	**0.00%**	**225,774**	**0**	**225,774**	**0.00%**
Operating Surplus/Deficit	**(42,623)**	**0**	**(42,623)**	**0.00%**	**73,493**	**0**	**73,493**	**0.00%**
Net Surplus/Deficit (Increase/Decrease in Net Assets without donor restrictions)	**(42,623)**	**0**	**(42,623)**	**0.00%**	**73,493**	**0**	**73,493**	**0.00%**
Change in Net Assets with donor restrictions								
Capital Campaign	4,110	0	4,110	0.00%	8,834	0	8,834	0.00%
Other Income	27,407	0	27,407	0.00%	96,259	0	96,259	0.00%
Net Assets released from restrictions	(9,100)	0	(9,100)	0.00%	(19,315)	0	(19,315)	0.00%
Increase/Decrease in Net Assets with donor restrictions	**22,417**	**0**	**22,417**	**0.00%**	**85,778**	**0**	**85,778**	**0.00%**
Transfer of Net Assets from Foundation	0	0	0	0.00%	952,197	0	952,197	0.00%
Total Increase/Decrease in Net Assets	**(20,206)**	**0**	**(20,206)**	**0.00%**	**1,111,468**	**0**	**1,111,468**	**0.00%**

Developmental Disabilities Institute
Admin
For the Twelve Months Ended December 31, 2018

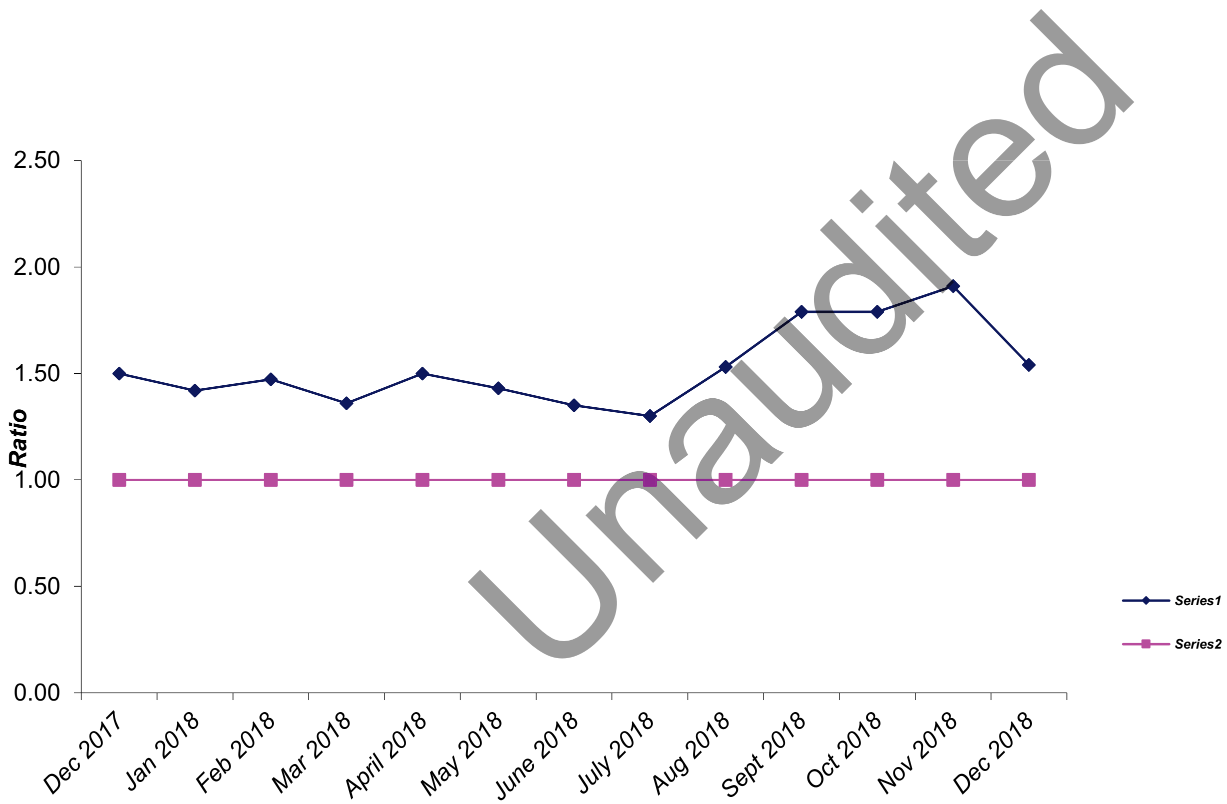
	MTD		Variance		YTD		Variance	
	Actual	Budget	$	%	Actual	Budget	$	%
Change in Net Assets without donor								
Revenue								
Grants	1,461	726	735	101.24%	13,723	8,715	5,008	57.46%
Other Income	20,051	10,035	10,016	99.81%	254,353	116,025	138,328	119.22%
Total Revenue	**21,512**	**10,761**	**10,751**	**99.91%**	**268,076**	**124,740**	**143,336**	**114.91%**
Expenses								
Salary Expenses								
Direct Care	0	0	0	0.00%	46	0	46	0.00%
Clinical	15,501	0	15,501	0.00%	113,408	0	113,408	0.00%
Prgm Admin/Admin	391,766	331,610	60,156	18.14%	3,666,175	3,904,437	(238,262)	-6.10%
Maintenance	8,220	7,757	463	5.97%	94,641	91,337	3,304	3.62%
Transportation	3,689	1,609	2,080	129.27%	29,658	18,942	10,716	56.57%
Accrued Vacation	74	0	74	0.00%	892	0	892	0.00%
Employee Recruitment Salaries	0	79	(79)	-100.00%	771	951	(180)	-18.93%
Workers Comp Reimbursement	(3,892)	0	(3,892)	0.00%	(3,892)	0	(3,892)	0.00%
Total Salaries Expense	**415,358**	**341,055**	**74,303**	**21.79%**	**3,901,699**	**4,015,667**	**(113,968)**	**-2.84%**
Fringe Benefits & OTPS								
Employee Benefits	182,881	108,786	74,095	68.11%	1,259,788	1,283,802	(24,014)	-1.87%
Fees For Service Professionals	375	11,325	(10,950)	-96.69%	87,492	135,900	(48,408)	-35.62%
Telephone & Communications	4,002	3,221	781	24.25%	44,848	38,056	6,792	17.85%
Travel	584	1,877	(1,293)	-68.89%	18,858	22,307	(3,449)	-15.46%
Food & Household Supplies	0	0	0	0.00%	753	0	753	0.00%
Program & Recreation Expense	479	2	477	23,850.00%	2,099	20	2,079	10,395.00%
Supplies & Office Expense	54,749	68,244	(13,495)	-19.77%	729,373	818,722	(89,349)	-10.91%
Miscellanous Expense	578	0	578	0.00%	5,888	0	5,888	0.00%
Furniture & Equipment	2,439	4,721	(2,282)	-48.34%	34,660	56,697	(22,037)	-38.87%
Medical Expense	0	0	0	0.00%	383	0	383	0.00%
Staff Expenses	26,070	12,895	13,175	102.17%	153,763	155,113	(1,350)	-0.87%
Vehicle Expense	159	118	41	34.75%	2,190	1,382	808	58.47%
Insurance Expense	4,179	3,736	443	11.86%	50,579	44,824	5,755	12.84%
Meetings & Conferences	1,599	1,551	48	3.09%	15,747	18,549	(2,802)	-15.11%
Legal & Accounting	5,502	19,434	(13,932)	-71.69%	196,193	233,208	(37,015)	-15.87%
Admin Fees	99	88	11	12.50%	1,280	1,124	156	13.88%
Utilities	3,865	2,883	982	34.06%	33,733	33,943	(210)	-0.62%
Repairs & Maintenance	2,008	2,749	(741)	-26.96%	38,570	32,593	5,977	18.34%
Total Fringe Benefits and OTPS	**289,568**	**241,630**	**47,938**	**19.84%**	**2,676,197**	**2,876,240**	**(200,043)**	**-6.96%**
Property								
Rent	1,751	1,600	151	9.44%	20,842	19,188	1,654	8.62%
Property Insurance	436	439	(3)	-0.68%	5,254	5,273	(19)	-0.36%
Property Interest	5,873	5,224	649	12.42%	71,037	65,101	5,936	9.12%
Depreciation & Capital Lease Amort.	21,090	31,203	(10,113)	-32.41%	345,405	374,126	(28,721)	-7.68%
Total Property	**29,150**	**38,466**	**(9,316)**	**-24.22%**	**442,538**	**463,688**	**(21,150)**	**-4.56%**
Total Functional Expenses	**734,076**	**621,151**	**112,925**	**18.18%**	**7,020,434**	**7,355,595**	**(335,161)**	**-4.56%**
Reversal Of Central Admin Exp	(734,076)	(621,151)	(112,925)	18.18%	(7,020,434)	(7,355,595)	335,161	-4.56%
Operating Surplus / Deficit	**21,512**	**10,761**	**10,751**	**99.91%**	**268,076**	**124,740**	**143,336**	**114.91%**
Prior Year Adjustment	0	0	0	0.00%	(997)	0	(997)	0.00%
Total Net Surplus/Deficit (Increase/Decrease in Net Assets without donor restrictions)	**21,512**	**10,761**	**10,751**	**99.91%**	**267,079**	**124,740**	**142,339**	**114.11%**
Total Increase/Decrease in Net Assets	**21,512**	**10,761**	**10,751**	**99.91%**	**267,079**	**124,740**	**142,339**	**114.11%**

Developmental Disabilities Institute, Inc.
Debt Service Coverage Ratio
Twelve months change December '18 to December '17

Change in Net Assets	$	1,729,539	(A)
Depreciation & Amortization Expense		3,263,559	
Interest Expense		919,292	
Amortization of Debt Insurance Costs		109,127	
Total	**$**	**6,021,517**	
Current portion of Bonds Payable	$	2,053,208	
Current portion Mortgages and Notes Payable		193,379	
Current portion of Capital Leases		644,503	
Interest Expense		919,292	
Amortization of Debt Issuance Costs		109,127	
Total	**$**	**3,919,509**	
Ratio		**1.54**	
Previous Months Ratio		1.91	
Previous Year Ratio		1.50	
Bank Ratio		1.00: 1.00	

(A) the covenant analysis excludes DDI Foundation

DEVELOPMENTAL DISABILITIES INSTITUTE, INC.
Debt Service Coverage 2018



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APPENDIX C-II

EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF DECEMBER 31, 2018)

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Eden II School for Autistic Children, Inc.
Financial Statements

December 31, 2018

2/19/2019

Eden II School For Autistic Children, Inc.
Statements of Financial Position

	December 31, 2018	June 30, 2018
ASSETS		
Cash and cash equivalents	317,297	552,563
Program services receivable, net	4,843,238	4,346,156
Grants and contracts receivables, net	3,062,841	3,179,527
Prepaid expenses and other assets	317,056	427,697
Assets whose use is limited	1,120,039	1,492,034
Property and equipment, net	16,883,840	16,531,725
TOTAL ASSETS	**26,544,312**	**26,529,702**
LIABILITIES		
Accounts payable and accrued expenses	793,809	988,222
Accrued compensation	2,962,434	2,857,650
Due to state and local agencies	1,700,266	1,688,108
Due to related party	1,369,556	1,419,854
Line of credit - FAAP	-	-
Bonds Payable	6,210,907	6,871,567
Loan Payable	1,548,128	2,548,128
Mortgages and notes payable, net	800,000	1,494,115
Line of credit - bank	600,000	975,000
TOTAL LIABILITIES	15,985,101	18,842,644
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted net assets	9,822,273	6,877,505
Temporarily restricted net assets	736,937	809,553
Total Net Assets	10,559,210	7,687,058
Total Liabilities and Net Assets	**26,544,312**	**26,529,702**
	-	-

2/19/2019

Eden II School For Autistic Children Inc.
Statement of Activities

Six months ending December 31, 2018	Actual	Budget	Variance
REVENUE AND SUPPORT:			
Program and public support services	15,956,058	16,251,058	(294,999)
Grant and Contract Services	230,872	275,121	(44,249)
Contributions	29,205	44,800	(15,595)
Other Revenue	239,885	186,476	53,409
Net assets released from restriction	154,407	419,311	(264,904)
TOTAL REVENUE AND SUPPORT	16,610,427	17,176,766	(566,339)
EXPENSES:			
Program Services:			
Educational	5,101,587	5,340,332	238,745
Residential	4,465,951	4,638,659	172,708
Adult Habilitation	2,667,890	2,672,342	4,453
Family Support	935,534	1,059,776	124,242
Community Outreach	1,073,336	1,199,927	126,591
Total Program Services	14,244,298	14,911,036	666,738
Supporting Services:			
Management & General	2,104,424	2,044,653	(59,770)
Development	273,705	270,144	(3,562)
Total Supporting Services	2,378,129	2,314,797	(63,332)
Total EXPENSES	16,622,427	17,225,833	603,406
CHANGE IN UNRESTRICTED NET ASSETS BEFORE NON-OPERATING ACTIVITIES	**(12,000)**	**(49,067)**	**37,067**
NON-OPERATING ACTIVITIES:			
Unrealized gain/(loss) on trustee held funds	(1,775)	-	(1,775)
Gain on sale of asset	2,958,546	-	2,958,546
Total Non-operating activities	2,956,771	-	2,956,771
CHANGE IN UNRESTRICTED NET ASSETS	2,944,772	(49,067)	2,993,839
Net unrestricted assets - beginning of the year	6,877,505		
UNRESTRICTED NET ASSETS- END OF YEAR	9,822,277		
Changes in Temporarily Restricted Net Assets:			
Restricted contributions	81,791	59,182	22,609
Net assets released to operations	(154,407)	(419,311)	264,904
CHANGE IN TEMPORARIALY RESTRICTED NET ASSETS	(72,616)	(360,129)	287,513
Net temporarily restricted net assets - beginning of year	809,553		
TEMPORARIALY RESTRICTED NET ASSETS - END OF YEAR	736,937		

2/19/2019

Eden II School For Autistic Children, Inc.
Statement of Operating Activities
Six months ending December 31, 2018

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	5,747,343	5,399,094	2,817,374	1,008,176	985,910	(1,839)	-	15,956,058	16,251,058	(294,999)
Grant and Contract Services	106,019	-	-	96,361	28,492	-	-	230,872	275,121	(44,249)
Contributions	-	-	2,500	-	4,891	-	21,814	29,205	44,800	(15,595)
Other Revenue	5,760	59,996	-	8,944	199	39,985	125,000	239,885	186,476	53,409
Net assets released from restriction	10,518	-	102,598	-	34,723	-	6,568	154,407	419,311	(264,904)
Total Operating Revenue (A)	5,869,640	5,459,091	2,922,472	1,113,480	1,054,215	38,147	153,382	16,610,427	17,176,766	(566,339)
Expenses										
Salaries	3,380,735	2,896,753	1,724,875	696,404	766,889	1,164,791	150,869	10,781,315	10,899,960	118,645
Fringe benefits	873,721	764,001	400,626	127,862	220,478	305,716	39,419	2,731,823	2,891,261	159,438
Non-Payroll	408,563	596,282	448,222	63,840	83,399	502,713	67,089	2,170,109	2,484,484	314,375
Interest	138,738	49,007	2,308	13,595	647	53,999	5,174	263,467	222,699	(40,768)
Bad Debt Expense	-	-	-	-	(2,500)	-	-	(2,500)	2,500	5,000
Total Cash Operating Expenses	4,801,757	4,306,043	2,576,031	901,700	1,068,913	2,027,219	262,551	15,944,214	16,500,904	556,690
Revenue over(under) cash expenses (B)	**1,067,883**	**1,153,048**	**346,441**	**211,780**	**(14,698)**	**(1,989,072)**	**(109,169)**	**666,213**	**675,862**	**(9,649)**
Non-Cash & Non-Operating Revenue (Expense)										
Depreciation	(299,831)	(159,908)	(91,859)	(33,833)	(4,423)	(77,205)	(11,154)	(678,213)	(724,929)	46,716
Gain on sale of asset	-	-	-	-	-	2,958,546	-	2,958,546	-	2,958,546
Unrealized gain/(loss) on trustee held funds	-	-	-	-	-	(1,775)	-	(1,775)	-	(1,775)
Total Non-Operating Items	(299,831)	(159,908)	(91,859)	(33,833)	(4,423)	2,879,566	(11,154)	2,278,558	(724,929)	3,003,487
Change in Unrestricted Net Assets:	**768,053**	**993,140**	**254,582**	**177,947**	**(19,121)**	**890,495**	**(120,323)**	**2,944,772**	**(49,067)**	**2,993,839**
Operating Gross Profit Percentage (B/A)	18.2%	21.1%	11.9%	19.0%	-1.4%	-5214.3%	-71.2%	4.0%	3.9%	
Operating Contribution w/Admin Allocation based on program expenses	1,034,455	1,123,071	328,508	205,503	(22,139)	(2,003,185)	-	666,213		

Eden II School For Autistic Children, Inc.
Statement of Functional Expenses

Six months ending December 31, 2018

	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	3,380,735	2,896,753	1,724,875	696,404	766,889	9,465,655	1,164,791	150,869	1,315,660	10,781,315	10,899,960	118,645
Fringe benefits	873,721	764,001	400,626	127,862	220,478	2,386,688	305,716	39,419	345,135	2,731,823	2,891,261	159,438
Total Salaries, Wages and Fringe Benefits	4,254,456	3,660,754	2,125,501	824,265	987,367	11,852,342	1,470,507	190,288	1,660,795	13,513,138	13,791,221	278,083
Food	41	112,058	89	1,150	34	113,372	687	3	690	114,062	123,502	9,440
Repairs and Maintenance	105,650	123,953	102,504	11,857	9,812	353,775	26,081	3,125	29,206	382,981	418,444	35,463
Utilities	50,909	64,206	38,707	5,771	2,945	162,537	23,600	3,586	27,186	189,723	194,833	5,110
Travel	3,186	2,598	7,875	20,596	853	35,108	4,483	971	5,454	40,562	45,709	5,146
Staff training and Development	7,187	5,340	6,483	1,929	3,649	24,588	32,991	250	33,241	57,828	61,672	3,843
Consultants and Contractual Services	14,420	10,260	-	941	620	26,240	72,762	23,609	96,371	122,611	140,758	18,147
Consumable Supplies	72,863	147,101	72,587	12,068	15,064	319,683	56,685	17,264	73,950	393,633	545,043	151,410
Insurance	24,694	29,572	17,481	3,353	151	75,251	69,635	683	70,319	145,569	169,427	23,858
Professional Fees	5,414	4,346	6,949	437	2,298	19,443	51,845	106	51,951	71,394	72,266	872
Rent	121,676	47,796	195,050	3,900	43,496	411,918	120,177	1,018	121,196	533,114	499,350	(33,764)
Interest	138,738	49,007	2,308	13,595	647	204,294	53,999	5,174	59,173	263,467	222,699	(40,768)
Facility Tax	-	48,453	-	-	-	48,453	-	-	-	48,453	47,924	(529)
Miscellaneous	2,523	599	498	1,840	4,479	9,939	43,766	16,473	60,239	70,179	165,556	95,378
Bad Debt Expense	-	-	-	-	(2,500)	(2,500)	-	-	-	(2,500)	2,500	5,000
Operating Subtotal	4,801,757	4,306,043	2,576,031	901,700	1,068,913	13,654,444	2,027,219	262,551	2,289,770	15,944,214	16,500,904	556,690
Depreciation	299,831	159,908	91,859	33,833	4,423	589,854	77,205	11,154	88,359	678,213	724,929	46,716
Total Functional Expenses	**5,101,587**	**4,465,951**	**2,667,890**	**935,534**	**1,073,336**	**14,244,298**	**2,104,424**	**273,705**	**2,378,129**	**16,622,427**	**17,225,833**	**603,406**
										-		

Eden II School For Autistic Children, Inc.
Program Budget Variance - Inclusive of Non-Operating Items

Program Group, Location & Program Name	Dec-18 YTD Actual Revenue	Dec-18 YTD Actual Expense	Dec-18 YTD Actual Net	Dec-18 YTD Budget Revenue	Dec-18 YTD Budget Expense	Dec-18 YTD Budget Net	Dec-18 YTD Net Variance
Educational services							
Staten Island							
SI School	3,413,872	2,887,434	526,438	2,797,928	2,579,914	218,014	308,424
Preschool	872,009	690,268	181,741	683,769	658,430	25,339	156,403
SEIT	307,045	355,775	(48,730)	256,254	217,169	39,085	(87,815)
SETSS	144,365	96,000	48,366	137,813	130,573	7,240	41,126
Summer Camp (grant)	-	20,400	(20,400)	20,000	15,004	4,996	(25,395)
Long Island			-				-
Genesis School	1,132,349	1,051,711	80,638	922,092	890,984	31,108	49,530
			-				-
Residential services			-				-
Staten Island			-				-
Carlton	935,174	792,646	142,528	767,398	624,592	142,806	(277)
Collfield	777,477	689,031	88,446	637,782	579,149	58,634	29,812
Dixon	639,611	625,394	14,217	529,775	491,836	37,939	(23,722)
Grayson	855,719	592,399	263,320	705,480	481,378	224,101	39,219
Sherwood	964,015	627,902	336,113	766,333	550,163	216,170	119,943
Long Island			-				-
Cambon	645,086	549,349	95,737	529,226	562,411	(33,185)	128,921
Dix Hills	642,009	589,229	52,779	528,286	572,873	(44,587)	97,366
			-				-
DayHab			-				-
Staten Island			-				-
Day Habiliation	1,538,799	1,423,167	115,632	1,313,809	1,176,054	137,755	(22,122)
Day Hab Extension	670,741	558,211	112,530	615,055	506,458	108,597	3,933
Long Island			-				-
Genesis Day Hab	712,932	686,512	26,420	611,261	562,949	48,312	(21,892)
			-				-
Family Services			-				-
Staten Island			-				-
Adult Recreation	31,868	24,851	7,018	19,878	18,222	1,656	5,362
After School -DMH	32,034	33,729	(1,695)	21,751	25,198	(3,447)	1,752
After School -OPWDD	2,149	42,714	(40,565)	27,147	50,237	(23,090)	(17,475)
After School Transport	10,932	10,335	597	5,928	7,085	(1,157)	1,754
Clinical Evaluation	14,617	13,269	1,348	19,506	14,666	4,840	(3,492)
Community Hab	513,752	420,277	93,475	549,219	371,691	177,528	(84,054)
Crisis Respite	4,135	3,617	518	13,713	10,678	3,035	(2,517)
Crisis Team	6,755	5,872	883	6,780	5,885	895	(12)
Day Camp	30,608	25,050	5,558	31,001	26,110	4,891	667
Family Education	-	-	-			-	-
Holiday Rec.	5,554	8,160	(2,605)	6,363	9,091	(2,729)	123
MSC	195,056	131,087	63,969	159,098	113,007	46,091	17,878
Overnight Respite	13,829	15,511	(1,682)	-	2,685	(2,685)	1,003
Parent Training	2,088	1,606	483	5,571	5,718	(147)	629
Respite	182,740	129,321	53,420	203,059	149,529	53,530	(110)
Socialization Group	819	3,194	(2,375)	10,622	10,902	(280)	(2,095)
Special Legislative Grant	21,376	18,688	2,687	14,752	14,982	(230)	2,918
Long Island			-				-
After School	5,515	5,431	84	6,123	6,680	(557)	641
Day Camp	326	-	326	-	-	-	326
Genesis Weekend	14,634	16,338	(1,704)	10,143	13,493	(3,350)	1,647
Holiday Rec	5,222	2,583	2,639	-	890	(890)	3,529
Overnight Respite	15,658	17,412	(1,754)	15,283	15,871	(588)	(1,166)
Respite	3,811	6,489	(2,679)	2,162	6,361	(4,199)	1,521
			-				-
Outreach			-				-
Staten Island			-				-
DOC	45,394	55,556	(10,162)	68,999	73,568	(4,569)	(5,593)
Long Island			-				-
LI Outreach	205,115	239,330	(34,215)	197,914	228,966	(31,053)	(3,162)
Behavior Clinic	764,092	742,508	21,584	698,749	665,835	32,913	(11,330)
LI Kiosk	39,614	35,942	3,672	42,289	38,268	4,021	(349)
Administration			-				-
Administration			-				-
Administration	2,980,779	640,694	2,340,085	256,303	415,665	(159,362)	2,499,447
Development	153,382	273,705	(120,323)	119,167	228,606	(109,440)	(10,883)
Facilities	-	269,665	(269,665)	-	290,616	(290,616)	20,952
Finance	9,030	500,573	(491,544)	-	395,951	(395,951)	(95,593)
Human Resources	1,780	247,521	(245,741)	-	222,282	(222,282)	(23,459)
Information Tech	-	205,316	(205,316)	-	179,973	(179,973)	(25,343)
Quality Assurance	-	139,908	(139,908)	-	117,736	(117,736)	(22,172)
Training	3,330	100,747	(97,417)	-	85,247	(85,247)	(12,170)
							-
Restricted funds	(72,616)	-	(72,616)	(371,389)	-	(371,389)	298,773
			-				-
Grand Total	19,494,582	16,622,427	2,872,156	13,962,389	14,421,631	(459,243)	3,331,398

2/19/2019

Printed 2/19/2019

Eden II Programs
Operating Profit & Loss (with Admin Allocation)
Six months ending December 31, 2018

	Operating Revenue	Operating Expenses	Net Before Admin	Net Admin Alloc (based on expenses)	Program Net (After Admin)
Educational					
Staten Island					
Preschool	872,009	690,268	181,741	(105,961)	75,780
SEIT	307,045	355,775	(48,730)	(54,614)	(103,344)
SETSS	144,365	96,000	48,366	(14,737)	33,629
SI School	3,413,872	2,887,434	526,438	(443,241)	83,196
Summer Camp (grant)		20,400	(20,400)	(3,131)	(23,531)
Long Island			-	-	-
Genesis School	1,132,349	1,051,711	80,638	(161,445)	(80,808)
Residential			-	-	-
Staten Island			-	-	-
Carlton	935,174	792,646	142,528	(121,677)	20,852
Collfield	777,477	689,031	88,446	(105,771)	(17,325)
Dixon	639,611	625,394	14,217	(96,002)	(81,785)
Grayson	855,719	592,399	263,320	(90,937)	172,383
Sherwood	964,015	627,902	336,113	(96,387)	239,725
Long Island			-	-	-
Cambon	645,086	549,349	95,737	(84,329)	11,408
Dix Hills	642,009	589,229	52,779	(90,451)	(37,672)
Adult Habilitation			-	-	-
Staten Island			-	-	-
Day Hab Extension	670,741	558,211	112,530	(85,689)	26,841
Day Habiliation	1,538,799	1,423,167	115,632	(218,466)	(102,834)
Long Island			-	-	-
Genesis Day Hab	712,932	686,512	26,420	(105,384)	(78,965)
Family Support			-	-	-
Staten Island			-	-	-
Adult Recreation	31,868	24,851	7,018	(3,815)	3,203
After School -DMH	32,034	33,729	(1,695)	(5,178)	(6,872)
After School -OPWDD	2,149	42,714	(40,565)	(6,557)	(47,122)
After School Transport	10,932	10,335	597	(1,587)	(990)
Clinical Evaluation	14,617	13,269	1,348	(2,037)	(689)
Community Hab	513,752	420,277	93,475	(64,515)	28,959
Crisis Respite	4,135	3,617	518	(555)	(37)
Crisis Team	6,755	5,872	883	(901)	(18)
Day Camp	30,608	25,050	5,558	(3,845)	1,712
Holiday Rec.	5,554	8,160	(2,605)	(1,253)	(3,858)
MSC	195,056	131,087	63,969	(20,123)	43,846
Overnight Respite	13,829	15,511	(1,682)	(2,381)	(4,063)
Parent Training	2,088	1,606	483	(247)	236
Respite	182,740	129,321	53,420	(19,852)	33,568
Socialization Group	819	3,194	(2,375)	(490)	(2,865)
Special Legislative Grant	21,376	18,688	2,687	(2,869)	(181)
Long Island			-	-	-
After School	5,515	5,431	84	(834)	(750)
Day Camp	326	-	326	-	326
Genesis Weekend	14,634	16,338	(1,704)	(2,508)	(4,212)
Holiday Rec	5,222	2,583	2,639	(397)	2,242
Overnight Respite	15,658	17,412	(1,754)	(2,673)	(4,427)
Respite	3,811	6,489	(2,679)	(996)	(3,675)
Community Outreach			-	-	-
Staten Island			-	-	-
DOC	45,394	55,556	(10,162)	(8,528)	(18,690)
Long Island			-	-	-
LI Outreach	205,115	239,330	(34,215)	(36,739)	(70,954)
Behavior Clinic	764,092	742,508	21,584	(113,980)	(92,397)
LI Kiosk	39,614	35,942	3,672	(5,517)	(1,845)
Administration			-	-	-
Administration			-	-	-
Administration	24,007	640,694	(616,686)	616,686	-
Development	153,382	273,705	(120,323)	120,323	-
Facilities	-	269,665	(269,665)	269,665	-
Finance	9,030	500,573	(491,544)	491,544	-
Human Resources	1,780	247,521	(245,741)	245,741	-
Information Tech	-	205,316	(205,316)	205,316	-
Quality Assurance	-	139,908	(139,908)	139,908	-
Training	3,330	100,747	(97,417)	97,417	-
Grand Total	16,610,427	16,622,427	(12,000)	0	(12,000)

Eden II School For Autistic Children, Inc.

Program Receivable Aging

December 31, 2018

	Current	0 -30	31-60	61-90	91-120	121-150	151-180	Over 180	Total
NYC Board of Education	798,695	-	98,290	25,818	24,950	2,247	(1,396)	25,226	973,830
Long Island School Districts	185,948	-	123,920	38,951	21,742	28,234	-	31,715	430,510
Medicaid/OPWDD	99,818	1,294,667	779,484	49,914	53,028	25,375	29,727	207,900	2,539,914
Other	137,051	230,654	184,639	215,769	88,340	67,207	83,807	162,890	1,170,356
Subtotal	1,221,511	1,525,321	1,186,333	330,451	188,060	123,063	112,138	427,731	5,114,610
Allowance for Doubtful Accounts	-	1,108	2,111	760	1,244	1,411	2,235	262,504	271,373
Net Program Receivables	1,221,511	1,524,213	1,184,222	329,691	186,816	121,652	109,903	165,227	4,843,237
Gross Receivable Increase/(decrease) - Current month	(83,546)	(452,674)	321,269	43,064	43,802	(65,317)	46,456	33,111	(100,635)
Gross Receivable - 11/30/2018	1,305,057	1,977,995	865,064	287,387	144,259	188,380	65,682	394,621	5,215,245
Gross Receivable - 10/31/2018	1,325,353	1,411,788	1,329,028	223,063	244,691	66,797	112,060	301,485	5,014,265
Gross Receivable - 9/30/2018	1,509,222	1,960,445	683,070	310,722	93,488	123,627	30,419	302,289	4,999,555
Gross Receivable - 8/31/2018	1,030,550	1,393,086	906,184	137,584	155,566	41,892	28,573	277,820	3,971,255
Gross Receivable - 7/31/2018	880,928	1,495,083	1,416,657	427,875	67,353	51,520	36,179	300,978	5,063,335
Gross Receivable - 6/30/2018	708,978	2,437,913	913,746	139,720	64,847	75,780	14,663	283,837	4,639,484
Gross Receivable - 5/31/2018	1,437,496	1,408,891	986,923	165,094	86,863	64,674	7,432	353,166	4,510,539
Gross Receivable - 4/30/2018	1,222,007	1,765,645	720,613	323,434	87,285	(729)	34,190	386,585	4,539,031
Gross Receivable - 3/31/2018	522,460	2,040,631	1,205,524	188,805	2,928	35,308	43,954	429,395	4,469,005
Gross Receivable - 2/28/2018	1,232,129	1,830,254	745,338	124,355	45,476	12,930	16,972	419,740	4,427,195
Gross Receivable - 1/31/2018	1,370,737	1,339,468	1,138,646	246,627	56,070	24,042	46,585	371,028	4,593,202
Gross Receivable - 12/31/2017	1,319,627	1,417,397	1,027,038	144,651	65,357	51,371	190,623	286,554	4,502,618
Net Receivable Increase/(decrease) - Current month	(83,546)	(453,487)	319,631	42,751	42,800	(66,393)	44,278	40,131	(100,635)
Net Receivable - 11/30/2018	1,305,057	1,977,700	864,591	286,940	144,017	188,045	65,625	125,097	4,943,872
Net Receivable - 10/31/2018	1,325,353	1,411,487	1,328,646	222,821	242,789	66,413	111,655	21,771	4,730,935
Net Receivable - 9/30/2018	1,509,222	1,959,697	682,418	310,445	92,810	123,023	17,868	24,470	4,706,225
Net Receivable - 8/31/2018	1,030,550	1,392,338	905,532	137,306	154,888	41,289	16,022	-	3,677,925
Net Receivable - 7/31/2018	880,928	1,495,083	1,416,657	427,875	67,353	51,520	36,179	7,648	4,770,005
Net Receivable - 6/30/2018	708,978	2,437,165	913,094	139,442	64,169	75,177	8,129	-	4,346,155
Net Receivable - 5/31/2018	1,437,496	1,408,306	986,374	165,063	86,841	64,237	6,915	61,705	4,216,937
Net Receivable - 4/30/2018	1,222,007	1,765,060	720,064	323,403	87,263	(1,166)	33,673	90,961	4,241,266
Net Receivable - 3/31/2018	522,460	2,040,046	1,204,975	188,774	2,906	34,871	43,437	112,309	4,149,777
Net Receivable - 2/28/2018	1,232,129	1,829,669	744,789	124,324	45,454	12,493	16,455	107,654	4,112,968
Net Receivable - 1/31/2018	1,370,688	1,338,975	1,138,077	246,188	55,737	23,717	46,198	59,395	4,278,975
Net Receivable - 12/31/2017	1,319,578	1,416,904	1,026,470	144,212	65,024	51,046	190,236	(25,079)	4,188,390

Eden II School For Autistic Children, Inc.
Proforma Debt Service Coverage Ratio
December 31, 2018

Net Revenues Available for Debt Service:

	12/31/18	Annualized
Total Operating Revenues	16,610,427	33,220,854
Total Non-Operating Revenues		-
Total Revenues	16,610,427	33,220,854
Total Expenses	16,622,427	33,244,853
Total Net Revenue	(12,000)	(24,000)
less: Extraordinary revenue		-
add: Extraordinary expense		-
add: Depreciation expense	678,213	1,356,426
add: Interest expense	263,467	526,935
Total Net Revenue Available for Debt Service	929,680	1,859,361

Maximum Annual Debt Service:
Maximum year = Y/E 6/30/2019

Issue	Location	Debt Service	
DASNY - 1990	Carlton ICF	-	
Mortgage	Dixon Ave	-	
IDA -2004	150 Granite Ave	-	
Northfield	150 Granite Ave	-	
Build NYC - 2013	Beach St	248,838	
FJC - interest only *- Budgeted	Beach St	67,950	
FJC - interest only *- Estimated	Eltingville Blvd	68,000	
DASNY - 2015	various	643,500	
DASNY -2016 (first payment 7/1/17)	Sherwood	94,994	
		1,123,281	1,123,281

Debt Service Coverage Ratio	1.655
Excess (Shortfall) to Ratio of 1.1	623,752

* Excludes the FJC Loan principal for Beach Street which will be paid by future receipt of

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APPENDIX C-III

MERCY HOME FOR CHILDREN, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF DECEMBER 31, 2018)

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Mercy Home for Children, Inc.
Balance Sheets
December 31, 2018

		12/31/2018		6/30/2018
Assets				
Current assets				
Cash and cash equivalents	$	2,061,081	$	1,393,183
Investments at fair value		11,496,682		11,779,044
Accounts receivable - Medicaid		1,631,876		1,379,740
Contributions receivable		5,500		18,250
Prepaid expenses and other assets		112,207		84,796
Total current assets		15,307,346		14,655,013
Other assets				
Fixed assets - net		5,095,983		5,165,095
Deferred charges		1,903		2,670
Debt service reserve fund - cash				64,855
Custodial funds - cash		169,384		169,384
Total other assets		5,267,270		5,402,004
Total assets	$	20,574,615	$	20,057,017
Liabilities and Net Assets		**20,574,615**		**19,771,321**
Current liabilities				
Accounts payable and accrued expenses	$	1,044,743	$	965,810
Accrued salaries payable and related payables		840,824		822,952
Mortgages payable		269,708		260,043
Due to New York State OPWDD		615,106		527,909
Capital lease payable		-		45,000
Loans payable				
Total current liabilities		2,770,381		2,621,714
Long-term liabilities				
Mortgages payable		1,252,759		1,391,300
Capital lease payable				
LOC payable		3,991,805		3,755,310
Custodial funds		169,384		169,384
Total long-term liabilities		5,413,948		5,315,994
Total liabilities		8,184,329		7,937,708
Net assets (Exhibit F)				
Unrestricted		12,119,309		12,936,556
Current net assets		270,977		(817,247)
Total net assets		12,390,286		12,119,309
Total liabilities and net assets	$	20,574,615	$	20,057,017

Mercy Home for Children, Inc.
Statements of Cash Flows
Six Months Ended December 31, 2018

		Fiscal Year-to-Date 12/31/2018		Fiscal Year 2018
Cash flows from operating activities				
Change in net assets (Exhibit F)	$	270,977	$	(817,247)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities				
Depreciation and amortization		158,125		296,418
Amortization of deferred charges		767		4,070
Net realized and unrealized (gain) loss on investments		440,461		(201,735)
Decrease (increase) in assets				
Accounts receivable - Medicaid		(252,135)		305,125
Contributions receivable		12,750		(12,480)
Prepaid expenses and other assets		(27,411)		21
Increase (decrease) in liabilities				
Accounts payable and accrued expenses		78,933		(116,374)
Accrued salaries payable and related payables		17,872		(143,249)
Due to New York State OPWDD		87,197		(346,245)
Net cash provided (used) by operating activities		787,535		(1,031,697)
Cash flows from investing activities				
Decrease in debt service reserve fund		64,855		44,672
Fixed asset acquisitions		(89,013)		(1,925,554)
Net Purchase & Sale of investments		(158,099)		(236,411)
Proceeds from sale of investments				
Net cash used by investing activities		(182,256)		(2,117,293)
Cash flows from financing activities				
Proceeds from loans		300,000		2,830,000
Principal payments on mortgages		(192,380)		(293,542)
Principal payments on capital lease		(45,000)		(45,000)
Net cash provided (used) by financing activities		62,620		2,491,457
Net change in cash and cash equivalents		667,899		(657,533)
Cash and cash equivalents - beginning of period		1,393,183		2,050,716
Cash and cash equivalents - end of period	$	2,061,081	$	1,393,183

Mercy Home for Children, Inc.
Statement of Activities Details by Program
Six Months Ended December 31, 2018

	Program Services					Supporting Services			
	Intermediate Care Facilities	**Individualized Residential Alternatives**	**Respite Programs**	**Medicaid Service Coordination**	**Day Habilitation Program**	**Fundraising**	**Management and General**	**Investment**	**Total**
Medicaid									-
Others	4,172,461	4,379,649	199,840	54,293	83,380	815,562	48,840	(240,559)	9,513,466
Inverestment Income									-
Revenues	**4,172,461**	**4,379,649**	**199,840**	**54,293**	**83,380**	**815,562**	**48,840**	**(240,559)**	**9,513,466**
	48%	47%	33%	32%	33%	33%	33%		
Salaries	1,812,849	2,023,607	94,958	37,551	34,991	139,012	353,285		4,496,254
Overtime	200,905	184,595	363	32	1,500	14	221		387,630
Total Salary	2,013,754	2,208,202	95,321	37,583	36,491	139,026	353,507	-	4,883,884
Tax and Benefits	959,858	1,033,236	31,040	12,106	11,919	45,274	114,982	-	2,208,416
Total salaries and related expense	2,973,612	3,241,438	126,362	49,689	48,410	184,300	468,488		7,092,300
OTPS									-
Professinal Services	81,359	12,018	22,905	-	-	-	59,818	-	176,099
Office Expenses	14,260	20,030	120	-	11	12,502	72,095	-	119,018
Employee tavel	114	519	-	285	-	68	1,118	-	2,104
Employee recruitment	744	548	112	-	-	1,443	11,837	-	14,684
Staff training	4,219	4,912	141	3,080	49	-	413	-	12,814
Food	60,691	88,026	1,991	-	1,247	390	741	-	153,087
Household supplies	16,705	27,641	12	-	32	-	219	-	44,610
Medical supplies	15,825	16,363	-	-	-	-	-	-	32,188
Utiilities	50,113	56,216	1,338	-	-	-	6,230	-	113,898
Maintenance & repairs	50,546	49,648	10	-	-	145	28,052	-	128,400
Telephone	6,160	17,790	377	-	189	-	11,428	-	35,944
Equipment	10,697	21,421	-	-	-	-	30,640	-	62,758
Vehicle Expenses	28,190	47,150	2,113	20	4,403	-	6,422	-	88,298
Insurances	47,494	60,746	5,930	-	145	217	9,037	-	123,568
Client activities/transportation	7,985	12,539	60,898	-	405	967	2,394	-	85,189
Bank Charges and Fees	295	548	-	-	-	504	16,675	-	18,022
Miscellaneous expenses	3,184	3,515	150	61	57	3,698	5,324	-	15,988
Interest expense	5,179	29,320	-	-	-	-	78,989	-	113,488
NYS tax assessment	212,702	-	-	-	-	-	-	-	212,702
Rent	199,869	116,942	14,918	-	-	-	59,670	-	391,398
Depreciation	4,775	128,830	-	275	-	-	24,245	-	158,125
Amortization	200	567	-	-	-	-	-	-	767
Investment Fees	-	-	-	-	-	-	-	47,042	47,042
	-	-	-	-	-	-			-
Total expenses	3,794,916	3,956,728	237,377	53,409	54,948	204,233	893,835	47,042	9,242,489
Profit & Loss Before Admin	377,545	422,921	(37,537)	883	28,431	611,329	(844,996)	(287,600)	270,977
Agency Admin	408,599	426,021	25,558	5,751	5,916	21,990	(893,835)		-
10.77%									
Profit & Loss after Admin	**(31,054)**	**(3,100)**	**(63,095)**	**(4,867)**	**22,515**	**589,339**	**48,840**	**(287,600)**	**270,977**

P & L without Fundraising ***(79,601)***

P & L (Inc Fundraising) ***558,577***

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APPENDIX C-IV

SERVICES FOR THE UNDERSERVED, INC.

AND

SUS-DEVELOPMENTAL DISABILITIES SERVICES, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF DECEMBER 31, 2018)

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Services for the UnderServed, Inc.
Consolidated Statement of Financial Position
(Non-Audited)
for the period ending December 31, 2018

with comparative for June 30, 2018
(Audited)

Services for the UnderServed, Inc.
Consolidated Statement of Financial Position
(in thousands)

	December 31, 2018	*June 30, 2018*
Assets		
Current		
Cash and Cash Equivalents	$5,160	$7,517
Accounts Receivable, Net	1,429	1,632
Prepaid Expenses and Other Assets	1,722	1,440
Total Current Assets	**8,311**	**10,589**
Due from Affiliates, Net	39,969	32,307
Debt Service and Other Reserves	8,438	8,340
Investments in Limited Partnerships	-	-
Fixed Assets, Net	4,936	5,081
Total Assets	**$61,654**	**$56,317**
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	$5,979	$1,779
Accrued Compensation and Related Taxes	7,459	7,123
Other Liabilities	328	603
Deferred Revenue	100	94
Due to Governmental Agencies	-	-
Line of Credit	6,531	8,234
Current Portion of Mortgages Payable	-	-
Current Portion of Loan Payable	-	-
Current Portion of Bonds Payable	184	364
Total Current Liabilities	**$20,581**	**$18,197**
Due to Affiliates	3,851	3,635
Mortgages Payable	-	-
Loans Payable	-	-
Bonds Payable	3,660	3,641
Total Liabilities	**28,092**	**25,473**
Net Assets		
Unrestricted Net Assets	**33,562**	**30,844**
Temporarily Restricted	-	
Total Net Assets	**33,562**	**30,844**
Total Liabilities and Net Assets	**$61,654**	**$56,317**

Services for the UnderServed, Inc.
Consolidated Statement of Activities
(in thousands)

	Six months ended December 31, 2018	Year ended June 30, 2018
Public Support and Revenue		
Grant Revenue	$0	$55
Participant Fees	-	-
Contributions	442	270
Special Events (Net)	125	1,393
Management and Developer's Fees	10,254	18,131
Other Income	1,667	2,629
Total Public Support and Revenue	**$12,488**	**$22,478**
Expenses		
Total Program Services	**-**	**-**
Supporting Services		
Management and General	9,305	18,576
Fundraising	465	548
Total Supporting Services	**9,770**	**19,124**
Total Expenses	**$9,770**	**$19,124**
Net Surplus/(Deficit)	2,718	3,354
Change in Net Assets	**$2,718**	**$3,354**
Net Assets, Beginning of Year	30,844	27,490
Net Assets, End of Year	33,562	30,844

SUS - Developmental Disabilities Services, Inc.
Statement of Financial Position
(Non-Audited)
for the period ending December 31, 2018

with comparative for June 30, 2018
(Audited)

SUS - Developmental Disabilities Services, Inc.
Consolidated Statement of Financial Position
(in thousands)

	December 31, 2018	*June 30, 2018*
Assets		
Current		
Cash and Cash Equivalents	-	-
Accounts Receivable, Net	$11,311	$11,069
Prepaid Expenses and Other Assets	1,149	$118
Total Current Assets	**12,460**	**11,187**
Due from Affiliates, Net	-	-
Debt Service and Other Reserves	4,245	4,245
Investments in Limited Partnerships	-	-
Fixed Assets, Net	17,057	17,426
Total Assets	**$33,762**	**$32,858**
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	$1,546	$2,850
Accrued Compensation and Related Taxes	660	660
Other Liabilities	-	-
Deferred Revenue	180	180
Due to Governmental Agencies	84	84
Line of Credit	-	-
Current Portion of Mortgages Payable	-	-
Current Portion of Loan Payable	-	-
Current Portion of Bonds Payable	612	1,217
Total Current Liabilities	**3,082**	**4,991**
Due to Affiliates	23,282	16,512
Mortgages Payable	-	-
Loans Payable	-	-
Bonds Payable	13,980	13,977
Total Liabilities	**40,344**	**35,480**
Net Assets		
Unrestricted Net Assets	**(6,582)**	**(2,622)**
Temporarily Restricted	-	**-**
Total Net Assets	**(6,582)**	**(2,622)**
Total Liabilities and Net Assets	**$33,762**	**$32,858**

SUS - Developmental Disabilities Services, Inc.
Consolidated Statement of Activities
(in thousands)

	Six months ended December 31, 2018	Year ended June 30, 2018
Public Support and Revenue		
Medicaid Revenue	35,629	65,856
Grant Revenue	1,637	3,160
Participant Fees	1,508	2,869
Management and Developer's Fees	-	
Other Income	3	598
Total Public Support and Revenue	**$38,777**	**$72,483**
Expenses		
Program Services	38,464	70,274
Total Program Services	**38,464**	**70,274**
Supporting Services		
Management and General	4,273	8,578
Fundraising	-	-
Total Supporting Services	**4,273**	**8,578**
Total Expenses	**42,737**	**$78,852**
Net Surplus/(Deficit)	(3,960)	(6,369)
Transfer of Net Assets	-	
Change in Net Assets	**(3,960)**	**($6,369)**
Net Assets, Beginning of Year	(2,622)	3,747
Net Assets, End of Year	(6,582)	(2,622)

APPENDIX C-V

UNITED CEREBRAL PALSY OF NEW YORK CITY, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF DECEMBER 31, 2018)

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ADAPT Community Network

ADAPT ONLY

Statements of Financial Position

As of December 31,		2018
Assets		
Cash and Cash Equivalents	$	10,452,000
Investments		22,759,000
Grants and Fees Receivable from Governmental Agencies		16,211,000
Other Assets		3,174,000
Due from Affliates		2,587,000
Section 1307 surplus note receivable		9,166,000
Fixed Assets		69,307,000
Assets Limited as to Use		1,575,000
Total Assets	$	135,231,000
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$	9,111,000
Accrued payroll and related liabilities		7,930,000
Lines of credit payable		4,558,000
Capital leases payable		789,000
Mortgages payable		54,578,000
Accrued pension liability		14,271,000
Deferred rent		15,150,000
Other liabilities		8,031,000
Total Liabilities		114,418,000
Net Assets:		
Unrestricted		20,074,000
Temporarily restricted		739,000
Total Net Assets		20,813,000
Total Liabilities and Net Assets	$	135,231,000

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ADAPT Community Network

ADAPT only

Statement of Activities and Changes in Net Assets

For the Fiscal Year to date as of December 31, 2018

	Unrestricted	Temporarily Restricted	**Total 7/1/2018-12/31/2018**
Support and Revenue			
Support from the Public:			
Contributions	$ 154,000	$ -	**$ 154,000**
Special events	266,000	-	**266,000**
Legacies and bequests	150,000	-	**150,000**
Total Support from the Public	570,000	-	**570,000**
Direct Expenses of Special Events	(85,000)		**(85,000)**
Net Support from the Public	485,000	-	**485,000**
Contracts, Grants and Fees Applicable to Program and Community Services:			
Contracts and grants	1,576,000	-	**1,576,000**
Fees for services	77,985,000	-	**77,985,000**
Total Contracts, Grants and Fees	79,561,000	-	**79,561,000**
Other Revenue:			
Rental income	-		**-**
Other income	2,497,000	-	**2,497,000**
Investment income:			
Interest and dividends	427,000	-	**427,000**
Realized and unrealized gains on investments, net	(1,250,000)	-	**(1,250,000)**
Total Other Revenue	1,674,000	-	**1,674,000**
Net Assets Released from Restrictions	-	-	**-**
Total Support and Revenue	81,720,000	-	**81,720,000**
Expenses			
Program Services:			
Educational programs	13,941,000		**13,941,000**
Adult day programs	26,696,000		**26,696,000**
Residential programs	31,357,000		**31,357,000**
Family support services programs	1,625,000		**1,625,000**
Total Program Services	73,619,000	-	**73,619,000**
Supporting Services:			
Management and general	10,066,000	-	**10,066,000**
Public relations and fundraising	306,000	-	**306,000**
Total Supporting Services	10,372,000	-	**10,372,000**
Total Program and Supporting Services	83,991,000	-	**83,991,000**
Payments to Affiliated Organizations:			
National program of research, education and service	12,000	-	**12,000**
State program of education and service	42,000	-	**42,000**
Total Payments to Affiliated Organizations	54,000	-	**54,000**
Total Expenses	84,045,000	-	**84,045,000**
Changes in Net Assets	(2,325,000)	-	**(2,325,000)**
Net Assets, beginning of year	22,399,000	739,000	**23,138,000**
Net Assets, end of quarter	$ 20,074,000	$ 739,000	**$ 20,813,000**

APPENDIX C-VI

YOUNG ADULT INSTITUTE, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF DECEMBER 31, 2018)

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YAI Seeing beyond disability.

Balance Sheet - Unaudited

	Unaudited 12/31/2018
ASSETS	
Current assets	
Cash and cash equivalents	6,847,831
Investments	18,597,107
Accounts Receivable	24,672,554
Prepaid expenses and other receivables	3,718,981
Property and equipment	36,634,220
Debt Service Reserve	2,378,284
Deferred charges	41,700
Other receivable	4,073,937
Total assets	$ 96,964,612
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable and accrued expenses	7,297,968
Accrued Salary	5,133,583
Accrued Vacation	3,732,072
Accrued Pension	2,075,346
Other Liabilities	1,527,068
Due to Funding Sources	6,422,822
Notes and mortgages payable	32,160,147
Capital lease obligations	939
Deferred Rent	3,279,879
Total liabilities	61,629,824
Net Assets (Exhibit B)	
Unrestricted	34,582,594
Temporarily restricted	752,194
Total Net Assets	35,334,788
Total liabilities and net assets	$ 96,964,612

YAI Seeing beyond disability.

Statement of Activities

		Unaudited 12/31/2018
Operating revenues	$	91,335,547
Operating expenses		90,436,275
Change in unrestricted net assets from operations		899,272
Nonoperating net revenues (loss)		(9,097)
Change in unrestricted net assets		890,175
Net assets - beginning of year		34,444,613
Net assets - end of year	$	35,334,788

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 2019A Resolution or the Loan Agreements and used in this Official Statement.

Account means each account created and established in any fund under the Resolution as created and established pursuant to the Applicable Series Resolution, including each Project Loan Account and each Debt Service Account.

Accounts Receivable means, with reference to a Participant, all of a Participant's accounts receivable derived from the use or operation of any of its properties, including the Project Property, but excluding Pledged Revenues.

Act means the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as amended, and constituting Title 4 of Article 8 of the Public Authorities Law), as amended from time to time, including, but not limited to, Chapter 471 of the Laws of 2009, the Health Care Financing Consolidation Act and as incorporated thereby the New York State Medical Care Facilities Finance Act, being Chapter 392 of the Laws of New York 1973, as amended, McKinney's Unconsolidated Laws, Sections 7411 to 7432, inclusive.

Administration Agreement means the Administration Agreement, dated as of April 1, 2019, 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.

Co-op Entity means an entity that owns, in fee, real property and is the landlord under one or more Co-op Proprietary Leases.

Co-op Interest refers to, collectively, an ownership interest in Co-op Shares and a leasehold interest under a related Co-op Proprietary Lease.

Co-op Proprietary Lease means a proprietary lease between a Co-op Entity, as landlord, and the owner of Co-op Shares in the Co-op Entity, as tenant, for a Co-op Unit.

Co-op Security Documents means such documents typically required by an institutional lender for a loan secured by a Co-op Interest, including, but not limited to, a security agreement granting lender a security interest in the Co-op Proprietary Lease, the related Co-op Shares and any proceeds arising from the foregoing, together with a UCC-1 Financing Statement with UCC Financing Statement Cooperative Addendum, a blank assignment of each Co-op Proprietary Lease, a blank stock power for all related Co-op Shares, and a recognition agreement among the Co-op Entity, the borrower and the lender.

Co-op Security Interests means security interests granted pursuant to Co-op Security Documents.

Co-op Shares means collectively the shares of stock allocated by a Co-op Entity to a Co-op Unit.

Co-op Unit means real property subject to a Co-op Proprietary Lease. A Co-op Unit may be Project Property.

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 2019A Bonds, as may be amended and supplemented from time to time, regarding the deduction, withholding and/or payment of Public Funds, in an amount required by the Loan Agreement to the Authority or the Trustee.

Investment Agreement means an agreement for the investment of moneys with a Qualified Financial Institution.

Letter of Credit means, with respect to an Applicable Series of Bonds, an irrevocable letter of credit, or as appropriate, a confirmation or confirming letter of credit, issued in favor of DASNY or the Trustee, as the case may be, in form and substance satisfactory to DASNY or the Trustee, as the case may be, which is issued by a Qualified Financial Institution, and is accompanied by a legal opinion or opinions addressing the enforceability thereof.

Loan means each loan made by DASNY to the Participants pursuant to the provisions of the Resolution, the Applicable Series Resolution and the Applicable Loan Agreement relating thereto in an amount equal to the Participant's Allocable Portion of the principal amount of a Series of Bonds. Each

Loan shall relate to a particular Project or Projects for a particular Participant including amounts required to pay such Participant's Allocable Portion of the Costs of Issuance, Costs of the Project related to such Loan and the Debt Service Reserve Fund Requirement, if any, established for such Series of Bonds.

Loan Agreement or **Loan Agreements** mean each of the Loan Agreements or other agreement, between DASNY and the Applicable Participant in connection with each Loan made under the Resolution, as the same may from time to time be amended, supplemented or otherwise modified as permitted by the Resolution and by the Loan Agreement.

Loan Repayments means the scheduled monthly payments of principal of and interest on the Loan paid by a Participant pursuant to the Applicable Loan Agreement.

Management Consultant means, with reference to a Participant, a nationally recognized accounting or management consulting firm or other similar firm, experienced in reviewing and assessing operations of organizations similar to the Participants, acceptable to DASNY.

Moody's means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns.

Mortgage (A) with respect to the Resolution means, collectively, (i) 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, and (ii) any Co-op Security Documents entered into between any of the Participants, or a party related to any Participant, with DASNY in connection with the granting of a particular Loan under the Resolution, in form and substance satisfactory to DASNY, with respect to Co-op Interests to be secured in connection therewith, as security for the performance of said Participants' obligations under the Applicable Loan Agreement, as such Co-op Security Documents may be amended or modified as provided in such Loan Agreement; and (B) with respect to the Loan Agreements, 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, and does not include Co-op Security Documents.

Mortgaged Property (A) with respect to the Resolution means (i) 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, and (ii) a Co-op Unit; and (B) with respect to the Loan Agreements 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 and does not include a Co-op Unit.

Non-PPA Expenses means, with reference to a Participant, all operating and nonoperating expenses of such Participant other than PPA Expenses.

Non-PPA Facility means, with reference to a Participant, any Project Property of such Participant or portion thereof which is, or was, not subject to the Prior Property Approval process incorporated in New York State Codes, Rules and Regulations, Title 14, Parts 681, 686 and 690, as amended from time to time.

Non-PPA Indebtedness means, with reference to a Participant, any Indebtedness incurred by such Participant to finance, in whole or in part, a Non-PPA Facility. Indebtedness incurred by such Participant with respect to a Project Property only a portion of which constitutes a Non-PPA Facility shall constitute Non-PPA Indebtedness to the extent such Indebtedness financed the Non-PPA Facility portion of such Project Property.

Non-PPA Revenues means, with reference to a Participant, all operating and nonoperating revenues of such Participant other than PPA Revenues.

OASAS means the New York State Office of Alcoholism and Substance Abuse Services, any successor or assign.

Official Statement means an official statement or other offering document relating to and in connection with the sale of any Bonds of a Series.

OMH means the New York State Office of Mental Health, any successor or assign.

OPWDD means the New York State Office for People with Developmental Disabilities (formerly known as the New York State Office of Mental Retardation and Developmental Disabilities), any successor or assign.

Outstanding, when used in reference to an Applicable Series of Bonds means, as of a particular date, all Bonds of such Series authenticated and delivered under the Resolution and under the Applicable Series Resolution except: (i) any such Bond cancelled by the Trustee at or before such date; (ii) any such Bond or Bonds deemed to have been paid in accordance with the Resolution; and (iii) any such Bond or Bonds in lieu of or in substitution for which another such Bond shall have been authenticated and delivered pursuant to the Resolution.

Participant or **Participants** collectively means each or all of the not-for-profit members of the Program Facilitator for whose benefit DASNY shall have issued Bonds under the Resolution and with whom DASNY shall have executed one or more Loan Agreements as particularly defined in the Applicable Series Resolution.

Paying Agent means, with respect to a Series of Bonds, the Trustee and any other bank or trust company and its successor or successors, appointed pursuant to the provisions of the Resolution or of the Applicable Series Resolution, the Applicable Bond Series Certificate or any other resolution of DASNY adopted prior to authentication and delivery of such Bonds for which such Paying Agent or Paying Agents shall be so appointed.

Permitted Collateral means:

(i) Government Obligations described in clauses (i) or (ii) of the definition of Government Obligations;

(ii) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations;

(iii) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) is rated in the highest short term rating category by at least one Rating Service and (c) is issued by a domestic corporation whose unsecured senior debt is rated by at least one nationally recognized statistical rating service no lower than in the second highest rating category;

(iv) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company (a) that has an equity capital of at least $125,000,000, (b) is rated by Bests Insurance Guide or a nationally recognized statistical rating service in the highest rating category, and (c) which regularly deals in such agreements, bonds or instruments; and

(v) bankers' acceptances that (a) mature within three hundred sixty-five (365) days after its date of issuance, and (b) are issued by a bank rated in the highest short term rating category by at least one Rating Service.

Permitted Encumbrances means with respect to a Participant, (i) the Applicable Loan Agreement; (ii) the Resolutions; (iii) the Mortgage, if any; (iv) any instrument recorded pursuant to the Loan Agreement; (v) any encumbrances or matters set forth in the Applicable Loan Agreement, including matters referred to in any title insurance policy described in the Loan Agreement and accepted by DASNY; (vi) any mortgage or other lien or encumbrance in connection with any additional Bonds issued under the Resolution approved in writing by DASNY; (vii) liens for real estate taxes, assessments, levies and other governmental charges, the payment of which is not in default; (viii) with respect to each Participant, utility, access and other easements and rights-of-way, restrictions and exceptions that will not interfere with or impair the Participant's use of its Project Property; (ix) as to any Project Property, such minor defects, irregularities, encumbrances, easements, rights-of-way (including agreements with any railroad the purpose of which is to service a railroad siding) and clouds on title as normally exist with respect to property similar in character to the Project Property and as do not, in the opinion of counsel acceptable to DASNY, either singly or in the aggregate, materially impair the property affected thereby for the purpose for which it was acquired and operated under this Loan Agreement; (x) any mechanics', workmen's, repairmen's, materialmen's, contractors', warehousemen's, carriers', suppliers' or vendors' lien or right in respect thereof if payment is not yet due and payable, all if and to the extent permitted by the Mortgage, if any; (xi) with respect to each Participant, any subordinate mortgage granted as security for bonds issued by DASNY or another issuer of bonds after the date of issuance of the Bonds, up to an amount approved by OPWDD, OMH or OASAS, as applicable, for the purpose of financing the cost of renovating, constructing, equipping or completing a Project or a Project Property, and any loan agreement, or any related company lease and installment sale agreement between the Participant and the issuer of such bonds leasing or selling such Project Property, any indenture of trust between such issuer and a trustee with respect to such bonds, or any building loan agreement among the Issuer of such bonds, the Participant and a trustee, in each case in connection with such financing; and (xii) any other encumbrances or matters approved in writing by DASNY after the date of delivery of the Bonds. With respect to the UCP Loan Agreement, the term **Permitted Encumbrances** also means: (a) the Co-op Security Documents, if any; and (b) the mortgage(s) granted by a Co-op Entity encumbering a Co-op Unit whether a matter of record as of the date hereof or granted hereafter, if any.

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, 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 2019A Facility** means the administrative, educational, day program and residential facilities and other attendant and related facilities owned or leased by a Participant and used in furtherance of the Participant's corporate purposes, including real property and Co-Op Units constituting the sites of such facilities and personal property located thereat, that are the subject of a Project described in the Applicable Loan Agreement. In the event that such Applicable Loan Agreement describes two or more Projects, depending on the context, the property that is the subject of one of the Projects or the properties that are the subject of all of the Projects (also referred to herein as the "Project Properties").

Public Funds means, with reference to a Participant, all moneys appropriated, apportioned or otherwise payable to a Participant by the Federal government, any agency thereof, the State, any agency of the State, a political subdivision, as defined in Section 100 of the General Municipal Law, any social services district in the State or any other governmental entity, including any Applicable State Agency.

Purchased Bonds means Bonds of a Series purchased by or at the direction of an Applicable Participant pursuant to the provisions of the Applicable Series Resolution or Applicable Bond Series Certificate as authorized by the Resolution.

Qualified Financial Institution means any of the following entities that has an equity capital of at least $125,000,000 or whose obligations are unconditionally guaranteed by an affiliate or parent having an equity capital of at least $125,000,000:

(i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (a) that is on the Federal Reserve Bank of New York list of primary government securities dealers and (b) whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt;

(ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of the United States of America, any state of the United States of America, whose unsecured long term debt or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, is, at the time an investment with it is made, rated by at least one Rating Service no lower than in the second highest rating category;

(iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity or which is a subsidiary of a foreign insurance company, whose senior unsecured long term debt or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, is, at the time an investment with it is made, rated by at least one Rating Service no lower than in the second highest rating category;

(iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, the Student Loan Marketing Association or any successor thereto, or any other federal agency or instrumentality approved by DASNY; or

(v) a corporation whose obligations, including any investments of any moneys held hereunder purchased from such corporation, are insured by an insurer that meets the applicable rating requirements set forth above.

Rating Service means each of Fitch, Moody's and S&P, in each case, which has assigned a rating to Outstanding Bonds of the Applicable Series at the request of DASNY, or their respective successors and assigns.

Record Date means, unless otherwise defined with respect to Bonds of a Series in an Applicable Series Resolution or Applicable Bond Series Certificate, the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding an interest payment date.

Redemption Price means, when used with respect to a Series of Bonds, the principal amount of such Bonds plus the applicable premium, if any, payable upon redemption thereof pursuant to the Resolution or to the Applicable Series Resolution or Applicable Bond Series Certificate; provided, however, when used with respect to an extraordinary mandatory redemption of a Defaulted Allocable Portion of a Series of Bonds, Redemption Price shall have the meaning set forth in the Resolution.

Refunding Bonds means all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered on original issuance pursuant to the Resolution, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds.

Reserve Fund Facility means a surety bond, insurance policy or Letter of Credit authorized by or pursuant to a Series Resolution establishing a Debt Service Reserve Fund to be delivered in lieu of or substitution of all or a portion of the moneys otherwise required to be held in such Debt Service Reserve Fund.

Resolution means this InterAgency Council Pooled Loan Program Revenue Bond Resolution, as the same may be from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions hereof.

Revenues mean, with respect to a particular Series of Bonds, all payments received or receivable by DASNY (including Contribution Amounts and Public Funds) pursuant to each of the Applicable Loan Agreements, which payments are to be paid to the Trustee, except (i) payments to such Trustee for the administrative costs and expenses or fees of such Trustee, (ii) payments to such Trustee for deposit to the Arbitrage Rebate Fund, and (iii) the Annual Administrative Fee.

S&P means Standard & Poor's Ratings Service, a division of The McGraw Hill Corporation, a corporation organized and existing under the laws of the State, and its successors and assigns.

Serial Bonds means the Bonds so designated in an Applicable Series Resolution or an Applicable Bond Series Certificate.

Series means all of the Bonds authenticated and delivered on original issuance and pursuant the Resolution and an Applicable Series Resolution, and any Bonds of such Series thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

Series Participants means the Participants and each other member of the Program Facilitator which borrows from DASNY a portion of the proceeds of the Bonds.

Series Resolution means a resolution of the members of DASNY authorizing the issuance of a Series of Bonds, adopted by DASNY pursuant to the Resolution.

Series 2019A Resolution means DASNY's Series 2019A Resolution Authorizing Up to $31,000,000 InterAgency Council Pooled Loan Program Revenue Bonds, Series 2019A, adopted by DASNY on March 6, 2019, 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.

APPENDIX E-1

SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2019 LOAN AGREEMENTS (OTHER THAN THE SERIES 2019 LOAN AGREEMENT OF UCP)

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SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2019 LOAN AGREEMENTS (other than the UCP Series 2019 Loan Agreement)

The following is a brief summary of certain provisions of one Series 2019 Loan Agreement (or "Loan Agreement") (other than the UCP Series 2019 Loan Agreement), and the summarized provisions are identical to each Loan Agreement (other than the UCP Series 2019 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 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. 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 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. 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 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).

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[1] DASNY has agreed in the Series 2019A Loan Agreement for Mercy Home for Children, Inc. ("MHC") to allow MHC to secure a working capital lien of receivables, including Public Funds, prior to the lien on Pledge Revenues created by MHC's Series 2019A Loan Agreement.

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 2019A-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 2019A-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 2019A-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 2019A-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 2019A-1 Bonds will not cause interest on the Subseries 2019A-1 Bonds to be included in the gross income of the owners of such Subseries 2019A-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 2019A-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 2019A-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 E-2

SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2019 LOAN AGREEMENT OF UCP

SUMMARY OF CERTAIN PROVISIONS OF THE UCP SERIES 2019 LOAN AGREEMENT

The following is a brief summary of certain provisions of the UCP Series 2019 Loan Agreement (or "Loan Agreement"). This summary does not purport to be complete and reference is made to the Loan Agreement 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 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. 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 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. 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, and, if a Co-op Unit, the security interests granted under the Co-op Security Documents. 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, and, if a Co-op Unit, the security interests granted under the Co-op Security Documents; 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, and, if a Co-op Unit, the security interests granted under the Co-op Security Documents. 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, and, if a Co-op Unit, the security interests granted under the Co-op Security Documents.

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, except, with the prior written consent of DASNY (such consent not to be unreasonably withheld or delayed), to secure a line of credit or other Short-term Indebtedness for working capital purposes.

(Section 11)

Collection of Pledged Revenues

Commencing on the date on which the Bonds are first issued and continuing until the Loan is no longer outstanding, each Participant shall deliver (or cause to be delivered) to the Trustee for deposit in the Applicable Debt Service Account of the Debt Service Fund all Pledged Revenues (other than the amounts subject to the Prior Pledges) within ten (10) days following the Participant's receipt thereof unless and until there is on deposit in the Applicable Debt Service Account of the Debt Service Fund an amount at least equal to the Participants' Loan Repayment in the amount and on the date set forth in the Loan Agreement. In the event that, pursuant to remedies provision of the Loan Agreement, DASNY notifies the Participants that account debtors are to make payments directly to DASNY or to the Trustee, such payments shall be so made notwithstanding anything contained in the Loan Agreement as described in this paragraph, but each Participant shall continue to deliver to the Trustee for deposit in the Applicable Debt Service Account of the Debt Service Fund any payments received by the Participant with respect to the Pledged Revenues (other than such amounts as are subject to the Prior Pledges).

Notwithstanding anything to the contrary in the paragraph above, in the event that, on or prior to the tenth (10th) day of any month, any Participant makes a payment to or upon the order of the Trustee, from its general funds or from any other money legally available to it for such purpose, for deposit in Applicable Debt Service Account of the Debt Service Fund in the amount which the Participants are required to pay to the Trustee pursuant to the Loan Agreement regarding Loan Repayments, no Participant shall not be required solely by virtue of the Loan Agreement as described in the paragraph above, to deliver Pledged Revenues to the Trustee for deposit in the Applicable Debt Service Account of the Debt Service Fund with respect to the amount due to be paid on the tenth (10th) day of such month; provided that, nothing contained in this paragraph shall abrogate the obligations of the Participants under the Loan Agreement as described in the last two paragraphs under this heading.

Any Pledged Revenues collected by a Participant that are not required to be paid to the Trustee pursuant to the Loan Agreement as described under this heading or under the remedies provisions of the Loan Agreement, including any amounts to make up any deficiencies in any funds or accounts established pursuant to the Resolution or the Series Resolution, shall be free and clear of the security interest granted by the Loan Agreement and may be disposed of by the Participant for any of its corporate purposes provided that (a) no Event of Default, or event which with the passage of time or giving of notice, or both, would become an Event of Default, has occurred and is continuing or (b) there has not occurred a drawing of funds from the Debt Service Reserve Fund that has not been repaid by the Participants as required by the Loan Agreement or the Series Resolution.

Each Participant agrees to direct the payment of Pledged Revenues, otherwise payable to the Participant, to DASNY for deposit in the Debt Service Fund. Pursuant to the Act and an Intercept Agreement, each Participant has assigned and pledged to DASNY such Pledged Revenues subject to the Prior Pledges. In addition to an Intercept Agreement, each Participant agrees to execute and deliver, from time to time, such additional documents, if any, as may be required by DASNY, the Trustee, any Applicable State Agency, the Comptroller, the State, a political subdivision (as defined in Section 100 of the General Municipal Law), or any social services district in the State, to authorize or implement such payment of Pledged Revenues to DASNY or the Trustee in an amount sufficient to pay all amounts required to be paid under the Loan Agreement. Each Participant further acknowledges that all State and local officers are authorized and required to pay any such Pledged Revenues so assigned and pledged to DASNY in accordance with the Loan Agreement. DASNY may periodically file a certificate with any Applicable State Agency, the Comptroller, the State, a political subdivision (as defined in Section 100 of the General Municipal Law), or any social services district in the State setting forth the amount of Pledged Revenues required to be paid to satisfy the obligations of the Participants under the Loan Agreement, which certificate may be amended by DASNY from time to time. Copies of said certificate and any amendments thereto filed pursuant to this paragraph shall be delivered to the Trustee and the Participants.

Unless and until an Event of Default described in the Loan Agreement or an event which with the passage of time or giving of notice, or both, would become an Event of Default shall have occurred or there shall have occurred a drawing of funds from the Debt Service Reserve Fund that has not been repaid by the Participants as required by the Loan Agreement or the Series Resolution, shall have occurred, DASNY waives its right to collect those amounts payable to DASNY pursuant to the Loan Agreement as described in the paragraph above. Upon the occurrence of an event described in the preceding sentence, DASNY may, in addition to all other remedies available to it pursuant to the Loan Agreement, cause the Pledged Revenues (subject to the Prior Pledges) to be deducted, withheld or paid directly to DASNY or the Trustee, as appropriate, in an amount sufficient to make all payments required to be made by the Participants under the Loan Agreement.

(Section 12)

Lien on Project Property

With respect to each Project Property which is owned by a Participant in fee, at or before the delivery by DASNY of the Bonds, such Participant shall execute and deliver to DASNY a Mortgage, in recordable form, mortgaging to DASNY the Project Property, subject only to Permitted Encumbrances. As further security for the obligations and liabilities of any 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 such Project 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 (other than a Co-op Unit) 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.

With respect to each Project Property of a Participant which is a Co-op Unit, at or before the delivery by DASNY of the Bonds, such Participant shall execute and deliver to DASNY Co-op Security Documents granting security interests in the Co-op Interest, subject only to Permitted Encumbrances. As further security for the obligations and liabilities of any 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 the Co-op Unit, together with all proceeds thereof and substitutions therefor. Such security interest in such fixtures, furnishings and equipment shall be subject only to Permitted Encumbrances.

Prior to any assignment of a Mortgage or Co-op Security Documents 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 or the Co-op Security Documents and of any security interest in fixtures or equipment located in or on or used in connection with the Mortgaged Property or the Co-op Unit, and the property subject to the Mortgage or the Co-op Security Documents or such 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 or Co-op Security Documents may remove fixtures or equipment from the Mortgaged Property or the Co-op Unit 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 (other than a Co-op Unit) 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.

Each Participant that owns one or more of the Project Properties comprised of one or more Co-op Units warrants and represents to DASNY that (i) the Participant is the sole owner of the Co-op Shares free and clear of any lien, (ii) the related Co-op Proprietary Lease has been duly authorized, executed and delivered by the Participant and is valid, binding and enforceable against the Participant, free and clear of liens and encumbrances, except Permitted Encumbrances, so as to permit the Participant to have quiet enjoyment and use thereof for purposes hereof and the Participant's programs, and (iii) the Participant shall not further pledge or assign its Co-op Interests as collateral for any other loan, unless such further pledge or assignment creates a Permitted Encumbrance.

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 2019A-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, including, but not limited to, with respect to any Co-op Unit, any costs or assessments imposed pursuant to the Co-op Proprietary Lease, 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, under the Mortgage, if any, or under the Co-op Security Documents, if any; (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 or Co-op Entity 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 or the Co-op Entity, 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 or the Co-op Entity, 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, or the Co-op Security Documents, 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 and by the terms of the Co-op Proprietary Lease, if any, (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 or security interest under the Loan Agreement, under the Mortgage, if any, under the Co-op Security Documents, if any, 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, by the Co-op Security Documents, 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 2019A-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 2019A-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 2019A-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 2019A-1 Bonds will not cause interest on the Subseries 2019A-1 Bonds to be included in the gross income of the owners of such Subseries 2019A-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 2019A-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 2019A-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)

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 2019A 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 2019A Resolution establishes a Debt Service Reserve Fund to be held and maintained by the Trustee with respect to the Series 2019A 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 2019A 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 2019A Bonds or Permitted Investments in an amount sufficient to satisfy each Applicable Series 2019A Participant's Allocable Portion of the Debt Service Reserve Fund Requirement as set forth in the Applicable Bond Series Certificate. An Applicable Series 2019A 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 2019A Bonds for all or any part of the Debt Service Reserve Fund Requirement or any Applicable Series 2019A 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 2019A are not rated by Moody's and S&P by whichever of said rating services that then rates the Outstanding Series 2019A 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 2019A Participant's Allocable Portion of a Debt Service Reserve Fund is less than such Applicable Series 2019A 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 2019A Participant of such deficiency. Such Applicable Series 2019A 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 2019A 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 2019A Participant's Allocable Portion of, respectively, interest on the Outstanding Series 2019A 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 2019A 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 2019A Bonds upon the acceleration of such Series 2019A Participant's Loan pursuant to the Applicable Loan Agreement.

Upon the exercise by a Series 2019A 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 2019A 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 2019A 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 2019A 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 2019A 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 2019A 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 2019A Resolution)

Arbitrage Rebate Fund

The Trustee shall deposit to the Applicable Account in the Arbitrage Rebate Fund any moneys delivered to it by each of the Applicable Participants for deposit therein and, notwithstanding any other provisions of the Resolution, shall transfer to the Arbitrage Rebate Fund, in accordance with the directions of DASNY, moneys on deposit in any other funds held by such Trustee under the Resolution at such times and in such amounts as shall be set forth in such directions.

Moneys on deposit in the Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the direction of DASNY to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as DASNY shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which DASNY determines to be in excess of the amount required to be so rebated shall be deposited to the Debt Service Fund in accordance with the directions of DASNY.

If and to the extent required by the Code, DASNY shall periodically, at such times as may be required to comply with the Code, determine the amount of Excess Earnings with respect to an Applicable Series of Bonds and direct the Trustee to (i) transfer from the Applicable Account of any other of the funds held by the Trustee under and deposit to the Arbitrage Rebate Fund, all or a portion of the Excess Earnings with respect to such Series of Bonds and (ii) pay out of the Arbitrage Rebate Fund to the Department of the Treasury of the United States or America the amount, if any, required by the Code to be rebated thereto.

(Section 5.08)

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if, upon the computation of assets in the Applicable Debt Service Account of the Debt Service Fund, the Applicable Project Loan Account of the Project Loan Fund and of an Applicable Participant's Allocable Portion of the Debt Service Reserve Fund, if applicable, the amounts held therein are sufficient to pay the principal or Redemption Price of a Participant's Allocable Portion of all Outstanding Bonds of the Applicable Series and the interest accrued and to accrue on such Bonds to the next date of redemption when all such Bonds shall be redeemable, the Trustee shall so notify DASNY and the Applicable Participant. Upon receipt of such notice, DASNY may request the Trustee to redeem Outstanding Bonds of the Applicable Series in an amount which corresponds to such Participant's Allocable Portion thereof. The Trustee shall, upon receipt of such request in writing by DASNY, proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds hereby and by the Applicable Series Resolution as provided in Article IV hereof.

(Section 5.09)

Security for Deposits

All moneys held under the Resolution by the Trustee shall be continuously and fully secured, for the benefit of DASNY and the Holders of a Series of Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; *provided, however*, (a) that if the securing of such moneys is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Trustee or any Paying Agent to give security for the deposit of any moneys with it or them pursuant to the Resolution and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on a Series of Bonds, or for the Trustee to give security for any moneys which shall be represented by obligations purchased or other investments made under the provisions hereof as an investment of such moneys.

(Section 6.01)

Investment of Funds and Accounts

(a) Money held under the Resolution by the Trustee, and, if there is an Event of Default, under an Applicable Loan Agreement, if permitted by law, shall, as nearly as may be practicable, be invested by the Trustee, upon direction of DASNY given or confirmed in writing (which direction shall specify the amount thereof to be so invested), in Government Obligations, Federal Agency Obligations or Exempt Obligations; *provided, however,* that each such investment shall permit the money so deposited or invested to be available for use at the times at which DASNY reasonably believes such money will be required for the purposes hereof.

(b) Except as may be otherwise provided in a Series Resolution, in lieu of the investment of moneys in obligations authorized in paragraph (a) above, the Trustee shall, to the extent permitted by law, upon direction of DASNY given or confirmed in writing, invest moneys in the Project Loan Fund and the Debt Service Reserve Fund, if applicable, and any account held therein in any Permitted Investment; *provided, however*, that each such investment shall permit the money so deposited or invested to be available for use at the times at which DASNY reasonably believes such money will be required for the purposes hereof, *provided, further*, that (a) any Permitted Collateral required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, (b) the Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of DASNY, and (c) the Permitted Collateral shall be free and clear of claims of any other person.

(c) Permitted Investments purchased as an investment of money in any fund or account held by the Trustee under the provisions of the Resolution shall be deemed at all times to be a part of such fund or account and the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged, as the case may be, to such fund or account.

(d) Except as may otherwise be provided in a Series Resolution, in computing the amount in any fund or account held by the Trustee under the provisions of the Resolution, each Permitted Investment shall be valued at par or the market value thereof, plus accrued interest, whichever is lower, except that investments held in the Debt Service Reserve Fund, if any, shall be valued at par or the cost thereof, plus accrued interest, whichever is lower.

(e) Notwithstanding anything in the Resolution to the contrary, DASNY, in its discretion, may direct the Trustee to, and the Trustee shall, sell, present for redemption or exchange any investment held by the Trustee pursuant the Resolution and the proceeds thereof may be reinvested as provided in the Resolution summarized herein. Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolution whenever it shall be necessary in order to provide money to meet any payment or transfer from the fund or account in which such investment is held. The Trustee shall advise DASNY and the Applicable Participants in writing, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account hereunder and of the details of all investments held for the credit of each fund and account in its custody under the provisions of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of paragraphs (a), (b) and (c) above. The details of such investments shall include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee shall also describe all withdrawals, substitutions and other transactions occurring in each such fund and account in the previous month.

(f) Except with respect to Bonds the interest on which was intended to be included in gross income under Section 103 of the Code, no part of the proceeds of a Series of Bonds or any other funds or accounts of DASNY shall be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Bond to be an “arbitrage bond” within the meaning of Section 148(a) of the Code.

(Section 6.02)

Creation of Liens

Except as may otherwise be provided in the Resolution or in an Applicable Series Resolution, DASNY shall not create or cause to be created any lien or charge prior or equal to that of the Bonds of a Series on the proceeds from the sale of such Series of Bonds, the Revenues pledged for such Series of Bonds, the rights of DASNY to receive payments to be made under the Applicable Loan Agreement that are to be deposited with the Trustee, the Applicable Pledged Revenues (subject to Prior Pledges) or the funds and accounts established by the Resolution and pursuant to the Applicable Series Resolution which are pledged by the Resolution; *provided, however*, that nothing contained in the Resolution shall prevent DASNY from issuing bonds, notes or other obligations under other and separate resolutions so long as the charge or lien created by such resolution is not prior or equal to the charge or lien created by the Resolution.

(Section 7.06)

Enforcement of Duties and Obligations of the Participants

DASNY shall take all legally available action to cause each of the Participants to perform fully all duties and acts and comply fully with the covenants of such Participant required by the respective Loan Agreements in the manner and at the times provided in such Loan Agreements; *provided, however*, that DASNY may delay, defer or waive enforcement of one or more provisions of said Loan Agreements (other than provisions requiring the payment of moneys or the delivery of securities to the Trustee for deposit to any fund or account established under the Resolutions) if DASNY determines such delay, deferment or waiver will not materially adversely affect the interests of the Holders of the Bonds of a Series.

(Section 7.07)

Amendment of Loan Agreements

A Loan Agreement may not be amended, changed, modified, altered or terminated nor may any provision thereof be waived if any such amendment, change, modification, alteration, termination or waiver would adversely affect the interest of the Holders of Outstanding Bonds of the Applicable Series in any material respect without the prior written consent of the Holders of at least a majority in aggregate principal amount of the Bonds of such Applicable Series then Outstanding; *provided, however*, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of the Applicable Series remain Outstanding the consent of the Holders of such Bonds shall not be required; and *provided, further*, that no such amendment, change, modification, alteration, or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds of a Series the consent of the Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made by the Applicable Participant under such Loan Agreement that is to be deposited with the Trustee or extend the time of payment thereof. Any consent given pursuant to this paragraph by the Holders of Bonds shall, except as otherwise provided in the paragraphs summarized herein, be given in the same manner required by for amendments to the Resolution.

Except as otherwise provided in under this heading "*Amendment of Loan Agreements*," a Loan Agreement may be amended, changed, modified or altered without the consent of the Holders of Outstanding Bonds of the Applicable Series or the Trustee. Specifically, and without limiting the generality of the foregoing, a Loan Agreement may be amended, changed, modified or altered without the consent of the Trustee and the Holders of Outstanding Bonds of the Applicable Series (i) to provide changes in connection with the acquisition, construction, reconstruction, rehabilitation, renovation and improvement or otherwise, the providing, furnishing and equipping of any facilities constituting a part of a Project or which may be added to such Project or the issuance of Bonds, or (ii) with the consent of the Trustee, to cure any ambiguity, or to correct or supplement any provisions contained in any Loan Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in such Loan Agreement. Upon execution by DASNY of any amendment, a copy thereof certified by DASNY shall be filed with the Trustee.

For the purposes of this section entitled "*Amendment of Loan Agreements*," Outstanding Bonds of the Applicable Series shall be deemed to be adversely affected by an amendment, change, modification or alteration of the Applicable Loan Agreement if the same adversely affects or diminishes the rights of the Holders of such Bonds. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of the Applicable Series would be adversely affected by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on DASNY and all Holders of such Bonds. For all purposes of this section entitled "*Amendment of Loan Agreements*," the Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee with respect to whether any amendment, change, modification or alteration adversely affects the interests of any Holders of Bonds of the Applicable Series then Outstanding.

(Section 7.11)

Modification and Amendment without Consent

Notwithstanding any other provisions of the Resolution, DASNY may adopt at any time or from time to time a Supplemental Resolution for any one or more of the following purposes, and any such Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of DASNY:

(a) To add additional covenants and agreements of DASNY for the purpose of further securing the payment of the Bonds of Series, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of DASNY contained in the Resolution or in the Applicable Series Resolution;

(b) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by DASNY which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(c) To surrender any right, power or privilege reserved to or conferred upon DASNY by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of DASNY contained in the Resolution;

(d) To confirm, as further assurance, any pledge under, and the subjection to any lien, claim or pledge created or to be created by the provisions of, the Resolution, or any Series Resolution, the Revenues, or any pledge of any other moneys, securities or funds;

(e) To modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respects, provided that such modifications shall not be effective until after all Bonds of an Applicable Series Outstanding as of the date of adoption of such Supplemental Resolution and affected thereby shall cease to be Outstanding, and all Bonds of such Series issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent resolutions; or

(f) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Holders of Bonds of a Series in any material respect.

(Section 9.01)

Supplemental Resolutions Effective With Consent

The provisions of the Resolution and of a Series Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of the Holders of the affected Series of Bonds in accordance with and subject to the provisions of the Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of DASNY.

(Section 9.02)

Powers of Amendment

Any modification or amendment of the Resolution or of any Series Resolution that modifies or amends the rights and obligations of DASNY and the Holders of the Bonds of a Series under the Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Resolution and summarized in the following paragraph, (i) of the Holders of at least a majority in principal amount of the Bonds Outstanding of such Series affected thereby at the time such consent is given, or (ii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least a majority in principal amount of the Bonds of the Series, maturity and interest rate entitled to such Sinking Fund Installment, Outstanding at the time such consent is given; *provided, however*, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of the Applicable Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this paragraph. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond of a Series or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds of a Series the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of the Resolution summarized in this paragraph, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds of a particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on DASNY and all Holders of the Bonds of such Series. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether the Bonds of a particular Series or maturity would be so affected by any such modification or amendment of the Resolution.

(Section 10.01)

Consent of Bondholders

DASNY may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Resolution summarized in the preceding paragraph to take effect when and as provided in the Resolution. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Holders of the Series of Bonds affected thereby for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed or caused to be mailed by the Trustee at the direction of DASNY to such Bondholders (but failure to mail such copy to any particular Bondholder shall not affect the validity of such Supplemental Resolution when consented to as provided in the Resolution). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consent of the Holders of the percentages of Outstanding Bonds of the Series specified in the provisions of the Resolution and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by DASNY in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon DASNY and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as provided in the Resolution. Each such consent shall be effective only if accompanied by proof of the holding or owning at the date of such consent of the Bonds of a Series with respect to which such consent is given, which proof shall be such as is permitted by the Resolution. A certificate or certificates by the Trustee filed with DASNY that it has examined such proof and that such proof is sufficient in accordance with the Resolution shall be conclusive proof that the consents have been given by the Holders of the Bonds of a Series described in the certificate or certificates of the Trustee. Any consent given by and a Holder of Bonds of a Series shall be binding upon such Holder giving such consent and, anything in the Resolution hereof to the contrary notwithstanding, upon any such subsequent Holder of such Bond and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by such Bondholder giving such consent or such subsequent Holder thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee provided for in the Resolution is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with DASNY to the effect that no revocation thereof is on file with the Trustee. At any time after such Holders of the required percentages of Bonds shall have filed their consents to such Supplemental Resolution, the Trustee shall make and file with DASNY a written statement that such Holders have filed such consents. Such written statement shall be conclusive evidence that such consents have been so filed. At any time thereafter notice, stating in substance that such Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by DASNY on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds of the Applicable Series and will be effective as provided in the Resolution, shall be given to such Bondholders by the Trustee at the direction of DASNY by mailing or causing the mailing of such notice to the Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding) and, in the sole discretion of DASNY, by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of such Bonds shall have filed their consents to such Supplemental Resolution and the written statement of the Trustee provided for in the Resolution is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in the Resolution). If such notice is published, the Trustee shall file with DASNY proof of the publication thereof, and, if the same shall have been mailed to the Holders of such Bonds, of the mailing thereof. A transcript, consisting of the papers required or permitted by the Resolution to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon DASNY, the Trustee, the Applicable Paying Agent, the Holders of such Series of Bonds upon the filing with the Trustee of proof of the mailing of such notice or at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; *provided, however*, that DASNY, the Trustee and the Applicable Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

For the purposes of these provisions of the Resolution, the purchasers of the Bonds of a Series, whether purchasing as underwriters or remarketing agent for resale or otherwise, upon such purchase, may consent to a modification or amendment permitted by the Resolution in the manner provided in the Resolution, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; *provided, however*, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series.

(Section 10.02)

Events of Default

An event of default shall exist under the Resolution and under a Series Resolution (referred to in the Resolution as an “Event of Default”) if:

(a) with respect to a Series of Bonds, payment of (i) an installment of interest on any Bond shall not be made by DASNY when the same shall become due and payable; or (ii) the principal, Sinking Fund Installments or Redemption Price of any Bond shall not be made by DASNY when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; *provided, however*, if the failure to make any such payment is caused by a failure of an Applicable Participant to timely pay its Allocable Portion of the principal, Sinking Fund Installments or Redemption Price of or interest on the Bonds pursuant to the terms of the Allocable Loan Agreement, then it shall be an event of default under the Resolution only with respect to the Defaulted Allocable Portion of such Series of Bonds Outstanding, as identified by the Trustee using the method for selection of Bonds upon an extraordinary mandatory redemption thereof set forth in the Resolution; or

(b) with respect to a Series of Bonds, DASNY shall default in the due and punctual performance of its tax covenants contained in the Resolutions with the result that the interest on the a result thereof, the interest on the Bonds of such Series shall no longer be excludable from gross income under Section 103 of the Code; or

(c) with respect to a Series of Bonds, DASNY shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions for the benefit of the Holders of such Bonds contained in the Resolution or in the Bonds of such Series or in the Applicable Series Resolution on the part of DASNY to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to DASNY by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of such Series, or if such default is not capable of being cured within thirty (30) days, if DASNY fails to commence within said thirty (30) days and diligently prosecute the cure thereof; or

(d) with respect to a Series of Bonds, an "Event or Default" (as defined in each Loan Agreement), shall have occurred and is continuing under an Applicable Loan Agreement and all sums payable by the Applicable Participant under the Applicable Loan shall have been declared to be immediately due and payable, which declaration shall not have been annulled; *provided, however*, that such "Event of Default" under an Applicable Loan Agreement shall constitute an event of default under the Resolution only with respect to the Defaulted Allocable Portion of such Series of Bonds Outstanding, as identified by the Trustee using the method for selection of Bonds upon an extraordinary mandatory redemption thereof set forth in the Resolution.

An event of default under the Resolution in respect of a Series of Bonds shall not in and of itself be or constitute an event of default in respect of any other Series of Bonds.

An event of default shall not be deemed to have occurred pursuant to paragraph (a) under the caption "*Events of Default*" above solely as a result of (i) payments made to Bondholders from draws under a Reserve Fund Facility, which draws remain unreimbursed, or (ii) payments made to Bondholders of less than all of the principal of and interest on the Defaulted Allocable Portion of the Outstanding Bonds of an Applicable Series following (A) an acceleration of such Defaulted Allocable Portion of the Applicable Series of Bonds pursuant to the Resolution or (B) the extraordinary mandatory redemption of such Defaulted Allocable Portion of the Applicable Series of Bonds pursuant to the Resolution, and, in each case, the application by the Trustee of all funds available for the payment thereof pursuant to the provisions summarized below under the caption "*Limitation on Revenues and Security Available for Payments After Certain Defaults; Priority of Payments After Default; Cancellation and Replacement of Certain Bonds.*"

(Section 11.02)

Acceleration of Maturity

Upon the happening and continuance of any event of default specified in the Resolution, other than an event of default specified in paragraph (a) under the caption "Events of Default" above resulting from an Applicable Participant's failure to timely pay its Allocable Portion of the Bonds of the Applicable Series pursuant to the Applicable Loan Agreement, or an event of default specified in paragraphs (b) or (d) under the caption "Events of Default" above, then and in every such case the Trustee shall, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series, by a notice in writing to DASNY, declare the principal of and interest on the Outstanding Bonds of such Applicable Series to be due and payable immediately. At the expiration of thirty (30) days after notice of such declaration has been given, such principal and interest shall become and be immediately due and payable, anything in the Resolution or in the Applicable Series Resolution or in the Bonds of such Applicable Series to the contrary notwithstanding. At any time after the principal of the Bonds of such Applicable Series shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee may, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series, by written notice to DASNY, annul such declaration and its consequences if: (i) moneys shall have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds of such Applicable Series (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and Applicable Paying Agent incurred in connection with such Applicable Series of Bonds; (iii) all other amounts then payable by DASNY under the Resolution in connection with such Applicable Series of Bonds and under the Applicable Series

Resolution shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of such covenant, condition or agreement contained in the Resolution or in the Applicable Series Resolution or in such Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration made under the provisions summarized in this paragraph) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

Upon the happening and continuance of an event of default specified in paragraph (a) under the caption "Events of Default" above resulting from a failure of an Applicable Participant to timely pay its Allocable Portion of the Bonds of the Applicable Series pursuant to the Applicable Loan Agreement, or upon the happening and continuance of an event of default specified in paragraph (d) under the caption "Events of Default" above, then and in every such case the Trustee shall, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Defaulted Allocable Portion of the Outstanding Bonds of the Applicable Series, by a notice in writing to DASNY, declare the principal of and interest on the Defaulted Allocable Portion of the Outstanding Bonds of such Applicable Series to be due and payable immediately. At the expiration of thirty (30) days after notice of such declaration has been given, such principal and interest shall become and be immediately due and payable, anything in the Resolution or in the Applicable Series Resolution or in the Bonds of such Applicable Series to the contrary notwithstanding. At any time after the Defaulted Allocable Portion of the principal of the Bonds of such Applicable Series shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee may, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Defaulted Allocable Portion of the Outstanding Bonds of the Applicable Series, by written notice to DASNY, annul such declaration and its consequences if: (i) moneys shall have accumulated in the Applicable Debt Service Account or Accounts of the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Defaulted Allocable Portion of the Outstanding Bonds of such Applicable Series (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and Applicable Paying Agent incurred in connection with such Defaulted Allocable Portion of such Applicable Series of Bonds; (iii) all other amounts then payable by DASNY under the Resolution in connection with such Defaulted Allocable Portion of the Applicable Series of Bonds and under the Applicable Series Resolution shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of such covenant, condition or agreement contained in the Resolution or in the Applicable Series Resolution or in such Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration made under the provisions summarized in this paragraph) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any event of default specified in the Resolution, then and in every such case, the Trustee may proceed, and (i) upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of an Applicable Series, or principal amount of the Defaulted Allocable Portion of the Outstanding Bonds of an Applicable Series, as applicable, or (ii) in the case of an event of default specified in paragraph (b) under the caption "*Events of Defaults*" above, upon the written request of the Holders of not less than a majority in principal amount of the Outstanding Bonds of an Applicable Series affected thereby, the Trustee shall proceed (subject to the provisions of the Resolution), to protect and enforce its rights and the rights of the Holders of Bonds of such Applicable Series under the Resolution or under the Applicable Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or under such Applicable Series Resolution or in aid or execution of any power in the Resolution or in the Applicable Series Resolution granted, or for an accounting against DASNY as if DASNY were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights, including the foreclosure of any Applicable Mortgage assigned to the Trustee pursuant to the provisions of the Resolution summarized herein.

In the enforcement of any remedy under the Resolution and under an Applicable Series Resolution, the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then, or during any default becoming, and at any time remaining, due from DASNY for principal or interest or otherwise under any of the provisions of the Resolution or of an Applicable Series Resolution or of an Applicable Series of Bonds, with interest or overdue payment of the principal of and interest on such Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolution and under any Applicable Series Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce judgment or decree against DASNY but solely as provided in the Resolution, in the Applicable Series Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in the manner provided by law, the moneys adjudged or decreed to be payable.

(Section 11.04)

Limitation on Revenues and Security Available for Payments After Certain Defaults; Priority of Payments After Default; Cancellation and Replacement of Certain Bonds

(a) Notwithstanding any provision of the Resolution to the contrary, upon the happening and continuance of an event of default specified in paragraph (a) under the caption "*Events of Defaults*" above resulting from a failure of an Applicable Participant to timely pay its Allocable Portion of the Applicable Series of Bonds pursuant to the Applicable Loan Agreement, or upon the happening and continuance of an event of default specified in paragraph (d) under the caption "*Events of Defaults*" above, then and in every such case, payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Defaulted Allocable Portion of the Applicable Series of Bonds (either by their terms, by acceleration of maturity or by the extraordinary mandatory redemption thereof) shall be limited solely to (i) the Revenues received or receivable by DASNY pursuant the defaulting Participant's Applicable Loan Agreement, including the such Participant's Pledged Revenues and other amounts derived from the exercise of any remedies under the Applicable Loan Agreement and the realization of any security or collateral granted by such defaulting Participant as security for its Applicable Loan, and (ii) moneys and securities on deposit in the Applicable Accounts of the funds authorized hereby and established pursuant to the Applicable Series Resolution for the payment of such defaulting Participant's Allocable Portion of the Applicable Series of Bonds (other than any Account in the Arbitrage Rebate Fund), and the Holders of such Defaulted Allocable Portion of the Applicable Series of Bonds shall have no right to any payments from any other Revenues or any other funds held by the Trustee hereunder for the payment of such Series of Bonds.

(b) Subject to paragraph (a) above, if at any time the moneys held by the Trustee in the funds and accounts under the Resolution and under an Applicable Series Resolution shall not be sufficient to pay the principal of and interest on the Bonds of a Series as the same become due and payable (either by their terms or by acceleration of maturity), such moneys together with any moneys then available or thereafter becoming available for such purpose, whether through exercise of the remedies provided for in the Resolution or otherwise, shall be applied (after payment of all amounts owing to the Trustee hereunder) as follows:

(i) Unless the principal of all the Bonds of a Series has become or been declared due and payable, all such moneys shall be applied:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due in the order of such maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to the difference in the respective rates of interest specified in such Bonds; or

SECOND: To the payment to the persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds of such Series which shall have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available shall not be sufficient to pay in full all of such Bonds due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(ii) If the principal of all of the Bonds of a Series or the principal of all of the Defaulted Allocable Portion of the Bonds of a Series shall have become or been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon such Bonds or Defaulted Allocable Portion of such Bonds, as the case may be, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond of such Series over any other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to the difference in the respective rates of interest specified in said Bonds.

These provisions summarized above are in all respects subject to the provisions of the Resolution.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of the Resolution summarized herein, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The setting aside of such moneys in trust for application in accordance with the provisions of this section shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to DASNY, to any Holder of Bonds of a Series or to any other person for any delay in applying any such moneys so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be on an interest payment date unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. The Trustee shall not be required to make payment to the Holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement.

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

(Section 11.05)

Bondholders' Direction of Proceedings.

Anything in the Resolution to the contrary notwithstanding, the Holders of (i) not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of a Series or the principal amount of the Defaulted Allocable Portion of the Outstanding Bonds of a Series, as applicable, in the case of an event of default specified in paragraphs (a), (c) or (d) under the caption "*Events of Default*" above, or (ii) a majority in principal amount of the Outstanding Bonds of a Series affected thereby, in the case of an event of default specified in paragraph (b) under the caption "*Events of Default*" above, shall have the right by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Resolution and under Applicable Series Resolution, provided, such direction shall not be otherwise than in accordance with law or the provisions of the Resolution and of Applicable Series Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

(Section 11.07)

Limitation of Rights of Individual Bondholders

No Holder of any of the Bonds of a Series shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution or under any Series Resolution, or for any other remedy under the Resolution unless such Holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of (i) not less than twenty five per centum (25%) in principal amount of the Outstanding Bonds of a Series, in the case of an event of default specified in paragraphs (a) or (c) under the caption "*Events of Default*" above, (ii) a majority in principal amount of the Outstanding Bonds of a Series, in the case of an event of default specified in paragraph (b) under the caption "Events of Default" above, or (iii) not less than twenty five per centum (25%) in principal amount of the Defaulted Allocable Portion of the Outstanding Bonds of a Series, in the case of an event of default specified in paragraph (d) under the caption "Events of Default" above, shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless, also there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are by the Resolution declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy under the Resolution and at equity and in law. It is understood and intended that no one or more Holders of the Bonds of a Series secured by the Resolution and by a Series Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or to enforce any right under the Resolution except in the manner provided in the Resolution, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Holders of the Outstanding Bonds of such Series. Notwithstanding any other provision of the Resolution, the Holder of any Bond of a Series shall have the right which is absolute and unconditional to receive payment of the principal of (or Redemption Price, if any) and interest on such Bond on the stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

(Section 11.08)

Defeasance

(a) If DASNY shall pay or cause to be paid to the Holders of the Bonds of a Series or any portion thereof the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, thereof and interest thereon, at the times and in the manner stipulated therein, in the Resolution, and in the Applicable Series Resolution and Applicable Bond Series Certificate, then the pledge of the Revenues or other moneys and securities pledged to such Series of Bonds or any portion thereof and all other rights granted by the Resolution to such Series of Bonds or any portion thereof shall be discharged and satisfied. In such event, the Trustee shall, upon the request of DASNY, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by DASNY, and all moneys or other securities held by it pursuant to the Resolution and to the Applicable Series Resolution which are not required for the payment or redemption of Bonds of such Series or any portion thereof not theretofore surrendered for such payment or redemption shall be paid or delivered by the Trustee as follows: *first*, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of DASNY; *second*, to each Applicable Facility Provider which has certified to the Trustee and DASNY that moneys advanced under a Reserve Fund Facility together with any interest thereon have not been repaid, pro rata, based upon the respective amounts certified by each such Applicable Facility Provider; *third*, to DASNY the amount certified by DASNY to be then due or past due pursuant to an Applicable Loan Agreement for fees and expenses of DASNY or pursuant to any indemnity; and, *fourth*, the balance thereof to the Applicable Participants, as directed in writing by DASNY. Such moneys or securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution, by the Applicable Series Resolution or by an Applicable Loan Agreement.

(b) Notwithstanding any provision of the Resolution to the contrary, if any Participant shall have prepaid its respective Loan pursuant to the Applicable Loan Agreement and in accordance therewith shall pay or cause to be paid its Allocable Portion of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest on the Applicable Series of Bonds or portions thereof at the times and in the manner stipulated therein, in the Resolution, and in the Applicable Series Resolution and the Applicable Bond Series Certificate, then the pledge of the Revenues or other moneys and securities pledged with respect to such Loan or any portion thereof and all other rights granted under the Applicable

Loan Agreement and any Mortgage or security interest relating thereto shall be discharged and satisfied; provided that the moneys used for such prepayment shall not constitute an avoidable transfer under Section 547 of the United States Bankruptcy Code, as amended, in the event of a bankruptcy by such Participant. Moneys derived from a refunding, borrowed from a third party financial institution or set aside by the Participant for such purpose in a segregated account for at least 124 days and not commingled with any other moneys of the Participant shall be deemed to be moneys that do not constitute an avoidable transfer under Section 547 of the Bankruptcy Code. In such event, the Trustee shall, upon the request of DASNY, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by the Participant and DASNY, and all moneys or other securities held by the Trustee pursuant to the Resolution and to the Applicable Series Resolution which are not required for the payment or redemption of the Participant's Allocable Portion of the Bonds of such Applicable Series to be defeased or any portion thereof not theretofore surrendered for such payment or redemption shall be paid or delivered by the Trustee as follows: *first*, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of DASNY; *second*, to each Applicable Facility Provider which has certified to the Trustee and DASNY that moneys advanced under a Reserve Fund Facility which constitutes any part of such Participant's Allocable Portion of the related Debt Service Reserve Fund, if any, together with any interest thereon, have not been repaid, pro rata, based upon the respective amounts certified by each such Applicable Facility Provider; *third*, to DASNY the amount certified by DASNY to be then due or past due pursuant to the Applicable Loan Agreement relating to the Applicable Loan to be prepaid for fees and expenses of DASNY or pursuant to any indemnity; and, *fourth*, the balance thereof to such Participant. Such securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution, by the Applicable Series Resolution or by the Applicable Loan Agreement.

(c) Bonds of a Series or any portion thereof for which moneys shall have been set aside and shall be held in trust by the Trustee for the payment or redemption thereof (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraphs (a) or (b) above. All Outstanding Bonds of a Series or portions thereof or any maturity within such Series or a portion of a maturity within such Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraphs (a) or (b) above if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, DASNY shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give as provided in the Resolution notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities, the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, any moneys or securities deposited pursuant to the provisions of this paragraph (c) shall be held by the Trustee in separate trust accounts established with respect to each Applicable Loan prepaid under the Resolution, (iii) the Trustee shall have received the consent to each deposit of each Applicable Facility Provider which has issued a Reserve Fund Facility which constitutes any part of such Participant's Allocable Portion of the related Debt Service Reserve Fund, if any, and which has given written notice to DASNY that amounts advanced thereunder or the interest thereon have not been paid to such Applicable Facility Provider, and (iv) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, DASNY shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of such Bonds at their respective last known addresses, if any, appearing on the registration books, and, if directed by an Authorized Officer of DASNY, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds that the deposit required by (ii) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this paragraph (c) and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds. DASNY shall give written notice to the Trustee of its selection of the maturity for which payment shall be made in accordance with the Resolution. The Trustee shall select which Bonds of such Series and which maturity thereof shall be paid in accordance with the Resolution in the manner provided therein. Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to the Resolution nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds; *provided, however*, that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on such Bonds on and prior to such redemption date or maturity date thereof, as the case may be; *provided, further*, that money and Defeasance Securities may be withdrawn and used by DASNY for any purpose upon (i) the simultaneous substitution therefor of either money in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide money which without regard to reinvestment, together with the money, if any, held by or deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (ii) receipt by the Trustee of a letter or other written report of a firm of independent certified public accountants verifying the accuracy of the arithmetical computations which establish the adequacy of such money and Defeasance Securities for such purpose. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amount required hereinabove to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: *first*, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of DASNY; *second*, to each Applicable Facility Provider who has certified to the Trustee and DASNY that moneys advanced under a Reserve Fund Facility issued by it which constitutes any part of such Participant's Allocable Portion of the related Debt Service Reserve Fund, if any, together with any interest thereon, have not been repaid, pro rata, based upon the respective amounts certified by each such Facility Provider; *third*, to DASNY the amount certified by DASNY to be then due or past due pursuant to the Applicable Loan Agreement for fees and expenses of DASNY or pursuant to any indemnity; and, *fourth*, the balance thereof to the Applicable Participants, and any such moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Applicable Loan Agreement.

(d) Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or Paying Agent in trust for the payment and discharge of any of the Bonds of a Series which remain unclaimed for two (2) years after the date when such moneys become due and payable, upon such Bonds either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after said date when such Bonds become due and payable, shall at the written request of DASNY, be repaid by the Trustee or Paying Agent to DASNY as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Holders of Bonds of such Series shall look only to DASNY for the payment of such Bonds; *provided, however*, that, before being required to make any such payment to DASNY, the Trustee or Paying Agent may, at the expense of DASNY, cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than forty (40) nor more than ninety (90) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to DASNY.

(Section 12.01)

APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT

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AGREEMENT TO PROVIDE CONTINUING DISCLOSURE

DORMITORY AUTHORITY OF THE STATE OF NEW YORK
INTERAGENCY COUNCIL POOLED LOAN PROGRAM REVENUE BONDS,
SERIES 2019A

PARTICIPANT: [Participant]

This **AGREEMENT TO PROVIDE CONTINUING DISCLOSURE** (the "Disclosure Agreement"), dated as of [ ], 2019 is executed and delivered by the Participant identified above (the "Obligated Person"), The Bank of New York Mellon, as Trustee (the "Trustee") and Digital Assurance Certification, L.L.C. ("DAC"), as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) issued by the Dormitory Authority of the State of New York (the "Issuer" or "DASNY") and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the parties hereto through use of the DAC system and are not intended to constitute "advice" within the meaning of the United States Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). DAC is not obligated hereunder to provide any advice or recommendation to the Issuer, the Obligated Person or anyone on the Issuer's or the Obligated Person's behalf regarding the "issuance of municipal securities" or any "municipal financial product" as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Resolution (hereinafter defined). The capitalized terms shall have the following meanings:

"Annual Filing Date" means the date, set in Sections 2(a) and 2(f) of this Disclosure Agreement, by which the Annual Report is to be filed with the MSRB.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"Annual Report" means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

"Audited Financial Statements" means the financial statements (if any) of the Obligated Person for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Bonds" means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure required to be or voluntarily submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Obligated Person and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Dissemination Agent" means Digital Assurance Certification, L.L.C., acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Obligated Person pursuant to Section 9 hereof.

"Disclosure Representative" means the chief financial officer of the Obligated Person or his or her designee, or such other person as the Obligated Person shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"Failure to File Event" means the Obligated Person's failure to file an Annual Report on or before the Annual Filing Date.

"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 __________, 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 Issuer or the Obligated Person for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed as prescribed in subsection (a) or as prescribed in subsection (b) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB, in accordance with Section 2(e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers.

Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference in the Annual Reports, Audited Financial Statements, Notice Event notices and Voluntary Event Disclosure, the Obligated Person shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations.

The Obligated Person acknowledges and understands that other state and federal laws, including but not limited to the United States Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the United States Securities Exchange Act of 1934, as amended, may apply to the Obligated Person, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Obligated Person acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Obligated Person may instruct the Disclosure Dissemination Agent to file Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Obligated Person desires to make and identify the date the Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Obligated Person as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Obligated Person may instruct the Disclosure Dissemination Agent to file Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the desired text of the disclosure, contain the written authorization for the Disclosure Dissemination Agent to disseminate such information, if applicable, and identify the desired date for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Obligated Person as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that neither the Issuer nor the Obligated Person is obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or to file any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Person from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Section 7, or including any other information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement. If the Obligated Person chooses to include any information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement or to file Voluntary Event Disclosure or Voluntary Financial Disclosure, the Obligated Person shall have no obligation under this Disclosure Agreement to update such information or include it in any future

Annual Report, Voluntary Financial Disclosure, Voluntary Event Disclosure, Failure to File Event Notice or Notice Event notice.

SECTION 8. Termination of Reporting Obligation.

The obligations of the Obligated Person and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Obligated Person is no longer an Obligated Person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent.

The Obligated Person hereby appoints DAC as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Obligated Person may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Obligated Person or DAC, the Obligated Person agrees to appoint a successor Disclosure Dissemination Agent or, alternatively, agrees to assume all responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Obligated Person shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default.

In the event of a failure of the Obligated Person or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Obligated Person has provided such information to the Disclosure Dissemination Agent as provided in this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information, or any other information, disclosures or notices provided to it by the Obligated Person and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the

Obligated Person, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Obligated Person's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine or liability for failing to determine whether the Obligated Person has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Obligated Person at all times.

THE OBLIGATED PERSON AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT, THE ISSUER AND THE TRUSTEE AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITY WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LOSSES, EXPENSES AND LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AND THE TRUSTEE'S (AND ITS OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS') NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Obligated Person under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and 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. No Issuer or Trustee Responsibility.

The Obligated Person and the Disclosure Dissemination Agent acknowledge that neither the Issuer nor the Trustee have undertaken any responsibility, and shall not be required to undertake any responsibility, with respect to any reports, notices or disclosures required by or provided pursuant to this Disclosure Agreement other than those notices required under Section 4 hereof and shall have no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures other than those notices required under Section 4 hereof. DASNY (as conduit issuer) is not, for purposes of and within the meaning of the Rule, (i) committed by contract or other arrangement to support payment of all, or part of, the obligations on the Bonds, or (ii) a person for whom annual financial information and notices of material events will be provided. The Trustee shall be indemnified and held harmless in connection with this Disclosure Agreement to the same extent provided in the Resolution for matters arising thereunder.

SECTION 13. 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 Issuer, the Trustee and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided none of the Obligated Person, the Issuer, the Trustee or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Obligated Person, the Trustee and the Disclosure Dissemination Agent shall have the right to amend this Disclosure Agreement for any of the following purposes:

(i) to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time;

(ii) to add or change a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(iii) to evidence the succession of another person to the Obligated Person, the Trustee or the Issuer and the assumption by any such successor of the covenants of the Obligated Person, the Trustee or the Issuer hereunder;

(iv) to add to the covenants of the Obligated Person or the Disclosure Dissemination Agent for the benefit of the Holders, or to surrender any right or power herein conferred upon the Obligated Person or the Disclosure Dissemination Agent;

(v) for any purpose for which, and subject to the conditions pursuant to which, amendments may be made under the Rule, as amended or modified from time to time, or any formal authoritative interpretations thereof by the Securities and Exchange Commission.

SECTION 14. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the Obligated Person, the Issuer, the Trustee, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Governing Law.

This Disclosure Agreement shall be governed by the laws of the State of New York (without regard to its conflicts of laws provisions).

SECTION 16. Counterparts.

This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[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 2019A
Date of Issuance:	April 10, 2019
Date of Official Statement:	March 21, 2019

Maturity	CUSIP No.

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Dormitory Authority of the State of New York
Obligated Person(s):	[Participant]
Name of Bond Issue:	InterAgency Council Pooled Loan Program Revenue Bonds, Series 2019A
Date of Issuance:	[ ], 2019

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 [ ], 2019, 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 Issuer, the Obligated Person, the Trustee and DAC.

Issuer's and Obligated Person's Names:

____

Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

____

Number of pages attached: _____

Description of Voluntary Event Disclosure (Check One):

1.______"amendment to continuing disclosure undertaking;"
2.______"change in obligated person;"
3.______"notice to investors pursuant to bond documents;"
4.______"certain communications from the Internal Revenue Service;"
5.______"secondary market purchases;"
6.______"bid for auction rate or other securities;"
7.______"capital or other financing plan;"
8.______"litigation/enforcement action;"
9.______"change of tender agent, remarketing agent, or other on-going party;"
10._____"derivative or other similar transaction;" and
11._____"other event-based disclosures."

I hereby represent that I am authorized by the obligated person or its agent to distribute this information publicly:

Signature:

____

Name: ____________________________________ Title: ____________________________________

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB, pursuant to the Continuing Disclosure Agreement dated as of ____________ by and among the Issuer, the Obligated Person, the Trustee and DAC.

Issuer's and Obligated Person's Names:

____

Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

____

Number of pages attached: _____

Description of Voluntary Financial Disclosure (Check One):

1.______"quarterly/monthly financial information;"
2.______"change in fiscal year/timing of annual disclosure;"
3.______"change in accounting standard;"
4.______"interim/additional financial information/operating data;"
5.______"budget;"
6.______"investment/debt/financial policy;"
7.______"information provided to rating agency, credit/liquidity provider or other third party;"
8.______"consultant reports;" and
9.______"other financial/operating data."

I hereby represent that I am authorized by the obligated person or its agent to distribute this information publicly:

Signature:

____

Name: ______________________________________ Title: ______________________________________

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT D
FORM OF ANNUAL FINANCIAL INFORMATION

Name of Issuer:	Dormitory Authority of the State of New York
Obligated Person(s):	[Participant]
Name of Bond Issue:	InterAgency Council Pooled Loan Program Revenue Bonds, Series 2019A
Date of Issuance:	[ ], 2019
Date of Official Statement:	[ ], 2019
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 2019A Bonds, Barclay Damon LLP, Albany, New York, Co-Bond Counsel to DASNY, proposes to issue its legal opinion in substantially the following form:

[__________], 2019

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 $26,900,000 aggregate principal amount of InterAgency Council Pooled Loan Program Revenue Bonds, Series 2019A (the "Series 2019A Bonds"), consisting of $25,885,000 Subseries 2019A-1 Bonds and $1,015,000 Subseries 2019A-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 2019A Bonds are issued under and pursuant to the Act and the InterAgency Council Pooled Loan Program Revenue Bond Resolution of DASNY adopted March 31, 2010 (the "Resolution") and DASNY's Series 2019A Resolution Authorizing Up To $31,000,000 InterAgency Council Pooled Loan Program Revenue Bonds, Series 2019A adopted March 6, 2019 (the "Series 2019A Resolution" and, together with the Resolution, the "Resolutions"). The Series 2019A Bonds are being issued for the purposes set forth in the Resolutions.

DASNY has entered into separate Loan Agreements with each of Developmental Disabilities Institute, Inc., Eden II School for Autistic Children, Inc., Mercy Home for Children, Inc., Services for the Underserved, Inc. and SUS-Developmental Disabilities Services, Inc. (which together shall be considered a single Series 2019 Participant), United Cerebral Palsy of New York City, Inc. and Young Adult Institute, Inc. (collectively, the "Series 2019A Participants"), each dated as of March 6, 2019 (collectively, the "Loan Agreements"), providing, among other things, for loans to the Series 2019A Participants from the proceeds of the Series 2019A 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 2019A Bonds thereunder.

(2) The Resolution has been duly and lawfully adopted by DASNY. The Series 2019A 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 2019A 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 2019A 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 2019A 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 2019A Bonds are not a debt of the State of New York, and the State of New York is not liable thereon. The Series 2019A Bonds are not payable out of the funds of DASNY other than those pledged for the payment of the Series 2019A 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 2019A Participants, constitute legal, valid and binding obligations of DASNY enforceable in accordance with their terms.

(6) Under existing law, interest on the Subseries 2019A-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 2019A-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 2019A Participants, as applicable, and others, and we have assumed compliance by DASNY and each of the Series 2019A Participants, as applicable, with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Subseries 2019A-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 2019A Participants, or of the failure by DASNY or the Series 2019A Participants to comply with any such covenant, the interest on the Subseries 2019A-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 2019A-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 2019A Participants regarding, among other matters, the current status of the Series 2019A Participants as organizations described in Section 501(c)(3) of the Code. Further, although the interest on the Subseries 2019A-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 2019A-1 Bond. The tax effect of receipt or accrual of the interest will depend upon the tax status of a holder of a Subseries 2019A-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 2019A-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 2019A 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 2019A 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 2019 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.

We have examined a fully executed Subseries 2019A-1 Bond and a fully executed Subseries 2019A-2 Bond and, in our opinion, the form of said Series 2019A 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 2019A 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 2019A 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:

[__________], 2019

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 $26,900,000 aggregate principal amount of InterAgency Council Pooled Loan Program Revenue Bonds, Series 2019A (the "Series 2019A Bonds"), consisting of $25,885,000 Subseries 2019A-1 Bonds and $1,015,000 Subseries 2019A-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 2019A Bonds are issued under and pursuant to the Act and the InterAgency Council Pooled Loan Program Revenue Bond Resolution of DASNY adopted March 31, 2010 (the "Resolution") and DASNY's Series 2019A Resolution Authorizing Up To $31,000,000 InterAgency Council Pooled Loan Program Revenue Bonds, Series 2019A adopted March 6, 2019 (the "Series 2019A Resolution" and, together with the Resolution, the "Resolutions"). The Series 2019A Bonds are being issued for the purposes set forth in the Resolutions.

DASNY has entered into separate Loan Agreements with each of Developmental Disabilities Institute, Inc., Eden II School for Autistic Children, Inc., Mercy Home for Children, Inc., Services for the Underserved, Inc. and SUS-Developmental Disabilities Services, Inc. (which together shall be considered a single Series 2019 Participant), United Cerebral Palsy of New York City, Inc. and Young Adult Institute, Inc. (collectively, the "Series 2019A Participants"), each dated as of March 6, 2019 (collectively, the "Loan Agreements"), providing, among other things, for loans to the Series 2019A Participants from the proceeds of the Series 2019A 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 2019A Bonds thereunder.

(2) The Resolution has been duly and lawfully adopted by DASNY. The Series 2019A 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 2019A 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 2019A 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 2019A 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 2019A Bonds are not a debt of the State of New York, and the State of New York is not liable thereon. The Series 2019A Bonds are not payable out of the funds of DASNY other than those pledged for the payment of the Series 2019A 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 2019A Participants, constitute legal, valid and binding obligations of DASNY enforceable in accordance with their terms.

We have examined a fully executed Subseries 2019A-1 Bond and a fully executed Subseries 2019A-2 Bond and, in our opinion, the form of said Series 2019A 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 2019A 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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