NEW ISSUE – BOOK-ENTRY ONLY **UNRATED**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Issuer, under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, (i) interest on the Series 2022A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2022A Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. Bond Counsel to the Issuer is further of the opinion that, under existing statutes, interest on the Series 2022A Bonds is exempt from personal income taxation imposed by the State of New York or any political subdivision thereof, including The City of New York. In addition, interest on the Series 2022B Bonds is included in gross income for federal income tax purposes under the Code and is not exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including The City of New York. See "TAX MATTERS" herein.

$11,880,000
BUILD NYC RESOURCE CORPORATION
REVENUE BONDS
(INTERAGENCY COUNCIL POOLED LOAN PROGRAM)
$11,305,000 SERIES 2022A AND
$575,000 SERIES 2022B (TAXABLE)

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

The Build NYC Resource Corporation Revenue Bonds (InterAgency Council Pooled Loan Program), Series 2022A (the "Series 2022A Bonds") and the Build NYC Resource Corporation Revenue Bonds (InterAgency Council Pooled Loan Program), Series 2022B (Taxable) (the "Series 2022B Bonds" and, together with the Series 2022A Bonds, the "Series 2022 Bonds") are being issued by Build NYC Resource Corporation (the "Issuer") to (i) finance and/or refinance a portion of the cost of the acquisition, construction, renovation, improvement, equipping and furnishing, as applicable, of certain facilities within The City of New York for Eden II School for Autistic Children, Inc. ("Eden II"), HASC Diagnostic and Treatment Center, Inc. and HASC Center, Inc. (which shall be considered a single Participant under one Loan Agreement (as each term is hereinafter defined), HeartShare Human Services of New York and Young Adult Institute, Inc. (each a "Participant" and collectively, the "Participants") for the provision of direct or administrative services to individuals with intellectual and/or developmental disabilities, (ii) fund a debt service reserve fund for the Series 2022A Bonds and (iii) pay certain costs of issuance of the Series 2022 Bonds. The Series 2022 Bonds will be issued pursuant to an Indenture of Trust (the "Indenture") to be entered into between the Issuer and The Bank of New York Mellon, as trustee (the "Trustee").

The Series 2022 Bonds are special limited obligations of the Issuer, payable as to principal, Sinking Fund Installments, Redemption Price (as each term is hereinafter defined) and interest, from and secured by the loan payments to be made by the respective Participants under their respective Loan Agreement to be entered into with the Issuer (each a "Loan Agreement"), as evidenced by the Participant's respective Promissory Note (as hereinafter defined), and from the amounts on deposit in certain funds and accounts established therefor under the Indenture. The Issuer's right to receive loan payments and other rights under each Loan Agreement (except for the Issuer's Reserved Rights as defined herein) will be pledged to the Trustee under the Indenture to secure the payment of the Series 2022 Bonds.

Except as otherwise described herein, the obligations of each Participant under its Loan Agreement and other Security Documents to which such Participant is a party are payable from and secured, subject to Permitted Encumbrances, (i) by such Participant's Pledge and Security Agreement (as hereinafter defined) providing a lien and security interest in certain of such Participant's revenues and assets, subject to Prior Pledges (as hereinafter defined); and (ii) with respect to Eden II, by the Mortgage (as hereinafter defined) providing mortgage liens on, and security interests in, Eden II's Facility. **No Participant is required to make payments on behalf of any other Participant that fails to make any payment under its Loan Agreement.**

A DEFAULT BY ANY ONE OR MORE OF THE PARTICIPANTS UNDER THEIR RESPECTIVE LOAN AGREEMENT IS A DEFAULT UNDER THE INDENTURE; HOWEVER, ANY LIABILITY WITH RESPECT TO SUCH DEFAULT IS LIMITED SOLELY TO THE PARTICIPANT OR PARTICIPANTS THAT ARE IN DEFAULT, WITHOUT RIGHT OF CONTRIBUTION FROM THE NON-DEFAULTING PARTICIPANTS. ANY SUCH DEFAULT, HOWEVER, COULD RESULT IN A DEFAULT IN PAYMENT OF THE PARTICULAR SERIES OF THE SERIES 2022 BONDS.

The Series 2022 Bonds will be issued as fully registered bonds in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). DTC will act as securities depository for the Series 2022 Bonds. Purchases of the Series 2022 Bonds will be made in book-entry only form. See "PART 3 — THE SERIES 2022 BONDS — Book-Entry-Only System" herein. Purchases of beneficial ownership interests in the Series 2022 Bonds may be made only in minimum denominations of $100,000 and any integral multiple of $5,000 in excess thereof. Beneficial Owners (as hereinafter defined) of the Series 2022 Bonds will not receive certificates representing their interests in the Series 2022 Bonds.

Interest on the Series 2022 Bonds will be payable on each January 1 and July 1, commencing January 1, 2023 (or if any such day is not a Business Day, on the immediately succeeding Business Day). So long as DTC or its nominee is the registered owner of the Series 2022 Bonds, references herein to Bondholders or holders of the Series 2022 Bonds shall mean Cede & Co., and payments of the principal, Sinking Fund Installments or Redemption Price, if any, of and interest on the Series 2022 Bonds will be made directly to DTC by the Trustee as paying agent.

The Series 2022 Bonds are subject to optional and mandatory redemption as described herein. See "PART 3 – THE SERIES 2022 BONDS – Redemption Provisions" herein.

NEITHER THE STATE OF NEW YORK (THE "STATE") NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF NEW YORK (THE "CITY"), SHALL BE OBLIGATED TO PAY THE PRINCIPAL, SINKING FUND INSTALLMENTS, REDEMPTION PRICE OF, OR THE INTEREST ON, THE SERIES 2022 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED TO THE PAYMENT OF THE SERIES 2022 BONDS. THE SERIES 2022 BONDS WILL NOT BE PAYABLE OUT OF ANY FUNDS OF THE ISSUER OTHER THAN THOSE PLEDGED THEREFOR PURSUANT TO THE INDENTURE. THE SERIES 2022 BONDS WILL NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE CREDIT OR TAXING POWERS OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY. NO RECOURSE WILL BE HAD FOR THE PAYMENT OF THE PRINCIPAL, SINKING FUND INSTALLMENTS OR REDEMPTION PRICE OF, OR THE INTEREST ON, THE SERIES 2022 BONDS AGAINST ANY MEMBER, OFFICER, DIRECTOR, EMPLOYEE OR AGENT OF THE ISSUER. THE ISSUER HAS NO TAXING POWER.

Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision. This cover page contains information for quick reference only. It is not a summary of this issue.

The Series 2022 Bonds are offered when, as and if issued by the Issuer, subject to prior sale, withdrawal or modification of the offer without notice, and subject to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Issuer. Certain legal matters will be passed upon for the Issuer by its General Counsel, for the Participants by Cullen and Dykman LLP, Albany, New York and for the Underwriter by McCarter & English, LLP, Newark, New Jersey and New York, New York. It is expected that delivery of the Series 2022 Bonds will take place through the facilities of DTC on or about June 15, 2022.

MUNICIPAL CAPITAL MARKETS GROUP, INC.

Dated: May 31, 2022

$11,880,000
BUILD NYC RESOURCE CORPORATION
REVENUE BONDS
(INTERAGENCY COUNCIL POOLED LOAN PROGRAM)
SERIES 2022

$11,305,00
Series 2022A

$2,000,000 4.25% Term Bond due July 1, 2027 to Yield 4.40% CUSIP[(1)] 12008E SK3
$3,245,000 5.00% Term Bond due July 1, 2032 to Yield 5.00% CUSIP[(1)] 12008E SL1
$3,755,000 5.25% Term Bond due July 1, 2037 to Yield 5.25% CUSIP[(1)] 12008E SM9
$2,305,000 5.50% Term Bond due July 1, 2047 to Yield 5.50% CUSIP[(1)] 12008E SN7

$575,000
Series 2022B (Taxable)

$575,000 4.00% Term Bond due July 1, 2025 to Yield 4.25% CUSIP[(1)] 12008E SP2

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No dealer, broker, salesman or other person has been authorized by the Issuer, the Participants or the Underwriter to give any information or to make any representations with respect to the Series 2022 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 the Issuer, the 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 2022 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Issuer has provided the information set forth under the captions "PART 3 – THE ISSUER" and "PART 13 – ABSENCE OF LITIGATION – The Issuer." All other information has been obtained from the Participants and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and it is not to be construed as a representation or warranty of, either the Issuer or the Underwriter. The information and expressions of opinion set forth herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

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.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "anticipate," "budget," "intend," "projection" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information in "APPENDIX A – "DESCRIPTION OF PARTICIPANTS." Such forward-looking statements speak only as of the date of this Official Statement.

Forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. 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 Participants. THE PARTICIPANTS DISCLAIM ANY OBLIGATION OR UNDERTAKING TO RELEASE PUBLICLY ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENT CONTAINED HEREIN TO REFLECT ANY CHANGE IN ANY OF THE PARTICIPANT'S EXPECTATIONS WITH REGARD THERETO OR ANY CHANGE IN EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED. SEE "PART 10 – BONDHOLDERS' RISKS."

The contents of this Official Statement are not to be construed as legal, business or tax advice. Prospective investors should consult their own attorneys and business and tax advisors as to legal, business and tax advice. In making an investment decision, prospective investors must rely on their own examination of the terms of the offering of the Series 2022 Bonds, including the merits and risks involved.

This Official Statement is not to be construed as a contract or agreement between the Issuer and the purchasers or holders of any Series 2022 Bonds.

THE SERIES 2022 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2022 BONDS IN ACCORDANCE WITH THE APPLICABLE PROVISIONS OF LAWS OF THE STATES IN WHICH THE SERIES 2022 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2022 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

References in this Official Statement to the Indenture, the Loan Agreements, the Mortgage, the Pledge and Security Agreements, the Continuing Disclosure Agreements and the Collateral Assignments of Lease (as each term is defined herein) do not purport to be complete. Refer to the Indenture, the Loan Agreements, the Mortgage, the Pledge and Security Agreements, the Continuing Disclosure Agreements and the Collateral Assignments of Lease for full and complete details of their provisions. Copies of drafts of the Indenture and the Collateral Assignments of Lease and draft forms of the Loan Agreement, the Pledge and Security Agreement and the Mortgage are available from the Underwriter during the offering period.

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 the Issuer or any Participant have remain unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2022 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2022 BONDS AT A LEVEL ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

THE SERIES 2022 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE SERIES 2022 BONDS MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO A PERSON CONSTITUTING A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR (2) TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501 OF REGULATION D UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

EACH HOLDER OF THE SERIES 2022 BONDS, BY THE PURCHASE AND ACCEPTANCE OF THE SERIES 2022 BONDS, IS DEEMED TO HAVE REPRESENTED AND AGREED AS FOLLOWS:

(A) (I) IT IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A ("RULE 144A") OF THE SECURITIES ACT OF 1933, AS AMENDED, IT HAS ACQUIRED THE SERIES 2022 BOND FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER; OR (II) IT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501 UNDER THE SECURITIES ACT OF 1933, AS AMENDED; AND

(B) IT UNDERSTANDS THAT THE SERIES 2022 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THAT, IF IN THE FUTURE IT DECIDES TO OFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THE SERIES 2022 BOND, THE SERIES 2022 BONDS MAY BE OFFERED, RESOLD, PLEDGED OR TRANSFERRED ONLY IN ACCORDANCE WITH APPLICABLE SECURITIES LAW OR AN EXEMPTION THEREFROM.

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OFFICIAL STATEMENT
relating to
$11,880,000
BUILD NYC RESOURCE CORPORATION
REVENUE BONDS
(INTERAGENCY COUNCIL POOLED LOAN PROGRAM)
$11,305,000 Series 2022A and
$575,000 Series 2022B (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 Build NYC Resource Corporation (the "Issuer"), Eden II School for Autistic Children, Inc. ("Eden II"), HASC Diagnostic and Treatment Center, Inc. ("HD&TC"), HASC Center, Inc. ("HASC"), HeartShare Human Services of New York ("HeartShare") and Young Adult Institute, Inc. ("YAI") (each a "Participant" and collectively, the "Participants") in connection with the offering and sale by the Issuer of its Revenue Bonds (InterAgency Council Pooled Loan Program), Series 2022, consisting of $11,305,000 Series 2022A Bonds (the "Series 2022A Bonds") and $575,000 Series 2022B Bonds (Taxable) (the "Series 2022B Bonds" and, together with the Series 2022A Bonds, the "Series 2022 Bonds"). HD&TC and HASC are considered a single Participant under one Loan Agreement and will enter into separate Pledge and Security Agreements. HD&TC is the tenant under its Facility Lease Agreement and is the operator of its Facility.

The following is a brief description of certain information concerning the Series 2022 Bonds, the Issuer and the Participants. A more complete description of such information and additional information that may affect decisions to invest in the Series 2022 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 2022 Bonds are being issued for the purpose of (i) financing and/or refinancing a portion of the cost of the acquisition, construction, renovation, improvement, equipping and furnishing, as applicable, of certain facilities (collectively, the "Facilities") within The City of New York for the Participants for the provision of direct or administrative services to individuals with intellectual and/or developmental disabilities, (ii) making a deposit to each Participant's Account in the Debt Service Reserve Fund (Tax-Exempt) in an amount equal to each Participant's Debt Service Reserve Fund Requirement (Tax-Exempt) and (iii) paying certain costs of issuance of the Series 2022 Bonds. Each of the Participants is a not-for-profit corporation organized and existing under the laws of the State of New York (the "State") and determined to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). For a further description of the Facilities, see "APPENDIX A – DESCRIPTION OF PARTICIPANTS."

The proceeds from the sale of the Series 2022 Bonds are being loaned to each Participant, in an amount equal to the aggregate principal amount of such Participant's allocable portion of the Series 2022 Bonds, pursuant to a Loan Agreement dated as of June 1, 2022 (each a "Loan Agreement") between such Participant and the Issuer for the purposes described herein. On the date of issuance of the Series 2022 Bonds (the "Issuance Date"), each Participant will execute a Promissory Note in favor of the Issuer to evidence such Participant's obligation under its Loan Agreement to pay its loan, and the Issuer will endorse each Promissory Note to the Trustee (each a "Promissory Note"). Each Participant will be obligated under its Loan Agreement and its Promissory Note to make payments sufficient to pay its allocable portion of the principal, Sinking Fund Installments or Redemption Price, if any, of, and interest on the Series 2022 Bonds, as and when the same become due. Each Loan Agreement is a general obligation of the respective Participant. The Loan Agreements in the aggregate require the payment of loan payments sufficient to provide for the payment of the principal (including Sinking Fund Installments) or Redemption Price, if any, of, and interest on the Series 2022 Bonds as the same become due. See "PART 7 – ESTIMATED SOURCES AND USES OF FUNDS."

Upon delivery of the Series 2022 Bonds, the Participants will receive loans from the Issuer from the proceeds thereof in the following principal amounts, representing each Participant's allocable portion of each Series of the Series 2022 Bonds:

Participant	**Series 2022A Bonds**	**Series 2022B Bonds**	**Total**
Eden II School for Autistic Children, Inc.	$2,140,000	$125,000	$2,265,000
HASC Diagnostic and Treatment Center, Inc. and HASC Center, Inc.	$3,955,000	$185,000	$4,140,000
HeartShare Human Services of New York	$1,875,000	$100,000	$1,975,000
Young Adult Institute, Inc.	$3,335,000	$165,000	$3,500,000

Authorization of Issuance

The Series 2022 Bonds are authorized to be issued under and pursuant to a resolution of the Issuer adopted on March 8, 2022, authorizing the issuance and sale of the Series 2022 Bonds, and an Indenture of Trust dated as of June 1, 2022 (the "Indenture") between the Issuer and The Bank of New York Mellon, as trustee (the "Trustee"). Pursuant to the Indenture, the Trustee also has been appointed as the Bond Registrar and Paying Agent for the Series 2022 Bonds. See "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2022 BONDS."

The Issuer

The Issuer is a not-for-profit local development corporation created pursuant to the Not-for-Profit Law of the State of New York (the "State"). See "PART 8 – THE ISSUER."

The Program Facilitator

The InterAgency Council of Developmental Disabilities Agencies, Inc. (the "Program Facilitator") will act as the facilitator for the Series 2022 Bonds on behalf of the Participants. The Program Facilitator is a not-for-profit membership organization voluntarily supported by approximately 150 not-for-profit service provider members (including the Participants) that conduct business throughout the State, but primarily in The City of New York metropolitan area. See "PART 4 – THE PARTICIPANTS."

The Participants

The Participants are not-for-profit corporations organized and existing under the laws of the State. See "PART 4 – THE PARTICIPANTS, "PART 6 – SOURCES OF REVENUE," "APPENDIX A – DESCRIPTION OF PARTICIPANTS," "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF PARTICIPANTS," and "APPENDIX C – UNAUDITED FINANCIAL INFORMATION OF PARTICIPANTS."

The Series 2022 Bonds

The Series 2022 Bonds are dated their date of delivery and bear interest from such date (payable on each January 1 and July 1, commencing January 1, 2023 (or, if any such day is not a Business Day, the immediately succeeding Business Day)) 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 2022 BONDS – Description of the Series 2022 Bonds."

Payment of and Security for the Series 2022 Bonds

Pursuant to its respective Loan Agreement, each Participant will be required to pay, among other things, its allocable portion of the principal, Sinking Fund Installments and Redemption Price, if any, of and interest due on the Outstanding Series 2022 Bonds. The obligation of each Participant to make payments under its respective Loan Agreement is a general obligation of such Participant. For a listing of the principal and Sinking Fund Installments of and interest on the Series 2022 Bonds, see "PART 3 – THE SERIES 2022 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2022 Bonds."

Pursuant to the Indenture, the Issuer has assigned to the Trustee all of its right, title and interest in and to the Promissory Notes and substantially all of its right, title and interest in and to the Loan Agreements, including all rights to receive loan payments in the aggregate sufficient to pay the principal or Redemption Price, if any, of, Sinking Fund Installments for, and interest and all other amounts due on the Bonds as the same become due, to be made by the Participants pursuant to the Loan Agreements and the Promissory Notes.

See "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2022 BONDS – Security for the Series 2022 Bonds."

Although the Indenture provides for a Debt Service Reserve Fund (Tax-Exempt) as security for payment of the Series 2022A Bonds, the Trustee may not transfer moneys from such Fund, due to a Participant's failure to make timely loan payments under its respective Loan Agreement, in an amount greater than such Participant's Debt Service Reserve Fund Requirement (Tax-Exempt) established under the Indenture.

THE PAYMENT OBLIGATIONS OF EACH PARTICIPANT UNDER ITS LOAN AGREEMENT ARE LIMITED TO THE AMOUNTS SPECIFIED IN ITS LOAN AGREEMENT. NO PARTICIPANT HAS ANY OBLIGATION TO MAKE ANY PAYMENT ON BEHALF OF ANY OTHER PARTICIPANT AND IS NOT LIABLE UNDER THE INDENTURE FOR ANY DEFAULT MADE BY ANY OTHER PARTICIPANT OR PAYMENT OF MORE THAN ITS ALLOCABLE SHARE OF THE SERIES 2022 BONDS.

The Series 2022 Bonds will not be a debt of the City or the State nor will the City or the State be liable thereon. The Issuer has no taxing power.

Additional Security – Pledged Collateral

The Series 2022 Bonds will also be secured by a lien and security interest in certain of each Participant's revenues and assets, including its Facility Personalty, if any, and Pledged Revenues, subject to Prior Pledges and other Permitted Encumbrances, pursuant to each Participant's Pledge and Security Agreement, dated as of June 1, 2022 (collectively, the "Pledge and Security Agreements"), each from such Participant to the Trustee. Each Participant other than HD&TC has previously pledged its Public Funds (a portion of which consists of the Pledged Revenues) to The Dormitory Authority of the State of New York ("DASNY"), an industrial development agency, a bond trustee or a bank or another financial institution as security for the respective obligations of such Participant in connection with bonds previously issued by DASNY, the Issuer or such industrial development agency or lines of credit or other borrowings from financial institutions. The pledge of the Pledged Revenues granted by the Participants pursuant to the Pledge and Security Agreements is subject and subordinate to such Prior Pledges in all respects. See "PART 4 – THE PARTICIPANTS" and "APPENDIX A – DESCRIPTION OF PARTICIPANTS" for a description of the Participants, including their Prior Pledges of their Pledged Revenues.

Pledged Revenues are all of the Public Funds of a Participant attributable to (a) its Facility or (b) the administration, management, supervision or support at or from such Facility of programs or activities at its other locations. In the case of Eden II, HeartShare and YAI, Public Funds include amounts payable by the State Office for People with Developmental Disabilities ("OPWDD") or another State agency in connection with all or a portion of its Facilities. In the case of HD&TC, Public Funds also include amounts payable by the United States Human Resources and Services Administration ("HRSA"), the State Department of Health ("DOH") or another State agency in connection with services provided by or on behalf of HD&TC at its Facility, which is a federally qualified health center ("FQHC"), an Article 28 public health clinic ("Article 28 Clinic") and an Article 16 clinic certified by OPWDD to provide clinical services to individuals with developmental disabilities, as well as to those caregivers and other support staff whose participation in the service is deemed necessary to maintain the effectiveness of the treatment, enable the individual to remain in his/her current residential setting and enhance the individual's quality of life ("Article 16 Clinic").

OPWDD has pre-approved pursuant to Prior Property Approvals ("PPA") the Facilities of Eden II, HeartShare and YAI for reimbursement of amounts calculated to be approximately sufficient to pay the principal (including Sinking Fund Installments) and interest costs incurred by such Participants in connection with such Facilities, subject to annual appropriation by the State Legislature and so long as such Participants operate their respective Facility in accordance with certain defined standards. Assuming annual appropriation of sufficient funds and continued compliance with operational standards by such Participants, it is expected that the amounts received by such Participants pursuant to their respective PPA will be sufficient to pay the annual principal of (including Sinking Fund Installments) and interest on the portion of the Series 2022 Bonds attributable to such Participants; any difference between the two amounts is expected to be covered by the Pledged Revenues of such Participants.

With respect to HD&TC's Facility, HD&TC and HASC expect to pay the principal of, Sinking Fund Installments, any Redemption Price of and interest of their allocable portion of the Series 2022 Bonds from Public Funds paid by DOH and from their respective general operating revenues.

The ability of each Participant to satisfy its payment obligations under its respective Loan Agreement with respect to the Series 2022 Bonds and the Trustee's ability to realize upon its security interests in the Pledged Revenues of such Participant are largely dependent upon the continued operation by the Participants of their respective Facilities. Such operation may be adversely affected by a number of risk factors, including, but not limited to, (i) the financial condition of a Participant and its ability to continue to generate sufficient revenues to support all of its facilities, including its Facility, (ii) the continued compliance by each Participant with State and local operational standards with respect to its Facility, and (iii) the continued commitment of Public Funds to support the programs and facilities operated by each Participant, particularly with respect to its Facility, including continued appropriations by the State in amounts sufficient for (a) OPWDD or other State agencies to make payments to Eden II, HeartShare and YAI for its purposes and (b) HRSA, DOH or other State agencies to pay fees for services to HD&TC for services provided at its Facility. For a more detailed discussion of risk factors affecting the ability of the Participants to pay amounts owed under its respective Loan Agreement and the Pledged Revenues, as well as other risk factors affecting payment on the Series 2022 Bonds, see "PART 10 – BONDHOLDERS' RISKS." See also "PART 6 – SOURCES OF REVENUE."

The Mortgage

Eden II's obligations under its Loan Agreement will be additionally secured by the Mortgage and Security Agreement (Acquisition Loan), the Mortgage and Security Agreement (Building Loan) and the Mortgage and Security Agreement (Indirect Loan), each dated as of June 1, 2022 (collectively, the "Mortgage"), and each from Eden II to the Issuer and the Trustee, pursuant to which Eden II will grant mortgage liens on and security interests in its fee interest in its Facility, the Facility Personalty and the other mortgaged property (as further described in the Mortgage, collectively, the "Mortgaged Property"),. Such liens and security interests are subject to applicable Permitted Encumbrances. The Issuer will assign its right, title and interest under the Mortgage to the Trustee pursuant to the Assignment of Mortgage and Security Agreement (Acquisition Loan), the Assignment of Mortgage and Security Agreement (Building Loan) and the Assignment of Mortgage and Security Agreement (Indirect Loan), each dated as of June 1, 2022 (collectively, the "Assignment of Mortgage"), and each from the Issuer to the Trustee. See "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2022 BONDS."

See "APPENDIX A – DESCRIPTION OF PARTICIPANTS – Eden II School for Autistic Children, Inc." for a description of Eden II and (a) its Facility, (b) the Mortgaged Property and (c) the nature of the Mortgage.

The Collateral Assignment of Lease

In order to secure its respective obligations, HeartShare and YAI will each collaterally assign to the Trustee its respective right, title and interest (but not its obligations) in its respective lease for its Facility pursuant to a separate Collateral Assignment of Lease, each dated as of June 1, 2022 (each a "Collateral Assignment of Lease"), and each from HeartShare and YAI, respectively, to the Trustee. Each landlord under each such lease has consented to such collateral assignment.

See "APPENDIX A – DESCRIPTION OF PARTICIPANTS – HeartShare Human Services of New York" and " – Young Adult Institute, Inc." for a description of HeartShare and YAI and (a) their respective Facilities and (b) their respective Facility Lease Agreements.

Appendices and References

The forepart of this Official Statement contains brief descriptions of the Issuer, the Participants, the Program Facilitator, the Series 2022 Bonds, the Indenture, the Loan Agreements, the Promissory Notes, the Pledge and Security Agreements, the Mortgage, the Collateral Assignments of Leases, and separate Continuing Disclosure Agreements to be executed by each Participant, the Trustee and Municipal Capital Markets Group, Inc., as dissemination agent, on the Issuance Date (collectively, the "Continuing Disclosure Agreements"). Additional information about the Participants is set forth in Appendix A. The audited financial statements of the Participants are included in Appendix B. Certain unaudited financial information with respect to the Participants are included in Appendix C. Certain of the defined terms used herein are set forth in Appendix D. Summaries of certain provisions of the Loan Agreements and the Indenture are included as Appendices E and F, respectively. The proposed form of approving opinion of Bond Counsel to the Issuer is included in Appendix G. The proposed form of a Continuing Disclosure Agreement is included in Appendix H.

All references herein to the Indenture, the Loan Agreements, the Pledge and Security Agreements, the Promissory Notes, the Mortgage, the Collateral Assignments of Leases, and the Continuing Disclosure Agreements are qualified in their entirety by reference to such documents, and the description of the Series 2022 Bonds herein is qualified in its entirety by reference to the terms thereof and the information with respect thereto included in the Indenture. All such descriptions are further qualified in their entirety by reference to laws relating to or affecting the enforcement of creditors' rights generally. Copies of the Indenture and a form of the Loan Agreements may be obtained prior to the Issuance Date from Municipal Capital Markets Group, Inc. (the "Underwriter") at its offices at 5520 Spring Valley Road, Suite 522, Dallas, Texas 75254 and, on and after the Issuance Date from the Trustee at its offices at 240 Greenwich Street, New York, New York 10286.

This introduction is subject in all respects to the additional information contained in this Official Statement, including Appendices A through H.

PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2022 BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2022 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 Indenture and the Loan Agreements, copies of draft forms of which are available from the Underwriter during the offering period, for a more complete description of such documents. See also "APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENTS" and "APPENDIX F – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" for a summary of certain provisions of the Loan Agreements and the Indenture, respectively.

Payment of the Series 2022 Bonds

The Series 2022 Bonds are special, limited obligations of the Issuer. The principal, Sinking Fund Installments, and Redemption Price of and interest on the Series 2022 Bonds are payable solely by the Participants. Pursuant to the Pledge and Security Agreements, the Participants will pledge the Pledged Collateral, subject to Prior Pledges and other Permitted Encumbrances, to the Trustee for the benefit of the Holders of the Series 2022 Bonds.

The Loan Agreements are general obligations of the Participants, pursuant to which each Participant will be required to make payments to the Trustee in amounts sufficient to satisfy its allocable portion of the principal, Sinking Fund Installments, and Redemption Price of and interest due on the Series 2022 Bonds as reflected in the debt service table set forth in "PART 3 – THE SERIES 2022 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2022 Bonds."

Loan payments under each Loan Agreement are to be made monthly on the 20th day of each month (or, if any such day shall not be a Business Day, the immediately preceding Business Day) from each Participant to the Trustee. The total payments under the Loan Agreements are to include the amount of the interest coming due on the next succeeding interest payment date and the amount of the principal and Sinking Fund Installments coming due on the next succeeding July l. See "PART 3 – THE SERIES

2022 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2022 Bonds."

Security for the Series 2022 Bonds

General

The Series 2022 Bonds will be secured by the pledge to the Trustee by the Participants of the Pledged Collateral, subject to Prior Pledges and other Permitted Encumbrances. See "APPENDIX A – DESCRIPTION OF PARTICIPANTS" for a description of the Participants, including their Prior Pledges of their Pledged Revenues.

The Series 2022 Bonds will also be secured by all funds and accounts established by the Indenture (with the exception of the Rebate Fund), including, with respect to the Series 2022A Bonds, the Debt Service Reserve Fund (Tax-Exempt).

Pledged Revenues

Pursuant to the Pledge and Security Agreements, the Participants have pledged to the Trustee their Pledged Revenues in an amount sufficient to satisfy their payment obligations under their respective Security Documents, subject to any Prior Pledges and other Permitted Encumbrances. The Pledged Revenues include all accounts, investment property income, payment intangibles, monies, receipts, earnings (inclusive of any investment income), revenues, including Public Funds, rentals, income, insurance proceeds, fees, gifts, donations, contributions, charges and other moneys received or receivable by or on behalf of the Participants. Public Funds include all moneys payable to the Participants 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 6 – SOURCES OF REVENUE – New York State Office for People with Developmental Disabilities" and "– New York State Department of Health."

The Eden II, HeartShare and YAI Facilities are supported by an OPWDD PPA which such Participants have received. The PPA represents OPWDD's pre-approval of such Facilities for reimbursement of certain amounts approximately sufficient to pay the annual principal and interest costs incurred by such Participants in connection with such Facilities, subject to annual appropriation by the State Legislature and so long as such Participants operate their respective Facility in accordance with certain defined standards. Assuming annual appropriation of sufficient funds and continued compliance with such standards by such Participants, it is expected that the amounts received by such Participants pursuant to their respective PPA will be approximately sufficient to pay the annual principal and Sinking Fund Installments of and interest on the allocable portion of the Series 2022 Bonds attributable to such Participants; any difference between the two amounts is expected to be covered by the Pledged Revenues of such Participants expected to be received for operating and administrative expenses associated with such Facilities.

With respect to the HD&TC Facility, which is not expected to be reimbursed by OPWDD through a PPA, HASC and HD&TC expect to pay their allocable portion of the principal and Sinking Fund Installments of and interest of the Series 2022 Bonds from Public Funds paid by HRSA and DOH and from their respective general operating revenues.

See "PART 6 – SOURCES OF REVENUE – New York State Office for People with Developmental Disabilities" and "– New York State Department of Health."

Mortgage

Eden II's obligations under its Loan Agreement will be additionally secured by the Mortgage, pursuant to which Eden II will grant to the Issuer and the Trustee mortgage liens on and security interests in the Mortgaged Property. The Issuer will assign its right, title and interest under the Mortgage to the Trustee pursuant to the Assignment of Mortgage. See "APPENDIX A – DESCRIPTION OF PARTICIPANTS – Eden II School for Autistic Children, Inc." for a description of Eden II and (a) its Facility, (b) the Mortgaged Property and (c) the nature of the Mortgage.

Martin Bartolomeo (the "Appraiser") in his report dated April 9, 2022 (the "Appraisal") with the valuation date of April 5, 2022, set the market value of the fee simple interest in Eden II's Facility on as "as is" basis. The Appraiser indicated that the Appraisal was intended to conform with the Uniform Standards of Professional Appraisal Practice ("USPAP"), the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, the Code of Professional Ethics and Standard of Professional Appraisal Practice of the Appraisal Institute and applicable State appraisal regulations. The Appraisal indicated that the valuation analysis in the Appraisal was subject to the definitions, assumptions and limiting conditions set forth in the Appraisal. According to the Appraisal, the market value of the fee simple interest in Eden II's Facility was $880,000. All references to the Appraisal herein are qualified in their entirety by reference to the Appraisal, a copy of which is available for review and will be provided upon written request to the Program Facilitator and should be read in its entirety. No attempt has been made to summarize the Appraisal. None of the Issuer, Eden II, the Program Facilitator or the Underwriter makes any representation or warranty as to the correctness of the Appraisal or the conditions or conclusions set forth therein. See "PART 10 – BONDHOLDERS' RISKS – Mortgage."

The liens and security interests granted by the Mortgage are subject to Permitted Encumbrances. The liens of and security interests in the Mortgaged Property may also be limited by certain other factors. See "PART 10 – BONDHOLDERS' RISKS" and "APPENDIX A – DESCRIPTION OF PARTICIPANTS – Eden II School for Autistic Children, Inc."

Collateral Assignment of Lease

In order to secure its respective obligations, HeartShare and YAI will each collaterally assign to the Trustee pursuant to a Collateral Assignment of Lease its respective right, title and interest (but not its obligations) in its respective lease for its respective Facility. Each landlord under each such lease has consented to such collateral assignment.

Debt Service Reserve Fund (Tax-Exempt)

Pursuant to the Indenture, a Debt Service Reserve Fund (Tax-Exempt), consisting of four separate Accounts, one for each Participant, is to be established as security for the Series 2022A Bonds, which is required to be maintained in an amount equal to, as of any particular date of computation, an amount (which amount may take the form of cash, Qualified Investments or any combination thereof) equal to the lesser of: (i) 10% of the Net Proceeds (as defined in the Tax Regulatory Agreement) of the Outstanding Series 2022A Bonds; (ii) 100% of the greatest amount required in the then current or any future calendar year to pay the sum of the scheduled principal and interest payable on Outstanding Series 2022A Bonds; or (iii) 125% of the average annual amount required in the then current or any future calendar year to pay the sum of scheduled principal and interest on the Outstanding Series 2022A Bonds (the "Debt Service Reserve Fund Requirement (Tax-Exempt)").

A portion of the proceeds of the Series 2022A Bonds will be deposited into each Participant's Account in the Debt Service Reserve Fund (Tax-Exempt) in an aggregate amount equal to the Debt

Service Reserve Fund Requirement (Tax-Exempt). See “PART 7 – ESTIMATED SOURCES AND USES OF FUNDS” for the initial deposit to the Debt Service Reserve Fund (Tax-Exempt). If on any Interest Payment Date or redemption date for the Series 2022A Bonds the amount on deposit in the Interest Account of the Bond Fund available to pay interest on the Series 2022A Bonds is less than the amount necessary to pay such interest then due and payable on the Outstanding Series 2022A Bonds or if on any principal or Sinking Fund Installment payment date for the Series 2022A Bonds the amount on deposit in the Principal Account or the Sinking Fund Installment Account, respectively, of the Bond Fund available to pay principal or Sinking Fund Installments on the Series 2022A Bonds is less than the amount necessary to pay such principal or Sinking Fund Installment then due and payable, the Trustee is required to transfer moneys from the Account of the Debt Service Reserve Fund (Tax-Exempt) allocable to the Participant to which such deficiency shall relate, first to the Interest Account, second to the Principal Account and third to the Sinking Fund Installment Account of the Bond Fund, all to the extent necessary to make good such deficiency; provided however that any such moneys so transferred from an Account in the Debt Service Reserve Fund (Tax-Exempt) shall only be applied to the payment of the Series 2022A Bonds. Each Participant is obligated pursuant to its Loan Agreement, commencing on the first day of the month immediately following receipt by such Participant of notice of any such deficiency, until the amount of such deficiency has been satisfied, either (i) one-twelfth (1/12) of the amount of such deficiency if such deficiency is due to a withdrawal from such Participant’s Account in the Debt Service Reserve Fund (Tax-Exempt) on account of such Participant’s failure to make timely payments or (ii) one-quarter (1/4) of the deficiency if such deficiency is due to a decrease in the value of the Qualified Investments held such Participant’s Account in the Debt Service Reserve Fund (Tax-Exempt). Any money in the Debt Service Reserve Fund (Tax-Exempt) in excess of the required amounts shall be applied in accordance with the Indenture.

Financial Covenants of the Participants

Grant of Security Interest to Other Parties

Pursuant to a Pledge and Security Agreement, each 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; provided, however, that the amount of Indebtedness which may be secured by a security interest granted pursuant to a Pledge and Security Agreement as described in this paragraph shall not exceed, in the aggregate, an amount equal to ninety percent (90%) of a Participant’s Accounts Receivable. Each Participant shall deliver a certificate of an Authorized Representative to the Trustee and the Program Facilitator on each January 1, April 1, July 1 and October 1, commencing with the first such date to occur after the Issuance Date, demonstrating compliance with said limitation. To the extent that such a certificate shall demonstrate that a Participant is not in compliance with said limitation, such Participant shall use its best efforts to repay such outstanding Indebtedness in an amount which will allow it to be in compliance with its Pledge and Security Agreement as described in this paragraph.

Additional Indebtedness

Pursuant to a Pledge and Security Agreement, each Participant may not incur any additional Indebtedness (including, but not limited to, guarantees or derivatives in the form of credit default swaps or total-rate-of-return swaps or similar instruments), whether or not issued under the Indenture, without the prior written consent of the Trustee, except for the following:

(a) Indebtedness evidenced by Additional Bonds issued in accordance with such Participant’s Loan Agreement and the Indenture,

(b) Indebtedness (other than for working capital, other than loan payments payable under loan agreements with the Issuer or other payments under installment sale agreements and other than rents payable under lease agreements) incurred in the ordinary course of such 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,

(c) Indebtedness in the form of rentals under leases which are not required to be capitalized in accordance with GAAP in effect on the Issuance Date,

(d) Indebtedness secured by the mortgage of any tangible property of such Participant other than its Facility,

(e) Indebtedness secured by the Accounts Receivable of such Participant, subject to the limitations of its Pledge and Security Agreement as described under the subheading "— Grant of Security Interest to Other Parties," and

(f) Indebtedness the proceeds of which will be applied to a purpose consistent with such Participant's corporate purposes; provided, however, that prior to incurring any Non-PPA Indebtedness pursuant to this clause (f), such Participant shall deliver to the Trustee either (I) a certificate signed by such Participant's chief executive officer or chief financial officer demonstrating a Total Debt Service Coverage Ratio of 1.1x for the most recent Fiscal Year for which audited financial statements exist or (II) a certificate of an independent certified public accountant not unacceptable to the Trustee demonstrating that the estimated Total Net Revenues Available for Debt Service for the first full Fiscal Year following the estimated completion of the capital additions or repairs financed with the proceeds of such additional Non-PPA Indebtedness, or following the incurrence of Non-PPA Indebtedness for other purposes, will support a Total Debt Service Coverage Ratio of not less than 1.1x. In preparing its calculations of the required ratios, such 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.

Events of Default

Events of Default

The following are "Events of Default" under the Indenture:

(i) the failure in the payment of the principal, Sinking Fund Installments or Redemption Price of or interest on the Series 2022 Bonds and any Additional Bonds (collectively, the "Bonds");

(ii) the failure of the Issuer to observe or perform any covenant, condition or agreement in the Bonds or under the Indenture on its part to be performed (except as set forth in clause (i) above) and (A) continuance of such failure for more than 30 days after written notice of such failure has been given to the Issuer and applicable Participant specifying the nature of same from the Trustee or the Holders of more than 25% in aggregate principal amount of the Bonds Outstanding, or (B) if by reason of the nature of such failure the same can be remedied, but not within the said 30 days, the Issuer or such Participant fails to commence and thereafter proceed with reasonable diligence after receipt of said notice to cure such failure or fails to continue with reasonable diligence its efforts to cure such failure or fails to cure such failure within 60 days of delivery of said notice; or

(iii) the occurrence of an event of default under any of the Loan Agreements or any other Security Document.

The Event of Default described in clause (iii) above shall only constitute an Event of Default with respect to the Bonds allocable to the Participant(s) that caused such Event of Default. Upon the occurrence of such an Event of Default, the Trustee shall identify the Bonds affected thereby in the same manner as the Trustee would select Bonds in connection with a partial redemption pursuant to the Indenture.

Pursuant to each Loan Agreement, the Issuer has granted to the signatory Participant full authority for the account of the Issuer to perform any covenant or obligation the non-performance of which is alleged in any notice received by such Participant to constitute a default under the Indenture, in the name and stead of the Issuer with full power to do any and all things and acts to the same extent that the Issuer could do and perform any such things and acts with power of substitution. The Trustee will accept such performance by a Participant as performance by the Issuer.

<u>Acceleration</u>

If an Event of Default occurs and is continuing under a Participant's Loan Agreement or a Participant's Security Document, unless the principal of the Bonds shall have already become due and payable, either the Trustee (by notice in writing to the Issuer and the applicable Participant) or the Holders of over twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding (by notice in writing to the Issuer, the applicable Participant and the Trustee), may declare the principal or Redemption Price, if any, of Bonds then Outstanding in an aggregate principal amount equal to the portion of Bonds allocable to the Participant(s) that caused such Event of Default, and the interest accrued thereon, to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable.

If an Event of Default occurs under a Loan Agreement as a result of a Participant seeking relief, or a proceeding or case shall be commenced, without the application or consent of a Participant, in any court of competent jurisdiction under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, the unpaid principal of all the Bonds allocable to such Participant (and all principal installments of loan payments under its Loan Agreement) and the interest accrued thereon shall be due and payable immediately without the necessity of any declaration or other action by the Trustee or any other Person.

See "APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENTS – Remedies on Default" and "APPENDIX F – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Enforcement of Remedies" for a description of other remedial steps.

PART 3 - THE SERIES 2022 BONDS

Set forth below is a narrative description of certain provisions relating to the Series 2022 Bonds. These provisions have been summarized, and this description does not purport to be complete. Reference should be made to the Indenture and the Loan Agreements, copies of draft forms of which are available from the Underwriter during the offering period. See also "APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENTS" and "APPENDIX F – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" for a summary of certain provisions of the Loan Agreements and the Indenture, respectively.

General

The Series 2022 Bonds will be issued pursuant to the Indenture. The Series 2022 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 2022 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 2022 Bonds, payments of principal, Sinking Fund Installments, Redemption Price and interest on the Series 2022 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 2022 Bonds is the responsibility of the Direct Participants and the Indirect Participants (as hereinafter defined). See "– Book-Entry-Only System." If at any time the Book-Entry-Only System is discontinued for the Series 2022 Bonds, the Series 2022 Bonds will be exchangeable for fully registered Series 2022 Bonds in any Authorized Denominations of the same Series and maturity, with 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 Indenture.

Description of the Series 2022 Bonds

The Series 2022 Bonds will be dated their date of delivery and will bear interest from such date (payable on each July 1 and January 1, commencing January 1, 2023 (or, if any such day is not a Business Day, the immediately succeeding Business Day) 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. Interest on the Series 2022 Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The Series 2022 Bonds will be issuable in fully registered book-entry-only form, without coupons, in denominations of $100,000 or any integral multiple of $5,000 in excess thereof.

Redemption Provisions

General Optional Redemption

The Series 2022A Bonds allocable to a Participant and maturing on or after July 1, 2033 are subject to redemption, on or after July 1, 2032, as a whole or in part on any Business Day (but if in part in integral multiples of $5,000 and in the minimum principal amount of $100,000) at the option of the Issuer (which option shall be exercised only upon the giving of notice by such Participant of its intention to prepay loan payments due under its Loan Agreement), at the Redemption Price of 100% of the unpaid principal amount of the Series 2022A Bonds to be redeemed, plus accrued interest to the redemption date.

The Series 2022B Bonds are not subject to optional redemption.

Mandatory Sinking Fund Redemption

The Series 2022A Bonds maturing on July 1, 2027, July 1, 2032, July 1, 2037 and July 1, 2047 are subject to mandatory redemption by the Issuer prior to maturity, in part by lot, at a Redemption Price equal to 100% of the principal amount thereof, together with accrued interest to the date of redemption, from mandatory Sinking Fund Installments on July 1 of the years and in the principal amounts set forth below (provided that the amounts of such Sinking Fund Installments shall be reduced by the credits provided for in the Indenture):

Series 2022A Bonds Maturing July 1, 2027		**Series 2022A Bonds Maturing July 1, 2032**		**Series 2022A Bonds Maturing July 1, 2037**		**Series 2022A Bonds Maturing July 1, 2047**	
Year	Sinking Fund Installment	Year	Sinking Fund Installment	Year	Sinking Fund Installment	Year	Sinking Fund Installment
2023	$190,000	2028	$590,000	2033	$755,000	2038	$525,000
2024	230,000	2029	615,000	2034	790,000	2039	560,000
2025	470,000	2030	645,000	2035	830,000	2040	275,000
2026	545,000	2031	680,000	2036	875,000	2041	115,000
2027†	565,000	2032†	715,000	2037†	505,000	2042	120,000
						2043	125,000
						2044	135,000
						2045	140,000
						2046	150,000
						2047†	160,000

† Stated Maturity

The Series 2022B Bonds are subject to mandatory redemption by the Issuer prior to maturity, in part by lot, at a Redemption Price equal to 100% of the principal amount thereof, together with accrued interest to the date of redemption, from mandatory Sinking Fund Installments on July 1 of the years and in the principal amounts set forth below (provided that the amounts of such Sinking Fund Installments shall be reduced by the credits provided for in the Indenture):

Series 2022B Bonds Maturing July 1, 2025	
Year	Sinking Fund Installment
2023	$265,000
2024	265,000
2025†	45,000

† Stated Maturity

Extraordinary Redemption

The Series 2022 Bonds allocable to a Participant are subject to redemption prior to maturity, at the option of the Issuer exercised at the direction of such Participant (which option shall be exercised only upon the giving of notice by such Participant of its intention to prepay loan payments due under its Loan Agreement), in whole on any Business Day, if one or more of the following events shall have occurred:

> (i) the Facility of such Participant shall have been damaged or destroyed to such extent that, as evidenced by a certificate of an Independent Engineer filed with the Issuer and the Trustee, (A) such Facility cannot be reasonably restored within a period of one year from the date of such damage or destruction to the condition thereof

immediately preceding such damage or destruction, (B) such Participant is thereby prevented or likely to be prevented from carrying on its normal operation at such Facility for a period of one year from the date of such damage or destruction, or (C) the restoration cost of such Facility would exceed the total amount of all insurance proceeds, including any deductible amount, in respect of such damage or destruction; or

(ii) title to, or the temporary use of, all or substantially all of the Facility of such Participant shall have been taken or condemned by a competent authority which taking or condemnation results, or is likely to result, in such Participant being thereby prevented or likely to be prevented from carrying on its normal operation at such Facility for a period of one year from the date of such taking or condemnation, as evidenced by a certificate of an Independent Engineer filed with the Issuer and the Trustee; or

(iii) as a result of changes in the Constitution of the United States of America or of the State or of legislative or executive action of the State or any political subdivision thereof or of the United States of America or by final decree or judgment of any court after the contest thereof by such Participant, such Participant's Loan Agreement becomes void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed therein or unreasonable burdens or excessive liabilities are imposed upon such Participant by reason of the operation of its Facility.

Any such redemption shall be made upon notice or waiver of notice to the Bondholders as provided in the Indenture, at the Redemption Price of 100% of the unpaid principal amount of such Bonds Outstanding to be redeemed, together with interest accrued thereon to the redemption date.

If the Series 2022 Bonds allocable to a Participant are to be redeemed as a result of the occurrence of any of the events described above, such Participant shall deliver to the Issuer and the Trustee a certificate of an Authorized Representative of such Participant stating that, as a result of the occurrence of the event giving rise to such redemption, such Participant has discontinued, or at the earliest practicable date will discontinue, its operation of its Facility for its intended purposes.

Mandatory Redemption from Excess Proceeds and Certain Other Amounts

The Series 2022A Bonds allocable to a Participant are to be redeemed on any Business Day in whole or in part by lot prior to maturity in the event and to the extent:

(i) excess Series 2022A Bond proceeds allocable to such Participant shall remain in the Project Fund after the completion of such Participant's Project,

(ii) excess title insurance or property insurance proceeds or condemnation awards shall remain after the application thereof pursuant to the applicable Loan Agreement and the Indenture,

(iii) excess proceeds shall remain after the release or substitution by such Participant of its Facility Realty or its Facility Personalty pursuant to its Loan Agreement, or

(iv) certain funds received by such Participant pursuant to any capital campaign which are earmarked for specific Project Costs shall remain with such Participant and shall not be required for completion of the Project or related Project Costs,

in each case at a Redemption Price equal to 100% of the principal amount of the Series 2022A Bonds to be redeemed, together with interest accrued thereon to the redemption date.

Mandatory Redemption Upon Failure to Operate a Facility for the Approved Project Operations, Material Violation of Material Legal Requirements, False Representation or Failure to Maintain Liability Insurance

The Series 2022 Bonds allocable to a Participant are also subject to mandatory redemption prior to maturity, at the option of the Issuer, in whole only on any Business Day, in the event (i) the Issuer shall determine that (w) such Participant is operating its Facility or any portion thereof, or is allowing such Facility or any portion thereof to be operated, not for the Approved Project Operations, (x) such Participant, any Principal of such Participant or any Person that directly or indirectly Controls, is Controlled by or is under common Control with such Participant has committed a material violation of a material Legal Requirement, (y) any Conduct Representation is false, misleading or incorrect in any material respect at any date, as if made on such date, or (z) a Required Disclosure Statement to the Issuer under any Project Document is not acceptable to the Issuer acting in its sole discretion, or (ii) such Participant shall fail to obtain or maintain the liability insurance with respect to its Facility required under its Loan Agreement, and, in the case of clause (i) or (ii) above, such Participant shall fail to cure any such default or failure within the applicable time periods set forth in its Loan Agreement following the receipt by such Participant of written notice of such default or failure from the Issuer and a demand by the Issuer on such Participant to cure the same.

Any such redemption shall be made upon notice or waiver of notice to the Bondholders as provided in the Indenture, at the Redemption Price of 100% of the unpaid principal amount of such Bonds Outstanding to be redeemed, together with interest accrued thereon to the redemption date.

Mandatory Redemption Pursuant to Loss of Interest in a Facility

In the event a Participant's leasehold interest in its Facility shall terminate or expire pursuant to the terms of its Facility Lease Agreement or a foreclosure of any mortgage on such Facility, the Series 2022 Bonds allocable to such Participant shall be subject to mandatory redemption in whole prior to maturity on any Business Day at a Redemption Price equal to 100% of the unpaid principal amount thereof plus interest accrued thereon to the redemption date. If the Series 2022 Bonds allocable to such Participant are to be redeemed in whole as a result of the occurrence of any event described above, such Participant is required to deliver to the Issuer and the Trustee a certificate of an Authorized Representative of such Participant stating that its interest in the Facility has expired or terminated.

Notice of Redemption

When redemption of any Series 2022 Bond is requested or required pursuant to the Indenture, the Trustee shall give notice of such redemption in the name of the Issuer, specifying the name of the Series, CUSIP number, Bond numbers, the date of original issue of such Series, the date of mailing of the notice of redemption, maturities, interest rates and principal amounts of the Series 2022 Bonds or portions thereof to be redeemed, the Redemption Date, the Redemption Price, and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone number of a contact person at the Trustee) and specifying the principal amounts of the Series 2022 Bonds or portions thereof to be payable and, if less than all of the Series 2022 Bonds of any maturity are to be redeemed, the numbers of such Series 2022 Bonds or portions thereof to be so redeemed. Such notice shall further state that on such date there shall become due and payable upon each Series 2022 Bond or portion thereof to be redeemed the Redemption Price thereof together with interest accrued to the Redemption Date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice may set forth any additional information relating to such redemption. The Trustee, in the name and on behalf of the Issuer, (i) shall mail a copy of such notice by first class mail, postage prepaid, not more than 60 nor less than 30 days prior to the Redemption Date, to the registered owners of any Series 2022 Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registration books, but any defect in such notice shall not affect the validity of the proceedings for the redemption of such Series of Bonds with respect to which proper mailing was effected; and (ii) cause notice of such redemption to be sent to the national information service that disseminates redemption notices. Any notice mailed as provided above shall be conclusively presumed to have been duly given, whether or not the registered owner receives the notice. In the event of a postal strike, the Trustee shall give notice by other appropriate means selected by the Trustee in its discretion. If any Series 2022 Bond shall not be presented for payment of the Redemption Price within 60 days of the Redemption Date, the Trustee shall mail a second notice of redemption to such Holder by first class mail, postage prepaid. Any amounts held by the Trustee due to non-presentment of Series 2022 Bonds for payments on or after any Redemption Date shall be retained by the Trustee for a period of at least one year after the final maturity date of such Series 2022 Bonds. Further, if any Holders of Series 2022 Bonds shall constitute registered depositories, the notice of redemption described in the first sentence of this paragraph shall be mailed to such Holders at least two (2) days prior to the mailing of such notice to all Holders.

If notice of redemption shall have been given as aforesaid, the Series 2022 Bonds called for redemption shall become due and payable on the Redemption Date, provided, however, that with respect to any optional redemption of the Series 2022 Bonds, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, redemption premium, if any, and interest on the Series 2022 Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Issuer shall not be required to redeem the Series 2022 Bonds. In the event that such notice of optional redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received. If a notice of optional redemption shall be unconditional, or if the conditions of a conditional notice of optional redemption shall have been satisfied, then upon presentation and surrender of the Series 2022 Bonds so called for redemption at the place or places of payment, such Series 2022 Bonds shall be redeemed.

So long as DTC is effecting book-entry transfers of the Series 2022 Bonds, the Trustee shall provide the notices specified above only to DTC. It is expected that DTC shall, in turn, notify the Participants and that the Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of DTC or a Participant, or failure on the part of a nominee of a Beneficial Owner of a Series 2022 Bond (having been mailed notice from the Trustee, DTC, a Participant or otherwise) to notify the Beneficial Owner of the Series 2022 Bond so affected, shall not affect the validity of the redemption of such Series 2022 Bond. See "– Book-Entry-Only System."

Selection of Bonds to be Redeemed

In the event of redemption of less than all the Outstanding Bonds of the same Series and maturity, the particular Bonds or portions thereof to be redeemed shall be selected by the Trustee in such manner as the Trustee in its discretion may deem fair, except that (i) Bonds of a Series to be redeemed from Sinking Fund Installments shall be redeemed by lot, and (ii) to the extent practicable, the Trustee shall select Bonds of a Series for redemption such that no Bond of such Series shall be of a denomination of less than the Authorized Denomination for such Series of Bonds. In the event of redemption of less than all the Outstanding Bonds of the same Series stated to mature on different dates, the principal amount of such Series of Bonds to be redeemed shall be applied in inverse order of maturity of the Outstanding Series of Bonds to be redeemed and by lot within a maturity. The portion of Bonds of any Series to be redeemed in part shall be in the principal amount of the minimum Authorized Denomination thereof or some integral multiple thereof and, in selecting Bonds of a particular Series for redemption, the Trustee shall treat each such Bond as representing that number of Bonds of such Series which is obtained by dividing the principal amount of such registered Bond by the minimum Authorized Denomination thereof (referred to below as a "unit") then issuable rounded down to the integral multiple of such minimum Authorized Denomination. If it is determined that one or more, but not all, of the units of principal amount represented by any such Bond is to be called for redemption, then, upon notice of intention to redeem such unit or units, the Holder of such Bond shall forthwith surrender such Bond to the Trustee for (a) payment to such Holder of the Redemption Price of the unit or units of principal amount called for redemption and (b) delivery to such Holder of a new Bond or Bonds of such Series in the aggregate unpaid principal amount of the unredeemed balance of the principal amount of such Bond. New Bonds of the same Series and maturity representing the unredeemed balance of the principal amount of such Bond shall be issued to the registered Holder thereof, without charge therefor. If the Holder of any such Bond of a denomination greater than a unit shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the Redemption Date to the extent of the unit or units of principal amount called for redemption (and to that extent only).

Notwithstanding anything in the Indenture to the contrary, with respect to a partial redemption of Series 2022A Bonds, an optional redemption that occurs pursuant to the remedial action rules of applicable Treasury Regulations will either be in inverse order of maturity or generally pro-rata in a manner that does not result in the weighted average maturity of the Series 2022A Bonds remaining after the optional redemption has taken place exceeding the weighted average maturity of the Series 2022A Bonds immediately prior to the optional redemption having taken place.

Book-Entry-Only System

DTC will act as securities depository for the Series 2022 Bonds. The Series 2022 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 2022 Bond certificate will be issued for each maturity of the respective Series of Series 2022 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"). 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 2022 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2022 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2022 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 2022 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 2022 Bonds, except in the event that use of the book-entry system for the Series 2022 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2022 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 2022 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 2022 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2022 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 DTC. If less than all of the Series 2022 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 issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2022 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 the Issuer 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 2022 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal, redemption proceeds and interest on the Series 2022 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 the Issuer 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 the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest 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.

DTC may discontinue providing its services as depository with respect to the Series 2022 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2022 Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2022 Bond certificates will be printed and delivered.

The information contained in the preceding paragraphs of this Section "– Book-Entry-Only System" has been obtained from DTC. None of the Issuer, the Participants, the Trustee or the Underwriter makes 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.

THE ISSUER AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2022 BONDS: (1) PAYMENTS OF PRINCIPAL OR SINKING FUND INSTALLMENTS OF OR INTEREST OR REDEMPTION PREMIUM ON THE SERIES 2022 BONDS; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE SERIES 2022 BONDS; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2022 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC OR DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE ISSUER AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE SERIES 2022 BONDS; (3) THE DELIVERY BY DTC, ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF ANY NOTICE TO ANY BENEFICIAL

OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE INDENTURE; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE SERIES 2022 BONDS.

Deemed Representation by Holders

Each Holder of a Series 2022 Bond, by the purchase and acceptance of such Series 2022 Bond, is deemed to have represented and agreed as follows: (A) (i) it is a qualified institutional buyer as defined in Rule 144A ("Rule 144A") of the Securities Act of 1933, as amended (the "Securities Act"); it has acquired such Series 2022 Bond for its own account or for the account of a qualified institutional buyer; or (ii) it is an "accredited investor" as defined in Rule 501 under the Securities Act; and (B) it understands that such Series 2022 Bond has not been registered under the Securities Act, and that, if in the future it decides to offer, resell, pledge or otherwise transfer such Series 2022 Bond, such Series 2022 Bond may be offered, resold, pledged or transferred only in accordance with the applicable securities law or an exemption therefrom and the transfer restrictions set forth in the Indenture.

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Principal, Sinking Fund Installment and Interest Requirements for the Series 2022 Bonds

The following table sets forth the amounts required to be paid by each of the Participants during each twelve-month period ending June 30 of the Bond Years shown for the payment of the interest on the Series 2022 Bonds payable on January 1 of such year and the principal and Sinking Fund Installments of and interest on the Series 2022 Bonds payable on the succeeding July 1.

Total Debt Service by Participant

	Eden II School for Autistic Children, Inc.		HASC Diagnostic and Treatment Center, Inc. and HASC Center, Inc.		HeartShare Human Services of New York		Young Adult Institute, Inc.	
FY Ending	Principal & Sinking Fund Installments	Interest	Principal & Sinking Fund Installments	Interest	Principal & Sinking Fund Installments	Interest	Principal & Sinking Fund Installments	Interest
6/30/2022	-	-	-	-	-	-	-	-
6/30/2023	$45,000.00	$123,649.16	$205,000.00	$210,390.28	$70,000.00	$103,896.11	$135,000.00	$182,634.16
6/30/2024	50,000.00	116,575.00	225,000.00	192,950.00	75,000.00	96,637.50	145,000.00	169,325.00
6/30/2025	50,000.00	114,550.00	235,000.00	183,625.00	80,000.00	93,562.50	150,000.00	163,375.00
6/30/2026	55,000.00	112,537.50	250,000.00	173,637.50	80,000.00	90,162.50	160,000.00	157,000.00
6/30/2027	55,000.00	110,200.00	260,000.00	163,012.50	85,000.00	86,762.50	165,000.00	150,200.00
6/30/2028	60,000.00	107,862.50	270,000.00	151,962.50	90,000.00	83,150.00	170,000.00	143,187.50
6/30/2029	60,000.00	104,862.50	280,000.00	138,462.50	95,000.00	78,650.00	180,000.00	134,687.50
6/30/2030	65,000.00	101,862.50	295,000.00	124,462.50	95,000.00	73,900.00	190,000.00	125,687.50
6/30/2031	70,000.00	98,612.50	310,000.00	109,712.50	100,000.00	69,150.00	200,000.00	116,187.50
6/30/2032	70,000.00	95,112.50	325,000.00	94,212.50	110,000.00	64,150.00	210,000.00	106,187.50
6/30/2033	75,000.00	91,612.50	345,000.00	77,962.50	115,000.00	58,650.00	220,000.00	95,687.50
6/30/2034	80,000.00	87,675.00	360,000.00	59,850.00	120,000.00	52,612.50	230,000.00	84,137.50
6/30/2035	85,000.00	83,475.00	380,000.00	40,950.00	125,000.00	46,312.50	240,000.00	72,062.50
6/30/2036	90,000.00	79,012.50	400,000.00	21,000.00	130,000.00	39,750.00	255,000.00	59,462.50
6/30/2037	95,000.00	74,287.50	-	-	140,000.00	32,925.00	270,000.00	46,075.00
6/30/2038	100,000.00	69,300.00	-	-	145,000.00	25,575.00	280,000.00	31,900.00
6/30/2039	105,000.00	63,800.00	-	-	155,000.00	17,600.00	300,000.00	16,500.00
6/30/2040	110,000.00	58,025.00	-	-	165,000.00	9,075.00	-	-
6/30/2041	115,000.00	51,975.00	-	-	-	-	-	-
6/30/2042	120,000.00	45,650.00	-	-	-	-	-	-
6/30/2043	125,000.00	39,050.00	-	-	-	-	-	-
6/30/2044	135,000.00	32,175.00	-	-	-	-	-	-
6/30/2045	140,000.00	24,750.00	-	-	-	-	-	-
6/30/2046	150,000.00	17,050.00	-	-	-	-	-	-
6/30/2047	160,000.00	8,800.00	-	-	-	-	-	-

PART 4 - THE PARTICIPANTS

Descriptions of the Participants, their operations and the Facilities they will finance and/or refinance with the proceeds of the Series 2022 Bonds are set forth in Appendix A, copies of the most recent audited financial statements for each of the Participants are set forth in Appendix B and copies of recent unaudited financial information for each of the Participants are set forth in Appendix C. Prospective purchasers of the Series 2022 Bonds should carefully review Appendices A, B and C.

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

Each of the Participants owns and/or leases and operates one or more facilities in the City, as identified in Appendix A, to provide services to individuals who are developmentally disabled or require other special needs. Each of the Participants has represented that it has the appropriate licenses and authority to provide its services under State statutes. The Participants all currently have one or more contracts or approved reimbursement arrangements with a State, county or City department. Such contracts or arrangements have been typically for a period of one fiscal year. *No independent investigation or verification has been made of the status of compliance with City, county State or any federal agency standards of licensing and operations of the Participants in order to continue to receive payments of City, county, State and/or federal funds under such contracts or arrangements. The contracts or arrangements provide a substantial portion of the total revenues of each of the 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 Participants**. See "PART 6 – SOURCES OF REVENUE."

PART 5 - THE PROGRAM

General

The Issuer, in conjunction with the Program Facilitator, has established a pooled loan program (the "Program") for the issuance of the Series 2022 Bonds, the net proceeds of which will be disbursed to the Participants that satisfy the conditions of their Loan Agreements and the Indenture and will be used by such Participants for the purposes of providing services to individuals with intellectual and/or developmental disabilities described in Appendix A hereto.

The Series 2022 Bonds are the second series of bonds being issued under the Program. The first series of such bonds were issued pursuant to a separate indenture of trust and are secured by a separate trust estate.

The Program Facilitator

The InterAgency Council of Developmental Disabilities Agencies, Inc. (the "Program Facilitator") will act as the facilitator of the Program pursuant to the terms of the Administration Agreement dated as of June 1, 2022 among the Issuer, the Program Facilitator and the Participants. The Program Facilitator is a not-for-profit membership organization voluntarily supported by approximately 150 not-for-profit service provider members (including the Participants) that conduct business primarily in The City of New York metropolitan area, but also throughout the State. For its services, the Program Facilitator will be paid a fee of 0.25% of the principal amount of the Series 2022 Bonds on the Issuance Date and will also receive an annual fee of 0.125% of all outstanding Series 2022 Bonds payable by the Participants.

PART 6 - SOURCES OF REVENUE

General

HRSA, OPWDD, DOH and other State agencies provide a portion of the revenues of the Participants through contracts and reimbursement arrangements for the provision of their services, although the percentage of HRSA, OPWDD, DOH and other State agencies revenues varies among the Participants. See "APPENDIX A – DESCRIPTION OF PARTICIPANTS." Other government funding sources for one or more of the 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 6 has been provided by the Program Facilitator and is subject to change. The Program Facilitator obtained the information from publicly available information, including the New York State Annual Information Statement dated June 8, 2021 (the "2021 AIS"), the Update to New York State Annual Information dated December 3, 2021 (the "2021 AIS Update"), the New York State Statement of Updated Annual Information Pursuant To Continuing Disclosure Agreements For FY 2020 (Ended March 31, 2021) dated July 29, 2021 (the "2021 Updated CDA Information"), and the Enacted Budget Financial Plans of the State for State fiscal years 2017 through 2022 ("Enacted Budget Plans"), as well as OPWDD's website.

Neither OPWDD nor any other State office, division, department, agency or officer, including the State Division of Budget, has authorized the Program Facilitator to provide the information concerning OPWDD and its operations for inclusion in this Official Statement or otherwise consented to such inclusion or agreed to execute a continuing disclosure agreement with respect to the Series 2022 Bonds described in this Official Statement. According to the State website on which the 2021 AIS, the 2021 AIS Update and the 2021 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 6 which was obtained from the 2021 Updated CDA Information relates to obligations issued by DASNY under statutory authority and resolutions unrelated to the statutory authority and the Indenture pursuant to which the Series 2022 Bonds are being issued. While the Program Facilitator believes the information obtained from the 2021 Updated CDA Information provides material information for prospective investors in the Series 2022 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 a different issuer and different service providers and payable through a payment structure that is different from the payment structure made in connection with the Series 2022 Bonds. Furthermore, none of the State, DASNY or any other State agency or official has any obligation to continue updating the information in the 2021 Updated CDA Information when the bonds for which the 2021 Updated CDA Information is provided are no longer outstanding.

General

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

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

OPWDD coordinates both residential and non-residential services for New Yorkers with developmental disabilities, including intellectual disabilities, cerebral palsy, down syndrome, autism spectrum disorders, and other disabilities. It provides services directly (referred to above as "State-operated services") and through a network of approximately 500 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 2021-22 budget for OPWDD recommended in total approximately $4.9 billion in All Funds appropriations, including $2.6 billion for Aid to Localities, $2.2 billion for State Operations and $109 million for Capital Projects, which represents a slight decrease of $60 million or 1.2% from the 2020-21 budget. OPWDD will utilize this funding to support a comprehensive system of care that serves 126,000 New Yorkers and their families. The budget continues the State's pledge to support individuals with developmental disabilities in the most appropriate community-based settings, including investments to which will allow for the development of new certified housing supports in the community, support more independent living, provide more day program and employment options, and increase respite availability.

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 Eden II, HeartShare or YAI 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(1)**
2018	196	43,080
2019	189	43,193
2020	193	43,099
2021	186	42,742
2022(2)	186	42,963

Source: 2020 *Updated CDA Information*

(1) Numbers reported include both licenses and unlicensed programs as well as individuals living in supported apartments, individuals living in OPWDD licensed private residences and temporary use beds

(2) Estimated

Historical State Funding

The actual expenditures made for the operations and costs of OPWDD for State Fiscal Years 2017-2018 through 2020-2021 and the recommended expenditures for State Fiscal Year 2021-2022 are as follows:

Year	**State Operations**	**Aid to Localities**	**Total Operations**	**Capital**
2017-2018	$2,149,400,000	$2,272,796,500	$4,422,196,000	$86,000,000
2018-2019	2,197,639,000	2,405,835,000	4,603,474,000	96,400,000
2019-2020	2,244,027,000	2,487,307,000	4,731,334,000	99,400,000
2020-2021	2,244,149,000	2,649,722,000	4,893,871,000	108,600,000
2021-2022	2,229,429,000	2,604,063,000	4,833,492,000	108,600,000

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

Source: https://www/budget.ny.gov/pubs/archive

State Fiscal Year 2021-22 Enacted Budget

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

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

State Fiscal Year 2022-23 Executive Budget

The State Fiscal Year 2022-2023 Executive Budget (the "Executive Budget") continues the State's pledge to support individuals with developmental disabilities in the most appropriate community-based settings. Specifically, among other things, the Executive Budget continues investments in new service opportunities, commits an additional $15 million to develop independent living opportunities, provides increased funding for mental health residential programs to assist providers with housing cost increases and includes various OPWDD workforce-related initiatives aimed at rewarding direct care workers and relieving providers of the longstanding recruitment and retention issues that were worsened by the pandemic.

Prior Property Approval Process

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

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

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

PPA Regulatory Compliance Process

OPWDD imposes additional restrictions on certain projects under applicable regulations. These projects (the "New PPA Lien Projects") are fee-owned sites for which OPWDD funding is sought for (a) new acquisition, renovation and development, or (b) "substantial renovation" of an existing OPWDD-regulated site, with "substantial renovation" defined as renovation expenses that exceed 75% of the fair market value of the site as determined from the applicable municipal assessment rolls. The Eden II's Facility is a New PPA Lien Project.

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

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

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

Finally, for New PPA Lien Projects, OPWDD has approved a form of Subordination Agreement in which the rights of OPWDD under the Regulatory Compliance Contract and the Capital Component Security and Lien Agreement are subordinate to the lien of any Approved Mortgage. The Mortgage granted on the Eden II's Facility is an Approved Mortgage.

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 Facilities of Eden II, HeartShare and YAI. 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 Facilities of Eden II, HeartShare and YAI, 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 laws, 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.

Possible Operator Replacement by OPWDD With Respect to Facilities of Eden II, HeartShare and YAI

In addition to the statutory receivership remedy described above, each of the Loan Agreements for Eden II, HeartShare and YAI provides that, upon an Event of Default, the Issuer or the Trustee (at the direction of the Directing Party) may request OPWDD, in accordance with applicable statutes and regulations, to enter such Facility, or replace such Participant with another operator, subject to the requirements of its Loan Agreement, take possession without judicial action of all real property contained in such Facility and all personal property located in or on or used in connection with such Facility, including furnishings and equipment thereon, and cause to be operated thereon a certified program for the developmentally disabled or other person with special needs within such Facility in accordance with a valid operating certificate duly issued by OPWDD. In such event, OPWDD or any assignee will be required to make the payments owed by such Participant under its Loan Agreement with respect to the Series 2022 Bonds as they become due and owing.

New York State Department of Health

The DOH has over a 100-year history of providing public health services. DOH administers a wide range of public health programs directly or through contracts that address disease prevention and control, environmental health protection, promotion of healthy lifestyles and emergency preparedness and response. The DOH works with a multitude of community health partners to identify and address public health issues. Partners include hospitals, health care providers, local government agencies, community based organizations, insurers, local community leaders and academic institutions. The mission of the DOH is to protect, improve and promote the health, productivity and well-being of all New Yorkers.

The Division of Hospitals and Diagnostic and Treatment Centers (the "Division") in the DOH is under the statutory authority of Article 28 of the Public Health Law and Title 10 of the New York Codes, Rules and Regulations ("NYCRR"), Chapter V, Subchapter C, Article 6, Part 751. In this capacity, the Division is charged with the regulatory oversight of all hospitals and their off-campus sites (hospital extension clinics). The Division is also responsible for oversight of free-standing clinics, known as diagnostic and treatment centers ("D&TCs"). The following federally defined facility types are also considered D&TCs: (i) end-stage renal disease dialysis clinics, (ii) ambulatory surgery centers, (iii) federally qualified health centers, (iv) rural health centers, (v) comprehensive outpatient rehabilitation facilities, and (vi) outpatient physical therapy speech pathology centers. HD&TC's Facility is a federally qualified health center that serves as both an Article 28 Clinic and an Article 16 Clinic.

A provider of services is required to obtain a D&TC (Clinic) operating certificate (license) issued by DOH prior to the operation of such facility and programs that are subject to the regulatory jurisdiction of the DOH. The D&TC (Clinic) operating certificate attests that the facility meets all code requirements that ensure quality and safety of service. In order to obtain this operating certificate, a business must first obtain a Certificate of Need ("CON") approval. The CON review process determines whether a proposed facility or service meets a public need, is financially feasible, and will be offered by owners and operators who are of sound character and professional competence. HD&TC has an operating certificate issued by DOH for its Facility.

The DOH Commissioner is authorized to suspend, revoke or limit any operating certificate or to impose a fine on the holder of an operating certificate if the provider of services fails, within the specified or an otherwise reasonable time, to correct any reported deficiencies at such D&TC or fails to maintain satisfactory compliance with applicable laws, rules and regulations.

D&TCs licensed under Article 28 of the Public Health Law are paid by the State and State agencies for services provided to patients at the clinic. This reimbursement system was implemented in order to incentivize access to care, integration of care, elimination of unnecessary trips by consumers by encouraging delivery of medically necessary procedures on the same day, comprehensive attention to consumers clinical conditions and needs, delivery of appropriate services to individuals, responsiveness to crises, consumer friendly hours and service locations and services provided in languages other than English.

United States Human Resources and Services Administration

FQHCs are community-based health care providers that receive funds from the HRSA Health Center Program to provide primary care services in underserved areas. They must meet a stringent set of requirements, including providing care on a sliding fee scale based on ability to pay and operating under a governing board that includes patients. The defining legislation for FQHCs (under the Consolidated Health Center Program) is Section 1905(l)(2)(B) of the Social Security Act.

An FQHC qualifies for enhanced reimbursement from the HRSA beyond Medicare and Medicaid benefits. As a nonprofit and tax-exempt organization, an FQHC can receive grants from the government, the private sector, and donations in addition to Medicare and Medicaid funding. An FQHC is paid on the FQHC Prospective Payment System for medically necessary primary health services and preventive health care.

HD&TC's Facility is an FQHC.

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PART 7 - ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of proceeds of the Series 2022 Bonds:

	Series 2022A Bonds	Series 2022 B Bonds
Estimated Sources of Funds		
Proceeds of Series 2022 Bonds	$11,305,000.00	$575,000.00
Net Original Issue Discount	(13,480.00)	(4,076.75)
Total Sources of Funds	$11,291,520.00	$570,923.25
Estimated Uses of Funds		
Deposit to Project Accounts	$9,953,214.60	$0.00
Deposit to Debt Service Reserve Fund (Tax-Exempt)	1,055,950.00	0.00
Deposit to Costs of Issuance Account	112,982.60	436,024.38
Underwriter's Discount	169,372.80	134,898.87
Total Uses of Funds	$11,291,520.00	$570,923.25

PART 8 - THE ISSUER

The Issuer is a not-for-profit local development corporation created pursuant to the Not-For-Profit Corporation Law of the State of New York (the "State"), as amended, at the direction of the Mayor of The City of New York (the "City"). The Issuer is not an agency of State or City government. The Issuer is authorized by the Not-For-Profit Corporation Law of the State and the Issuer's Certificate of Incorporation and By-Laws (i) to promote community and economic development and the creation of jobs in the non-profit and profit sectors for the citizens of the City by developing and providing programs for not-for-profit institutions, manufacturing and industrial businesses and other entities to access tax-exempt and taxable financings for their eligible projects; (ii) to issue and sell one or more series or classes of bonds, notes and other obligations through private placement, negotiated underwriting or competitive underwriting to finance such activities above, on a secured or unsecured basis; and (iii) to undertake other eligible projects that are appropriate functions for a non-profit local development corporation for the purpose of relieving and reducing unemployment, promoting and providing for additional and maximum employment, bettering and maintaining job opportunities, carrying on scientific research for the purpose of aiding the City by attracting new industry to the City or by encouraging the development of or retention of an industry in the City, and lessening the burdens of government and acting in the public interest.

The Issuer has offered and plans to offer other obligations from time to time to finance eligible projects for other eligible entities. Such obligations have been and will be issued pursuant to and secured by instruments separate and apart from the Indenture.

The Series 2022 Bonds are special, limited revenue obligations of the Issuer payable solely out of certain funds pledged therefor. Nothing in the Series 2022 Bonds or the Indenture shall be considered as pledging or committing any other funds or assets of the Issuer to the payment of the

Series 2022 Bonds or the satisfaction of any other obligation of the Issuer under the Series 2022 Bonds or the Indenture. Neither the Issuer nor its members, directors, officers, agents, servants or employees, nor any person executing the Series 2022 Bonds, shall be liable personally with respect to the Series 2022 Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. Accordingly, no financial information with respect to the Issuer or its members, directors, officers, employees, servants or agents has been included herein.

Neither the State of New York nor any political subdivision of the State including, without limitation, The City of New York, is or shall be obligated to pay the principal, Sinking Fund Installments, Redemption Price of, or interest on, the Series 2022 Bonds, and neither the faith and credit nor the taxing power of the State of New York or The City of New York is pledged to such payment. The Issuer has no taxing power.

The Issuer has not prepared or assisted in the preparation of this Official Statement, except solely for those statements under the sections captioned "THE ISSUER" and "ABSENCE OF LITIGATION – The Issuer" and, except as aforesaid, the Issuer is not responsible for any statements made in this Official Statement. Except for the execution and delivery of documents required to effect the issuance of the Series 2022 Bonds, the Issuer has not otherwise assisted in the public offer, sale or distribution of the Series 2022 Bonds. Accordingly, except as aforesaid, the Issuer disclaims responsibility for the disclosures set forth in this Official Statement or otherwise made in connection with the offer, sale and distribution of the Series 2022 Bonds. The Participants have agreed to indemnify the Issuer against certain liabilities relating to this Official Statement.

PART 9 - TAX MATTERS

Series 2022A Bonds

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Issuer ("Bond Counsel"), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2022A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2022A Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Issuer, each of the Participants, as applicable, the Program Facilitator, and others, in connection with the Series 2022A Bonds, and Bond Counsel has assumed compliance by the Issuer, each of the Participants and the Program Facilitator with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2022A Bonds from gross income under Section 103 of the Code. In addition, in rendering its opinion, Bond Counsel has relied on the opinion of counsel to the Participants regarding, among other matters, the current qualifications of the Participants as organizations described in Section 501(c)(3) of the Code.

In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Series 2022A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof.

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Series 2022A Bonds, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including without limitation, exclusion from gross income for federal income tax purposes of interest on the Series 2022A Bonds.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2022A Bonds in order that interest on the Series 2022A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2022A Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2022A Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Issuer, the Participants, and the Program Facilitator have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2022A Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2022A Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Series 2022A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2022A Bonds.

Prospective owners of the Series 2022A Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Series 2022A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity (a bonds with the same maturity date, interest rate and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the bonds. In general, the issue price for each maturity of Series 2022A Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement. Bond Counsel further is of the opinion that, for any Series 2022A Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Series 2022A Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Information Reporting and Backup Withholding

Information reporting requirements to interest paid on tax-exempt obligations, including the Series 2022A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2022A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2022A Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2022A Bonds under federal or state law or otherwise prevent beneficial owners of the Series 2022A Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2022A Bonds.

Prospective purchasers of the Series 2022A Bonds should consult their own tax advisors regarding the foregoing matters.

Series 2022B Bonds

In the opinion of Bond Counsel, interest on the Series 2022B Bonds (the "Taxable Bonds") (i) is included in gross income for federal income tax purposes pursuant to the Code and (ii) is not 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.

The following discussion is a brief summary of the principal United States federal income tax consequences of the acquisition, ownership and disposition of Taxable Bonds by original purchasers of the Taxable 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 Taxable 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 U.S. Holder in light of its particular circumstances or to U.S. Holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Taxable Bonds as a position in a "hedge" or "straddle," U.S. Holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, U.S. Holders who acquire Taxable Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code.

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

U.S. Holders of Taxable 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 Taxable Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Original Issue Discount

In general if Original Issue Discount ("OID") is greater than a statutorily defined *de minimis* amount, a U.S. Holder of a Taxable Bond must include in federal gross income (for each day of the taxable year, or portion of the taxable year, in which such U.S. Holder holds such Taxable Bond) the daily portion of OID, as it accrues (generally on a constant-yield method) and regardless of the U.S. Holder's method of accounting. "OID" is the excess of (i) the "stated redemption price at maturity" over (ii) the "issue price." For purposes of the foregoing: "issue price" means the first price at which a substantial amount of the Taxable Bond is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers); "stated redemption price at maturity" means the sum of all payments, other than "qualified stated interest," provided by such Taxable Bond; "qualified stated interest" is 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 "*de minimis* amount" is an amount equal to 0.25 percent of the Taxable Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity. A U.S. Holder may irrevocably elect to include in gross income all interest that accrues on a Taxable Bond using the constant-yield method, subject to certain modifications.

Disposition and Defeasance

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Taxable 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 Taxable Bond.

A Participant may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Taxable Bonds to be deemed to be no longer Outstanding under the Indenture (a "defeasance"). (See "APPENDIX F – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" herein). 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, the character and timing of receipt of payments on the Taxable Bonds subsequent to any such defeasance could also be affected.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to non-corporate U.S. Holders of the Taxable Bonds with respect to payments of principal, payments of interest, and the accrual of OID on a Taxable Bond and the proceeds of the sale of a Taxable Bond before maturity within the United States. Backup withholding may apply to U.S. Holders of Taxable Bonds under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States federal income tax provided the required information is furnished to the Internal Revenue Service.

U.S. Holders

The term "U.S. Holder" means a beneficial owner of a Taxable 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.

Miscellaneous

Tax legislation, administrative action taken by tax authorities, or court decisions, whether at the federal or state level, could adversely affect the market price or marketability of the Taxable Bonds.

Prospective purchasers of the Taxable Bonds should consult their own tax advisors regarding the foregoing matters.

The form of the approving opinion of Bond Counsel for the Series 2022 Bonds is attached to this Official Statement as "APPENDIX G –FORM OF APPROVING OPINION OF BOND COUNSEL."

PART 10 - BONDHOLDERS' RISKS

General

The Series 2022 Bonds involve a certain degree of risk. Prospective investors in the Series 2022 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 2022 Bonds. This Official Statement contains only summaries of the Indenture, the Loan Agreements and the related documents. Prospective investors are urged to read such documents in their entirety prior to investing in the Series 2022 Bonds. Copies of draft forms of such documents may be obtained from the Underwriter prior to the issuance of the Series 2022 Bonds. See Appendix A for a discussion of the financial condition and results of operations of the Participants, Appendix B for copies of the audited financial statements of the Participants and Appendix C for copies of recent unaudited financial information for each of the Participants.

Set forth below are certain risk factors affecting an investment in the Series 2022 Bonds, including among others, risk factors that could adversely affect a Participant's operation, revenues and expenses, including those relating to its Facility, to an extent which cannot be determined at this time. Such risk factors should be considered before any investment in the Series 2022 Bonds is made. These risk factors should not be considered definitive or exhaustive.

Special, Limited Obligations of Issuer

The Series 2022 Bonds are special, limited obligations of the Issuer payable solely from the payments made by the Participants pursuant to the Loan Agreements and from the Trust Estate, as described in the Indenture. Neither the State nor any political subdivision thereof, including the City, shall be obligated to pay the principal, Sinking Fund Installments, Redemption Price, if any, of, or interest on, the Series 2022 Bonds. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof, including the City, is pledged to such payment of the Series 2022 Bonds. The Series 2022 Bonds will not be payable out of any funds of the Issuer other than those pledged therefor pursuant to the Indenture. The Series 2022 Bonds will not give rise to a pecuniary liability or charge against the credit or taxing powers of the State or any political subdivision thereof, including the City. No recourse will be had for the payment of the principal, Sinking Fund Installments or Redemption Price, if any, of, or interest on, the Series 2022 Bonds against any member, officer, director, employee or agent of the Issuer. The Issuer has no taxing power.

Several Obligations of Participants

The obligations of each Participant under its Loan Agreement are independent of the obligations of the other Participants under their respective Loan Agreements. An Event of Default under any Loan Agreement or any other Security Document is an Event of Default under the Indenture; but shall only constitute an Event of Default with respect to the Series 2022 Bonds allocable to the Participant(s) that caused such Event of Default. If the Event of Default is caused by a Participant under the Indenture, its Loan Agreement or, if applicable, its Mortgage, the Trustee may declare the principal installments of loan payments payable under its Loan Agreement to be immediately due and payable or take any other remedies provided for in such documents. However, there is no assurance that any of the remedies undertaken will result in moneys sufficient to pay the then outstanding principal and interest (or other amounts due) with respect to the Series 2022 Bonds allocable to such Participant. In such event none of the Issuer, the Trustee, the Program Facilitator or any Bondholder will have any recourse to, claim against or right of contribution from non-defaulting Participants.

Reliance on Credit of the Participants

The Series 2022 Bonds are being issued without credit enhancement in the form of a letter of credit or bond insurance. While the amounts payable to each of Eden II, HeartShare and YAI pursuant to its respective PPA for its respective Facility are expected to provide moneys sufficient to pay annual debt service on its loan for its Facility supported by such PPA, there is no PPA for HD&TC's Facility. In addition, there can be no assurance that the funds received by Eden II, HeartShare and YAI will be sufficient for the payment of their allocable portion of the Series 2022 Bonds (whether because of non-appropriation of funds by the State, failure of such Participant to operate its Facility in accordance with operational standards, a prior pledge of such PPA or otherwise). Additionally in connection with HD&TC's Facility which will not be reimbursed by OPWDD through a PPA, there can be no assurance that HD&TC's or HASC's respective operating revenues will be sufficient for the payment of the portion of the Series 2022 Bonds allocable to them.

Each Participant expects that the principal, Sinking Fund Installments and Redemption Price, if any, of and interest on its allocable portion of the Series 2022 Bonds will be paid from Public Funds paid by OPWDD (in the case of Eden II, HeartShare and YAI), from its general operating revenues and from fees for services paid by HRSA, DOH or other State agencies for services provided at its Facility (in the case of HD&TC). See "PART 6 – SOURCES OF REVENUE – New York State Office for People with Developmental Disabilities," "– New York State Department of Health" and "– United States Health Resources and Services Administration." There can be no assurance that the Participants' operating revenues or fees for services paid by HRSA, OPWDD, DOH or other State agencies will be sufficient for the payment of the Series 2022 Bonds. See "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2022 BONDS – Security for the Series 2022 Bonds" and "PART 6 – SOURCES OF REVENUE – New York State Office for People with Developmental Disabilities, "– New York State Department of Health" and "– United States Health Resources and Services Administration."

Absence of Credit Rating

No rating of the creditworthiness of the Series 2022 Bonds has been requested. Typically, unrated bonds lack liquidity in the secondary market in comparison with rated bonds. As a result of the foregoing, the Series 2022 Bonds are believed to bear interest at higher rates than would normally prevail for bonds with comparable maturities and redemption provisions that have investment grade credit ratings. Nevertheless, the Series 2022 Bonds should not be purchased by any investor who, because of financial condition, investment policies or otherwise, does not desire to assume or have the ability to bear the risks inherent in an investment of the Series 2022 Bonds with no likely ability to dispose of such investment.

Revenues of Participants

Future revenues of each 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 2022 Bonds depends upon the receipt by the Trustee of the loan payments under the Loan Agreements. Some of the risks that could affect to ability of a Participant to pay such amounts are failure of (i) the legislature of the State, or any of the counties or cities in which such Participant operates, to approve sufficient appropriations for the purchase of services from such Participants; (ii) the State or various county and City departments to make timely payments to the Participants of appropriated amounts caused by revenue short falls or other State and local fiscal considerations; (iii) the Participants to fulfill their obligations which entitle them to receive payments, including payments under the PPAs for the Facilities of the Eden II, HeartShare and YAI; (iv) the Participants to maintain the appropriate certifications from the required licensing or certifying entity(ies) to provide services as required; (v) the

Participants to obtain the renewal of their contracts; and (vi) HD&TC to provide services at its Facility or to appropriately bill such services to the appropriate State agency.

In addition, a Participant's license and/or certification may be revoked for failure to comply with standards of operation applicable to the Participant, or a Participant may cease operations of its Facility due to insolvency.

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 a Participant. Any one of such adverse events may result in insufficient revenues to pay the principal and interest on the Series 2022 Bonds.

Non-Asset Bonds

It is expected that the proceeds of the Series 2022 Bonds will be disbursed on the Issuance Date (i) to finance and/or refinance the Participants for certain costs of the Projects; (ii) to fund the Debt Service Reserve Fund (Tax-Exempt) for the Series 2022A Bonds; and (iii) to pay the costs of issuance of the Series 2022 Bonds. Consequently, immediately following the issuance of the Series 2022 Bonds, the value of the assets in the Trust Estate will be less than the principal amount of the Series 2022 Bonds. The proceeds of the Series 2022 Bonds held for the account of each Participant, plus investment earnings thereon, will not be sufficient to pay the obligations of each Participant under its Loan Agreement.

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

Upon the issuance of any series of Additional Bonds, each of the applicable Participants and the Issuer shall enter into an amendment to each Security Document to which they are a party which shall provide that the amounts secured thereunder be increased accordingly so as to secure such series of Additional Bonds. Monies obtained from the exercise of default remedies under a Participant's Loan Agreement and related Security Documents (after the payment of costs and expenses and application of the balance, if any, in accordance with the Participant's Loan Agreement and the Indenture) will be applied as provided in the Indenture. A deficiency in the payment of loan payments by a Participant, with respect to which Additional Bonds were issued under the Indenture and that is not otherwise cured, will result in a principal and interest short-fall as to all series of Bonds outstanding and allocable to such defaulting Participant to the extent of the payment deficiency.

Value of Property Being Financed or Refinanced; Deficiency May Be Affected by Bankruptcy

There is no assurance that, in the event of a default by a Participant, the amount collected with respect to the exercise of default remedies (after payment of fees and expenses) will be sufficient to satisfy in full the Participant's loan payments then due. Any deficiency with respect to the payment of a Participant's loan payments (after application of amounts collected upon exercise of default remedies) will result in a deficiency in the payment of principal and interest on the Series 2022 Bonds. With respect to Eden II, if the value of real property pledged by Eden II is less than the principal amount of its total loan payment 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 fair market value of the property is unsecured and, therefore, to the extent of such excess is not entitled to a secured priority position in the administration of the bankruptcy estate.

Lack of Geographic Diversification

The greater the number of Participants and the more uniform the principal amount of their financings from the Series 2022 Bonds, the greater the diversification among the Participants in the Program and the greater the distribution of any deficiency with respect to a payment default generally among the Participants. However, Participants are limited to Participants with Facilities in the City. Thus, Participants are geographically concentrated, and the Program lacks geographic diversification.

Federal Medicaid/Medicare Reform

The Participants receive funds from Medicaid and Medicare. A majority of the Public Funds are received from Medicaid and/or Medicare. Future Medicaid and Medicare reform may materially adversely affect the Public Funds received by the Participants. Various federal legislative proposals have recently been made in connection with heath care reform that could, among other things, reduce or unfavorably restructure Medicare and/or Medicaid funding. Management of the Participants cannot predict whether any such proposal will become law. If enacted into law, such proposals could adversely affect the Public Funds received by, and the revenues available to, the Participants and therefore their ability to pay the loan payments under the Loan Agreement which will be used to pay debt service on the Series 2022 Bonds.

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

The Participants are subject to federal, State and local actions, including, among others, actions by various State, county and City departments. The Series 2022 Bonds are payable from operating revenues of the 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 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 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 Participants to generate sufficient revenues from other sources (or have access to sufficient fund balances) to make the scheduled loan payments that are to be used by the Trustee to pay the Series 2022 Bonds, will materially adversely affect a Participant's ability to make its loan payments and, consequently, the payment of the Series 2022 Bonds attributable to such Participant.

Enforceability of Remedies; Effect of Bankruptcy

The Series 2022 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 2022 Bonds described herein upon any default will depend upon the exercise of various remedies specified by the Indenture, the Loan Agreements or other Security Documents, 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 Indenture, the Loan Agreements, the Mortgage and the Pledge and Security Agreements 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 2022 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 2022 Bonds are subject to various provisions of Title 11 of the United States Code (the "Bankruptcy Code"). If a 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 Participant and its property, including the commencement of foreclosure proceedings under the Mortgage with respect to Eden II. A Participant would not be permitted or required to make payments of principal or interest under its 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 the Trustee from applying amounts on deposit in the accounts established under the Indenture from being applied in accordance with the provisions of the Indenture and the application of such amounts to the payment of principal of, and interest on the Series 2022 Bonds. Moreover, any motion for an order terminating the automatic stay and permitting such accounts to be applied in accordance with the provisions of the Indenture 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 Participant, which could affect the likelihood or timing of obtaining such relief. In addition, in the case of Eden II, if the value of the Mortgaged Property is less than the principal amount of Eden II's total loan payment obligation at the time of a bankruptcy proceeding, the security interest of the Trustee in such Mortgaged Property is subject to the claims of creditors that the mortgaged indebtedness in excess of the then fair market value of the Mortgaged Property is unsecured and, therefore, such excess is not entitled to a secured priority position in the administration of the bankruptcy estate.

A 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 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.

Completion of the Projects; Zoning; Certificate of Occupancy

There can be no assurance that the Project for Eden II or YAI will be completed, or that such Project can be completed for the cost and within the time estimated by such Participant. Failure to complete such Facility constituting part of its Project or failure to complete such Facility on time and for the cost estimated by such Participant, could materially adversely affect the financial position of such Participant and the ability of such Participant to satisfy its loan payment obligations, and the failure to complete such Project may be an Event of Default and could result in a mandatory redemption of such Participant's portion of the Series 2022 Bonds. Furthermore, a Facility may require special use permits, building permits, zoning variances, certificates of occupancy or compliance or other zoning approval (each, a "Certificate") from the applicable municipality. Failure of a Participant to obtain an appropriate Certificate where the same is required could materially adversely impact either such Participant's, the Trustee's or another party's right to use or occupy such Facility, before or after the exercise of default remedies.

Mortgage

Pledge of Property Under the Mortgage

The security interest in the Mortgaged Property granted under the Mortgage with respect to Eden II's Facility 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 Eden II and included in the Mortgaged Property and the proceeds of sale of such property, (vi) statutory liens and other liens arising as a matter of law, (vii) the rights of parties secured by other liens or encumbrances permitted by Eden II's Loan Agreement or the Mortgage and (viii) claims by creditors that the mortgaged indebtedness in excess of the then-fair market value of the Mortgaged Property is unsecured to the extent of such excess.

The obligations of HeartShare, HD&TC, HASC and YAI under their respective Loan Agreement and their respective Promissory Note to pay amounts sufficient to pay principal (including Sinking Fund Installments) or any Redemption Price of and interest on their respective portion of the Section 2022 Bonds are not secured by a mortgage.

Insufficiency of Mortgage Foreclosure; Environmental Impairment of Property

One of the options under Eden II's Loan Agreement, and one of the options under the Indenture, is to institute foreclosure proceedings to enforce the lien on and sell Eden II's Facility in the event of a default under the Eden II's Loan Agreement, the Mortgage or the Indenture. However, due to the limited uses for which Eden II's Facility may be utilized, none of Issuer, the Program Facilitator, the Trustee, Eden II or the Underwriter makes any assurance or representation that the Trustee will be able to effect a sale of Eden II's Facility or, if such Eden II Facility is sold, that the proceeds received upon a foreclosure or other sale, along with all moneys of Eden II on deposit in the various funds established under the Indenture, will be sufficient to pay in full the principal of, or interest on, the portion of the Series 2022 Bonds allocable to Eden II.

In exercising the rights of foreclosure under the Mortgage, the Trustee, 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 Eden II's Facility. If the audit indicates the existence of hazardous materials with respect to Eden II's Facility, the Trustee may conclude that it is not in the best interests of the Bondholders to foreclose on such property due to liability for removal of hazardous materials. In such an event, the Trustee may decline to exercise foreclosure with respect to Eden II's Facility under the Mortgage without specific instructions from Bondholders and receipt of funds, security and/or indemnity from the Bondholders reasonably satisfactory to the Trustee 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 Eden II's Facility 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 2022 Bonds that would otherwise have been available absent the existence of such hazardous materials.

Another option under Eden II's Loan Agreement is to institute proceedings to enforce the lien on and sell the Mortgaged Property in the event of a default under Eden II's Loan Agreement, the Mortgage or the Indenture. However, due to the limited uses for which the Mortgaged Property may be utilized, none of the Issuer, the Program Facilitator, the Trustee, Eden II or the Underwriter makes any assurances or representations that the Trustee will be able to sell the Mortgaged Property or, if such Mortgaged Property is sold, that the proceeds received upon a sale, along with all moneys on deposit in the various funds established under the Indenture, would be sufficient to pay in full the portion of the principal of, or interest on, the Series 2022 Bonds allocable to Eden II.

Eden II received the Appraisal on its Facility as described in "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2022 BONDS – Security for the Series 2022 Bonds – Mortgage" stating that the aggregate market value of the fee simple interest in Eden II's Facility was $880,000. However, the value of Eden II's Facility to Bondholders could be diluted by the issuance of additional parity indebtedness. Furthermore, the value of Eden II's Facility may fluctuate over time. The value of Eden II's Facility at any given time will be directly affected by market and financial conditions which are not in the control of Eden II. These conditions include the risk of adverse changes in general economic and local conditions; uninsured losses; lack of attractiveness of the property; cyclical nature of the real estate market; limited alternative use; suitability of the property; adverse changes in neighborhood values; and adverse changes in zoning and other laws and regulations. There is nothing associated with Eden II's Facility that would suggest that its value would remain stable or would increase if the general values of property in the community were to decline. There is no requirement that the value of Eden II's Facility be equal to or greater than the allocable portion of the principal amount of the Series 2022 Bonds. Thus, upon any default, it may not be possible to realize the allocable portion of the outstanding principal of and interest on the Series 2022 Bonds from a sale or lease of Eden II's Facility.

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 Eden II. Such approval was not sought in connection with the execution, delivery and performance by Eden II of the Mortgage or the pledge of assets and revenues by the Participants that are contemplated by the Pledge and Security Agreements. It is the opinion of counsel to the Participants that such actions do not require approval pursuant to NFPCL §510. However, absent court decisions definitively resolving this issue, it cannot be ruled out that a defendant in a foreclosure action may raise as an affirmative defense the failure to obtain NFPCL §510 court approval.

In view of the foregoing, investors should rely on their own examination of the creditworthiness and financial condition of the 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 Mortgage or the Pledge and Security Agreements.

Additional Indebtedness

Under its Pledge and Security Agreement, each Participant has the ability to incur additional debt. See "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2022 BONDS – Financial Covenants – Additional Indebtedness." Pursuant to the terms of the Indenture, Additional Bonds may be issued by the Issuer at the request of a Participant upon the satisfactions of various requirement set forth in the Indenture. See "APPENDIX F – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Additional Bonds."

Prior Pledges of Pledged Revenues

The Series 2022 Bonds are secured by the pledge to the Trustee by each Participant of its respective Pledged Revenues granted by such Participant pursuant to its Pledge and Security Agreement, subject to Prior Pledges and other Permitted Encumbrances. All of the Participants other than HD&TC have previously pledged their Public Funds (a portion of which consists of the Pledged Revenues) to DASNY or an industrial development agency, a bond trustee or a bank or another financial institution to secure other obligations. All of the Participants other than HD&TC have also pledged their accounts receivable, including Public Funds, to banks or other financial institutions as security for their respective obligations in connection with lines of credit. The pledge of the Pledged Revenues securing the Series 2022 Bonds is subject, and subordinate, to such Prior Pledges in all respects. See "APPENDIX A – DESCRIPTION OF PARTICIPANTS" for a description of the Participants, including a description of outstanding indebtedness and credit facilities secured by security interests which include Prior Pledges of their Pledged Revenues.

Grant of Additional Security Interests

Subject to the limitations set forth in its Pledge and Security Agreement, a 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. See "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2022 BONDS – Financial Covenants – Grant of Security Interest to Other Parties." The incurrence of such indebtedness and the granting of such security interests could materially adversely affect the financial position of a Participant and its ability to satisfy its loan payment obligations.

Early Redemption Without Premium or Penalty

The Series 2022 Bonds are subject to certain optional and mandatory redemption provisions, all of which are at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2022 Bonds to be redeemed, together with interest accrued thereon to the date of redemption. See "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2022 BONDS" and "PART 3 – THE SERIES 2022 BONDS – Redemption Provisions."

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 Participant is subject to various requirements affecting its operation. The failure of a Participant to maintain its tax-exempt status may affect such Participant's ability to receive funds from State and federal sources, which could adversely affect its ability to make its loan payments under its Loan Agreement. Further, a loss of a Participant's status as a Section 501(c)(3) organization, failure of a Participant to comply with certain legal requirements of the Code, or adoption of amendments to the Code applicable to such Participant that restrict the use of tax-exempt bonds for facilities, such as its Facility, could cause interest on the Series 2022A 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 Series 2022A Bonds. The opinion of Bond Counsel to the Issuer 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 Series 2022A 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 Series 2022A Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Series 2022A Bonds. See "PART 9 – TAX MATTERS." The interest rate on the Series 2022A Bonds will not change if interest on the Series 2022A 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 Series 2022A 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 DOH, the State Attorney General, the HRSA, 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 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 Participant and the effect of any such review on such Participant's ability to make its payments under its Loan Agreement.

Potential Impact of Coronavirus

The outbreak of the infectious disease COVID-19 (Coronavirus), a respiratory disease caused by a new strain of coronavirus has been declared a pandemic by the World Health Organization. The outbreak of COVID-19 has affected travel, commerce, and financial markets globally, in the United States, in New York State and in the City. There can be no assurances that COVID-19 will not continue to materially adversely impact local, state and national economies, including the State's and the City's economies and the services they currently fund, and the financial and business operations of the Participants. See Appendix A – DESCRIPTION OF PARTICIPANTS" for a description of the impact of the pandemic, if any, on the Participants, their revenues and facilities. The full impact that COVID-19 may have on the finances and operations of the Participants, the City and/or the State cannot be predicted at this time. The continued spread of the outbreak could have a material adverse effect on the State, the City, the Participants and their respective financial and operational performance.

Specific Risks Related to HD&TC's Facility

HD&TC's Facility is licensed by DOH as an Article 28 clinic, is certified by OPWDD as an Article 16 clinic and is an FQHC designated by the HRSA. HD&TC's Facility is entirely dependent upon the amount of health services provided by the staff at HD&TC's Facility and the amount of the fees for such services billed by HD&TC to Medicaid and Medicare for payment through the applicable State or Federal agency. The Pledged Revenues relating to HD&TC's Facility do not include any amount based on the debt service on the Series 2022 Bonds. In addition, HD&TC's Facility is leased, so the obligations of HD&TC and HASC under their Loan Agreement are not secured by a mortgage on such Facility. In addition, pursuant to the State law, facilities such as HD&TC's Facility are required to have an operating certificate issued by the Commissioner of the DOH. The Commissioner of the DOH may revoke or suspend an operating certificate or disapprove an application for a renewal of such certificate, in which case HD&TC will be unable to operate its Facility.

Specific Risks Related to Facilities of HeartShare and YAI

In order to secure its respective obligations, each of HeartShare and YAI will collaterally assign to the Trustee pursuant to its respective Collateral Assignment of Lease its respective right, title and interest (but not its obligations) in the lease for its respective Facility (each a "Facility Lease Agreement"). Each landlord under a Facility Lease Agreement has consented to such collateral assignments. Upon and during an uncured Event of Default under HeartShare's or YAI's Loan Agreement, the Trustee (at the direction of the Directing Party) may direct the Program Facilitator to locate a new tenant to replace HeartShare or YAI, as applicable, with another operator (the "Replacement Tenant") which satisfies the requirements for an operator under the applicable Loan Agreement and the applicable Facility Lease Agreement, unless such requirements are waived by the appropriate parties. The Replacement Tenant would assume such Participant's liabilities and obligations under its Facility Lease Agreement and shall be subject to such landlord's approval, which approval shall not be unreasonably withheld or delayed. Notwithstanding the Collateral Assignment of Lease, such Participant shall remain liable under its Facility Lease Agreement to perform all of its obligations thereunder. Certain practical and legal considerations, however, could inhibit or materially delay the ability to locate a Replacement Tenant for such Facility, or otherwise preclude the receipt of sufficient revenues to pay such Participant's allocable share of the Series 2022 Bonds.

In addition, neither of the Collateral Assignment of Lease is being recorded in the property records of the county where such property is located. The recording of a Collateral Assignment of Lease would put third parties on notice of such assignment in order to prevent a bona fide purchaser defense in the event that the property is sold by a landlord under its Facility Lease Agreement. Under this defense, a bona fide purchaser would not have knowledge of the assignment and could be relieved of liability thereby adversely affecting the ability to obtain a Replacement Tenant to assume the Participant's liabilities and obligations under its Facility Lease Agreement. Such inability to obtain a Replacement Tenant for the Facility could preclude the receipt of sufficient revenues to pay such Participant's allocable share of the Series 2022 Bonds.

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 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 11 - UNDERWRITING

The Series 2022 Bonds are being purchased by Municipal Capital Markets Group, Inc. (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Series 2022 Bonds from the Issuer at a purchase price of $11,558,171.58 and to make a public offering of the Series 2022 Bonds at prices not in excess of the public offering prices set forth on the inside cover page of this Official Statement. The Underwriter will be obligated to purchase all Series 2022 Bonds if any Series 2022 Bonds are purchased. The Series 2022 Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2022 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. Municipal Capital Markets Group, Inc. may also assist the Participants in connection with the investment of the proceeds of the Series 2022 Bonds and may earn a fee in that capacity, independent of its role as Underwriter.

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

Municipal Capital Markets Group, Inc. will also serve as dissemination agent pursuant to the terms of the Continuing Disclosure Agreements.

PART 12 - LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2022 Bonds by the Issuer are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Issuer, whose approving opinion will be delivered with the Series 2022 Bonds. The proposed form of the approving opinion of Bond Counsel is set forth in Appendix G hereto.

Certain legal matters will be passed upon for the Issuer by its General Counsel, for the 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.

The various legal opinions and/or certifications to be delivered concurrently with the delivery of the Series 2022 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion and/or certification, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of parties to the transaction. The rendering of an opinion and/or certification does not guarantee the outcome of any legal dispute that may arise out of the transaction.

PART 13 - ABSENCE OF LITIGATION

The Issuer

There is no action, suit or proceeding or investigation at law or in equity by or before any court, public board or body pending against the Issuer of which the Issuer has written notice, or, to the Issuer's knowledge, overtly threatened against the Issuer, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Indenture or the Loan Agreements.

The Participants

There is no controversy or litigation of any nature now pending or, to the best knowledge of their respective officers, threatened against any of the Participants restraining or enjoining the execution, sale or delivery of the Series 2022 Bonds or in any way contesting or affecting the validity of the Series 2022 Bonds, any proceedings of any of the Participants taken concerning the execution, sale or delivery thereof, or the application of any moneys or security provided for the payment of the Series 2022 Bonds or questioning the status of any Participant as an organization described in Section 501(c)(3) of the Code.

See "APPENDIX A – DESCRIPTION OF PARTICIPANTS" for a description of any litigation which has a material adverse effect on the Participants.

PART 14 - INDEPENDENT PUBLIC ACCOUNTANTS

HD&TC has provided its financial statements as of and for the years ended December 31, 2020, and December 31, 2019 and each of the other Participants have provided its financial statements as of and for the years ended June 30, 2021, June 30, 2020 and June 30, 2019. 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 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 Participant will enter into a Continuing Disclosure Agreement for the benefit of the Holders of the Series 2022 Bonds with Municipal Capital Markets Group, Inc., as disclosure dissemination agent, and the Trustee. The proposed form of a Continuing Disclosure Agreement is attached hereto as Appendix H.

For information about each Participant's compliance with its respective continuing disclosure undertakings made pursuant to Rule 15c2-12, see "APPENDIX A – DESCRIPTION OF PARTICIPANTS."

PART 16 - NO RATING

No ratings have been applied for with respect to the Series 2022 Bonds. No representation can be made that ratings with respect to the Series 2022 Bonds, if applied for, could be obtained. SEE "PART 10 – BONDHOLDERS' RISK – Absence of Credit Rating."

PART 17 - MISCELLANEOUS

References in this Official Statement to the Indenture, the Loan Agreements, the Mortgage, the Pledge and Security Agreements, the Continuing Disclosure Agreements and the Collateral Assignments of Lease do not purport to be complete. Refer to the Indenture, the Loan Agreements, the Mortgage, the Pledge and Security Agreements, the Continuing Disclosure Agreements and the Collateral Assignments of Lease for full and complete details of their provisions. Copies of drafts of the Indenture and the Collateral Assignments of Lease and draft forms of the Loan Agreement, the Pledge and Security Agreement and the Mortgage are available from the Underwriter during the offering period.

The agreements of the Issuer with Holders of the Series 2022 Bonds are fully set forth in the Indenture. Neither any advertisement of the Series 2022 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2022 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 Participants and the Facilities contained in this Official Statement has, in each case, been furnished by the applicable Participant. The Issuer and the Underwriter believe that this information is reliable, but neither the Issuer nor the Underwriter makes any representations or warranties as to the accuracy or completeness of such information.

The information regarding the Program Facilitator and HRSA, OPWDD and DOH contained in this Official Statement has, in each case, been furnished by the Program Facilitator. The Issuer, the Participants and the Underwriter believe that this information is reliable, but none of the Issuer, the Participants or the Underwriter makes any 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. The Issuer, the Participants and the Underwriter believe that this information is reliable, but none of the Issuer, the Participants or the Underwriter makes any representations or warranties whatsoever as to the accuracy or completeness of this information.

"APPENDIX A – DESCRIPTION OF PARTICIPANTS," "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF PARTICIPANTS" and "APPENDIX C – UNAUDITED FINANCIAL INFORMATION OF PARTICIPANTS" were supplied by the Participants.

"APPENDIX D – CERTAIN DEFINITIONS," "APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENTS," "APPENDIX F – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE," and "APPENDIX G – FORM OF APPROVING OPINION OF BOND COUNSEL" have been prepared by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Issuer.

"APPENDIX H – FORM OF CONTINUING DISCLOSURE AGREEMENT" has been prepared by McCarter & English, LLP, New York, New York and Newark, New Jersey, counsel to the Underwriter.

The Participants have reviewed the parts of this Official Statement describing it, its Facilities and its Security Documents, including, without limitation, "PART 1 – INTRODUCTION" (but solely with respect to the headings "Purpose of the Issue," "The Participants," "Payment of and Security for the Series 2022 Bonds" (with respect to the first paragraph thereunder), "Additional Security – Pledged Collateral," "The Mortgage" and "The Collateral Assignment of Lease"), "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2022 BONDS," "PART 3 – THE SERIES 2022 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2022 Bonds," "PART 4 – THE PARTICIPANTS," "PART 6 – SOURCES OF REVENUE," "PART 7 – ESTIMATED SOURCES AND USES OF FUNDS," "PART 10 – BONDHOLDERS' RISKS," "PART 13 – ABSENCE

OF LITIGATION" (but solely with respect to the heading "The Participants"), "PART 14 – INDEPENDENT PUBLIC ACCOUNTANTS," and "PART 15 – CONTINUING DISCLOSURE," and the information contained in Appendices A, B, and C. It is a condition to the sale and delivery of the Series 2022 Bonds that the Participants certify as of the dates of sale and delivery of the Series 2022 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.

The Participants have agreed to indemnify the Issuer 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 it.

The Program Facilitator has reviewed the parts of this Official Statement describing itself and the information contained in "PART 6 – SOURCES OF REVENUE" and "PART 10 – BONDHOLDERS' RISKS." It is a condition to the sale and delivery of the Series 2022 Bonds that the Program Facilitator certify as of the dates of sale and delivery of the Series 2022 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 Participants and the Issuer have authorized and approved the use and distribution of this Official Statement.

EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.

By: /**s**/ *Joanne Gerenser*
Executive Director

HASC DIAGNOSTIC AND TREATMENT CENTER, INC.

By: /**s**/ *Heshy Kahn*
Executive Director

HASC CENTER, INC.

By: /**s**/ *Samuel Kahn*
Executive Director

HEARTSHARE HUMAN SERVICES OF NEW YORK

By: /**s**/ *William Guarinello*
Executive Director

YOUNG ADULT INSTITUTE, INC.

By: /**s**/ *George Contos*
Chief Executive Officer

APPENDIX A

DESCRIPTION OF PARTICIPANTS

EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.

General Operations. Eden II School for Autistic Children, Inc. ("Eden") was founded in 1976. Eden operates out of 17 facilities in New York City and the counties of Long Island. Eden provides a wide range of services to over 500 students and adult consumers with autism spectrum disorders or autistic-like communication and behavior disorders, as defined by the Autism Society of America. 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 2021 Fiscal Year were: OPWDD (approximately 54%), State Department of Education (approximately 31%) and miscellaneous other sources (approximately 15%).

Description of Facility and Financing Plan. The Issuer will lend Eden $2,265,000 from the proceeds of the Series 2022 Bonds ("Eden's Allocable Portion"). Such amount will be used to finance and/or refinance debt incurred in connection with the Facility and Project described below, as well as for related legal fees, costs of issuance and debt service reserve requirements.

- The Facility is an approximately 2,584 square-foot, 2-story building located at 312 Tysens Lane, Staten Island, New York. The Project consists of the acquisition, renovation, equipping and furnishing of the Facility for use as supervised or supportive housing known as Individualized Residential Alternative ("IRA") for seven individuals with autism.

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 and/or refinancing costs incurred in connection therewith.

The Facility is a New PPA Lien Project. See the information in this Official Statement entitled "PART 6 - SOURCES OF REVENUE - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process" for further information concerning New PPA Lien Projects.

Eden plans to commence renovations to the Facility on or about June 30, 2022. Eden anticipates completing the Project on or about June 1, 2023 and receiving an Operating Certificate for the Facility from OPWDD on or about June 15, 2023. A new temporary Certificate of Occupancy is anticipated to be received soon thereafter. See the information in this Official Statement entitled "PART 10 - BONDHOLDERS' RISKS - Completion of the Projects; Zoning; Certificate of Occupancy."

Eden owns and will operate the Facility. Eden will grant (i) the Issuer and the Trustee mortgages on the real property with respect to the Facility (such mortgages to be assigned by the Issuer to the Trustee) and (ii) the Trustee a security interest and lien on the furniture, fixtures and equipment financed with bond proceeds and constituting a portion of the Facility and its Pledged Revenues, including its Public Funds.

Other Properties. Eden also owns and operates 12 other properties and leases another 8 properties throughout New York City and Long Island.

Employees. Eden employs 437 full-time and 143 part-time employees. Eden expects that the operation of the Facility will require it to employ 35 additional personnel.

Debt Service Coverage.

Calculated in accordance with the definition of "Total Debt Service Coverage Ratio" set forth in the Pledge and Security Agreement between Eden and the Trustee, the actual debt service coverage ratio of Eden for Fiscal Year 2021 and the pro forma debt service coverage ratio (which includes Eden's Allocable Portion of the Series 2022 Bonds) are as follows:

	2021 Actual	2021 Pro Forma
Revenues	$32,379,334	$32,379,334
Expenses	32,305,496	32,305,496
Net Income (after adj.)	73,838	73,838
Less Extraordinary Revenue Items	0	0
Plus Extraordinary Expense Items	828	828
Plus Depreciation and Amortization	969,919	969,919
Plus Current Interest Expense	307,909	307,909
New PPA Revenues (unaudited)	0	168,800
Cash Flow for Debt Service	1,352,494	1,521,294
Maximum Annual Debt Service (unaudited)	797,909	966,709
Debt Service Coverage Ratio (DSCR)	1.70	1.57

Financials. Audited financial statements for Eden for the fiscal years ended June 30, 2019, June 30, 2020, and June 30, 2021 were prepared by Marks Paneth, LLP and are attached as Appendix B-I. Interim unaudited financial information for Eden prepared by Eden's Management covering the period from July 1, 2021 through March 31, 2022 is attached as Appendix C-I. Significant accounting policies are contained in the notes to the audited financial statements.

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

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

The following is a summary of financial information for Eden for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by Eden's Management and derived from Eden's audited financial statements. The data contained in the following table should be read in conjunction with the audited financial statements and related notes presented in Appendix B-I; audited financial statements for the fiscal years ended June 30, 2017 and June 30, 2018 are available upon request.

	Fiscal Year Ended June 30,				
	2017	**2018**	**2019**	**2020**	**2021**
Current Assets	$7,584,564	$9,038,904	$7,391,542	$6,878,643	$13,938,610
Net Fixed Assets	17,409,194	15,998,764	17,540,367	17,498,585	17,101,555
Other	1,489,890	1,492,034	2,238,447	1,983,357	1,220,006
Total	26,483,648	26,529,702	27,170,356	26,360,585	32,260,171
Current Liabilities	5,661,243	9,823,103	8,989,029	7,946,004	14,452,396
Other Liabilities	12,816,648	9,019,541	7,807,751	8,636,407	7,955,763
Net Assets	8,005,757	7,687,058	10,373,576	9,778,174	9,852,012
Total	26,483,648	26,529,702	27,170,356	26,360,585	32,260,171
Operating Revenue:					
Program Revenue	31,042,869	32,713,102	33,854,950	33,939,273	32,379,334
Nonprogram Revenue	99,251	4,975	2,969,192	(705)	(828)
Total	31,142,120	32,718,077	36,824,142	33,938,568	32,378,506
Operating Expenses	31,475,518	33,036,776	34,137,624	34,533,970	32,304,668
Change in Net Assets	(333,398)	(318,699)	2,686,518	(595,402)	73,838
Net Assets, Beginning of Year	8,339,155	8,005,757	7,687,058	10,373,576	9,778,174
Net Assets, End of Year	8,005,757	7,687,058	10,373,576	9,778,174	9,852,012
Cash & Equivalents	383,692	552,563	965,682	313,327	7,031,809

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 $13,938,610 and $6,878,643 at the end of fiscal years 2021 and 2020, respectively, (b) External - Eden has available a $1.5 million revolving line of credit with Northfield Bank for operating expenses and a revolving line of credit for up to $1 million with the Foundation for the Advancement of Autistic Persons, Inc. ("Foundation").

(3) Known Trends or Uncertainties Likely to have an Impact on Revenue or Income: The impact of the COVID-19 pandemic continues for Eden's business. Services to participants were reduced during the pandemic due to the COVID restrictions on social distancing, keeping participants in cohorts to minimize the spread of the disease, and the inability of participants to engage in on sight activities. As the infection rates reduce, vaccination rates increase and funding sources relax restrictions, programs are increasing toward pre-pandemic levels.

Staffing shortages are greatly impacting the ability of Eden to provide services. Staff vacancies are at high levels challenging the ability to reopen existing programs. It is uncertain how staffing shortages will continue as the pandemic continues.

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund-raising, and interest for fiscal years 2021 and 2020 were $254,845 and $266,956, respectively. See Appendix C-I for interim unaudited financial information through March 31, 2022.

(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, 2021 and June 30, 2020, Eden had $7,031,809 and $313,327 in unrestricted cash and cash equivalents and $5,817,537 and $6,209,859 in net accounts receivable, respectively.

As of March 31, 2022, Eden had an available revolving line of credit of $1.5 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 program receivables, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. The outstanding balance on such line of credit as of March 31, 2022 was $0.

As of March 31, 2022, Eden had an available revolving line of credit of $1 million with the Foundation. The proceeds of the line of credit are to be used for operating expenses. The line of credit is unsecured. The outstanding balance on such line of credit as of March 31, 2022 was $0.

Long-Term Debt. As of June 30, 2021 and June 30, 2020, Eden had $7,955,763 and $8,636,407, 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 Note 8, of Eden's Audited Financial Statement for fiscal year ending June 30, 2021 under the title of "Bonds Payable, Net."

Prior Pledges. Eden's line of credit for $1.5 million with Northfield Bank is secured by program receivables. Of Eden's total outstanding long-term debt as of June 30, 2021 and June 30, 2020, $8,380,000 and $8,257,500 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 March 31, 2022 amount to $8,401,063. The Prior Pledges include the pledge of a security interest in all now owned or hereafter acquired personal property, including accounts receivable, and other related collateral of Eden granted to Northfield Bank and Dormitory Authority of the State of New York.

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 its Loan Agreement, its Mortgage and its Pledge and Security 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: Michael Giangregorio, Chairman, Michele Carr, Vice Chairperson, Shanx Ravisankar, Treasurer, and David Glick, Secretary. Other members of the Board are: Janet Barsky, Denise Bianchi, Jim Caldarella, Anthony Citarrella, James Cronin, Stephanie Dussel, LouAnne Haley, William Juliano, Brendan Lantry, Barbara Maxwell, Nicole Memoli, Bernardo Pace, Donald M. Russo, and Theresa Tarangelo. The Board of Trustees meets at least four times a year. A majority of the Trustees in office constitutes a quorum. The members of the Board serve without compensation.

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

Continuing Disclosure.

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

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HASC CENTER, INC.
AND
HASC DIAGNOSTIC AND TREATMENT CENTER, INC.

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

HASC Diagnostic and Treatment Center, Inc. ("HD&TC" and together with HASC Center, "HASC"), an affiliate of HASC Center, began in 2001 as a small clinic serving the general community, while at the same time specializing in providing for the unique medical and rehabilitative care needs of individuals with developmental disabilities. Over time, HD&TC grew into a recognized and respected medical facility in the heart of Brooklyn. The physicians, nurses and therapists of HD&TC have developed a unique set of clinical skills to help them care for individuals with disabilities. These unique skills are also incorporated into the care that is provided to the general public. In 2016, HD&TC acquired designation as a Federally Qualified Health Center ("FQHC"), which entitles HD&TC to enhanced operating rates and full reimbursement for capital expenses as well as free medical malpractice coverage. Today HD&TC operates an Article 16 and Article 28 health clinic and offers comprehensive medical services including: Internal Medicine; Endocrinology; Psychiatry; Neurology; Dermatology; Podiatry; and Woman's Health. HD&TC is a not-for-profit organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and comparable New York Law.

HASC Center and HD&TC will be co-borrowers and together will receive the loan from the proceeds of the Series 2022 Bonds. HASC Center provides management services to HD&TC. HASC Center and HD&TC are not under common management, however, HASC Center and HD&TC have 75% common Board memberships. The financial statements of HASC Center are prepared on a consolidated basis among HASC Center and its subsidiary (not including affiliate HD&TC). The financial statements for HD&TC are prepared solely for that entity. Unless otherwise indicated, the financial information in this Appendix is limited to the operations of HASC Center and HD&TC, as the subsidiary of HASC Center will not have any obligation to make payments under HASC's Loan Agreement.

HASC Center's funding sources for its 2021 Fiscal Year were: OPWDD (approximately 99%) and miscellaneous other sources (approximately 1%).

HD&TC's funding sources for its 2021 Fiscal Year were: OPWDD (approximately 26%); DOH (approximately 72%) and miscellaneous other sources (approximately 2%).

Description of Facility and Financing Plan. The Issuer will lend HASC Center and HD&TC $4,140,000 from the proceeds of the Series 2022 Bonds ("HASC's Allocable Portion"). Such amount will be used to finance and/or refinance debt incurred in connection with the Facility and Project described below, as well as for related legal fees, costs of issuance and debt service reserve requirements.

- The Facility is an approximately 11,800 square-foot unit within a 7-story condominium building located at 1122 Chestnut Avenue, Unit 1, Brooklyn, New York. The Project consists of the renovation, furnishing and/or equipping of the Facility for use as a community health center serving both individuals with developmental and other disabilities and neuro-typical individuals.

The Project has been completed, and HD&TC has been operating the Facility since December 24, 2018. The Facility is not supported by a PPA. HASC expects that the principal of and interest on HASC's Allocable Portion of the Series 2022 Bonds will be paid from operating revenues of HASC and from fees for services paid by DOH or other State agencies for services provided at the Facility.

The Facility is a free-standing clinic, known as a diagnostic and treatment center ("D&TC") and has been federally designated as a FQHC. See the information in this Official Statement entitled "PART 6 - SOURCES OF REVENUE - New York State Department of Health" for further information concerning D&TCs.

HD&TC has received a Certificate of Occupancy for the Facility. HD&TC has received Operating Certificates from DOH to operate an Article 28 public health clinic and from OPWDD to operate an Article 16 clinic at the Facility.

HD&TC leases the Facility from a third-party. The term of the lease together with all lease renewal options available to HD&TC for the Facility exceeds the term of HASC's Allocable Portion of the Series 2022 Bonds. HD&TC and HASC Center will grant the Trustee a security interest and lien on (y) the furniture, fixtures and equipment financed with the bond proceeds and constituting a portion of the Facility, and (z) their Pledged Revenues, including the Public Funds. See the information in this Official Statement entitled "PART 10 – BONDHOLDERS' RISKS – Specific Risks Related to HD&TC's Facility."

Other Properties. HASC Center owns 17 properties and leases 24 residential and day program properties in the County of Kings, New York. HD&TC does not own any real property but leases other sites in Brooklyn.

Employees. HASC Center and HD&TC collectively employ approximately 375 full-time and 283 part-time employees. HD&TC employs 100 personnel at the Facility.

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Debt Service Coverage.

Calculated in accordance with the definition of "Total Debt Service Coverage Ratio" set forth in the Pledge and Security Agreement between HASC Center and the Trustee and in the Pledge and Security Agreement between HD&TC and the Trustee, the actual debt service coverage ratio of HASC Center and HD&TC for Fiscal Year 2021 and the pro forma debt service coverage ratio (which includes HASC's Allocable Portion of the Series 2022 Bonds) are as follows:

HASC Center

	2021 Actual (HASC Center)	**2021 Pro Forma (HASC Center)**
Revenues	$63,740,337	$63,740,337
Expenses	58,686,608	58,686,608
Net Income (after adj.)	5,053,729	5,053,729
Less Extraordinary Revenue Items	0	0
Plus Extraordinary Expense Items	0	0
Plus Depreciation and Amortization	1,561,844	1,561,844
Plus Current Interest Expense	390,794	390,794
New PPA Revenues (unaudited)	0	0
Total Net Revenues Available for Debt Service	7,006,367	7,006,367
Maximum Annual Debt Service (unaudited)	3,433,195	3,856,832
Debt Service Coverage Ratio (DSCR)	2.041	1.817

HASC Diagnostic and Treatment Center

	2021 Actual (HD&TC)	2021 Pro Forma (HD&TC)
Revenues	$13,195,122	$13,195,122
Expenses	9,605,071	9,605,071
Net Income (after adj.)	3,590,051	3,590,051
Less Extraordinary Revenue Items	0	0
Plus Extraordinary Expense Items	0	0
Plus Depreciation and Amortization	510,921	510,921
Plus Current Interest Expense	230,495	230,495
Total Net Revenues Available for Debt Service	4,331,467	4,331,467
Maximum Annual Debt Service (unaudited)	230,495	423,637
Debt Service Coverage Ratio (DSCR)	18.792	10.224

Financials. Audited financial statements for HASC Center and its subsidiary for the fiscal years ended June 30, 2021, June 30, 2020 and June 30, 2019 were prepared by J. Gliksman CPA P.C. and are attached as Appendix B-IIA. Interim unaudited financial information for HASC Center and its subsidiary prepared by HASC Center's Management covering the period from July 1, 2021 to February 28, 2022 is attached as Appendix C-IIA. Significant accounting policies are contained in the notes to the audited financial statements.

Audited financial statements for HD&TC for the fiscal years ended December 31, 2020 and December 31, 2019 were prepared by J. Gliksman CPA P.C. and are attached as Appendix B-IIB. Unaudited financial statements prepared by HD&TC management have been provided for the fiscal year ended December 31, 2021 is attached as Appendix C-IIB.. Interim unaudited financials for HD&TC prepared by HD&TC Management for the period from January 1, 2022 to March 31, 2022 are attached as Appendix C-IIC. Significant accounting policies are contained in the notes to the audited financial statements.

Management's Summary of Financial Information and Results of Operations – HASC Center.

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

The following is a summary of financial information for HASC Center for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by HASC Center's Management and derived from HASC Center's audited financial statements. The data contained in the following table should be read in conjunction with the audited financial statements and related notes presented in Appendix B-IIA; audited financial statements for the fiscal years ended June 30, 2018 and June 30, 2017 are available upon request. Note that only the operations of HASC Center are presented below, which results may differ from the reported figures in the audited financial statements respecting HASC Center and its subsidiary.

Fiscal Year Ended June 30,

	2017	**2018**	**2019**	**2020**	**2021**
Current Assets	$29,048,498	$34,191,030	$33,638,425	$36,881,355	$49,117,243
Net Fixed Assets	23,507,550	23,326,925	24,515,998	23,706,926	21,527,257
Other	3,488,193	3,683,296	4,685,109	5,185,178	5,867,984
Total	56,044,241	61,201,251	62,839,532	65,773,459	76,512,484
Current Liabilities	4,450,951	4,885,671	5,728,605	8,309,758	9,726,615
Other Liabilities	18,336,136	15,520,536	15,127,108	13,756,137	18,710,539
Net Assets	37,708,105	40,795,044	41,938,819	43,707,564	48,075,330
Total	56,044,241	61,201,251	62,839,532	65,773,459	76,512,484
Operating Revenue:					
Program Revenue	41,805,943	45,830,155	49,686,049	48,825,222	54,157,414
Nonprogram Revenue	1,441,438	1,346,934	1,176,815	1,567,560	4,722,403
Total	43,247,381	47,177,089	50,862,864	50,392,782	58,879,817
Operating Expenses	41,692,839	44,090,150	49,674,088	48,669,037	54,512,052
Change in Net Assets	1,554,542	3,086,939	1,188,776	1,723,745	4,367,765
Non-Operating Changes	0	0	0	0	0
Net Assets, Beginning of Year	36,153,563	37,708,105	40,795,044	41,983,820	43,707,565
Net Assets, End of Year	37,708,105	40,795,044	41,983,820	43,707,565	48,075,330
Cash & Equivalents	4,634,512	4,296,630	1,328,777	664,673	8,083,858

Management's Summary of Financial Information and Results of Operations – HD&TC.

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

The following is a summary of financial information for HD&TC for the most recently ended five (5) fiscal years and has been prepared by HD&TC's Management and derived from HD&TC's audited financial statements for 2017 through 2020 and unaudited financial statements for 2021. Audited financial statements were available for 2017, 2018, 2019, 2020. Audited financial statements were not available for 2021. The data contained in the following table should be read in conjunction with the audited financial statements and related notes presented in Appendix B-IIIB; audited financial statements for the fiscal years ended December 31, 2018 and December 31, 2017 are available upon request.

Fiscal Year Ended December 31,

	2017	**2018**	**2019**	**2020**	**2021***
Current Assets	$461,027	$1,118,940	$2,036,093	$2,858,940	$6,568,933
Net Fixed Assets	1,713,641	3,934,617	3,511,059	3,028,881	2,535,207
Other	41,000	41,000	41,000	41,000	41,000
Total	2,215,668	5,094,557	5,588,152	5,928,821	9,145,140
Current Liabilities	989,001	122,119	475,276	849,948	828,383
Other Liabilities	1,432,376	5,832,259	6,566,576	7,268,381	6,224,756
Net Assets	(205,709)	(737,702)	(978,424)	(1,339,5601)	2,092,001
Total	2,215,668	5,094,557	5,588,152	5,928,821	9,145,140
Total Operating Revenue	2,724,939	2,957,071	5,252,509	6,399,534	13,094,745
Operating Expenses	2,752,721	3,489,064	5,493,231	6,760,670	9,534,582
Change in Net Assets	(27,782)	(531,993)	(240,722)	(361,136)	3,560,163
Net Assets, Beginning of Year	(177,927)	(205,709)	(737,702)	(978,424)	(1,339,560)
Net Assets, End of Year	(205,709)	(737,702)	(1,339,560)	(964,921)	2,220,603
Cash & Equivalents	136,147	739,341	587,344	208,599	3,369,306

*Fiscal year end December 31,2021 audited financials have not been provided. Information from interim financials is used in this summary.

Management Discussion of Results of Operations.

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

(2) Sources of Liquidity: (a) Internal – (i) HASC Center had current assets of $49,117,243 and $36,881,355 at the end of fiscal years 2021 and 2020, respectively and (ii) HD&TC had current assets of $6,647,183 and $2,858,940 at the end of fiscal years 2021 and 2020, respectively, (b) External – HASC Center has available with Capital One Bank a $3.5 million revolving line of credit for operating expenses. HD&TC has available with a private foundation a $5 million revolving line of credit for capital project interim financing, the repayment of which is guaranteed by HASC Center.

(3) Known Trends or Uncertainties Likely to have an Impact on Revenue or Income: The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on HASC's business will depend on developments such as the duration and spread of the outbreak. HASC will continue to monitor the evolving economic and business conditions for potential impact on HASC's financials. HASC is not aware of any trends or uncertainties that have had or are reasonably likely to have a material impact on HASC's revenue or income.

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund-raising, and interest for HASC Center's fiscal years 2021 and 2020 were $3,999,679 and $1,133,929, respectively. Income from contributions, fund-raising, and interest for HD&TC's fiscal years 2021 and 2020 were $0 and $1,770, respectively. See Appendices C-II for interim unaudited financial information through March 31, 2022.

(5) Causes for Changes in Financial Statements: Changes in the number of persons served in a particular program normally affect the revenues of the program. The number of persons served by HASC's FQHC operation have materially increased in recent years.

Liquidity and Capital Resources. As of June 30, 2021 and June 30, 2020, HASC Center had $8,083,858 and $752,879 in unrestricted cash and cash equivalents and $13,051,034 and $12,153,521 in net accounts receivable, respectively. As of December 31, 2021 and December 31, 2020, HD&TC had $3,369,306 and $208,599 in unrestricted cash and cash equivalents and $2,595,803 and $2,159,711 in net accounts receivable, respectively.

As of March 31, 2022, HASC Center had an available revolving line of credit of $3.5 million with Capital One Bank. The proceeds of the line of credit are to be used for operating expenses. The line of credit is secured by a lien on HASC Center's accounts receivable and other business assets, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. The outstanding balance on such line of credit as of February 28, 2022 was $2.5 million.

As of March 31, 2022, HD&TC had an available revolving line of credit of $5 million with a private foundation, the repayment of which is guaranteed by HASC Center. The proceeds of the line of credit are to be used for capital project interim financing. The outstanding balance on such line of credit as of March 31, 2022 was $3.45 million and will be repaid with bond proceeds.

Long-Term Debt – HASC Center. As of June 30, 2021 and June 30, 2020 HASC Center had $23,704,535 and $17,248,179, respectively, in outstanding long-term indebtedness including mortgages, bonds and loans, some of which debt is secured by a security interest in HASC Center's Public Funds. See Notes H, I, and J of HASC Center's Audited Financial Statement for fiscal year ending June 30, 2021 under the titles of "Bonds Payable," "Mortgages Payable" and "Loans Payable." HASC Center has not incurred any long-term debt subsequent to June 30, 2021.

Long-Term Debt – HD&TC. As of December 31, 2021 and December 31, 2020, HD&TC had no long-term indebtedness. HD&TC has not incurred any long-term debt subsequent to December 31, 2021.

Prior Pledges – HASC Center. HASC Center's line of credit for $3.5 million with Capital One Bank is secured by a lien on HASC Center's accounts receivable and other business assets, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. Of HASC Center's total outstanding long-term debt as of June 30, 2021 and June 30, 2020, $15,446,248 and $17,248,179 is secured by a security interest in certain receivables of and real properties owned by HASC Center, which may include HASC Center's Public Funds, and thus constitutes a Prior Pledge as to such funds. HASC Center's total Prior Pledges (including short term and long term debt) as of February 28, 2022 amount to $16,864,138. The Prior Pledges include the pledge of a security interest in all now owned or hereafter acquired personal property, including accounts receivable, and other related collateral of HASC granted to Capital One, N.A. and Dormitory Authority of the State of New York.

Prior Pledges – HD&TC. HD&TC's line of credit for $5 million with a private foundation is secured by a guaranty from HASC Center. The outstanding balance will be paid off with bond proceeds in the approximate amount of $3.45 million. HD&TC does not have any Prior Pledges.

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

Management.

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

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

Directors and Officers – HD&TC: The affairs of HD&TC are governed by a eleven member Board of Directors. The officers are comprised of: Itchie Toder, Chairman; Sandor Yeshaya Schwartz, Vice President, Shlomie Goldner, Treasurer and Esther Drezdner, Secretary. The other members of the Board of Directors are: Fishel Beigel, Esther Fischer, Rabbi Chaim Israel, Chaim Lefkowitz, Mordechai Perlstein, Avromi Schonfeld and Israel Zyskind. The Board of Directors meets at least four times a year. A majority of the members of the Board constitute a quorum. The members of the Board serve without compensation.

Executive and Administrative Officers – HD&TC: Heshy Kahn is the Executive Director of HD&TC. HD&TC has several other key employees including Shaina Scheiner, Chief Operating Officer, Nechemia Schorr, Controller.

Continuing Disclosure.

HASC Center and HD&TC are in compliance with all of their continuing disclosure undertakings made pursuant to Rule 15c2-12.

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HEARTSHARE HUMAN SERVICES OF NEW YORK

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

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

HeartShare's funding sources for its 2021 Fiscal Year were: OPWDD (approximately 61%), the City of New York City (approximately 15%), the New York State Education Department (approximately 14%), DOH (approximately 2%) and miscellaneous other sources (approximately 8%).

Description of Facility and Financing Plan. The Issuer will lend HeartShare $1,975,000 from the proceeds of the Series 2022 Bonds ("HeartShare's Allocable Portion"). Such amount will be used to finance and/or refinance debt incurred in connection with the Facility and Project described below, as well as for related legal fees, costs of issuance and debt service reserve requirements.

The Facility is an approximately 9,532 square-foot, 3-story building located at 2601 E. 19th St. Brooklyn, New York. The Project consists of the renovation of the Facility for use as a residence (IRA) for fourteen adults with intellectual and/or developmental disabilities.

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

The Facility is not a New PPA Lien Project. See the information in this Official Statement entitled "PART 6 - SOURCES OF REVENUE - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process" for further information concerning New PPA Lien Projects.

The Project has been completed, and HeartShare has been operating the Facility since June 28, 2021. A Certificate of Occupancy or temporary Certificate of Occupancy has been received for the Facility. HeartShare has received an Operating Certificate from OPWDD for the Facility.

HeartShare leases the Facility from a third-party. HeartShare will collaterally assign to the Trustee pursuant to a Collateral Assignment of Leases its right, title and interest (but not its obligations) in the lease for the Facility. The landlord under the lease for the Facility has consented to such collateral assignment. The term of the lease together with all lease renewal options available to HeartShare for the Facility exceeds the term of HeartShare's Allocable Portion of the Series 2022 Bonds. HeartShare will grant the Trustee a security interest and a lien on its Pledge Revenues, including Public Funds. See the information in this Official Statement entitled "PART 10 – BONDHOLDERS' RISKS – Specific Risks Related to Facilities of HeartShare and YAI."

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

Employees. HeartShare employs 1,010 full-time and 172 part-time employees in Brooklyn, Queens and Staten Island, New York. HeartShare employs 20 personnel at the Facility.

Debt Service Coverage.

Calculated in accordance with the definition of "Total Debt Service Coverage Ratio" set forth in the Pledge and Security Agreement between HeartShare and the Trustee, the actual debt service coverage ratio of HeartShare for Fiscal Year 2021 and the pro forma debt service coverage ratio (which includes HeartShare's Allocable Portion of the Series 2022 Bonds) are as follows:

	2021 Actual	2021 Pro Forma
Revenues	$103,937,313	$103,973,313
Expenses	101,344,749	101,344,749
Net Income (after adj.)	2,592,564	2,592,564
Less Extraordinary Revenue Items	0	0
Plus Extraordinary Expense Items	0	0
Plus Depreciation and Amortization	2,815,253	2,815,253
Plus Current Interest Expense	938,791	938,791
New PPA Revenues	0	173,650
Net Revenues Available for Debt Service	6,346,608	6,520,258
Maximum Annual Debt Service	3,613,279	3,786,929
Debt Service Coverage Ratio (DSCR)	1.7565	1.7218

Financials. Consolidated financial statements for HeartShare for the fiscal year ended June 30, 2019 were audited by BKD, LLP and for fiscal years ended June 30, 2020 and June 30, 2021 by BDO USA, LLP and are attached as Appendix B-III. Interim unaudited financial information for HeartShare prepared by HeartShare's Management covering the period from July 1, 2021 through February 28, 2022 is attached as Appendix C-III. Significant accounting policies are contained in the notes to the audited financial statements. Consolidating Statements for HeartShare and its affiliates are included in the audited financial statements for fiscal year ended June 30, 2020 and June 30, 2021 but not for fiscal year ended June 30, 2019.

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

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

The following is a summary of financial information for HeartShare for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by HeartShare's Management and derived from HeartShare's audited financial statements. The data contained in the following table should be read in conjunction with the audited financial statements and related notes presented in Appendix B-III; audited financial statements for the fiscal years ended June 30, 2017 and June 30, 2018 are available upon request. Note that only the operations of HeartShare are presented below, which results may differ from the reported figures in the audited financial statements respecting HeartShare and all its affiliates.

	Fiscal Year Ended June 30,				
	2017	**2018** (Restated)	**2019**	**2020**	**2021**
Current Assets	$22,079,032	$20,377,227	$20,436,270	$27,119,287	$30,161,792
Net Fixed Assets	23,258,454	23,598,837	26,026,457	26,540,828	26,776,810
Other	8,671,301	7,720,816	9,755,636	12,093,479	78,088,757
Total	54,008,787	51,696,880	56,218,363	65,753,594	135,027,359
Current Liabilities	23,847,685	15,217,418	19,106,010	32,680,189	32,148,383
Other Liabilities	16,408,740	25,100,884	26,037,546	21,832,958	89,308,773
Net Assets	13,752,362	11,378,578	11,074,807	11,240,447	13,570,203
Total	54,008,787	51,696,880	56,218,363	65,753,594	135,027,359
Operating Revenue:					
Program Revenue	93,404,735	90,152,662	91,149,613	93,181,017	93,893,889
Nonprogram Revenue	6,658,994	8,386,457	11,277,650	13,348,841	18,493,091
Total	100,063,729	98,539,119	102,427,263	106,529,948	112,386,980
Operating Expenses	96,275,786	98,789,045	102,815,902	106,683,026	107,294,416
Change in Net Assets Before Other Changes	3,787,943	(249,926)	(388,639)	(153,168)	2,592,564
Non-Operating Changes	(3,500,000)	(471,970)	84,868	318,808	(262,816)
Net Assets, Beginning of Year	13,464,419	12,100,474	11,378,578	11,074,807	11,240,447
Net Assets, End of Year	13,752,362	11,378,578	11,074,807	11,240,447	13,570,203
Cash & Equivalents	4,884,854	3,305,067	1,178,983	3,712,656	2,827,835

Management Discussion of Results of Operations.

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

(7) Sources of Liquidity: (a) Internal - HeartShare had current assets of $30,161,792 and $27,119,287 at the end of fiscal years 2021 and 2020, respectively, (b) External – HeartShare has available with HSBC Bank two available revolving lines of credit of $6.5 million for capital expansion and a $15 million for operating expenses.

(8) Known Trends or Uncertainties Likely to have an Impact on Revenue or Income: The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on HeartShare's business will depend on developments such as the duration and spread of the outbreak. HeartShare will continue to monitor the evolving economic and business conditions for potential impact on HeartShare's financials. HeartShare is not aware of any trends or uncertainties that have had or are reasonably likely to have a material impact on HeartShare's revenue or income.

(9) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund-raising, and interest for fiscal years 2021 and 2020 were $3,435,280 and $1,242,474, respectively. See Appendix C-III for interim unaudited financial information through February 28, 2022.

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

Liquidity and Capital Resources. As of June 30, 2021 and June 30, 2020, HeartShare had $2,827,835 and $3,712,656 in unrestricted cash and cash equivalents and $25,654,454 and $22,280,091 in net accounts receivable, respectively.

As of February 28, 2022, HeartShare had available with HSBC Bank USA, National Association ("HSBC Bank") two revolving lines of credit of $6.5 million and $15 million. The proceeds of the lines of credit are to be used for capital expansion and operating expenses, respectively. The lines of credit are secured by a lien on HeartShare's accounts receivable and other business assets, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. The aggregate outstanding balance on such lines of credit as of February 28, 2022 was $8,000,000.

Long-Term Debt. As of June 30, 2021 and June 30, 2020, HeartShare had $12,643,301 and $11,453,271, respectively, in outstanding long-term indebtedness including mortgages, some of which debt is secured by a security interest in HeartShare's Public Funds. See Note 11 of HeartShare's Audited Financial Statement for fiscal year ending June 30, 2021 under the title of "Long-Term Debt."

Prior Pledges. HeartShare's two lines of credit in the aggregate amount of $21.5 million with HSBC Bank are secured by a lien on HeartShare's accounts receivable and other business assets, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. Of HeartShare's total outstanding long-term debt as of June 30, 2021 and June 30, 2020, $12,643,301 and $11,453,271 is secured by a security interest in certain receivables of and real properties owned by HeartShare, which may include HeartShare's Public Funds, and thus constitutes a Prior Pledge as to such funds. HeartShare's total Prior Pledges (including short term and long term debt) as of February 28, 2022 amount to $20,674,893. The Prior Pledges include the pledge of a security interest in all now owned or hereafter acquired personal property, including accounts receivable, and other related collateral of

HeartShare granted to HSBC Bank USA, National Association and Dormitory Authority of the State of New York.

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

Management.

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

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

Continuing Disclosure.

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

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YOUNG ADULT INSTITUTE, INC.

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

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

YAI's funding sources for its 2021 Fiscal Year were: OPWDD (approximately 99%) and miscellaneous other sources (approximately 1%).

Description of Facility and Financing Plan. The Issuer will lend YAI $3,500,000 from the proceeds of the Series 2022 Bonds ("YAI's Allocable Portion"). Such amount will be used to finance and/or refinance debt incurred in connection with the Facility and Project described below, as well as for related legal fees, costs of issuance and debt service reserve requirements.

- The Facility is an approximately 5,500 square-foot, 3-story building located at 2518 Church Ave. Brooklyn, New York. The Project consists of the renovation, equipping and furnishing of the Facility for use as a residence (IRA) for ten adults with intellectual and/or developmental disabilities.

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

The Facility is not a New PPA Lien Project. See the information in this Official Statement entitled "PART 6 - SOURCES OF REVENUE - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process" for further information concerning New PPA Lien Projects.

The Project was completed on May 23, 2022. YAI expects to receive an Operating Certificate from OPWDD for the Facility in early June and expects individuals to move into the Facility on June 8, 2022. A new Certificate of Occupancy is not needed. See the information in this Official Statement entitled "PART 10 - BONDHOLDERS' RISKS - Completion of the Projects; Zoning; Certificate of Occupancy."

YAI leases the Facility from a third-party. YAI will collaterally assign to the Trustee pursuant to a Collateral Assignment of Lease its right, title and interest (but not its obligations) in the lease for the Facility. The landlord under the lease for the Facility has consented to such collateral assignment. The terms of the lease together with all lease renewal options available to YAI for the Facility exceed the term of YAI's Allocable Portion of the Series 2022 Bonds. YAI will grant the Trustee a security interest and lien on (y) the furniture, fixtures and equipment financed with bond proceeds and constituting a portion of the Facility, and (z) its Pledged Revenues, including the Public Funds. See the information in this Official Statement entitled "PART 10 – BONDHOLDERS' RISKS – Specific Risks Related to Facilities of HeartShare and YAI."

Other Properties. YAI also owns approximately 91 and leases approximately 130 other properties in the Boroughs of New York City and Nassau, Rockland, Suffolk and Westchester Counties.

Employees. YAI employs approximately 1,829 full-time and 1,540 part-time employees in the State of New York. YAI expects that the operation of the Facility will require it to employ 30 additional personnel.

Debt Service Coverage.

Calculated in accordance with the definition of "Total Debt Service Coverage Ratio" set forth in the Pledge and Security Agreement between YAI and the Trustee, the actual debt service coverage ratio of YAI for Fiscal Year 2021 and the pro forma debt service coverage ratio (which includes YAI's Allocable Portion of the Series 2022 Bonds) are as follows:

	2021 Actual	**2021 Pro Forma**
Revenues	$195,649,315	$195,649,315
Expenses	200,139,140	200,139,140
Net Income (after adj.)	(4,489,825)	(4,489,825)
Less Nonoperating Revenue Items	(4,170,422)	(4,170,422)
Plus Nonoperating Expense Items	0	0
Plus Depreciation and Amortization	4,489,232	4,489,232
Plus Current Interest Expense	2,813,055	2,813,055
New PPA Revenues (unaudited)		275,000
Net Revenues Available for Debt Service	6,982,884	7,257,884
Maximum Annual Debt Service (unaudited)	5,356,696	5,673,696
Debt Service Coverage Ratio (DSCR)	1.3036	1.2792

Financials. Audited financial statements for YAI and its affiliates for the fiscal years ended June 30, 2019, June 30, 2020 and June 30, 2021 were audited by Marks Paneth, LLP and are attached as Appendix B-IV. Interim unaudited financial information for YAI only prepared by YAI's Management covering the period from July 1, 2021 through February 28, 2022 is attached as Appendix C-IV. Significant accounting policies are contained in the notes to the audited financial statements, as well as Consolidating Statements for YAI and its affiliates.

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

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

The following is a summary of financial information for YAI for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by YAI's Management and derived from YAI's audited financial statements. The data contained in the following table should be read in conjunction with the audited financial statements and related notes presented in Appendix B-IV; audited financial statements for the fiscal years ended June 30, 2017 and June 30, 2018 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,

	2017	**2018**	**2019**	**2020**	**2021**
Current Assets	$65,618,161	$58,845,012	$70,255,198	$82,242,516	$187,248,101
Net Fixed Assets	34,881,726	35,493,589	41,829,121	49,246,310	52,305,469
Other	2,352,081	2,651,718	2,632,962	2,870,580	3,230,192
Total	102,851,968	96,990,319	114,717,281	134,359,406	242,783762
Current Liabilities	37,201,430	32,461,954	40,124,908	43,025,657	150,310,996
Other Liabilities	31,217,703	30,083,752	40,067,255	56,735,993	62,364,835
Net Assets	34,432,835	34,444,613	34,525,118	34,597,756	30,107,931
Total	102,851,968	96,990,319	114,717,281	134,359,406	242,783,762
Operating Revenue:					
Program Revenue	172,888,534	176,651,218	186,377,766	198,729,655	190,949,712
Nonprogram Revenue	1,272687	1,577,624	2,113,759	3,667,539	4,699,603
Total	174,161,221	178,228,842	188,491,525	202,397,194	195,649,315
Operating Expenses	172,405,855	178,217,064	188,304,087	202,895,582	195,968,718
Change in Net Assets from Operations	1,755,366	11,778	187,438	(498,388)	(319,403)
Non-Operating Changes	0	0	(106,933)	571,026	(4,170,422)
Net Assets, Beginning of Year	32,677,469	34,432,835	34,444,613	34,525,118	34,597,756
Net Assets, End of Year	34,432,835	34,444,613	34,525,118	34,597,756	30,107,931
Cash & Equivalents	18,585,550	14,315,782	9,068,076	5,705,678	5,899,098

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 $187,248,101 and $82,242,516 at the end of fiscal years 2021 and 2020, respectively, (b) External - YAI has available an $28 million working capital line of credit with Bank of America, N.A. as administrative agent for Bank of America, N.A. and Israel Discount Bank of New York for operating expenses and a $14 million line of credit with Bank of America, N.A. as administrative agent for 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: The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on YAI's business will depend on developments such as the duration and spread of the outbreak. YAI will continue to monitor the evolving economic and business conditions for potential impact on YAI's financials. 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 2021 and 2020 were $3,280,977 and $2,804,669, respectively. See Appendix C-IV for interim unaudited financial information through February 28, 2022.

(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, 2021 and June 30, 2020, YAI had $5,899,098 and $5,705,678 in unrestricted cash and cash equivalents and $28,065,593 and $34,942,038 in net accounts receivable, respectively.

As of February 28, 2022, YAI has available a $28 million working capital line of credit with Bank of America, N.A. as administrative agent for 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 $14,851,441 as of February 28, 2022.

As of February 28, 2022, YAI has available a $14 million line of credit with Bank of America, N.A. as administrative agent for 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. The outstanding balance as of February 28, 2022 amounted to $9,113,918.

Long-Term Debt. As of June 30, 2021 and June 30, 2020, YAI had $59,839,655 and $54,074,087, respectively, in outstanding long-term indebtedness including mortgages, bonds and capital leases payable, some of which debt is secured by a security interest in YAI's Public Funds. See Note 7 of YAI's Audited Financial Statement for fiscal year ending June 30, 2021 under the title "Notes and Mortgages Payable."

Prior Pledges. YAI's working capital line of credit for $28 million with Bank of America, N.A. as administrative agent for Bank of America, N.A. and Israel Discount Bank of New York and line of credit for $14 million with Bank of America, N.A. as administrative agent for 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, 2021 and June 30, 2020, $63,283,863 and $56,735,993 is secured by a security interest in certain receivables of and real properties owned by YAI, which may include YAI's Public Funds, and thus constitutes a Prior Pledge as to such funds. YAI's total Prior Pledges (including short term and long term debt) as of February 28, 2022 amount to $83,999,965. The Prior Pledges include the pledge of a security interest in all now owned or hereafter acquired personal property, including accounts receivable, and other related collateral of YAI granted to Bank of America, N.A., Bank of America, N.A., as Administrative Agent for Bank of America, N.A. and Israel Discount Bank, The Bank of New York Mellon, as trustee, and Dormitory Authority of the State of New York.

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

Management.

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

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

Continuing Disclosure.

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

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF PARTICIPANTS

APPENDIX B-I

EDEN II PROGRAMS

FINANCIAL STATEMENTS
Years ended June 30, 2019, 2020 and 2021

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

Eden II Programs
• SERVICE • SCIENCE • PASSION

Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2019 and 2018

MARKS PANETH

ACCOUNTANTS & ADVISORS

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

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2019 AND 2018

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Marks Paneth LLP
685 Third Avenue
New York, NY 10017
P 212.503.8800
F 212.370.3759
markspaneth.com

MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Eden II School for Autistic Children, Inc. d/b/a Eden II Programs ("Eden II" or the “Agency”), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditors’ Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Marks Paneth LLP

New York, NY
November 25, 2019

Morison KSi
Independent member

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

C. **Use of Estimates –** The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. **Investments and Fair Value Measurements –** Investments are stated at fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels as described in Note 18.

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

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

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

Performance obligations and Transaction Price Allocated to Remaining Performance Obligations

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financing Component

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

Contract Costs

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

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

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

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

NOTE 3 – LIQUIDITY AND AVAILABILITY

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

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

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

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

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

NOTE 4 - PROGRAM SERVICES RECEIVABLE, NET

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

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

NOTE 5 – GRANTS AND CONTRIBUTIONS RECEIVABLE, NET

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

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

NOTE 6 – PROPERTY AND EQUIPMENT

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

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

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

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

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

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

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

NOTE 7 – ASSETS WHOSE USE IS LIMITED

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

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

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

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

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

NOTE 8 – BONDS PAYABLE, NET

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

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

NOTE 8 – BONDS PAYABLE, NET (CONTINUED)

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

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

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

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

NOTE 9 – MORTGAGES AND NOTES PAYABLE, NET

Mortgages payable consisted of the following as of June 30:

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

NOTE 10 – LINE OF CREDIT

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

NOTE 11 – LOAN PAYABLE

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

NOTE 12 – DISAGGREGATION OF PROGRAM SERVICES REVENUE

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

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

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS

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

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

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

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

NOTE 14 – PENSION PLAN

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

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

NOTE 15 – RELATED PARTY TRANSACTIONS

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

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

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

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

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

NOTE 16 – COMMITMENTS AND CONTINGENCIES

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

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

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

NOTE 16 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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

NOTE 17 – CONCENTRATION

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

NOTE 18 – FAIR VALUE MEASUREMENTS

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted price in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

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

In determining the value, the Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended June 30, 2019 and 2018, there were no transfers.

NOTE 19 – NET ASSETS WITHOUT DONOR RESTRICTIONS DEFICIT

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

NOTE 20 – SUBSEQUENT EVENTS

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

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

Eden II Programs

• SERVICE • SCIENCE • PASSION

Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2020 and 2019

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, 2020 AND 2019

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Marks Paneth LLP
685 Third Avenue
New York, NY 10017
P 212.503.8800
F 212.370.3759
markspaneth.com

MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Eden II School for Autistic Children, Inc. d/b/a Eden II Programs ("Eden II" or the "Agency"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2020 and 2019, 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.

Marks Paneth LLP

New York, NY
November 25, 2019

EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.
(D/B/A EDEN II PROGRAMS)
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents (Notes 2D and 16)	$ 313,327	$ 965,682
Program services receivable, net (Notes 2I, 2K and 4)	5,147,592	4,755,135
Grants and contributions receivable, net (Notes 2J and 5)	1,062,267	1,201,718
Prepaid expenses and other assets (Note 13)	355,457	469,007
Assets whose use is limited (Notes 2F, 7 and 17)	1,983,357	2,238,447
Property and equipment, net (Notes 2G, 2H and 6)	17,498,585	17,540,367
TOTAL ASSETS	$ 26,360,585	$ 27,170,356
LIABILITIES		
Accounts payable and accrued expenses	$ 1,009,919	$ 1,440,897
Accrued compensation and benefits	3,491,206	2,927,296
Due to state and local agencies (Notes 2M and 15A)	940,766	1,739,519
Due to related party, net (Note 14)	1,854,113	2,146,317
Bonds payable, net (Notes 2L and 8)	8,636,407	7,792,751
Loan payable (Note 10)	-	750,000
Line of credit (Note 9)	650,000	-
TOTAL LIABILITIES	16,582,411	16,796,780
COMMITMENTS AND CONTINGENCIES (Note 15)		
NET ASSETS (Notes 2B and 12):		
Without donor restrictions	9,285,871	9,491,425
With donor restrictions	492,303	882,151
TOTAL NET ASSETS	9,778,174	10,373,576
TOTAL LIABILITIES AND NET ASSETS	$ 26,360,585	$ 27,170,356

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, 2020 AND 2019

	Year Ended June 30:			Year Ended June 30:		
	Without Donor Restrictions	With Donor Restrictions	2020 Total	Without Donor Restrictions	With Donor Restrictions	2019 Total
REVENUE AND SUPPORT:						
Program and public support services revenue (Notes 2I and 11)	$ 32,643,530	$ -	$ 32,643,530	$ 32,374,091	$ -	$ 32,374,091
Grants and contract services (Note 2I)	619,965	-	619,965	665,104	-	665,104
Contributions (Note 2J)	90,837	176,119	266,956	56,102	300,177	356,279
Other revenue (Note 14)	408,822	-	408,822	459,476	-	459,476
Net assets released from restrictions (Notes 2B and 12)	565,967	(565,967)	-	227,579	(227,579)	-
TOTAL REVENUE AND SUPPORT	34,329,121	(389,848)	33,939,273	33,782,352	72,598	33,854,950
EXPENSES: (Note 2E)						
Program Services:						
Educational services	11,203,695	-	11,203,695	10,385,217	-	10,385,217
Residential services	9,789,319	-	9,789,319	9,206,634	-	9,206,634
Adult habilitation services	5,464,853	-	5,464,853	5,638,168	-	5,638,168
Family Support	1,472,931	-	1,472,931	1,957,940	-	1,957,940
Community outreach	2,026,160	-	2,026,160	2,193,759	-	2,193,759
Total Program Services	29,956,958	-	29,956,958	29,381,718	-	29,381,718
Supporting Services:						
Management and general	4,142,998	-	4,142,998	4,244,262	-	4,244,262
Fundraising	434,014	-	434,014	511,644	-	511,644
Total Supporting Services	4,577,012	-	4,577,012	4,755,906	-	4,755,906
Total Expenses	34,533,970	-	34,533,970	34,137,624	-	34,137,624
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITIES	(204,849)	(389,848)	(594,697)	(355,272)	72,598	(282,674)
NON-OPERATING ACTIVITIES:						
Unrealized (loss) gain on debt service reserve funds	(705)	-	(705)	921	-	921
Gain on sale of fixed assets (Note 6)	-	-	-	2,968,271	-	2,968,271
Total Non-operating activities	(705)	-	(705)	2,969,192	-	2,969,192
CHANGE IN NET ASSETS	(205,554)	(389,848)	(595,402)	2,613,920	72,598	2,686,518
Net assets - beginning of year	9,491,425	882,151	10,373,576	6,877,505	809,553	7,687,058
NET ASSETS - END OF YEAR	$ 9,285,871	$ 492,303	$ 9,778,174	$ 9,491,425	$ 882,151	$ 10,373,576

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, 2020
(with comparative totals for 2019)

	Year Ended June 30, 2020										
	Program Services						Supporting Services				
	Educational	Residential	Adult Habilitation	Family Support	Community Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2020	Total 2019
Salaries	$ 7,387,501	$ 6,658,889	$ 3,483,193	$ 1,077,366	$ 1,486,610	$ 20,093,559	$ 2,252,641	$ 249,320	$ 2,501,961	$ 22,595,520	$ 22,159,111
Fringe benefits (Note 13)	1,794,451	1,562,846	963,668	227,854	399,221	4,948,040	591,766	63,420	655,186	5,603,226	5,488,406
Total salaries, wages, and fringe benefits	9,181,952	8,221,735	4,446,861	1,305,220	1,885,831	25,041,599	2,844,407	312,740	3,157,147	28,198,746	27,647,517
Food	-	216,646	86	1,815	-	218,547	18	2,937	2,955	221,502	225,505
Repairs and maintenance	263,193	226,206	180,322	7,238	13,751	690,710	46,546	5,011	51,557	742,267	753,845
Utilities	101,861	117,065	65,432	7,592	6,116	298,066	35,408	6,119	41,527	339,593	393,228
Travel	3,775	3,638	6,773	22,802	673	37,661	11,142	217	11,359	49,020	80,730
Staff training and development	12,652	4,615	4,288	213	9,480	31,248	30,457	149	30,606	61,854	82,636
Consultants and contractual services	24,470	15,415	-	1,468	-	41,353	178,666	29,640	208,306	249,659	261,432
Consumable supplies	168,757	336,401	136,634	27,432	20,398	689,622	204,813	34,436	239,249	928,871	897,092
Insurance	63,474	76,352	65,979	7,623	415	213,843	227,882	1,251	229,133	442,976	350,396
Professional Fees	12,555	6,403	3,837	557	1,458	24,810	100,885	222	101,107	125,917	146,995
Rent (Note 15)	430,658	114,821	479,677	7,554	69,376	1,102,086	25,720	3,025	28,745	1,130,831	1,166,292
Interest	105,326	107,953	10,893	7,889	581	232,642	63,946	3,487	67,433	300,075	440,286
Facility tax	-	95,831	-	-	-	95,831	-	-	-	95,831	96,182
Miscellaneous	2,270	600	241	95	4,880	8,086	82,142	15,324	97,466	105,552	125,795
Bad debt expense	51,052	(19,737)	23,354	26,388	5,643	86,700	142,318	-	142,318	229,018	128,715
Depreciation (Notes 2G and 6)	781,700	265,375	40,476	49,045	7,558	1,144,154	148,648	19,456	168,104	1,312,258	1,340,978
Total expenses	$ 11,203,695	$ 9,789,319	$ 5,464,853	$ 1,472,931	$ 2,026,160	$ 29,956,958	$ 4,142,998	$ 434,014	$ 4,577,012	$ 34,533,970	$ 34,137,624

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

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

	Year Ended June 30, 2019									
	Program Services						Supporting Services			
	Educational	Residential	Adult Habilitation	Family Support	Community Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2019
Salaries	$ 6,980,792	$ 6,012,901	$ 3,594,051	$ 1,440,164	$ 1,597,605	$ 19,625,513	$ 2,227,210	$ 306,388	$ 2,533,598	$ 22,159,111
Fringe benefits (Note 13)	1,659,009	1,536,989	891,188	300,734	421,551	4,809,471	606,603	72,332	678,935	5,488,406
Total salaries, wages, and fringe benefits	8,639,801	7,549,890	4,485,239	1,740,898	2,019,156	24,434,984	2,833,813	378,720	3,212,533	27,647,517
Food	-	223,437	58	1,263	-	224,758	692	55	747	225,505
Repairs and maintenance	210,463	231,496	217,452	22,051	19,907	701,369	46,644	5,832	52,476	753,845
Utilities	104,554	127,820	75,147	11,728	5,712	324,961	60,796	7,471	68,267	393,228
Travel	5,663	4,651	14,118	40,050	1,597	66,079	13,626	1,025	14,651	80,730
Staff training and development	10,669	6,460	9,356	2,504	5,708	34,697	47,471	468	47,939	82,636
Consultants and contractual services	45,830	22,240	-	1,889	3,672	73,631	175,111	12,690	187,801	261,432
Consumable supplies	178,942	335,999	170,773	30,542	33,854	750,110	105,005	41,977	146,982	897,092
Insurance	67,283	69,302	40,534	8,532	401	186,052	162,391	1,953	164,344	350,396
Professional Fees	12,104	7,383	9,546	943	3,761	33,737	113,034	224	113,258	146,995
Rent (Note 15)	284,870	112,603	436,145	7,218	84,463	925,299	238,164	2,829	240,993	1,166,292
Interest	218,647	98,655	4,616	21,472	1,006	344,396	87,845	8,045	95,890	440,286
Facility tax	-	96,182	-	-	-	96,182	-	-	-	96,182
Miscellaneous	5,316	3,411	820	1,655	6,519	17,721	80,045	28,029	108,074	125,795
Bad debt expense	-	-	-	-	-	-	128,715	-	128,715	128,715
Depreciation (Notes 2G and 6)	601,075	317,105	174,364	67,195	8,003	1,167,742	150,910	22,326	173,236	1,340,978
Total expenses	$ 10,385,217	$ 9,206,634	$ 5,638,168	$ 1,957,940	$ 2,193,759	$ 29,381,718	$ 4,244,262	$ 511,644	$ 4,755,906	$ 34,137,624

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, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (595,402)	$ 2,686,518
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,312,258	1,340,978
Bad debt expense	229,018	128,715
Unrealized loss (gain) on debt service reserve funds	705	(921)
Amortization of bond premium	(35,090)	(34,123)
Amortization of deferred bond issuance costs	44,463	62,146
Amortization of deferred mortgage issuance costs	-	80,440
Gain on sale of fixed assets	-	(2,968,271)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Program services receivable	(621,475)	(537,694)
Grants and contracts receivable	139,451	1,977,809
Prepaid expenses and other assets	113,550	73,554
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(430,978)	452,675
Accrued compensation and benefits	563,910	69,646
Due to state and local agencies	(798,753)	51,411
Due to related party	(292,204)	726,463
Net Cash (Used in) Provided by Operating Activities	(370,547)	4,109,346
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of fixed assets	-	3,502,731
Purchases of property and equipment	(1,270,476)	(2,884,080)
Net Cash (Used in) Provided by Investing Activities	(1,270,476)	618,651
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	650,000	-
Repayment of line of credit	-	(975,000)
Cost of bond issuance	(108,144)	(98,079)
Bond premium	142,427	1,240
Payments on mortgages and notes payable	-	(1,574,555)
Proceeds from loan payable	-	750,000
Repayment of loan payable	(750,000)	(2,548,128)
Proceeds from bonds payable	1,500,000	1,675,000
Payments on bonds payable	(700,000)	(685,000)
Assets whose use is limited	254,385	(745,492)
Net Cash Provided by (Used in) Financing Activities	988,668	(4,200,014)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(652,355)	527,983
Cash and Cash Equivalents - beginning of year	965,682	437,699
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 313,327	$ 965,682
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 300,075	$ 432,521
Capitalized interest expense	$ 117,952	$ 36,382

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

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

C. **Use of Estimates –** The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. **Investments and Fair Value Measurements –** Investments are stated at fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels as described in Note 17.

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

H. **Impairment of Long-Lived Assets –** The Agency reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to aggregate future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value. No impairment loss has been recognized during the years ended June 30, 2020 and 2019.

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

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financing Component

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

Contract Costs

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

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

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

As of June 30, 2020 and 2019, the Agency received conditional grants and contracts from government agencies in the aggregate amount of approximately $657,000 and $711,000, respectively. Such grants have not been recognized in the accompanying financial statements as they are for future periods and will be recognized when contract barriers are overcome. Such barriers include expending these funds in accordance with their agreements. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants and contracts and the Agency may be required to return the funds already remitted.

K. **Allowance for Doubtful Accounts –** The management determines whether an allowance for uncollectible accounts receivable should be provided. Such estimates are based on management's assessment of the aged basis of the receivables, current economic conditions, creditworthiness of the sources and historical information. As of June 30, 2020 and 2019, the Agency determined that an allowance of $642,340 and $430,582, respectively, was necessary.

L. **Debt Issuance Costs –** Debt issuance costs are deferred and amortized on a straight-line basis over the life of the related debt. Amortization expense for the year ended June 30, 2020 and 2019 was $44,463 and $142,586, respectively.

M. **Due to State and Local Agencies –** Represents advances received from various funding sources under contracts for which the Agency has not yet met the grant conditions or provided the services. Such amounts were $940,766 and $1,739,519 as of June 30, 2020 and 2019, respectively, and represent advance payments that are to be paid back to the funding sources which will be recouped in a future fiscal year.

N. **Recent Accounting Pronouncements** – Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU"). 2016-18, "*Statement of Cash Flows: Restricted Cash*" (Topic 230) was adopted for the year ended June 30, 2019. The core guidance in ASU is to address diversity in practice that exists in the classification and presentation of changes in restricted cash on the statement of cash flows. The ASU requires restricted cash or restricted cash equivalents to be included in the beginning-of-period and end-of-period total amounts on the statements of cash flows. The adoption of the ASU did not result in changes to the accompanying financial statements.

NOTE 3 – LIQUIDITY AND AVAILABILITY

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

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

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

	2020	2019
Cash and cash equivalents	$ 313,327	$ 965,682
Program service receivable, net	5,147,592	4,755,135
Grants and contributions receivable, net	1,062,267	1,201,718
Less – net assets with donor restrictions	(492,303)	(882,151)
	$ 6,030,883	$ 6,040,384

In addition, the Agency has a line of credit totaling $2.5 million with a financial institution, which can be drawn upon if needed (Note 9). The Agency also has a line of credit with Foundation for the Advancement of Autistic Persons, Inc. in the amount of $1 million (Note 14).

NOTE 4 - PROGRAM SERVICES RECEIVABLE, NET

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

	2020	2019
Medicaid	$ 3,333,123	$ 2,834,813
New York City Board of Education	1,063,752	1,027,295
Long Island School Districts	492,203	441,587
Other receivables	797,466	879,761
	5,686,544	5,183,456
Less: allowance for doubtful accounts	(538,952)	(428,321)
Total program services receivable, net	$ 5,147,592	$ 4,755,135

NOTE 5 – GRANTS AND CONTRIBUTIONS RECEIVABLE, NET

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

	2020	2019
Legislative grants	$ 1,037,509	$ 1,075,307
Individuals with Disabilities Act	53,484	51,174
Other	74,662	77,498
	1,165,655	1,203,979
Less: allowance for doubtful accounts	(103,388)	(2,261)
Total grants and contributions receivable, net	$ 1,062,267	$ 1,201,718

NOTE 6 – PROPERTY AND EQUIPMENT

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

	2020	2019	Estimated Useful Lives
Land	$ 3,000,276	$ 3,000,276	
Building and improvements	23,403,824	22,123,245	5-25 years
Vehicles	234,802	234,802	5 years
Furniture and equipment	2,110,135	1,995,575	5 years
Construction in progress	3,122,348	3,247,011	
Total cost	31,871,385	30,600,909	
Less: accumulated depreciation	(14,372,800)	(13,060,542)	
Net book value	$ 17,498,585	$ 17,540,367	

Depreciation and amortization expense amounted to $1,312,258 and $1,340,978, for the years ended June 30, 2020 and 2019, respectively.

Construction in progress includes the purchase and renovation costs for two new residential program sites purchased in fiscal year 2019 (205 Eltingville Boulevard and 107 Dewey Avenue). The purchase of these properties is funded by the Office for People with Developmental Disabilities ("OPWDD") over the life of the asset. The properties are being renovated to become Individualized Residential Alternatives with a total of 13 beds. The estimated completion cost for the Eltingville Boulevard property is approximately $20,000 and is expected to be completed in November 2020. The estimated completion cost for the Dewey Avenue property is approximately $158,000 and is expected to be completed in November 2020.

NOTE 7 – ASSETS WHOSE USE IS LIMITED

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

The funds as of June 30, 2020 were as follows:

	Debt Service Reserve Funds	Principal & Interest and Other	Total
Build NYC – 2013A	$ 255,750	$ 175,932	$ 431,682
DASNY – 2015A	317,366	553,892	871,258
DASNY – 2016B	50,119	69,433	119,552
DASNY – 2019A	52,613	81,800	134,413
DASNY – 2020A	48,573	377,879	426,452
	$ 724,421	$ 1,258,936	$ 1,983,357

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

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

NOTE 8 – BONDS PAYABLE, NET

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

Description	2020	2019
In April 2013, the Agency and the Build NYC Resource Corporation issued Series 2013A-1 and 2013A-2 revenue bonds through the Special Needs Facilities Pooled Program in the amount of $3,305,000. The proceeds of the bonds were to finance the cost of acquiring, equipping and renovating a purchased building located in Staten Island, NY. The 2013 bonds have a term of 25 years and bear an annual interest rate ranging from 5%-5.875%. The bonds are collateralized by the Agency's buildings located on Staten Island.	$ 2,840,000	$ 2,925,000
In March 2015, DASNY issued $4,000,000 of bonds on behalf of the Agency. The transaction generated a premium of $213,616. The proceeds of the 2015 bonds were used to refinance the Agency's outstanding 2005A, 2006D and 2007C bonds along with an adjustable rate mortgage on a property owned by Eden II. The 2015 bonds have a term of 10 years and bear an annual interest rate ranging from 1.2%-4%. The bonds are collateralized by the Agency's buildings located on Staten Island and on Long Island.	1,625,000	2,195,000
In November 2016, DASNY issued $1,535,000 of bonds on behalf of the Agency. The transactions generated a premium of $16,000. The proceeds of the 2016 bonds were used to refinance the Agency's outstanding loans related to IRA located in Sherwood Avenue of Staten Island. The 2016 bonds have a term of 25 years and bear an annual interest rate ranging from 2%-4%. The bonds are collateralized by the Agency's location at Sherwood.	1,430,000	1,475,000
In March 2019, DASNY issued $1,675,000 of bonds on behalf of the Agency. The transactions generated a premium of $1,240. The proceeds of the 2019 bonds were used to refinance the Agency's outstanding loans related to IRA located on Eltingville Blvd of Staten Island. The 2019 bonds have a term of 25 years and bear an annual interest rate ranging from 3.125%-3.5%. The bonds are collateralized by the Agency's assets.	1,675,000	1,675,000
In March 2020, DASNY issued $1,500,000 of bonds on behalf of the Agency. The transactions generated a premium of $141,510. The proceeds of the 2020 bonds were used to finance construction related to IRA located on Dewey Ave. on Staten Island. The 2020 bonds have a term of 25 years and bear an annual interest rate ranging from 3.25%-4%. The bonds are collateralized by the Agency's assets.	1,500,000	-
Plus: Premiums on DASNY bonds	191,476	84,139
	9,261,476	8,354,139
Less: Deferred bond issuance costs	625,069	561,388
Total bonds payable, net	$ 8,636,407	$ 7,792,751

Future annual principal payments of the Agency's bonds payable during each of the five years following June 30, 2020 and thereafter are as follows:

2021	$ 690,000
2022	430,000
2023	490,000
2024	415,000
2025	470,000
Thereafter	6,575,000
	9,070,000
Bond premium	191,476
Total bonds payable, net	$ 9,261,476

As of June 30, 2020 and 2019, the Agency was in compliance with debt covenants on its bonds payable.

NOTE 9 – LINE OF CREDIT

The Agency has a revolving line of credit from a bank with a maximum borrowing limit to $2.5 million with a maturity date of September 1, 2021. 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 4.25%. The line is secured by a general lien. As of June 30, 2020 and 2019, the outstanding balance amounted to $650,000 and $0, respectively. As of November 25, 2020, the outstanding balance was $0.

NOTE 10 – LOAN PAYABLE

In March of 2019, the Agency entered into an agreement with Foundation of Philanthropic Funds ("FJC") for a loan in the aggregate principal amount of up to $1,526,464. Interest is payable quarterly at the prime rate published in The Wall Street Journal plus 3%. The funds were used for purchase and renovating of Individual Residential Alternative ("IRA") house located at 107 Dewey street. Outstanding balance on the loan amounted to $750,000 as of June 30, 2019, and the loan has been fully repaid during fiscal year 2020.

NOTE 11 – DISAGGREGATION OF PROGRAM SERVICES REVENUE

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

	2020	2019
New York State Office of People with Developmental Disabilities ("OPWDD"):		
Medicaid	$ 17,917,583	$ 17,843,818
Other	668,194	665,800
New York City Board of Education	9,767,336	9,459,386
Long Island School Districts	2,172,173	2,225,137
Outreach and Consulting	2,012,796	2,028,761
Other Revenue	105,448	151,189
	$ 32,643,530	$ 32,374,091

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
New York City Adult	$ 245,258	$ 245,258
Early Childhood Campaign	38,280	435,284
Long Island Kiosk	54,534	89,324
Residential	66,894	52,624
Educational	33,278	32,149
Wright Ave.	11,500	11,500
Day Habilitation	42,559	16,012
	$ 492,303	$ 882,151

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

	2020	2019
New York City Adult	$ -	$ 98,322
Early Childhood Campaign	458,069	5,468
Long Island Kiosk	39,913	59,079
Residential	44,988	10,000
Educational	9,938	23,737
Day Habilitation	13,059	24,335
Other	-	6,638
	$ 565,967	$ 227,579

NOTE 13 – ACCRUED PENSION AND BENEFITS

The Agency sponsors an employee pension plan (a defined contribution plan) covering all eligible employees. The amounts contributed to the Plan is a fixed percentage of participant's compensation. For the years ended June 30, 2020 and 2019 pension expense amounted to $474,171 and $465,275, respectively.

In addition, Eden II sponsors a 457 Supplemental Retirement Plan, which allows a select group of management or highly compensated employees of the Agency to receive benefits. The Board of Trustees determines the contribution amounts annually. For each of the years ended June 30, 2020 and 2019, there were no contributions to the plan.

Under a provision of the Coronavirus Aid, Relief, and Economic Stability Act ("CARES Act"), the Agency has elected to defer the remittance of certain employer payroll taxes as permitted by the CARES Act. The CARES Act postpones the due date for depositing employer payroll taxes and 50% of self-employment taxes related to Social Security and Railroad Retirement and attributable to wages paid during 2020. The 1.45% employer portion of Medicare tax is not eligible for deferral. The deferred amounts would be payable over the next two years – 50% due December 31, 2021, and the remaining 50% due December 31, 2022. As of June 30, 2020, $270,174 has been deferred with half of the balance to be repaid in 2021 and the remaining balance in 2022.

NOTE 14 – RELATED PARTY TRANSACTIONS

Foundation for the Advancement of Autistic Persons, Inc. (the "Foundation"), which was established to solicit charitable contributions and other funds, and provide other benefits and support the mission of the Agency and other organizations dedicated to the support of individuals with autism, shares certain members of management with the Agency. The Foundation provides an operational line of credit to the Agency of $1,000,000. As of June 30, 2020 and 2019, there was an outstanding balance of $875,000 and $900,000, respectively.

The Foundation provides advances with no stated due date to the Agency. At June 30, 2020 and 2019, the balance of this advance was $1,532,100 and $1,732,100 respectively. The Foundation requires that $25,000 be repaid each year. The remaining portion has no specified due date. Such transactions are non-interest bearing. Management anticipates the balance will be settled as funds become available from operations.

As of June 30, 2020 and 2019, the Foundation owed $552,987 and $485,783, respectively, to Eden II for various operating matters.

The Agency provides management and personnel services to the Foundation. The Agency charged the Foundation $250,000 for these services for each of the years ended June 30, 2020 and 2019, which is included with other revenue on the statements of activities.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

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

B. The Agency has lease agreements for rental space which expire at various dates through 2028. For the years ended June 30, 2020 and 2019, rent expense for all facilities amounted to $800,909 and $865,807, respectively. In addition to the facilities, Eden II leases equipment and vehicles under noncancelable operating leases. Future minimum lease payments are as follows for years ending after June 30, 2020:

2021	$ 801,000
2022	769,000
2023	699,000
2024	525,000
2025	529,000
Thereafter	1,402,000
Total	$ 4,725,000

NOTE 15 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

C. The Agency believes it has no uncertain tax positions as of June 30, 2020 and 2019, in accordance with Accounting Standards Codification ("ASC") Topic 740, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

D. Eden II has a self-insured medical plan covering eligible employees. In determining the amount of expense and liability to be recorded for the medical plan, management (with the aid of a consultant) makes estimated payments of health care premiums for all eligible employees in the medical plan based on historic payments. The self-insured liability account amounted to $300,000 as of June 30, 2020 and 2019.

E. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Agency's business and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the rapidly changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, the Agency is currently unable to fully determine the extent of COVID-19's impact on its business in future periods. The performance in future periods will be heavily influenced by the timing, length, and intensity of the economic recoveries in the United States and continued timely payment for services provided by the various funding sources. The Agency will continue to monitor evolving economic and general business conditions and the actual and potential impacts on its financial position and results.

NOTE 16 – CONCENTRATION

Cash and cash equivalents that potentially subject the Agency to a concentration of credit risk include cash accounts with a bank that exceed the Federal Deposit Insurance Corporation ("FDIC") limits. Accounts are insured up to $250,000 per depositor. As of June 30, 2020 and 2019, there was approximately $222,000 and $726,000 of cash and cash equivalents held by a bank that exceeded FDIC limits, respectively.

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 $1,983,357 and $2,238,447 as of June 30, 2020 and 2019, respectively, and were classified as Level 1.

In determining the value, the Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended June 30, 2020 and 2019, there were no transfers.

NOTE 18 – NET ASSETS WITHOUT DONOR RESTRICTIONS DEFICIT

For the years ended June 30, 2020 and 2019, the Agency posted a deficit of approximately $595,000 and $283,000, respectively. In addition, after removing the Agency's investment in property and equipment net of related debt, the operating net asset deficit is approximately $1,680,000 and $1,860,000 as of June 30, 2020 and 2019, respectively. The net assets deficit is a result of additional borrowing through a bond issuance offset by repayments on prior year's debt and increase in construction in progress for new sites. Management is constantly evaluating individual programs and identifying expansion possibilities. With the completion of the renovation of the new early education building in fiscal year 2020, and two new IRA sites, Eden II obtained the capacity to add additional classrooms to serve known, unmet needs on Staten Island. In OPWDD programs, the Agency is anticipating 2 new IRA houses to start operating from fiscal year 2021. The Agency continues to search for new program opportunities in order to improve its financial performance.

NOTE 19 – SUBSEQUENT EVENTS

The Agency has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through November 25, 2020, the date the financial statements were available to be issued.

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Stability Act ("CARES Act"). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program ("PPP"). Participating in the PPP enables the business to obtain a loan from the Small Business Administration ("SBA") sector of the government. The maximum loan amount is equal to the lesser of (a) 2.5 times the entity's average monthly payroll costs, as defined and incurred during the one-year period before the date on which the loan is made; or (b) $10 million. The term of the loan is two years and bears interest at a fixed rate of 1% per annum. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven, based on how much is spent in the 24-week period immediately following funding of the loan times a forgiveness factor that is based on employee headcount and amounts paid to the Agency's employees. The Agency applied for this loan subsequent to year-end, through an SBA authorized lender, Northfield Bank, and have been approved and funded by the lender in the amount of approximately $5,200,000 in July 2020.

In addition, in response to COVID-19, U.S. Department of Health and Human Services ("HHS") established a Provide Relief Fund to eligible providers who bill Medicaid fee-for-service in order to provide financial relief during the coronavirus pandemic. These funds are allocated proportional to providers' and payments equal to 2% of providers' total patient care revenue. The Agency applied for a grant under the Provider Relief Fund and received approximately $655,000 in September 2020. In addition, the Agency has applied for additional phase 3 funding from HHS in November 2020.

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, 2021 and 2020

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, 2021 AND 2020

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Marks Paneth LLP
685 Third Avenue
New York, NY 10017
P 212.503.8800
F 212.370.3759
markspaneth.com

MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Eden II School for Autistic Children, Inc. d/b/a Eden II Programs ("Eden II" or the “Agency”), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditors’ Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2021 and 2020, 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.

Marks Paneth LLP

New York, NY
November 30, 2021

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, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents (Notes 2D and 16)	$ 7,031,809	$ 313,327
Program services receivable, net (Notes 2I, 2K and 4)	4,828,936	5,147,592
Grants and contributions receivable, net (Notes 2J and 5)	988,601	1,062,267
Prepaid expenses and other assets (Note 13)	503,334	355,457
Assets whose use is limited (Notes 2F, 7 and 18)	1,220,006	1,983,357
Property and equipment, net (Notes 2G, 2H and 6)	17,101,555	17,498,585
Right of-use-asset (Notes 2N and 17)	585,930	-
TOTAL ASSETS	$ 32,260,171	$ 26,360,585
LIABILITIES		
Accounts payable and accrued expenses	$ 1,562,243	$ 1,009,919
Accrued compensation and benefits	4,211,451	3,491,206
Due to state and local agencies (Notes 2M and 15A)	1,326,234	940,766
Due to related party, net (Note 14)	1,568,641	1,854,113
Bonds payable, net (Notes 2L and 8)	7,955,763	8,636,407
Loan payable (Note 10)	5,197,897	-
Lease liability (Notes 2N and 17)	585,930	-
Line of credit (Note 9)	-	650,000
TOTAL LIABILITIES	22,408,159	16,582,411
COMMITMENTS AND CONTINGENCIES (Note 15)		
NET ASSETS (Notes 2B and 12):		
Without donor restrictions	9,348,378	9,285,871
With donor restrictions	503,634	492,303
TOTAL NET ASSETS	9,852,012	9,778,174
TOTAL LIABILITIES AND NET ASSETS	$ 32,260,171	$ 26,360,585

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, 2021 AND 2020

	Year Ended June 30:			Year Ended June 30:		
	Without Donor Restrictions	With Donor Restrictions	2021 Total	Without Donor Restrictions	With Donor Restrictions	2020 Total
REVENUE AND SUPPORT:						
Program and public support services revenue (Notes 2I and 11)	$ 30,549,468	$ -	$ 30,549,468	$ 32,643,530	$ -	$ 32,643,530
Grants and contract services (Note 2I)	1,176,213	-	1,176,213	619,965	-	619,965
Contributions (Note 2J)	76,644	178,201	254,845	90,837	176,119	266,956
Other revenue (Note 14)	398,808	-	398,808	408,822	-	408,822
Net assets released from restrictions (Notes 2B and 12)	166,870	(166,870)	-	565,967	(565,967)	-
TOTAL REVENUE AND SUPPORT	32,368,003	11,331	32,379,334	34,329,121	(389,848)	33,939,273
EXPENSES: (Note 2E)						
Program Services:						
Educational services	10,708,871	-	10,708,871	11,152,643	-	11,152,643
Residential services	9,488,558	-	9,488,558	9,809,056	-	9,809,056
Adult habilitation services	4,478,036	-	4,478,036	5,441,499	-	5,441,499
Family support	1,094,902	-	1,094,902	1,446,543	-	1,446,543
Community outreach	2,100,935	-	2,100,935	2,020,517	-	2,020,517
Total Program Services	27,871,302	-	27,871,302	29,870,258	-	29,870,258
Supporting Services:						
Management and general	4,024,859	-	4,024,859	4,229,698	-	4,229,698
Fundraising	408,507	-	408,507	434,014	-	434,014
Total Supporting Services	4,433,366	-	4,433,366	4,663,712	-	4,663,712
Total Expenses	32,304,668	-	32,304,668	34,533,970	-	34,533,970
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITIES	63,335	11,331	74,666	(204,849)	(389,848)	(594,697)
NON-OPERATING ACTIVITIES:						
Unrealized loss on debt service reserve funds	(828)	-	(828)	(705)	-	(705)
Total Non-operating activities	(828)	-	(828)	(705)	-	(705)
CHANGE IN NET ASSETS	62,507	11,331	73,838	(205,554)	(389,848)	(595,402)
Net assets - beginning of year	9,285,871	492,303	9,778,174	9,491,425	882,151	10,373,576
NET ASSETS - END OF YEAR	$ 9,348,378	$ 503,634	$ 9,852,012	$ 9,285,871	$ 492,303	$ 9,778,174

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, 2021
(with comparative totals for 2020)

	Year Ended June 30, 2021										
	Program Services						Supporting Services				
	Educational	Residential	Adult Habilitation	Family Support	Community Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2021	Total 2020
Salaries	$ 7,106,984	$ 6,425,937	$ 2,783,381	$ 816,953	$ 1,574,489	$ 18,707,744	$ 2,338,566	$ 229,171	$ 2,567,737	$ 21,275,481	$ 22,595,520
Fringe benefits (Note 13)	1,781,632	1,587,232	713,861	184,194	402,391	4,669,310	539,055	58,923	597,978	5,267,288	5,603,226
Total Salaries, Wages and Fringe Benefits	8,888,616	8,013,169	3,497,242	1,001,147	1,976,880	23,377,054	2,877,621	288,094	3,165,715	26,542,769	28,198,746
											-
Food	-	199,898	-	-	-	199,898	-	26,530	26,530	226,428	221,502
Repairs and Maintenance	256,267	208,473	161,867	12,661	11,087	650,355	53,005	6,242	59,247	709,602	742,267
Utilities	109,246	136,872	71,275	9,210	6,842	333,445	34,763	6,009	40,772	374,217	339,593
Travel	4,648	408	12,782	62	11	17,911	1,152	143	1,295	19,206	49,020
Staff training and Development	1,412	1,265	899	1,190	1,536	6,302	8,787	319	9,106	15,408	61,854
Consultants and Contractual Services	11,636	13,175	252	-	252	25,315	177,025	24,204	201,229	226,544	249,659
Consumable Supplies	206,245	331,874	106,494	11,333	29,043	684,989	167,554	16,559	184,113	869,102	928,871
Insurance	75,713	60,772	48,472	7,731	129	192,817	194,745	2,347	197,092	389,909	442,976
Professional Fees	10,824	12,570	3,460	556	900	28,310	120,680	168	120,848	149,158	125,917
Rent (Note 17)	453,813	112,832	533,948	6,806	67,058	1,174,457	55,754	2,740	58,494	1,232,951	1,130,831
Interest	126,341	75,937	-	9,067	-	211,345	91,691	4,873	96,564	307,909	300,075
Facility Tax	-	97,090	-	-	-	97,090	-	-	-	97,090	95,831
Miscellaneous	2,627	8,137	268	1,565	2,847	15,444	74,821	16,033	90,854	106,298	105,552
Bad Debt Expense	-	-	-	-	-	-	68,158	-	68,158	68,158	229,018
Depreciation and amortization (Notes 2G and 6)	561,483	216,086	41,077	33,574	4,350	856,570	99,103	14,246	113,349	969,919	1,312,258
Total Functional Expenses	$ 10,708,871	$ 9,488,558	$ 4,478,036	$ 1,094,902	$ 2,100,935	$ 27,871,302	$ 4,024,859	$ 408,507	$ 4,433,366	$ 32,304,668	$ 34,533,970

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, 2020

	Year Ended June 30, 2020									
	Program Services						Supporting Services			
	Educational	Residential	Adult Habilitation	Family Support	Community Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2020
Salaries	$ 7,387,501	$ 6,658,889	$ 3,483,193	$ 1,077,366	$ 1,486,610	$ 20,093,559	$ 2,252,641	$ 249,320	$ 2,501,961	$ 22,595,520
Fringe benefits (Note 13)	1,794,451	1,562,846	963,668	227,854	399,221	4,948,040	591,766	63,420	655,186	5,603,226
Total salaries, wages, and fringe benefits	9,181,952	8,221,735	4,446,861	1,305,220	1,885,831	25,041,599	2,844,407	312,740	3,157,147	28,198,746
Food	-	216,646	86	1,815	-	218,547	18	2,937	2,955	221,502
Repairs and maintenance	263,193	226,206	180,322	7,238	13,751	690,710	46,546	5,011	51,557	742,267
Utilities	101,861	117,065	65,432	7,592	6,116	298,066	35,408	6,119	41,527	339,593
Travel	3,775	3,638	6,773	22,802	673	37,661	11,142	217	11,359	49,020
Staff training and development	12,652	4,615	4,288	213	9,480	31,248	30,457	149	30,606	61,854
Consultants and contractual services	24,470	15,415	-	1,468	-	41,353	178,666	29,640	208,306	249,659
Consumable supplies	168,757	336,401	136,634	27,432	20,398	689,622	204,813	34,436	239,249	928,871
Insurance	63,474	76,352	65,979	7,623	415	213,843	227,882	1,251	229,133	442,976
Professional Fees	12,555	6,403	3,837	557	1,458	24,810	100,885	222	101,107	125,917
Rent (Note 17)	430,658	114,821	479,677	7,554	69,376	1,102,086	25,720	3,025	28,745	1,130,831
Interest	105,326	107,953	10,893	7,889	581	232,642	63,946	3,487	67,433	300,075
Facility tax	-	95,831	-	-	-	95,831	-	-	-	95,831
Miscellaneous	2,270	600	241	95	4,880	8,086	82,142	15,324	97,466	105,552
Bad debt expense	-	-	-	-	-	-	229,018	-	229,018	229,018
Depreciation and amortization (Notes 2G and 6)	781,700	265,375	40,476	49,045	7,558	1,144,154	148,648	19,456	168,104	1,312,258
Total expenses	$ 11,152,643	$ 9,809,056	$ 5,441,499	$ 1,446,543	$ 2,020,517	$ 29,870,258	$ 4,229,698	$ 434,014	$ 4,663,712	$ 34,533,970

EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.
(D/B/A EDEN II PROGRAMS)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 73,838	$ (595,402)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	969,919	1,312,258
Bad debt expense	68,158	229,018
Unrealized loss on debt service reserve funds	828	705
Amortization of bond premium	(13,658)	(35,090)
Amortization of deferred bond issuance costs	23,014	44,463
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Program services receivable	250,498	(621,475)
Grants and contributions receivable	73,666	139,451
Prepaid expenses and other assets	(147,877)	113,550
Right of-use-assets	(585,930)	-
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	552,324	(430,978)
Accrued compensation and benefits	720,245	563,910
Due to state and local agencies	385,468	(798,753)
Due to related party	(285,472)	(292,204)
Lease liability	585,930	-
Net Cash Provided by (Used in) Operating Activities	2,670,951	(370,547)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(572,889)	(1,270,476)
Net Cash Used in Investing Activities	(572,889)	(1,270,476)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	-	650,000
Repayment of line of credit	(650,000)	-
Cost of bond issuance	-	(108,144)
Bond premium	-	142,427
Proceeds from loans payable	5,197,897	-
Repayment of loans payable	-	(750,000)
Proceeds from bonds payable	-	1,500,000
Payments on bonds payable	(690,000)	(700,000)
Assets whose use is limited	762,523	254,385
Net Cash Provided by Financing Activities	4,620,420	988,668
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,718,482	(652,355)
Cash and Cash Equivalents - beginning of year	313,327	965,682
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 7,031,809	$ 313,327
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 284,895	$ 255,612
Capitalized interest expense	$ 112,397	$ 117,952

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

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

C. **Use of Estimates –** The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. **Investments and Fair Value Measurements –** Investments are stated at fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels as described in Note 18.

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

H. **Impairment of Long-Lived Assets –** The Agency reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to aggregate future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value. No impairment loss has been recognized during the years ended June 30, 2021 and 2020.

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

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financing Component

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

Contract Costs

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

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

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

As of June 30, 2021 and 2020, the Agency received conditional grants and contracts from government agencies in the aggregate amount of approximately $0 and $657,000, respectively. Such grants have not been recognized in the accompanying financial statements as they are for future periods and will be recognized when contract barriers are overcome. Such barriers include expending these funds in accordance with their agreements. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants and contracts and the Agency may be required to return the funds already remitted.

K. **Allowance for Doubtful Accounts –** The management determines whether an allowance for uncollectible accounts receivable should be provided. Such estimates are based on management's assessment of the aged basis of the receivables, current economic conditions, creditworthiness of the sources and historical information. As of June 30, 2021 and 2020, the Agency determined that an allowance of $382,507 and $642,340, respectively, was necessary.

L. **Debt Issuance Costs –** Debt issuance costs are deferred and amortized on a straight-line basis over the life of the related debt. Amortization expense for the years ended June 30, 2021 and 2020 was $23,014 and $44,463, respectively.

M. **Due to State and Local Agencies –** Represents advances received from various funding sources under contracts for which the Agency has not yet met the grant conditions or provided the services. Such amounts were $1,326,234 and $940,766 as of June 30, 2021 and 2020, respectively. In addition, includes reserve for potential disallowances that are to be paid back to the funding sources.

N. **Recent Accounting Pronouncements** – Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02, *Leases (*Topic 842*)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases* was adopted during the year ended June 30, 2021. The most significant change in the new leasing guidance is the requirement to recognize right-of-use ("ROU") assets and lease liabilities for operating leases on the statement of financial position.

The Agency elected to adopt Topic 842 effective July 1, 2020 and utilized all of the available practical expedients. The adoption had a material impact on the Agency's statement of financial position, but did not have a material impact on the statement of activities. The most significant impact was the recognition of Right-of-Use ("ROU") assets and lease liabilities for operating leases. Adoption of the standard required the Agency to record an increase in operating lease ROU assets and lease liabilities of $585,930.

NOTE 3 – LIQUIDITY AND AVAILABILITY

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

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

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

	2021	2020
Cash and cash equivalents	$ 7,031,809	$ 313,327
Program services receivable, net	4,828,936	5,147,592
Grants and contributions receivable, net	988,601	1,062,267
Less – net assets with donor restrictions	(503,634)	(492,303)
	$ 12,345,712	$ 6,030,883

In addition, the Agency has a line of credit totaling $1.5 million with a financial institution, which can be drawn upon if needed (Note 9). The Agency also has a line of credit with Foundation for the Advancement of Autistic Persons, Inc. in the amount of $1 million (Note 14).

NOTE 4 - PROGRAM SERVICES RECEIVABLE, NET

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

	2021	2020
Medicaid	$ 2,679,188	$ 3,333,123
New York City Board of Education	924,575	1,063,752
Long Island School Districts	342,959	492,203
Other receivables	1,156,782	797,466
	5,103,504	5,686,544
Less: allowance for doubtful accounts	(274,568)	(538,952)
Total program services receivable, net	$ 4,828,936	$ 5,147,592

NOTE 5 – GRANTS AND CONTRIBUTIONS RECEIVABLE, NET

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

	2021	2020
Legislative grants	$ 988,779	$ 1,037,509
Individuals with Disabilities Act	89,082	53,484
Other	18,679	74,662
	1,096,540	1,165,655
Less: allowance for doubtful accounts	(107,939)	(103,388)
Total grants and contributions receivable, net	$ 988,601	$ 1,062,267

NOTE 6 – PROPERTY AND EQUIPMENT, NET

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

	2021	2020	Estimated Useful Lives
Land	$ 3,000,276	$ 3,000,276	
Building and improvements	23,426,499	23,403,824	5-25 years
Vehicles	234,802	234,802	5 years
Furniture and equipment	2,110,135	2,110,135	5 years
Construction in progress	3,664,910	3,122,348	
Total cost	32,436,622	31,871,385	
Less: accumulated depreciation	(15,335,067)	(14,372,800)	
Net book value	$ 17,101,555	$ 17,498,585	

Depreciation and amortization expense amounted to $969,919 and $1,312,258 for the years ended June 30, 2021 and 2020, respectively. During the year ended June 30, 2021, fully depreciated assets amounting to $7,652 were written off.

Construction in progress includes the purchase and renovation costs for two new residential program sites purchased in fiscal year 2019 (205 Eltingville Boulevard and 107 Dewey Avenue). The purchase of these properties is primarily funded by the Office for People with Developmental Disabilities ("OPWDD") over the life of the asset. The properties are being renovated to become Individualized Residential Alternatives with a total of 13 beds. The estimated completion cost for the Eltingville Boulevard property is approximately $27,000 and the project was completed and partially occupied in August 2021. The estimated completion cost for the Dewey Avenue property is approximately $4,000 and is expected to be completed and partially occupied in February 2022.

NOTE 7 – ASSETS WHOSE USE IS LIMITED

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

The funds as of June 30, 2021 were as follows:

	Debt Service Reserve Funds	Principal & Interest and Other	Total
Build NYC – 2013A	$ 255,776	$ 178,579	$ 434,355
DASNY – 2015A	179,884	227,351	407,235
DASNY – 2016B	50,173	68,067	118,240
DASNY – 2019A	52,655	90,529	143,184
DASNY – 2020A	48,612	68,380	116,992
	$ 587,100	$ 632,906	$ 1,220,006

The funds as of June 30, 2020 were as follows:

	Debt Service Reserve Funds	Principal & Interest and Other	Total
Build NYC – 2013A	$ 255,750	$ 175,932	$ 431,682
DASNY – 2015A	317,366	553,892	871,258
DASNY – 2016B	50,119	69,433	119,552
DASNY – 2019A	52,613	81,800	134,413
DASNY 2020A	48,573	377,879	426,452
	$ 724,421	$ 1,258,936	$ 1,983,357

NOTE 8 – BONDS PAYABLE, NET

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

Description	2021	2020
In April 2013, the Agency and the Build NYC Resource Corporation issued Series 2013A-1 and 2013A-2 revenue bonds through the Special Needs Facilities Pooled Program in the amount of $3,305,000. The proceeds of the bonds were to finance the cost of acquiring, equipping and renovating a purchased building located in Staten Island, NY. The 2013 bonds have a term of 25 years and bear an annual interest rate ranging from 5%-5.875%. The bonds are collateralized by the Agency's buildings located on Staten Island.	$ 2,750,000	$ 2,840,000
In March 2015, DASNY issued $4,000,000 of bonds on behalf of the Agency. The transaction generated a premium of $213,616. The proceeds of the 2015 bonds were used to refinance the Agency's outstanding 2005A, 2006D and 2007C bonds along with an adjustable rate mortgage on a property owned by Eden II. The 2015 bonds have a term of 10 years and bear an annual interest rate ranging from 1.2%-4%. The bonds are collateralized by the Agency's buildings located on Staten Island and on Long Island.	1,105,000	1,625,000
In November 2016, DASNY issued $1,535,000 of bonds on behalf of the Agency. The transactions generated a premium of $16,000. The proceeds of the 2016 bonds were used to refinance the Agency's outstanding loans related to IRA located in Sherwood Avenue of Staten Island. The 2016 bonds have a term of 25 years and bear an annual interest rate ranging from 2%-4%. The bonds are collateralized by the Agency's location at Sherwood.	1,385,000	1,430,000
In March 2019, DASNY issued $1,675,000 of bonds on behalf of the Agency. The transactions generated a premium of $1,240. The proceeds of the 2019 bonds were used to refinance the Agency's outstanding loans related to IRA located on Eltingville Blvd of Staten Island. The 2019 bonds have a term of 25 years and bear an annual interest rate ranging from 3.125%-3.5%. The bonds are collateralized by the Agency's assets.	1,640,000	1,675,000
In March 2020, DASNY issued $1,500,000 of bonds on behalf of the Agency. The transactions generated a premium of $141,510. The proceeds of the 2020 bonds were used to finance construction related to IRA located on Dewey Ave. on Staten Island. The 2020 bonds have a term of 25 years and bear an annual interest rate ranging from 3.25%-4%. The bonds are collateralized by the Agency's assets.	1,500,000	1,500,000
Plus: Premiums on DASNY bonds	177,818	191,476
	8,557,818	9,261,476
Less: Deferred bond issuance costs	602,055	625,069
Total bonds payable, net	$ 7,955,763	$ 8,636,407

Future annual principal payments of the Agency's bonds payable during each of the five years following June 30, 2021 and thereafter are as follows:

2022	$ 430,000
2023	490,000
2024	415,000
2025	470,000
2026	515,000
Thereafter	6,060,000
	8,380,000
Bond premium	177,818
Total bonds payable, net	$ 8,557,818

As of June 30, 2021 and 2020, the Agency was in compliance with debt covenants on its bonds payable.

NOTE 9 – LINE OF CREDIT

The Agency has a revolving line of credit from a bank with a maximum borrowing limit of $2.5 million which expired on September 1, 2021 and replaced with a new $1.5 million line of credit with a new expiration date of September 1, 2022. 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 4.25%. The new line is secured by program receivables. As of June 30, 2021 and 2020, the outstanding balance amounted to $0 and $650,000, respectively. As of November 30, 2021, the outstanding balance was $0.

NOTE 10 – LOAN PAYABLE

A. In March of 2019, the Agency entered into an agreement with Foundation of Philanthropic Funds (“FJC”) for a loan in the aggregate principal amount of up to $1,526,464. Interest is payable quarterly at the prime rate published in The Wall Street Journal plus 3%. The funds were used for purchase and renovating of Individual Residential Alternative (“IRA”) house located at 107 Dewey Street. The outstanding balance on the loan amounted to $750,000 as of June 30, 2019, and the loan has been fully repaid during fiscal year 2020.

B. On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables the business to obtain a loan from the Small Business Administration (“SBA”) sector of the government. The maximum loan amount is equal to the lesser of (a) 2.5 times the entity’s average monthly payroll costs, as defined and incurred during the one-year period before the date on which the loan is made; or (b) $10 million. The term of the loan is two years and bears interest at a fixed rate of 1% per annum. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven, based on how much is spent in the 24-week period immediately following funding of the loan times a forgiveness factor that is based on employee headcount and amounts paid to the Agency’s employees. The Agency applied for this loan in July 2020, through an SBA authorized lender, Northfield Bank, and has been approved and funded by the lender in the amount of $5,197,897.

   The Agency is guided by Accounting Standards Codification (“ASC”) Topic 470, “Debt.” Based on the guidance in ASC 470, the loan would remain recorded as a liability until it is in part or wholly forgiven and legal release is received or the entity pays off the loan. Once the loan is forgiven in part or wholly, and legal release is received, the Agency will reduce the liability by the amount forgiven and record a gain on extinguishment. The Agency submitted application for forgiveness in October 2021 and expects the full amount to be forgiven.

NOTE 11 – DISAGGREGATION OF PROGRAM SERVICES REVENUE

The composition of primary revenue by program and primary payor consisted of the following for the years ended June 30:

	2021	2020
New York State Office of People with Developmental Disabilities (“OPWDD”):		
Medicaid	$ 15,948,402	$ 17,917,583
Other	638,826	668,194
New York City Board of Education	9,452,245	9,767,336
Long Island School Districts	2,139,991	2,172,173
Outreach and Consulting	2,274,776	2,012,796
Other Revenue	95,228	105,448
	$ 30,549,468	$ 32,643,530

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
New York City Adult	$ 245,258	$ 245,258
Early Childhood Campaign	15,810	38,280
Long Island Kiosk	45,417	54,534
Residential	88,609	66,894
Educational	33,638	33,278
Wright Ave.	11,500	11,500
Day Habilitation	63,402	42,559
	$ 503,634	$ 492,303

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

	2021	2020
Early Childhood Campaign	$ 23,537	$ 458,069
Long Island Kiosk	10,867	39,913
Residential	10,872	44,988
Educational	90,718	9,938
Day Habilitation	4,833	13,059
Other	26,043	-
	$ 166,870	$ 565,967

NOTE 13 – ACCRUED PENSION AND BENEFITS

The Agency sponsors an employee pension plan (a defined contribution plan) covering all eligible employees. The amounts contributed to the plan is a fixed percentage of participant's compensation. For the years ended June 30, 2021 and 2020, pension expense amounted to $467,659 and $474,171, respectively.

In addition, Eden II sponsors a 457 Supplemental Retirement Plan, which allows a select group of management or highly compensated employees of the Agency to receive benefits. The Board of Trustees determines the contribution amounts annually. For each of the years ended June 30, 2021 and 2020, there were no contributions to the plan.

Under a provision of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), the Agency has elected to defer the remittance of certain employer payroll taxes as permitted by the CARES Act. The CARES Act postpones the due date for depositing employer payroll taxes and 50% of self-employment taxes related to Social Security and Railroad Retirement and attributable to wages paid during 2020. The 1.45% employer portion of Medicare tax is not eligible for deferral. The deferred amounts would be payable over the next two years – 50% due December 31, 2021, and the remaining 50% due December 31, 2022. As of June 30, 2021 and 2020, $938,354 and $270,174, respectively, has been deferred with half of the balance to be repaid in 2021 and the remaining balance in 2022. Such balances are included as accrued compensation and benefits in the accompanying statements of financial position.

NOTE 14 – RELATED PARTY TRANSACTIONS

Foundation for the Advancement of Autistic Persons, Inc. (the "Foundation"), which was established to solicit charitable contributions and other funds, and provide other benefits and support the mission of the Agency and other organizations dedicated to the support of individuals with autism, shares certain members of management with the Agency. The Foundation provides an operational line of credit to the Agency of $1,000,000. As of June 30, 2021 and 2020, there was an outstanding balance of $850,000 and $875,000, respectively.

NOTE 14 – RELATED PARTY TRANSACTIONS (CONTINUED)

The Foundation provides advances with no stated due date to the Agency. At June 30, 2021 and 2020, the balance of this advance was $1,332,100 and $1,532,100 respectively. The Foundation requires that $25,000 be repaid each year. The remaining portion has no specified due date. Such transactions are non-interest bearing. Management anticipates the balance will be settled as funds become available from operations.

As of June 30, 2021 and 2020, the Foundation owed $613,459 and $552,987, respectively, to Eden II for various operating matters.

The Agency provides management and personnel services to the Foundation. The Agency charged the Foundation $250,000 for these services for each of the years ended June 30, 2021 and 2020, which is included with other revenue on the statements of activities.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

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

B. The Agency believes it has no uncertain tax positions as of June 30, 2021 and 2020, in accordance with Accounting Standards Codification (“ASC”) Topic 740, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

C. Eden II has a self-insured medical plan covering eligible employees. In determining the amount of expense and liability to be recorded for the medical plan, management (with the aid of a consultant) makes estimated payments of health care premiums for all eligible employees in the medical plan based on historic payments. The self-insured liability account amounted to $300,000 as of June 30, 2021 and 2020.

D. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Agency’s business and financial results will depend on future developments, including the duration and spread of the outbreak. The Agency will continue to monitor evolving economic and general business conditions and the actual and potential impacts on its financial position and results.

NOTE 16 – CONCENTRATION

Cash and cash equivalents that potentially subject the Agency to a concentration of credit risk include cash accounts with a bank that exceed the Federal Deposit Insurance Corporation (“FDIC”) limits. Accounts are insured up to $250,000 per depositor. As of June 30, 2021 and 2020, there was approximately $6,778,000 and $222,000 of cash and cash equivalents held by a bank that exceeded FDIC limits, respectively.

NOTE 17 – LEASES

The Agency leases certain office space, vehicles and equipment. The Agency assesses whether an arrangement qualifies as a lease at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. As disclosed in Note 2N, the Agency adopted FASB ASC 842. As a result, adopting FASB ASC 842 had no impact to prior year statement of financial position information, and because these leases are operating leases, the adoption of the standard had no impact on the Agency’s change in net assets. Comparative information provided in the following paragraphs was determined using the accounting principles in effect as of and the for the year ended June 30, 2020 (i.e. ASC 840). No comparative information is provided for the amounts reported on the statement of financial position as of June 30, 2021 since the Agency used the modified retrospective method of transition that does not require restating the prior period.

As of June 30, 2021, the right-of-use (“ROU”) asset and lease liability had a balance of $585,930 as shown in the statement of financial position. The ROU asset and liability were calculated utilizing discount rates of (4.25%-6.5%), according to the Agency’s elected policy. There is an option to renew leases, which was not considered when assessing the value of the ROU asset because the Agency is not reasonably certain that it will exercise its option to renew the lease. Lease expense is not straight-lined due to immateriality. The total rent/lease expense for the year ended June 30, 2021 amounted to $1,232,951.

NOTE 17 – LEASES (CONTINUED)

Future minimum lease payments are as follows for years ending after June 30, 2021:

2022	$ 1,033,000
2023	897,000
2024	388,000
2025	310,000
2026	313,000
Thereafter	396,000
Total	$ 3,337,000

NOTE 18 – FAIR VALUE MEASUREMENTS

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted price in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Financial assets carried at fair value consisted of U.S. Treasury obligations and money market funds, which were held as reserves, and amounted to $1,220,006 and $1,983,357 as of June 30, 2021 and 2020, respectively, and were classified as Level 1.

In determining the value, the Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended June 30, 2021 and 2020, there were no transfers.

NOTE 19 – NET ASSETS WITHOUT DONOR RESTRICTIONS DEFICIT

For the years ended June 30, 2021 and 2020, the Agency posted surplus and (deficit) of approximately $74,000 and ($595,000), respectively. In addition, after removing the Agency's investment in property and equipment net of related debt, the operating net asset deficit is approximately $920,000 and $1,680,000 as of June 30, 2021 and 2020, respectively. Management is constantly evaluating individual programs and identifying expansion possibilities. With the completion of the renovation of the new early education building in fiscal year 2020, and two new IRA sites, Eden II obtained the capacity to add additional classrooms to serve known, unmet needs on Staten Island. In OPWDD programs, the Agency is anticipating 2 new IRA houses to start operating from fiscal year 2022. The Agency continues to search for new program opportunities in order to improve its financial performance.

NOTE 20 – SUBSEQUENT EVENTS

The Agency has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through November 30, 2021, the date the financial statements were available to be issued.

On July 8, 2021, Eden purchased the residence at 312 Tysens Lane in Staten Island for conversion to an all-female IRA for $855,000. Eden has received a Prior Property Approval ("PPA") letter from OPWDD in the amount of $1,742,891 for the purchase and renovation. Temporary financing for the purchase was obtained through a line of credit loan from FJC in the amount of the OPWDD PPA. The loan matures June 30, 2023 and bears interest at prime plus 3%. The Agency anticipates refinancing this loan prior to maturity through a tax exempt bond financing.

APPENDIX B-IIA
HASC CENTER, INC

FINANCIAL STATEMENTS
Years ended June 30, 2019, 2020 and 2021

HASC CENTER, INC.

AND SUBSIDIARIES

CONSOLIDATING FINANCIAL STATEMENTS

JUNE 30, 2019

HASC CENTER, INC. AND SUBSIDIARIES

CONTENTS

J. GLIKSMAN CPA P.C.
CERTIFIED PUBLIC ACCOUNTANT
5417 18TH AVENUE
BROOKLYN, NY 11204

TEL (718) 234-8181
FAX (718) 234-0014

JOSEPH GLIKSMAN, CPA
MEMBER: AICPA
NYSSCPA

PARTICIPANT: AICPA
PEER REVIEW PROGRAM

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hasc Center, Inc.
Brooklyn, NY

We have audited the accompanying financial statements of Hasc Center, Inc. and Affiliates (a nonprofit organization) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hasc Center, Inc. and Affiliates , as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Hasc Center, Inc. June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2018. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statement from which it has been derived.

J. Gliksman, CPA PC

November 30, 2019

HASC CENTER, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(With Comparative Totals for June 30, 2018)

Current Assets		**2019**		**2018**
Cash and Cash Equivalents	$	1,428,759	$	4,296,630
Investments		13,983,754		14,319,341
Accounts Receivable (Less		-		
Allowance for Bad Debts $4,000)		2,013,613		1,150,363
Medicaid and Grants Receivable		9,969,709		8,476,419
Prepaid Expenses		1,048,845		836,626
Prepaid Interest		10,880		10,880
Note Receivable - BKFHC		-		822,862
Total Current Assets	**$**	**28,455,560**	**$**	**29,913,121**
Fixed Assets				
Land	$	2,888,548	$	2,890,610
Building		31,292,462		29,279,292
Leasehold Improvements		4,835,655		4,025,138
Vehicles		884,363		884,363
Machinery & Equipment		975,376		912,695
Furniture & Fixtures		695,337		658,851
Accumulated Depreciation		(16,051,476)		(14,366,842)
Total Fixed Assets	**$**	**25,520,265**	**$**	**24,284,107**
Other Assets				
Due from BKFHC	$	1,858,051	$	788,089
Reserve Funds		652,947		652,947
Security Deposits		117,859		115,649
Retirement Trust Fund		1,248,982		1,227,209
Bond Closing Costs (Net of		-		
Amortization of $904,530)		807,270		899,402
Total Other Assets	**$**	**4,685,109**	**$**	**3,683,296**
TOTAL ASSETS	**$**	**58,660,934**	**$**	**57,880,524**

HASC CENTER, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(With Comparative Totals for June 30, 2018)

Current Liabilities		2019		2018
Accounts Payable	$	1,814,805	$	1,689,776
Due to Employees HCI		415,507		415,523
Accrued Wages & Taxes		1,566,377		1,264,290
Accrued Expenses		113,380		191,111
Loans Payable		3,790,485		1,002,564
Advances Due OPWDD		216,549		216,549
Bonds Payable		710,000		710,000
Mortgages Payable		157,486		146,985
Interest Payable		60,750		72,443
Deferred Revenue		968,400		786,324
Other Liabilities		34,824		34,824
Total Current Liabilities	**$**	**9,848,563**	**$**	**6,530,389**
Other Liabilities				
Loans Payable	$	6,033,246	$	7,848,778
Advances Due OPWDD		250,218		250,218
Retirement Trust Fund		1,248,982		1,227,209
Bonds Payable		6,608,198		7,318,198
Mortgages Payable		751,402		898,386
Other Liabilities		235,062		269,886
Total Other Liabilities	**$**	**15,127,108**	**$**	**17,812,675**
		-		
TOTAL LIABILITIES	**$**	**24,975,671**	**$**	**24,343,064**
Net Assets				
Unrestricted Net Assets	$	31,563,230	$	31,415,427
Prior Period adjustment				
Temporarily Restricted Net Assets		47,343		47,343
Board Designated Net Assets		2,074,690		2,074,690
Total Net Assets	**$**	**33,685,263**	**$**	**33,537,460**
TOTAL LIABILITIES AND NET ASSETS	**$**	**58,660,934**	**$**	**57,880,524**

See notes to financial statements

HASC CENTER, INC
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for June 30, 2018)

	Unrestricted 2019	Camp Unrestricted 2019	Total 2019	Unrestricted 2018
Revenue				
Workshop Sales	$ 8,213		$ 8,213	$ 8,592
Grants	135,763		135,763	376,850
Program Service Fees	49,542,073	3,449,546	52,991,619	45,703,683
Management Income	39,000		39,000	39,000
Other Income	179,919		179,919	167,599
Contribution		2,766,646	2,766,646	162,076
Investment Income	957,896		957,896	1,140,335
Total	**$ 50,862,864**	**$ 6,216,192**	**$ 57,079,056**	**$ 47,598,135**
Expenses				
Program Expenses	$ 46,107,421	$ 5,856,805	$ 51,964,226	$ 42,341,858
Management & General	3,566,667		3,566,667	2,921,655
Fundraising		1,400,359	1,400,359	46,117
Total	**$ 49,674,088**	**$ 7,257,164**	**$ 56,931,252**	**$ 45,309,630**
Change in Net Assets	$ 1,188,776	$ (1,040,973)	$ 147,803	$ 2,288,505
Acquisition of Not-for-Profit Entity				(6,459,150)
Net Assets Beginning	40,795,044	(7,257,584)	33,537,460	37,708,105
NET ASSETS ENDING	**$ 41,983,820**	**$ (8,298,557)**	**$ 33,685,263**	**$ 33,537,460**

See notes to financial statements

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for June 30, 2018)

Expenses	Programs	General & Administrative	Fundraising	Total 2019	Total 2018
Salaries	$28,629,930	$ 1,492,093	$ 206,450	$30,328,473	$25,334,428
Taxes & Fringe Benefits	8,345,126	973,302	-	9,318,428	7,733,983
Total Salaries and Benefits	**$36,975,056**	**$ 2,465,395**	**$ 206,450**	**$39,646,901**	**$33,068,411**
Food	1,862,046	9,952	133,371	2,005,369	1,563,846
Repair & Maintenance	611,381	11,718	7,660	630,759	386,676
Utilities	755,657	29,172	662	785,490	591,586
Transportation	1,644,534	15,936	95,170	1,755,639	1,400,339
Auto Expense	245,230	5,240	(1,662)	248,807	297,936
Consumer Allowances & Incident	694,653		-	694,653	607,096
Consumer Recreation	2,198,513	227	123,810	2,322,550	1,307,220
Consumer Salaries	9,454		-	9,454	10,686
Staff Training	76,538	5,385	3,150	85,073	43,963
Office Expense	375,096	73,578	62,078	510,752	404,675
Supplies	752,385	25,236	76,548	854,169	604,393
Postage	25,899	6,691	-	32,590	23,169
Advertising	289,508	74,518	274,429	638,455	95,888
Data Processing	236,115	8,404	850	245,369	126,856
Licenses & Fees	96,384	4,481	12,834	113,699	80,546
Professional Fees	218,569	628,147	64,615	911,331	426,164
Equipment Lease	113,774	2,389	-	116,163	83,709
Rent	2,271,299	66,531	340,395	2,678,224	1,875,174
Insurance	316,287	76,180	-	392,467	207,822
Interest	446,148	30,421	-	476,569	394,039
Depreciation & Amortization	1,749,700	27,066	-	1,776,766	1,709,436
TOTAL EXPENSES	**$51,964,226**	**$ 3,566,667**	**$ 1,400,359**	**$56,931,252**	**$45,309,630**

See notes to financial statements

HASC CENTER, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for June 30, 2018)

	2019	2018
Cash Flows from Operations		
Increase in Net Assets	$ 147,803	$ 2,288,505
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operations:		
Non-Cash Items:		
Depreciation & Amortization	1,776,766	1,709,436
Increase (Decrease) in Cash Resulting from Changes in Operating Assets and Liabilities:		
Receivables, Prepaids, Etc.	(2,500,610)	(158,978)
Payables, Accruals, Etc.	496,621	1,970,754
Net Cash Provided by Operations	**$ (79,419)**	**$ 5,809,717**
Cash Flows from Investing		
Purchase of Investments	$ 335,587	$ (1,154,645)
Advance to BKFHC	(247,100)	(24,438)
Purchase of Fixed Assets	(3,012,925)	(2,485,993)
Acquisition of Not-for-Profit Entity	-	(6,459,150)
Net Cash Provided (Used) by Investing	**$ (2,924,438)**	**$ (10,124,226)**
Cash Flows from Financing		
Refunds (Deposit)s of Debt Reserve Funds	$ -	$ (59,547)
Proceeds (Payments) of Loans	972,389	2,928,507
Proceeds (Payments) of Mortgages and Bonds	(836,403)	1,107,667
Net Cash Provided (Used) by Financing	**$ 135,986**	**$ 3,976,627**
Net Cash Provided(Used):	**$ (2,867,871)**	**$ (337,882)**
Cash Balance Beginning	4,296,630	4,634,512
CASH BALANCE ENDING	**$ 1,428,759**	**$ 4,296,630**
Interest Paid	$ 476,569	$ 394,039

HASC CENTER, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note A – Nature of Organization

Hasc Center, Inc. And Affiliates., (the Agency) is a not-for-profit agency that provides an array of services in Brooklyn, NY, to children and adults with developmental disabilities and their families. Approximately 90% of the Agency's revenue is Medicaid received from Office for People with Developmental Disabilities (OPWDD). The services include Day Programming, Residential Services, Employment Services, Service Coordination and Residential Habilitation. On March 29, 2018 Hasc Center, Inc. became the sole member of another Not-For-Profit agency, Camp Hasc Inc. Camp Hasc Inc. is an overnight and day camp in Sullivan county serving children and adults with development disabilities as well as other special needs individuals.

Note B – Accounting Policies

The accounting policies of the Agency conform to accounting principles generally accepted as applicable to voluntary health and welfare agencies. The accrual basis of accounting is followed by the Agency. Under the accrual basis of accounting, revenues are reported when earned. Expenditures are recorded when the goods are received or services are rendered. Sick and vacation pay is recorded when earned.

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation have not been material to the financial statements.

The Agency reports investments in equity and debt securities at their fair values in the statements of financial position. Interest, dividends, realized and unrealized gains and losses are included in the change in net assets.

All depreciable assets that cost at least $1,000 are recorded at cost and are depreciated on a straight-line basis. Buildings are depreciated over 25 years. Machinery and equipment are depreciated over 3 to 7 years and transportation equipment over 4 years. Leasehold improvements are depreciated over the term of the lease including extensions at the tenant's option.

Note B – Accounting Policies (continued)

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results may differ from those estimates.

The Agency reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Restricted revenue whose restriction expired during the year is presented as unrestricted revenue.

Information for the year ended June 30, 2018, is presented for comparative purposes only, and was extracted from the financial statements prepared for that year, upon which an unqualified opinion dated October 31, 2018, was expressed. Certain items have been reclassified to conform with current year presentation.

The Agency is a tax-exempt organization under the law of New York State and under Internal Revenue Code 501(c) (3) as a non-private foundation.

For purposes of the statements of cash flows, the organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Subsequent events have been evaluated through November 30, 2019, the date of which financial statements were available to be issued.

Note C – Concentrations of Credit Risk

The Agency maintains cash balances at Capital One Bank and Bank of New York Mellon located in New York City. Federal Deposit Insurance Corporation insures all accounts at each institution in full.

Note D – Investments

Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements* (FASB Statement No. 157), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Agency has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018, and 2019.

Common stocks, corporate bonds and government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value ('NAV') of shares held by the Agency at year end.

Note D – Investments (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Agency's assets at fair value as of June 30, 2019:

	2019	2018
Level 1	$3,575,682	$3,565,394
Level 2	$10,408,072	9,404,707
Total	$13,983,754	$12,970,101

Investment income is a result of interest earnings as well as unrealized gains in the fair market value of the investments.

Note E – Accounts Receivable

Accounts Receivable represents amounts owed to Hasc Center from revenues other than program service fees net of an allowance for bad debts estimated to be $4,000.

Note F – Medicaid and Grants Receivable

All of the Medicaid and Grants Receivable are due from OPWDD.

Note G – Reserve Funds and Closing Costs

Reserve funds represents cash held by Bank of New York under the New York City Industrial Development Agency financing arrangement and by Dormitory Authority of the State of New York (DASNY) as security for payment of the Bonds and Mortgage loans.

Closing costs represents the costs of obtaining the mortgages payable through the DASNY and New York City Industrial Development Agency. The costs are being amortized over 15 years, which is the life of the mortgages.

Note H - Bonds Payable

2013 Dormitory Authority of The State of NY revenue bonds payable in annual principal installments of $10,000 to $300,000 plus interest at 3.280%, through July 2028, secured by real property and facilities. The balance due as of June 30, 2019 is $2,430,000.

Future maturities of revenue bonds payable are as follows:

Year ending June 30, 2020	240,000
Year ending June 30, 2021	250,000
Year ending June 30, 2022	255,000
Year ending June 30, 2023	260,000
Year ending June 30, 2024	265,000
Thereafter	1,160,000

2015 Dormitory Authority of The State of NY revenue bonds payable in annual principal installments of $75,000 to $500,000 plus interest at 2.98%, through July 2029, secured by real property and facilities. The balance due as of June 30, 2019 is $3,013,198.

Note H - Bonds Payable (continued)

Future maturities of revenue bonds payable are as follows:

Year ending June 30, 2020	420,000
Year ending June 30, 2021	410,000
Year ending June 30, 2022	435,000
Year ending June 30, 2023	350,000
Year ending June 30, 2024	355,000
Thereafter	1,043,198

2017 Dormitory Authority of The State of NY revenue bonds payable in annual principal installments of $25,000 to $115,000 plus interest at 3.384%, through July 2042, secured by real property and facilities. The balance due as of June 30, 2019 is $1,875,000.

Future maturities of revenue bonds payable are as follows:

Year ending June 30, 2020	50,000
Year ending June 30, 2021	55,000
Year ending June 30, 2022	60,000
Year ending June 30, 2023	60,000
Year ending June 30, 2023	65,000
Thereafter	1,000,000
Total Bonds Payable:	7,318,198

Note I – Mortgages Payable

The Agency is liable for several mortgage loans from Capital One Bank to finance construction or renovation of the residential sites. The combined original amount of the loans was $2,791,462. Certain of the Agency's real property is pledged as collateral to the mortgages. Certain of the agreements provide for restrictions on the Agency's guarantees, other loans, mergers or other major changes in the business and on cash flow, net assets, and debt to capital ratio. Interest rates are between 6.4% -7.1%. Total balance due at June 30, 2019 is $898,386.

Year ending June 30, 2020	157,486
Year ending June 30, 2021	169,063
Year ending June 30, 2022	180,063
Year ending June 30, 2023	177,096
Year ending June 30, 2024	180,000
Thereafter	34,678

The Organization has entered into an interest swap agreement. The Organization entered into this derivative instrument for the purpose of hedging interest rate risks, not for speculation. The swap agreement changes the nature of the interest rate paid on organization's long-term debt. The differential between the fixed and the variable rate interest payments is recognized as an increase/decrease in interest expense in the period incurred. The carrying value of the long-term debt (including current portion) approximates fair value since the current interest rate approximates market rates.

Note J – Loans Payable

The Agency is liable for several notes for financing of capitalized equipment and auto leases. The total balance at June 30, 2019, is $8,531,592. Interest expense at various rates ranging from 1%-4.1% Principal installments due until completion are as follows:

Year ending June 30, 2020	692,465
Year ending June 30, 2021	678,333
Year ending June 30, 2022	452,222

The Agency also has a line of credit with Capital One Bank in the amount of $2,500,000. As of June 30, 2019, the draw down against the line was $2,500,000 reported as loans payables in the financial statements. The line of credit interest rate is 5%. Additionally, the agency has a loan due FJC in the amount of $5,000,000 to finance the purchase of a new site. Management expects to convert the loan to permanent financing upon completion of construction. The interest rate is prime plus 3%.

Note K – Advance from OPWDD

Advance from OPWDD represents amounts advanced by the New York State Office for People with Developmental Disabilities to finance renovation of new sites and start-up of new programs. These amounts are either repaid over five years from the date the new program opens, or are converted to long term debt by inclusion in the mortgage loan from Dormitory Authority of the State of New York.

Note L – Leases

The Agency leases space for various sites in Brooklyn and Sullivan County. The leases are for 2 to 10 years. Rent expense for the year ended June 30, 2019, was $2,678,224, and future commitments are:

Year ending June 30, 2020	1,743,760
Year ending June 30, 2021	1,269,004
Year ending June 30, 2022	1,242,067
Year ending June 30, 2023	1,189,837

Note M – Equipment Leases

The Agency leases various auto and office equipment under 2 to 5-year leases. Total amount paid under expensed leases during the year ended June 30, 2019, was $64,645, and future required payments are:

Year ending June 30, 2020	50,560
Year ending June 30, 2021	38,022
Year ending June 30, 2022	12,240

Note N – Due to Employees HCI

This represents the accrued health insurance expense for the unexpended funds received from New York State OPWDD for the purpose of reimbursing employees for healthcare expenses.

Note O – Related Parties

The Agency provided management services to Hasc Diagnostic & Treatment Center, Inc. Management fees for the year ended June 30, 2019, was $39,000. The two entities are under common management.

Hasc Center, Inc. purchased transportation services from a Not for Profit entity at a cost of $1,143,142 and $1,321,893 for the years ended June 30, 2018, and June 30, 2019, respectively. The two entities are under common management.

Note P – Pension Plan

The Agency maintains a 401K pension plan covering all employees who have been employed at least one year. Employees may contribute salaries to a maximum of $18,500, and an additional $6,000 for employees over fifty years old. The Agency matches 25% of employee contributions to a maximum of $2,500 of employee contributions. The cost of the plan was $189,846 for the year ended June 30, 2019.

Note Q – Commitment and Contingencies

The Agency receives payments from third party payers for services. These payments are subject to audit by various regulatory bodies which may give rise to contingent liabilities. The board has set up funds for such contingent liabilities, which is reflected in the financial statements as board designated funds. HASC Center INC. was a member of the Community Residence Saving Plan self- insurance trust (CRISP), for the purpose of providing workers' compensation benefit under the NYS workers compensation law. The trust was taken over by the NYS Workers' Compensation Board, The Agency has agreed to settle all claims for $348,240 payable over 10 years in monthly installments of $2,902 inclusive of 3% interest. The amount due as of June 30, 2019 is $235,062. This is reported in the statement of financial position as other liabilities. The Agency advanced to a related not for profit organization, based on the terms of a subvention the amount of $2,200,000 for working capital, as well as guaranteeing their loan of $5,000,000.

HASC CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

HASC CENTER, INC. AND SUBSIDIARIES

CONTENTS

J. GLIKSMAN CPA P.C.
CERTIFIED PUBLIC ACCOUNTANT
5417 18TH AVENUE
BROOKLYN, NY 11204
TEL (718) 234-8181
FAX (718) 234-0014

JOSEPH GLIKSMAN, CPA
MEMBER: AICPA

PARTICIPANT: AICPA
PEER REVIEW PROGRAM

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hasc Center, Inc. and Subsidiaries
Brooklyn, NY

We have audited the accompanying consolidated financial statements of Hasc Center, Inc. and Subsidiaries (a nonprofit organization) which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hasc Center, Inc. and Subsidiaries, as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the consolidated financial statements of Hasc Center, Inc. and Subsidiaries for the year ended June 30, 2019, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 30, 2019. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited consolidated financial statement from which it has been derived.

J. Gliksman, CPA PC

January 25, 2021

HASC CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals for June 30, 2019)

Current Assets		2020		2019
Cash and Cash Equivalents	$	752,879	$	1,428,759
Investments		15,125,026		13,983,754
Accounts Receivable (Less Allowance for Bad Debts $4,000)		1,126,196		2,013,613
Medicaid and Grants Receivable		12,153,521		9,969,709
Prepaid Expenses		913,538		1,048,845
Prepaid Interest		71,224		10,880
Total Current Assets	**$**	**30,142,384**	**$**	**28,455,560**
Fixed Assets				
Land	$	2,888,548	$	2,888,548
Building		31,976,155		31,292,462
Leasehold Improvements		5,093,182		4,835,655
Vehicles		884,363		884,363
Machinery & Equipment		991,128		975,376
Furniture & Fixtures		710,014		695,337
Accumulated Depreciation		(17,692,061)		(16,051,476)
Total Fixed Assets	**$**	**24,851,329**	**$**	**25,520,265**
Other Assets				
Due from BKFHC	$	2,292,504	$	1,858,051
Reserve Funds		625,454		652,947
Security Deposits		120,574		117,859
Retirement Trust Fund		1,422,379		1,248,982
Bond Closing Costs (Net of Amortization of $1,079,666)		724,267		807,270
Total Other Assets	**$**	**5,185,178**	**$**	**4,685,109**
TOTAL ASSETS	**$**	**60,178,891**	**$**	**58,660,934**

HASC CENTER, INC. AND SUSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals for June 30, 2019)

Current Liabilities	**2020**	**2019**
Accounts Payable	$ 2,263,156	$ 1,814,805
Due to Employees HCI	415,507	415,507
Accrued Wages & Taxes	1,575,631	1,566,377
Accrued Expenses	108,380	113,380
Loans Payable	4,472,667	3,790,485
Advances Due to OPWDD	216,549	216,549
Bonds Payable	720,000	710,000
Mortgages Payable	172,211	157,486
Interest Payable	65,777	60,750
Deferred Revenue	371,751	968,400
Other Liabilities	34,824	34,824
Total Current Liabilities	**$ 10,416,453**	**$ 9,848,563**
Other Liabilities		
Loans Payable	$ 5,385,000	$ 6,033,246
Advances Due to OPWDD	250,218	250,218
Retirement Trust Fund	1,422,380	1,248,982
Bonds Payable	5,933,811	6,608,198
Mortgages Payable	564,490	751,402
Other Liabilities	200,238	235,062
Total Other Liabilities	**$ 13,756,137**	**$ 15,127,108**
TOTAL LIABILITIES	**$ 24,172,590**	**$ 24,975,671**
Net Assets		
Net Assets Without Donor Restrictions	$ 33,884,268	$ 31,563,230
Net Assets With Donor Restrictions	47,343	47,343
Board Designated Net Assets	2,074,690	2,074,690
Total Net Assets	**$ 36,006,301**	**$ 33,685,263**
TOTAL LIABILITIES AND NET ASSETS	**$ 60,178,891**	**$ 58,660,934**

See notes to the financial statements.

HASC CENTER, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals for June 30, 2019)

	Without Donor Restrictions 2020	Camp Without Donor Restrictions 2020	Total 2020	Total 2019
Revenues				
Workshop Sales	$ -	$ -	$ -	$ 8,213
Grants	1,078,547	-	1,078,547	135,763
Program Service Fees	47,746,675	3,538,425	51,285,100	52,991,619
Management Income	39,000	-	39,000	39,000
Other Income	394,631	388,156	782,787	179,919
Contributions	-	3,001,633	3,001,633	2,766,646
Investment Income	1,133,929	-	1,133,929	957,896
Total	**$ 50,392,782**	**$ 6,928,214**	**$ 57,320,996**	**$ 57,079,056**
Expenses				
Program	$ 45,354,933	$ 5,379,098	$ 50,734,031	$ 51,964,226
Management & General	3,314,104	-	3,314,104	3,566,667
Fundraising	-	951,823	951,823	1,400,359
Total	**$ 48,669,037**	**$ 6,330,921**	**$ 54,999,958**	**$ 56,931,252**
Change in Net Assets	$ 1,723,745	$ 597,293	$ 2,321,038	$ 147,804
Net Assets Beginning	41,983,820	(8,298,557)	33,685,263	33,537,460
NET ASSETS ENDING	**$ 43,707,565**	**$ (7,701,264)**	**$ 36,006,301**	**$ 33,685,264**

See notes to the financial statements.

HASC CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals for June 30, 2019)

Expenses	Program	General & Administrative	Fundraising	Total 2020	Total 2019
Salaries	$ 29,390,445	$ 1,612,145	$ 108,874	31,111,464	$ 30,328,473
Taxes & Fringe Benefits	7,556,589	646,603	-	8,203,192	9,318,428
Total Salaries and Benefits	**$ 36,947,034**	**$ 2,258,748**	**$ 108,874**	**$ 39,314,656**	**$ 39,646,901**
Food	1,697,484	10,320	93,880	1,801,684	2,005,369
Repairs & Maintenance	608,504	12,269	3,000	623,773	630,759
Utilities	765,151	28,684	2,174	796,009	785,490
Transportation	1,302,057	5,510	67,927	1,375,494	1,755,639
Auto Expense	220,002	5,183	10,803	235,988	248,807
Consumer Allowances & Incidental	763,617	-	-	763,617	694,653
Consumer Recreation	1,233,019	-	107,216	1,340,235	2,322,550
Consumer Salaries	6,664	-	-	6,664	9,454
Staff Training	69,288	1,416	14,140	84,844	85,073
Office Expense	357,967	109,996	227,988	695,951	510,752
Supplies	604,451	63,524	84,610	752,585	854,169
Postage	24,240	9,331	-	33,571	32,590
Advertising	164,088	101,643	54,099	319,830	638,455
Data Processing	283,747	7,533	-	291,280	245,369
Licenses & Fees	78,732	15,903	150	94,785	113,699
Professional Fees	502,838	464,071	83,433	1,050,342	911,331
Equipment Lease	101,779	9,115	-	110,894	116,163
Rent	2,483,565	70,455	93,529	2,647,549	2,678,224
Insurance	251,398	80,142	-	331,540	392,467
Interest	573,259	31,820	-	605,079	476,569
Depreciation & Amortization	1,695,147	28,441	-	1,723,588	1,776,766
TOTAL EXPENSES	**$ 50,734,031**	**$ 3,314,104**	**$ 951,823**	**$ 54,999,958**	**$ 56,931,249**

HASC CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals for June 30, 2019)

	2020	2019
Cash Flows from Operations		
Increase in Net Assets	$ 2,321,038	$ 147,803
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operations:		
Non-Cash Items:		
Depreciation & Amortization	1,723,588	1,776,766
Increase (Decrease) in Cash Resulting from Changes in Operating Assets and Liabilities:		
Receivables, Prepaids, Etc.	(1,397,544)	(2,500,610)
Payables, Accruals, Etc.	(178,868)	496,621
Net Cash Provided (Used) by Operations	**$ 2,468,214**	**$ (79,420)**
Cash Flows from Investing		
Purchase of Investments	$ (1,141,271)	$ 335,587
Advance to BKFHC	(434,453)	(247,100)
Purchase of Fixed Assets	(971,649)	(3,012,925)
Net Cash Provided (Used) by Investing	**$ (2,547,373)**	**$ (2,924,438)**
Cash Flows from Financing		
Refunds (Deposits) of Debt Reserve Funds	$ 27,493	$ -
Proceeds (Payments) of Loans	33,936	972,389
Proceeds (Payments) of Mortgages and Bonds	(658,149)	(836,403)
Net Cash Provided (Used) by Financing	**$ (596,720)**	**$ 135,986**
Net Cash Provided (Used):	**$ (675,879)**	**$ (2,867,872)**
Cash Balance Beginning	1,428,758	4,296,630
CASH BALANCE ENDING	**$ 752,879**	**$ 1,428,758**
Interest Paid	$ 605,079	$ 476,569

See notes to the financial statements.

Note A – Nature of Organization

Hasc Center, Inc. and Subsidiaries, (the Agency) is a not-for-profit agency that provides an array of services in Brooklyn, NY, to children and adults with developmental disabilities and their families. Approximately 90% of the Agency's revenue is from Medicaid received from the Office for People with Developmental Disabilities (OPWDD). The services include Day Programs, Residential Services, Employment Services, Service Coordination and Residential Habilitation. On March 29, 2018 Hasc Center, Inc. became the sole member of another Not-For-Profit entity, Camp Hasc Inc. Camp Hasc Inc. is an overnight and day camp in Sullivan county serving children and adults with development disabilities as well as other special needs individuals.

Note B – Accounting Policies

The accounting policies of the Agency conform to accounting principles generally accepted in the Unites States as applicable to voluntary health and welfare agencies. The accrual basis of accounting is followed by the Agency. Under the accrual basis of accounting, revenues are reported when earned. Expenditures are recorded when the goods or services are received. Sick and vacation pay is recorded when earned.

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation have not been material to the financial statements.

The Agency reports investments in equity and debt securities at their fair values in the statements of financial position. Interest, dividends, realized and unrealized gains and losses are included in the change in net assets.

All depreciable assets that cost at least $1,000 are recorded at cost and are depreciated on a straight-line basis. Buildings are depreciated over 25 years. Machinery and equipment are depreciated over 3 to 7 years and transportation equipment over 4 years. Leasehold improvements are depreciated over the term of the lease including extensions at the tenant's option.

Note B – Accounting Policies (continued)

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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

The organization reports information regarding its financial position and activities according to the following classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. Contributions and grants received are recorded depending on the existence or nature of any donor restrictions. When a restriction expires, donations with restrictions are reclassified as donations without restrictions. Revenue whose restriction expired during the year is presented as unrestricted revenue.

Information for the year ended June 30, 2019, is presented for comparative purposes only, and was extracted from the financial statements prepared for that year, upon which an unqualified opinion dated November 30, 2020 was expressed. Certain items have been reclassified to conform with current year presentation.

The Agency is a tax-exempt organization under the law of New York State and under Internal Revenue Code 501(c) (3) as a non-private foundation.

For purposes of the statements of cash flows, the organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Subsequent events have been evaluated through January 25, 2021, the date of which financial statements were available to be issued.

Note C – Concentrations of Credit Risk

The Agency maintains cash balances at Capital One Bank and Bank of New York Mellon located in New York City. Federal Deposit Insurance Corporation insures all accounts at each institution in full.

Note D – Investments

Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements* (FASB Statement No. 157), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The

Note D – Investments (continued)

hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the agency has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019, and 2020.

Common stocks, corporate bonds and government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value ('NAV') of shares held by the Agency at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note D – Investments (continued)

The following table sets forth by level, within the fair value hierarchy, the Agency's assets at fair value as of June 30, 2020:

		2020	2019
Equity Securities	Level 1	$3,634,322	$3,301,563
U.S.Government and Agency Bonds	Level 1	410,296	393,864
Mutual Funds & Exchange Traded Funds	Level 2	7,650,655	7,144,362
Fixed Income Funds	Level 2	1,198,000	1,182,573
Cash & Money Market Accounts	Level 1	774,233	568,234
International Funds & Commodities	Level 2	28,013	4,248
Total		$13,695,519	$12,594,844

Additionally, investments included a J P Morgan Annuity in the amount of $1,402,507 and an insurance policy with cash value of $27,000. The investments are not insured. The annuity pays 3% interest per year. Interest and dividend income from these holding for the year ended June 30, 2020, was $413,036. Realized gains in fair market value of the investments for year ended June 30, 2020, is reported in the statement of activities in the amount of $439,051. Unrealized gains in fair market value of the investments for the year ended June 30 2020, is reported in the statement of activities in the amount of $342,228. Portfolio management and taxes for the year ended June 30, 2020, was $60,386.

Note E – Accounts Receivable

Accounts Receivable represents amounts owed to Hasc Center from revenues other than program service fees net of an allowance for bad debts estimated to be $4,000

Note F – Medicaid and Grants Receivable

All of the Medicaid and Grants Receivable are due from OPWDD.

Note G – Reserve Funds and Closing Costs

Reserve funds represents cash held by Bank of New York under the New York City Industrial Development Agency financing arrangement and by Dormitory Authority of the State of New York (DASNY) as security for payment of the Bonds and Mortgage loans.

Note G – Reserve Funds and Closing Costs (continued)

Closing costs represents the costs of obtaining the mortgages payable through the DASNY and New York City Industrial Development Agency. The costs are being amortized over 15 years, which is the life of the mortgages.

Note H - Bonds Payable

2013 Dormitory Authority of The State of NY revenue bonds payable in annual principal installments of \$10,000 to \$300,000 plus interest at 3.280%, through July 2028, secured by real property and facilities. The balance due as of June 30, 2020 is \$2,190,000.

Future maturities of revenue bonds payable are as follows:

Year ending June 30, 2021	\$250,000
Year ending June 30, 2022	255,000
Year ending June 30, 2023	260,000
Year ending June 30, 2024	265,000
Year ending June 30, 2025	280,000

Thereafter: \$880,000

2015 Dormitory Authority of The State of NY revenue bonds payable in annual principal installments of \$75,000 to \$500,000 plus interest at 2.98%, through July 2029, secured by real property and facilities. The balance due as of June 30, 2020 is \$2,300,000.

Future maturities of revenue bonds payable are as follows:

Year ending June 30, 2021	\$415,000
Year ending June 30, 2022	410,000
Year ending June 30, 2023	350,000
Year ending June 30, 2024	180,000
Year ending June 30, 2025	175,000

Thereafter: \$770,000

2017 Dormitory Authority of The State of NY revenue bonds payable in annual principal installments of \$25,000 to \$115,000 plus interest at 3.384%, through July 2042, secured by real property and

Note H - Bonds Payable (continued)

facilities. The balance due as of June 30, 2020 is $2,163,811.

Future maturities of revenue bonds payable are as follows:

Year ending June 30, 2021	$55,000
Year ending June 30, 2022	60,000
Year ending June 30, 2023	60,000
Year ending June 30, 2024	65,000
Year ending June 30, 2025	65,000
Thereafter:	$1,858,811

The total of all bonds payable is $6,653,811.

Note I – Mortgages Payable

The Agency is liable for several mortgage loans from Capital One Bank to finance construction or renovation of its residential sites. The combined original amount of the loans was $2,614,462. Certain of the Agency's real property is pledged as collateral to the mortgages. Certain of the agreements provide for restrictions on the Agency's guarantees, other loans, mergers or other major changes in the business and on cash flow, net assets, and debt to capital ratio. Interest rates are between 6.4% -7.1%. Total balance due at June 30, 2020 is $736,701.

Year ending June 30, 2021	$172,211
Year ending June 30, 2022	180,335
Year ending June 30, 2023	173,098
Year ending June 30, 2024	156,385
Year ending June 30, 2025	54,672

The Organization has entered into an interest swap agreement. The Organization entered into this derivative instrument for the purpose of hedging interest rate risks, not for speculation. The swap agreement changes the nature of the interest rate paid on organization's long-term debt. The differential between the fixed and the variable rate interest payments is recognized as an increase/decrease in interest expense in the period incurred. The carrying value of the long-term debt (including current portion) approximates fair value since the current interest rate approximates market rates.

Note J – Loans Payable

The Agency is liable for several notes. The total balance at June 30, 2020, is $9,857,667. Principal installments due are as follows:

Year ending June 30, 2021	$4,472,667
Year ending June 30, 2022	193,324
Year ending June 30, 2023	91,676
Year ending June 30, 2024	100,000

The Agency maintains a line of credit with Capital One Bank in the amount of $3,500,000. As of June 30, 2020, the draw down against the line was $3,500,000 reported as loans payable in the financial statements. The line of credit interest rate is 4.75%. Subsequent to the financial statement date the Agency paid down $1,000,000 of the line of credit. The agency has a loan due FJC in the amount of $5,000,000 to finance the purchase of a new site. Management expects to convert the loan to permanent financing upon completion of construction. The interest rate is prime plus 3%. The Agency has non-interest-bearing loans to various community members in the amount of $1,357,667 of which $864,333 was paid subsequent to the financial statement date.

Note K – Advance from OPWDD

Advance from OPWDD represents amounts advanced by the New York State Office for People with Developmental Disabilities to finance renovation of new sites and start-up of new programs. These amounts are either repaid over five years from the date the new program opens, or are converted to long term debt by inclusion in the mortgage loan from Dormitory Authority of the State of New York.

Note L – Leases

The Agency leases space for various sites in Brooklyn and Sullivan County. The leases are for 2 to 10 years. Rent expense for the year ended June 30, 2020, was $2,647,549, and future commitments are:

Year ending June 30, 2021	$2,069,004
Year ending June 30, 2022	2,042,067
Year ending June 30, 2023	1,189,837
Year ending June 30, 2024	1,187,575
Year ending June 30, 2025	970,750

Note M – Equipment Leases

The Agency leases various auto and office equipment under 2 to 5-year leases. Total amount paid under expensed leases during the year ended June 30, 2020, was $110,894, and future required payments are:

Year ending June 30, 2021	$110,894
Year ending June 30, 2022	75,362
Year ending June 30, 2023	65,451
Year ending June 30, 2023	50,372

Note N – Due to Employees HCI

This represents the accrued health insurance expense for the unexpended funds received from New York State OPWDD for the purpose of reimbursing employees for healthcare expenses.

Note O – Related Parties

The Agency provided management services to Hasc Diagnostic & Treatment Center, Inc. Management fees for the year ended June 30, 2020, was $39,000. The two entities are under common management.

Hasc Center, Inc. purchased transportation services from a Not-for-Profit entity at a cost of $1,321,893 and $1,038,619 for the years ended June 30, 2019, and June 30, 2020, respectively. The two entities are under common management.

Note P – Pension Plan

The Agency maintains a 401K pension plan covering all employees who have been employed at least one year. Employees may contribute salaries to a maximum of $18,500, and an additional $6,000 for employees over fifty years old. The Agency matches 25% of employee contributions to a maximum of $2,500 of employee contributions. The cost of the plan was $208,083 for the year ended June 30, 2020.

Note Q – Commitment and Contingencies

The Agency receives payments from third party payers for services. These payments are subject to audit by various regulatory bodies which may give rise to contingent liabilities. The board has set up funds for such contingent liabilities, which is reflected in the financial statements as board designated funds. HASC Center Inc. was a member of the Community Residence Saving Plan self- insurance

Note Q – Commitment and Contingencies (continued)

trust (CRISP), for the purpose of providing workers' compensation benefit under the NYS workers compensation law. The trust was taken over by the NYS Workers' Compensation Board, The Agency has agreed to settle all claims for $348,240 payable over 10 years in monthly installments of $2,902 inclusive of 3% interest. The amount due as of June 30, 2020 is $235,062. This is reported in the statement of financial position as other liabilities. The Agency advanced to a related not for profit organization, based on the terms of a subvention the amount of $2,200,000 for working capital, as well as guaranteeing their loan of $4,000,000.

Note R – COVID-19

In March of 2020, the COVID-19 outbreak in the United States has reduced the Agency's ability to service individuals in need. The Agency utilized remote and alternative services, as much as possible to offset any negative impact of the pandemic. The Agency received funds from the U. S. Department of Health and Human Services in the amount of $1,420,941. These funds were provided as a grant contingent on meeting certain requirements.

HASC CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

HASC CENTER, INC. AND SUBSIDIARIES

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J. GLIKSMAN CPA P.C.
CERTIFIED PUBLIC ACCOUNTANT
5417 18TH AVENUE
BROOKLYN, NY 11204
TEL (718) 234-8181
FAX (718) 234-0014

JOSEPH GLIKSMAN, CPA
MEMBER: AICPA

PARTICIPANT: AICPA
PEER REVIEW PROGRAM

INDEPENDENT AUDITORS' REPORT

Board of Directors
Hasc Center, Inc. and Subsidiaries
Brooklyn, NY

We have audited the accompanying consolidated financial statements of Hasc Center, Inc. and Subsidiaries (a nonprofit organization) which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hasc Center, Inc. and Subsidiaries, as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the consolidated financial statements of Hasc Center, Inc. and Subsidiaries for the year ended June 30, 2020, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 25, 2021. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statement from which it has been derived.

J. Gliksman, CPA PC

November 28, 2021

HASC CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021
(With Comparative Totals for June 30, 2020)

Current Assets		2021		2020
Cash and Cash Equivalents	$	12,244,949	$	752,879
Investments		17,378,560		15,125,026
Accounts Receivable (Less Allowance for Bad Debts $4,000)		1,490,131		1,126,196
Medicaid and Grants Receivable		13,051,034		12,153,521
Prepaid Expenses		1,196,575		913,538
Prepaid Interest		10,879		71,224
Total Current Assets	**$**	**45,372,128**	**$**	**30,142,384**
Fixed Assets				
Land	$	2,888,548	$	2,888,548
Building		31,155,030		31,976,155
Leasehold Improvements		5,497,324		5,093,182
Vehicles		884,363		884,363
Machinery & Equipment		1,044,833		991,128
Furniture & Fixtures		715,209		710,014
Accumulated Depreciation		(19,171,658)		(17,692,061)
Total Fixed Assets	**$**	**23,013,649**	**$**	**24,851,329**
Other Assets				
Due from BKFHC	$	2,654,399	$	2,292,504
Reserve Funds		574,891		625,454
Security Deposits		122,500		120,574
Retirement Trust Fund		1,807,406		1,422,379
Bond Closing Costs (Net of Amortization of $1,161,914)		708,788		724,267
Total Other Assets	**$**	**5,867,984**	**$**	**5,185,178**
TOTAL ASSETS	**$**	**74,253,761**	**$**	**60,178,891**

See notes to the financial statements.

HASC CENTER, INC. AND SUSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021
(With Comparative Totals for June 30, 2020)

Current Liabilities		**2021**		**2020**
Accounts Payable	$	2,617,100	$	2,263,156
Due to Employees HCI		415,507		415,507
Accrued Wages & Taxes		2,716,972		1,575,631
Accrued Expenses		108,380		108,380
Loans Payable		3,583,703		4,472,667
Advances Due to OPWDD		216,548		216,549
Bonds Payable		930,000		720,000
Mortgages Payable		180,355		172,211
Interest Payable		70,309		65,777
Deferred Revenue		1,111,807		371,751
Other Liabilities		34,824		34,824
Total Current Liabilities	**$**	**11,985,505**	**$**	**10,416,453**
Other Liabilities				
Loans Payable	$	12,577,511	$	5,385,000
Advances Due to OPWDD		250,218		250,218
Retirement Trust Fund		1,807,406		1,422,380
Bonds Payable		6,048,811		5,933,811
Mortgages Payable		384,155		564,490
Other Liabilities		140,125		200,238
Total Other Liabilities	**$**	**21,208,226**	**$**	**13,756,137**
TOTAL LIABILITIES	**$**	**33,193,731**	**$**	**24,172,590**
Net Assets				
Net Assets Without Donor Restrictions	$	38,937,997	$	33,884,268
Net Assets With Donor Restrictions		47,343		47,343
Board Designated Net Assets		2,074,690		2,074,690
Total Net Assets	**$**	**41,060,030**	**$**	**36,006,301**
TOTAL LIABILITIES AND NET ASSETS	**$**	**74,253,761**	**$**	**60,178,891**

See notes to the financial statements.

HASC CENTER, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2021
(With Comparative Totals for June 30, 2020)

	Without Donor Restrictions 2021	Total 2020
Revenues		
Workshop Sales	$ 15,000	$ -
Grants	483,712	1,078,547
Program Service Fees	54,289,623	51,285,100
Management Income	39,000	39,000
Other Income	920,370	782,787
Contributions	3,992,953	3,001,633
Investment Income	3,999,679	1,133,929
Total	**$ 63,740,337**	**$ 57,320,996**
Expenses		
Program	$ 53,270,920	$ 50,734,031
Management & General	3,856,823	3,314,104
Fundraising	1,558,865	951,823
Total	**$ 58,686,608**	**$ 54,999,958**
Change in Net Assets	$ 5,053,729	$ 2,321,038
Net Assets Beginning	36,006,301	33,685,263
NET ASSETS ENDING	**$ 41,060,030**	**$ 36,006,301**

HASC CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021
(With Comparative Totals for June 30, 2020)

Expenses	Program	General & Administrative	Fundraising	Total 2021	Total 2020
Salaries	$ 31,030,280	$ 1,928,767	$ 127,300	$ 33,086,347	$ 31,111,464
Taxes & Fringe Benefits	6,961,362	782,566	12,730	7,756,658	8,203,192
Total Salaries and Benefits	**$ 37,991,642**	**$ 2,711,333**	**$ 140,030**	**$ 40,843,005**	**$ 39,314,656**
Food	1,674,391	16,979	224,678	1,916,048	1,801,684
Repairs & Maintenance	497,515	10,355	1,000	508,870	623,773
Utilities	736,137	29,141	-	765,278	796,009
Transportation	1,607,630	5,086	12,734	1,625,450	1,375,494
Auto Expense	221,527	5,763	50,000	277,290	235,988
Consumer Allowances & Incidental	749,504	-	-	749,504	763,617
Consumer Recreation	2,353,758	150	256,395	2,610,303	1,340,235
Consumer Salaries	7,046	-	-	7,046	6,664
Staff Training	65,357	7,805	4,360	77,522	84,844
Office Expense	429,627	153,132	107,314	690,073	695,951
Supplies	659,530	18,208	147,351	825,089	752,585
Postage	10,172	8,070	-	18,242	33,571
Advertising	93,057	126,236	496,307	715,600	319,830
Data Processing	159,161	9,068	-	168,229	291,280
Licenses & Fees	72,019	8,524	22,200	102,743	94,785
Professional Fees	1,392,380	437,402	15,100	1,844,882	1,050,342
Equipment Lease	90,271	8,941	-	99,212	110,894
Rent	2,338,985	150,693	81,396	2,571,074	2,647,549
Insurance	234,792	83,718	-	318,510	331,540
Interest	351,909	38,885	-	390,794	605,079
Depreciation & Amortization	1,534,510	27,334	-	1,561,844	1,723,588
TOTAL EXPENSES	**$ 53,270,920**	**$ 3,856,823**	**$ 1,558,865**	**$ 58,686,608**	**$ 54,999,958**

See notes to the financial statements.

HASC CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2021
(With Comparative Totals for June 30, 2020)

		2021		2020
Cash Flows from Operations				
Increase in Net Assets	$	5,053,729	$	2,321,038
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operations:				
Non-Cash Items:				
Depreciation & Amortization		1,561,844		1,723,588
Increase (Decrease) in Cash Resulting from Changes in Operating Assets and Liabilities:				
Receivables, Prepaids, Etc.		(1,871,093)		(1,397,544)
Payables, Accruals, Etc.		2,175,227		(178,868)
Net Cash Provided (Used) by Operations	**$**	**6,919,707**	**$**	**2,468,214**
Cash Flows from Investing				
Purchase of Investments	$	(2,253,533)	$	(1,141,271)
Advance to BKFHC		(361,895)		(434,453)
Purchase of Fixed Assets		291,314		(971,649)
Net Cash Provided (Used) by Investing	**$**	**(2,324,114)**	**$**	**(2,547,373)**
Cash Flows from Financing				
Refunds (Deposits) of Debt Reserve Funds	$	50,563	$	27,493
Proceeds (Payments) of Loans		6,303,547		33,936
Proceeds (Payments) of Mortgages and Bonds		542,367		(658,149)
Net Cash Provided (Used) by Financing	**$**	**6,896,477**	**$**	**(596,720)**
Net Cash Provided (Used):	**$**	**11,492,070**	**$**	**(675,879)**
Cash Balance Beginning		752,879		1,428,758
CASH BALANCE ENDING	**$**	**12,244,949**	**$**	**752,879**
Interest Paid	$	390,794	$	605,079

See notes to the financial statements.

Note A – Nature of Organization

Hasc Center, Inc. and Subsidiaries, (the Agency) is a not-for-profit agency that provides an array of services in Brooklyn, NY, to children and adults with developmental disabilities and their families. Approximately 90% of the Agency's revenue is from Medicaid received from the Office for People with Developmental Disabilities (OPWDD). The services include Day Programs, Residential Services, Employment Services, Service Coordination and Residential Habilitation. On March 29, 2018 Hasc Center, Inc. became the sole member of another Not-For-Profit entity, Camp Hasc Inc. Camp Hasc Inc. is an overnight and day camp in Sullivan county serving children and adults with development disabilities as well as other special needs individuals.

Note B – Accounting Policies

The accounting policies of the Agency conform to accounting principles generally accepted in the Unites States as applicable to voluntary health and welfare agencies. The accrual basis of accounting is followed by the Agency. Under the accrual basis of accounting, revenues are reported when earned. Expenditures are recorded when the goods or services are received. Sick and vacation pay is recorded when earned.

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation have not been material to the financial statements.

The Agency reports investments in equity and debt securities at their fair values in the statements of financial position. Interest, dividends, realized and unrealized gains and losses are included in the change in net assets.

All depreciable assets that cost at least $1,000 are recorded at cost and are depreciated on a straight-line basis. Buildings are depreciated over 25 years. Machinery and equipment are depreciated over 3 to 7 years and transportation equipment over 4 years. Leasehold improvements are depreciated over the term of the lease including extensions at the tenant's option.

Note B – Accounting Policies (continued)

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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

The organization reports information regarding its financial position and activities according to the following classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. Contributions and grants received are recorded depending on the existence or nature of any donor restrictions. When a restriction expires, donations with restrictions are reclassified as donations without restrictions. Revenue whose restriction expired during the year is presented as unrestricted revenue.

Information for the year ended June 30, 2020, is presented for comparative purposes only, and was extracted from the financial statements prepared for that year, upon which an unqualified opinion dated January 25, 2021 was expressed. Certain items have been reclassified to conform with current year presentation.

The Agency is a tax-exempt organization under the law of New York State and under Internal Revenue Code 501(c) (3) as a non-private foundation.

For purposes of the statements of cash flows, the organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Subsequent events have been evaluated through November 28, 2021, the date of which financial statements were available to be issued.

Note C – Concentrations of Credit Risk

The Agency maintains cash balances at Capital One Bank and Bank of New York Mellon located in New York City. Federal Deposit Insurance Corporation insures all accounts at each institution in full.

Note D – Investments

Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements* (FASB Statement No. 157), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The

Note D – Investments (continued)

hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the agency has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020, and 2021.

Common stocks, corporate bonds and government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value ('NAV') of shares held by the Agency at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note D – Investments (continued)

The following table sets forth by level, within the fair value hierarchy, the Agency's assets at fair value as of June 30, 2021:

		2021	2020
Equity Securities	Level 1	$4,606,941	$3,634,322
U.S.Government and Agency Bonds	Level 1	326,701	410,296
Mutual Funds & Exchange Traded Funds	Level 2	9,612,377	7,650,655
Fixed Income Funds	Level 2	332,604	1,198,000
Cash & Money Market Accounts	Level 1	1,002,446	774,233
International Funds & Commodities	Level 2	25,643	28,013
Total		$15,906,712	$13,695,519

Additionally, investments included a J P Morgan Annuity in the amount of $1,444,848 and an insurance policy with cash value of $27,000. The investments are not insured. The annuity pays 3% interest per year. Interest and dividend income from these holding for the year ended June 30, 2021, was $312,316. Realized gains in fair market value of the investments for year ended June 30, 2021, is reported in the statement of activities in the amount of $1,930,266. Unrealized gains in fair market value of the investments for the year ended June 30 2021, is reported in the statement of activities in the amount of $1,813,211. Portfolio management and taxes for the year ended June 30, 2020, was $56,114.

Note E – Accounts Receivable

Accounts Receivable represents amounts owed to Hasc Center from revenues other than program service fees net of an allowance for bad debts estimated to be $4,000

Note F – Medicaid and Grants Receivable

All of the Medicaid and Grants Receivable are due from OPWDD.

Note G – Reserve Funds and Closing Costs

Reserve funds represents cash held by Bank of New York under the New York City Industrial Development Agency financing arrangement and by Dormitory Authority of the State of New York (DASNY) as security for payment of the Bonds and Mortgage loans.

Note G – Reserve Funds and Closing Costs (continued)

Closing costs represents the costs of obtaining the mortgages payable through the DASNY and New York City Industrial Development Agency. The costs are being amortized over 15 years, which is the life of the mortgages.

Note H - Bonds Payable

2013 Dormitory Authority of The State of NY revenue bonds payable in annual principal installments of $10,000 to $300,000 plus interest at 3.280%, through July 2028, secured by real property and facilities. The balance due as of June 30, 2021 is $1,940,000.

Future maturities of revenue bonds payable are as follows:

Year ending June 30, 2022	$255,000
Year ending June 30, 2023	260,000
Year ending June 30, 2024	265,000
Year ending June 30, 2025	280,000
Year ending June 30, 2026	290,000
Thereafter:	$590,000

2015 Dormitory Authority of The State of NY revenue bonds payable in annual principal installments of $75,000 to $500,000 plus interest at 2.98%, through July 2029, secured by real property and facilities. The balance due as of June 30, 2021 is $1,885,000.

Future maturities of revenue bonds payable are as follows:

Year ending June 30, 2022	$410,000
Year ending June 30, 2023	350,000
Year ending June 30, 2024	180,000
Year ending June 30, 2025	175,000
Year ending June 30, 2026	180,000
Thereafter:	$590,000

2017 Dormitory Authority of The State of NY revenue bonds payable in annual principal installments of $25,000 to $115,000 plus interest at 3.384%, through July 2042, secured by real property and

Note H - Bonds Payable (continued)

facilities. The balance due as of June 30, 2021 is $2,108,811.

Future maturities of revenue bonds payable are as follows:

Year ending June 30, 2022	$60,000
Year ending June 30, 2023	60,000
Year ending June 30, 2024	65,000
Year ending June 30, 2025	65,000
Year ending June 30, 2026	70,000

Thereafter: $1,788,811

2021 Dormitory Authority of The State of NY revenue bonds payable in annual principal installments of $205,000 to $215,000 plus interest at 2.13%, through June 2026, secured by real property and facilities. The balance due as of June 30, 2021 is $1,045,000.

Future maturities of revenue bonds payable are as follows:

Year ending June 30, 2022	$205,000
Year ending June 30, 2023	205,000
Year ending June 30, 2024	210,000
Year ending June 30, 2025	210,000
Year ending June 30, 2026	215,000

The total of all bonds payable is $6,978,811.

Note I – Mortgages Payable

The Agency is liable for several mortgage loans from Capital One Bank to finance construction or renovation of its residential sites. The combined original amount of the loans were $2,614,462. Certain of the Agency's real property is pledged as collateral to the mortgages. Certain of the agreements provide for restrictions on the Agency's guarantees, other loans, mergers or other major changes in the business and on cash flow, net assets, and debt to capital ratio. Interest rates are between 6.4% - 7.1%. Total balance due at June 30, 2021 is $564,510.

Year ending June 30, 2022	$180,355
Year ending June 30, 2023	173,098
Year ending June 30, 2024	156,385
Year ending June 30, 2025	54,672

Note I – Mortgages Payable (continued)

The Organization has entered into an interest swap agreement. The Organization entered into this derivative instrument for the purpose of hedging interest rate risks, not for speculation. The swap agreement changes the nature of the interest rate paid on organization's long-term debt. The differential between the fixed and the variable rate interest payments is recognized as an increase/decrease in interest expense in the period incurred. The carrying value of the long-term debt (including current portion) approximates fair value since the current interest rate approximates market rates.

Note J – Loans Payable

The Agency is liable for several notes. The total balance at June 30, 2021, is $16,161,214. Principal installments due are as follows:

Year ending June 30, 2022	$3,583,703
Year ending June 30, 2023	2,033,804
Year ending June 30, 2024	1.839,203
Year ending June 30, 2025	1,857,561
Year ending June 30, 2026	1,846,943
	11,161,214

The total Agency maintains a line of credit with Chase Manhattan Bank in the amount of $5,000,000. As of June 30, 2021, the draw down against the line was $2,500,000 reported as loans payable in the financial statements. The line of credit interest rate is 3.00%. The agency has a loan due FJC in the amount of $5,000,000 to finance the purchase of a new site. Management expects to convert the loan to permanent financing upon completion of construction. The interest rate is prime plus 3%. The Agency has non-interest-bearing loans to various community members in the amount of $402,927. The agency is liable for a PPP loan in the amount of $8,258,287 with an interest rate of 0.98%. The maturity date of the loan is 6/14/2026.

Note K – Advance from OPWDD

Advance from OPWDD represents amounts advanced by the New York State Office for People with Developmental Disabilities to finance renovation of new sites and start-up of new programs. These amounts are either repaid over five years from the date the new program opens, or are converted to long term debt by inclusion in the mortgage loan from Dormitory Authority of the State of New York.

Note L – Leases

The Agency leases space for various sites in Brooklyn and Sullivan County. The leases are for 2 to 10 years. Rent expense for the year ended June 30, 2021, was $2,571,075, and future commitments are:

Year ending June 30, 2022	$2,042,067
Year ending June 30, 2023	1,189,837
Year ending June 30, 2024	1,187,575

Note L – Leases (Continued)

Year ending June 30, 2025	970,750
Year ending June 30, 2026	970,750

Note M – Equipment Leases

The Agency leases various auto and office equipment under 2 to 5-year leases. Total amount paid under expensed leases during the year ended June 30, 2021, was $99,212, and future required payments are:

Year ending June 30, 2022	$75,362
Year ending June 30, 2023	65,451
Year ending June 30, 2024	50,372
Year ending June 30, 2025	50,372
Year ending June 30, 2026	45,124

Note N – Due to Employees HCI

This represents the accrued health insurance expense for the unexpended funds received from New York State OPWDD for the purpose of reimbursing employees for healthcare expenses.

Note O – Related Parties

The Agency provided management services to Hasc Diagnostic & Treatment Center, Inc. Management fees for the year ended June 30, 2021, was $39,000. The two entities are under common management.

Hasc Center, Inc. purchased transportation services from a Not-for-Profit entity at a cost of $1,038,619 and $1,097,279 for the years ended June 30, 2020, and June 30, 2021, respectively. The two entities are under common management.

Note P – Pension Plan

The Agency maintains a 401K pension plan covering all employees who have been employed at least one year. Employees may contribute salaries to a maximum of $18,500, and an additional $6,000 for employees over fifty years old. The Agency matches 25% of employee contributions to a maximum of $2,500 of employee contributions. The cost of the plan was $228,060 for the year ended June 30, 2021.

Note Q – Commitment and Contingencies

The Agency receives payments from third party payers for services. These payments are subject to audit by various regulatory bodies which may give rise to contingent liabilities. The board has set up funds for such contingent liabilities, which is reflected in the financial statements as board designated funds. HASC Center Inc. was a member of the Community Residence Saving Plan self- insurance trust (CRISP), for the purpose of providing workers' compensation benefit under the NYS workers compensation law. The trust was taken over by the NYS Workers' Compensation Board, The Agency has agreed to settle all claims for $348,240 payable over 10 years in monthly installments of $2,902 inclusive of 3% interest. The amount due as of June 30, 2021 is $200,238. This is reported in the statement of financial position as other liabilities. The Agency advanced to a related not for profit organization, based on the terms of a subvention the amount of $2,200,000 for working capital, as well as guaranteeing their loan of $4,000,000.

Note R – COVID-19

In March of 2020, the COVID-19 outbreak in the United States has reduced the Agency's ability to service individuals in need. The Agency utilized remote and alternative services, as much as possible to offset any negative impact of the pandemic. The Agency received funds from the U. S. Department of Health and Human Services in the amount of $1,420,941. These funds were provided as a grant contingent on meeting certain requirements.

J. GLIKSMAN CPA P.C.
CERTIFIED PUBLIC ACCOUNTANT
5417 18TH AVENUE
BROOKLYN, NY 11204

TEL (718) 234-8181
FAX (718) 234-0014

JOSEPH GLIKSMAN, CPA
MEMBER: AICPA
NYSSCPA

PARTICIPANT: AICPA
PEER REVIEW PROGRAM

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors of
HASC Center, Inc. and Subsidiaries
Brooklyn, NY 11220

We have audited the consolidated financial statements of HASC Center, Inc. and Subsidiaries as of and for the year ended June 30, 2021, and have issued our report thereon dated November 28, 2021, which contained an unmodified opinion on those financial statements. Our audit was preformed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 17 through 19 are presented for the purpose 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 the 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.

J. Gliksman CPA P.C.

J. Gliksman, CPA P.C.
November 28, 2021

HASC CENTER, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

Current Assets	Center	Camp	Eliminations	Consolidated
Cash and Cash Equivalents	$ 8,083,858	$ 4,161,091		$ 12,244,949
Investments	17,378,560			17,378,560
Accounts Receivable (Less				-
Allowance for Bad Debts $4,000)	9,456,681	56,809	(8,023,359)	1,490,131
Medicaid and Grants Receivable	13,051,034			13,051,034
Prepaid Expenses	1,136,231	60,344		1,196,575
Prepaid Interest	10,879			10,879
Total Current Assets	**$ 49,117,243**	**$ 4,278,244**	**$ (8,023,359)**	**$ 45,372,128**
Fixed Assets				
Land	$ 2,481,500	$ 407,048		$ 2,888,548
Building	31,155,030			31,155,030
Leasehold Improvements	4,527,099	970,225		5,497,324
Vehicles	884,363			884,363
Machinery & Equipment	971,940	72,893		1,044,833
Furniture & Fixtures	678,983	36,226		715,209
Accumulated Depreciation	(19,171,658)			(19,171,658)
Total Fixed Assets	**$ 21,527,257**	**$ 1,486,392**	**$ -**	**$ 23,013,649**
Other Assets				
Due from BKFHC	$ 2,654,399			$ 2,654,399
Reserve Funds	574,891			574,891
Security Deposits	122,500			122,500
Retirement Trust Fund	1,807,406			1,807,406
Bond Closing Costs (Net of				-
Amortization of $1,161,914)	708,788			708,788
Total Other Assets	**$ 5,867,984**	**$ -**	**$ -**	**$ 5,867,984**
TOTAL ASSETS	**$ 76,512,484**	**$ 5,764,636**	**$ (8,023,359)**	**$ 74,253,761**

HASC CENTER, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

Current Liabilities	Center	Camp	Eliminations	Consolidated
Accounts Payable	$ 1,987,290	$ 629,810		$ 2,617,100
Due to Employees HCI	415,507			415,507
Accrued Wages & Taxes	2,663,713	53,259		2,716,972
Accrued Expenses	108,380			108,380
Loans Payable	3,122,983	460,720		3,583,703
Advances Due to OPWDD	216,548			216,548
Bonds Payable	930,000			930,000
Mortgages Payable	180,355			180,355
Interest Payable	70,309			70,309
Deferred Revenue	(3,294)	1,115,101		1,111,807
Other Liabilities	34,824			34,824
Total Current Liabilities	**$ 9,726,615**	**$ 2,258,890**	**$ -**	**$ 11,985,505**
Other Liabilities				
Loans Payable	$ 10,079,824	$ 10,521,046	$ (8,023,359)	$ 12,577,511
Advances Due to OPWDD	250,218			250,218
Retirement Trust Fund	1,807,406			1,807,406
Bonds Payable	6,048,811			6,048,811
Mortgages Payable	384,155			384,155
Other Liabilities	140,125			140,125
Total Other Liabilities	**$ 18,710,539**	**$ 10,521,046**	**$ (8,023,359)**	**$ 21,208,226**
TOTAL LIABILITIES	**$ 28,437,154**	**$ 12,779,936**	**$ (8,023,359)**	**$ 33,193,731**
Net Assets				
Net Assets Without Donor Restrictions	$ 45,953,297	$ (7,015,300)		$ 38,937,997
Net Assets With Donor Restrictions	47,343			47,343
Board Designated Net Assets	2,074,690			2,074,690
Total Net Assets	**$ 48,075,330**	**$ (7,015,300)**	**$ -**	**$ 41,060,030**
TOTAL LIABILITIES AND NET ASSETS	**$ 76,512,484**	**$ 5,764,636**	**$ (8,023,359)**	**$ 74,253,761**

HASC CENTER, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2021

	Center Without Donor Restrictions	Camp Without Donor Restrictions	Eliminations	Consolidated
Revenues				
Workshop Sales	$ 15,000			$ 15,000
Grants	483,712			483,712
Program Service Fees	54,157,414	408,734	(276,525)	54,289,623
Management Income	39,000			39,000
Other Income	185,012	735,358		920,370
Contributions		3,992,953		3,992,953
Investment Income	3,999,679			3,999,679
Total	**$ 58,879,817**	**$ 5,137,045**	**$ (276,525)**	**$ 63,740,337**
Expenses				
Program	$ 50,655,229	$ 2,892,216	$ (276,525)	$ 53,270,920
Management & General	3,856,823			3,856,823
Fundraising		1,558,865		1,558,865
Total	**$ 54,512,052**	**$ 4,451,081**	**$ (276,525)**	**$ 58,686,608**
Change in Net Assets	$ 4,367,765	$ 685,964	$ -	$ 5,053,729
Net Assets Beginning	43,707,564	(7,701,263)		36,006,301
NET ASSETS ENDING	**$ 48,075,329**	**$ (7,015,299)**	**$ -**	**$ 41,060,030**

APPENDIX B-IIB
HASC DIAGNOSTIC & TREATMENT CENTER, INC.

FINANCIAL STATEMENTS
Years ended December 31, 2019 and 2020

HASC DIAGNOSTIC AND TREATMENT CENTER, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019

HASC DIAGNOSTIC AND TREATMENT CENTER, INC.

CONTENTS

J. GLIKSMAN CPA P.C.
CERTIFIED PUBLIC ACCOUNTANT
5417 18TH AVENUE
BROOKLYN, NY 11204
TEL (718) 234-8181
FAX (718) 234-0014

JOSEPH GLIKSMAN, CPA
MEMBER: AICPA
NYSSCPA

PARTICIPANT: AICPA
PEER REVIEW PROGRAM

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hasc Diagnostic & Treatment Center
Brooklyn, NY 11230

We have audited the accompanying financial statements of Hasc Diagnostic & Treatment Center, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hasc Diagnostic & Treatment Center, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Hasc Diagnostic & Treatment Center, Inc. December 31, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 11, 2019. In our opinion the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived with, retrospective application as noted below.

Emphasis of Matter

As discussed in Note B to the financial statements, in 2019, the entity adopted a new accounting method for leases. Our opinion is not modified with respect to this matter.

J. Gliksman, CPA PC

Brooklyn, NY

October 20, 2020

HASC DIAGNOSTIC & TREATMENT CENTER, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

ASSETS

	2019	2018
Current Assets		
Cash	$ 587,344	$ 739,341
Accounts Receivable	983,248	350,860
Grants Receivable	462,000	24,000
Prepaid Expenses	3,501	4,739
Total Current Assets	**$ 2,036,093**	**$ 1,118,940**
Fixed Assets		
Leasehold Improvements	3,700,818	3,537,346
Machinery & Equipment	865,431	886,538
Furniture & Fixtures	444,080	391,188
Accumulated Depreciation	(1,499,270)	(880,455)
Total Fixed Assets	**$ 3,511,059**	**$ 3,934,617**
Other Assets		
Security Deposits	$ 41,000	$ 41,000
Total Other Assets	**$ 41,000**	**$ 41,000**
TOTAL ASSETS	**$ 5,588,152**	**$ 5,094,557**

HASC DIAGNOSTIC & TREATMENT CENTER, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

LIABILITIES AND NET ASSETS

	2019		2018	
Current Liabilities				
Accounts Payable	$	414,203	$	66,032
Accrued Wages & Taxes		50,558		43,202
Accrued Expenses		10,515		12,885
Total Current Liabilities	**$**	**475,276**	**$**	**122,119**
Other Liabilities				
Deferred Rent	$	69,193	$	38,033
Loan Payable-Hasc		2,022,107		1,672,107
Notes Payable - FJC		4,000,000		4,000,000
Total Other Liabilities	**$**	**6,091,300**	**$**	**5,710,140**
TOTAL LIABILITIES	**$**	**6,566,576**	**$**	**5,832,259**
Net Assets				
Without Donor Restrictions	$	(1,428,424)	$	(737,702)
With Donor Restrictions		450,000		-
Total Net Assets	**$**	**(978,424)**	**$**	**(737,702)**
TOTAL LIABILITIES AND NET ASSETS	**$**	**5,588,152**	**$**	**5,094,557**

HASC DIAGNOSTIC & TREATMENT CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Revenue				
Program Service Fees	$ 4,696,268	$ -	$ 4,696,268	$ 2,845,101
Prior Periods Rate Adjustment	53,828	-	53,828	24,568
Grants	498,000	-	498,000	71,226
Other Income	4,413	-	4,413	16,176
Total	**$ 5,252,509**	**$ -**	**$ 5,252,509**	**$ 2,957,071**
Expenses				
Program Expenses:				
Program Services	$ 2,206,635	$ -	$ 2,206,635	$ 1,664,338
Facility Costs	156,105	-	156,105	68,765
Payroll Taxes and Fringes	355,601	-	355,601	247,531
Capital Costs	1,677,193	-	1,677,193	731,491
General & Administration	1,097,697	-	1,097,697	776,939
Total	**$ 5,493,231**	**$ -**	**$ 5,493,231**	**$ 3,489,064**
Change in Net Assets	$ (240,722)	$ -	$ (240,722)	$ (531,993)
Net Assets Transfer	(450,000)	450,000	-	-
Net Assets Beginning	(737,702)	-	(737,702)	(205,709)
NET ASSETS ENDING	**$ (1,428,424)**	**$ 450,000**	**$ (978,424)**	**$ (737,702)**

See notes to financial statements

HASC DIAGNOSTIC & TREATMENT CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

	2019	2018
Program Services		
Physician	$ 502,653	$ 302,806
Physician Assistant	36,959	38,274
Psychiatrist	281,422	260,655
Podiatrist	67,095	61,695
Nurse Practitioner	34,022	-
Nurse	127,793	59,785
Medical Assistant- Section 330 Federal Grant	46,658	48,440
Medical Assistant	25,946	-
Psychologist	120,049	109,336
Social Worker	82,004	74,203
Physical Therapist	132,967	135,023
Occupational Therapist	65,859	45,966
Speech Therapist	56,419	61,136
Program Administrator	147,967	129,058
Receptionist/Intake/Scheduling	153,879	147,751
Patient Support	21,534	-
Medical Billing	98,730	54,944
Electronic Health Records	46,669	29,233
Medical Supplies	128,732	81,465
Transportation	13,218	11,712
Miscellaneous	16,060	12,856
Total Program Services	**$ 2,206,635**	**$ 1,664,338**
Facility		
Maintenance	$ 56,215	$ 34,700
Utilities	66,636	16,958
Telephone	33,254	17,107
Total Facility	**$ 156,105**	**$ 68,765**
Payroll Taxes and Fringes	**$ 355,601**	**$ 247,531**
Capital Costs		
Rent	$ 710,770	$ 683,777
Interest	336,167	3,951
Equipment Leasing	4,653	4,980
Depreciation	618,815	31,367
Insurance-Property & Liability	6,788	7,416
Total Capital Costs	**$ 1,677,193**	**$ 731,491**
Administration		
Professional Services	$ 259,407	$ 190,192
Administrative Salaries	587,584	498,564
Management Fees	39,000	38,960
Insurance-Prof.	27,490	2,036
Office Expenses and Supplies	80,555	47,187
Advertising	103,661	-
Bad Debt Expense	-	-
Total Administration	**$ 1,097,697**	**$ 776,939**
Total Costs	**$ 5,493,231**	**$ 3,489,064**

See notes to financial statements

HASC DIAGNOSTIC & TREATMENT CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

	2019	2018
Cash Flows from Operations:		
Increase (Decrease) in Net Assets	$ (240,722)	$ (531,993)
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operations		
Depreciation and Amortization	618,815	31,367
Change In:		
Receivables, Prepaids, Etc.	(1,069,150)	(54,718)
Payables, Accruals, Etc.	384,317	(768,849)
Net Cash (Used)/Provided by Operations	**$ (306,740)**	**$ (1,324,193)**
Cash Flows from Investing:		
Purchase of Fixed Assets	(195,257)	(2,252,343)
Net Cash (Used) /Provided by Investing	**$ (195,257)**	**$ (2,252,343)**
Cash Flows from Financing:		
Payments of Loans	$ -	$ (60,000)
Proceeds of Notes	350,000	4,239,730
Net Cash (Used)/Provided by Financing	**$ 350,000**	**$ 4,179,730**
Net Cash (Used)/Provided:	**$ (151,997)**	**$ 603,194**
Cash Balance Beginning	739,341	136,147
CASH BALANCE ENDING	**$ 587,344**	**$ 739,341**
Interest Paid	$ 336,167	$ -

Note A – Nature of Organization

The Hasc Diagnostic and Treatment Center, Inc. (HD&TC) is a not-for-profit agency that operates an Article 16 and Article 28 Clinic in Brooklyn, New York. As of August 1, 2016, the Agency received Federally Qualified Health Center (FQHC) status as a sub recipient of Sunset Park Health Council. This program is supported through the U.S. Department of Health and Human Services, Health Resources and Services Administration, through a sub-award of federal funds, and Sunset Park Health Council, Inc.. Substantially all revenue is from Medicaid and Medicare.

Note B – Accounting Policies

The accounting policies of the Agency conform to accounting principles generally accepted in the United States of America as applicable to voluntary health and welfare agencies. The accrual basis of accounting is followed by the Agency. Under the accrual basis of accounting, revenues are reported when earned. Expenditures are recorded when the goods are received or services are rendered.

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation have not been material to the financial statements. Balances older than 120 days are considered past due.

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Allocation methods used were unique to each expense category as seen most appropriate by management. The methods used were the following; percent of revenue earned by program, percent of salaries expense by program or activity, square footage used by function and hours worked within each program. Employee fringe health insurance cost was allocated based on the cost of policies for employees within each program or activity category.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the

Note B – Accounting Policies (continued)

date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results can differ from those estimates.

The Agency reports information regarding its financial position and activities according to following classes of net assets:

Net assets without donor restrictions:

net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Agency. These net assets may be used at the discretion of the Agency's management and the board of directors.

Net assets with donor restrictions:

net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Agency or passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. Revenue whose restriction expired during the year is presented as unrestricted revenue. Contributions and grants received are recorded depending on the existence or nature of any donor restrictions.

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Agency's ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

For purposes of the statements of cash flows, the Agency considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Advertising expense is mostly for marketing fees and ads in local papers. Hasc Diagnostic and Treatment Center Inc. expenses all advertising expense for marketing as it is incurred for time billed and for ads as they are run. Accrued compensation for paid time off cannot be reasonably estimated by management. Accordingly, no such accrual is reflected in these financial statements.

The organization has adopted, in the current period, the straight-line method for accounting for rent expense at its new site in accordance with ASC-840. This method is more reflective of its use cost over time. The effect on the prior year of the change is an increase in rent

Note B – Accounting Policies (continued)

expense in the amount of $38,033 and the same amount of liability increase. Consequently, there is a decrease of net assets in the prior period for this amount.

The Agency is a tax-exempt organization under the law of New York State and under Internal Revenue Code 501(c)(3) as a non-private foundation.

Information for the year ended December 31, 2018 is presented for comparative purposes only and was extracted from the financial statements prepared for that year upon which an unqualified opinion, dated September 11, 2019 was expressed. Certain prior year amounts may have been reclassified and restated to conform with current year presentation as previously stated.

Note C – Concentrations of Credit Risk

HD&TC maintains cash balances at a financial institution located in New York City. Federal Deposit Insurance Corporation insures accounts up to $250,000. At December 31, 2019, the Agency's uninsured cash balances totaled $475,515.

Note D – Accounts Receivable

Accounts receivable represents mostly Medicare and Medicaid billing owed to the Agency and is shown net of an allowance for bad debts of $428,050.

Note E – Grants/Receivable

The agency received $48,000 under a Section 330 Federal Grant as a sub-recipient of Sunset Park Health Council. This amount was expended for a Medical Assistant reported in the Statement of Functional Expenses and the fringes for those employees. Expenditures are restricted to be in accordance with grant agreement. The clinic also has $450,000 in net assets that was funded through a grant by the City of New York. The assets are restricted for five years to the use of the clinic and ownership cannot be transferred. Additionally, the clinic may not permit any liens to be placed on these assets. These assets are reported in the statement of financial position as part of machinery & equipment and furniture & fixtures.

Note F – Third Party Reimbursement

The Agency receives reimbursement from Medicare, Medicaid, and third-party insurance companies for services provided to clients.

Note G – Leases

The Agency leases two sites used for its program activities in Brooklyn. The terms of the leases expire July 31, 2024 and April 26, 2027. Rental payments for the years ended December 31, 2018 and December 31, 2019, was $645,744 and $679,610, respectively. Future rental payments under the terms of the existing leases for the next five years are as follows:

Year ending December 31, 2020	745,061
Year ending December 31, 2021	743,768
Year ending December 31, 2022	770,016
Year ending December 31, 2023	802,344
Year ending December 31, 2024	677,810

The agency also has various equipment leases. The total for equipment lease in the year ended December 31, 2019 was $4,653 and is expected to be $5,095 every year thereafter.

Note H – Related Parties

Hasc Center, Inc., a related party has advanced $2,022,107 for the benefit of Hasc Diagnostic & Treatment Center Inc. under a subvention agreement. The agreement calls for a total assistance of $2,200,000 for the funding of specific program operations. Of the amount already advanced, only $450,000 is to fund the specific program in the agreement, with an additional availability of $1,750,000. The subvention is interest free, without a due date. The organization is only required to make payment on an as available basis.

In addition to the subvention, Hasc Diagnostic and Treatment Center Inc. has a liability to Hasc Center Inc. for management fees, health insurance and other insurance policies, which Hasc Center Inc. provides for the clinic and its employees in the amount of $176,796 reflected in the accounts payable. Fees for management services for Hasc Center, Inc. in the years ended December 31, 2018 and December 31, 2019 were $38,960 and $39,000 respectively. The insurance policies are provided at a cost basis together with the policies of Hasc Center Inc.

Hasc Center Inc., and Hasc Diagnostic and Treatment Center Inc. are under common board membership.

Hasc Diagnostic and Treatment Center Inc. purchased promotional office supplies from a vendor related by a family relationship to a board member. The total purchases from the related party vendor for the year ended December 31, 2019 was $5,590. At the date of financial position, the clinic owed this related party $1,407.

Note I– Commitment and Contingencies

The Agency participates in a number of federal and state funded programs. These programs are subject to financial and compliance audits by the grantors or their representatives. Audits of these programs for the year ended December 31, 2019, have not and may not be conducted. The amounts of revenues which may be subject to recovery by granting agencies cannot be determined at this time, although the Agency is confident that such amounts, if any, would be immaterial.

Note J – Notes Payable – FJC

The Agency established a line of credit with FJC and the Marty and Dorothy Silverman Foundation in the amount of $5,000,000 to finance construction and related costs of a new site. The Agency owed $4,000,000 on the line of credit as of December 31, 2019. The interest rate is prime plus 3%. Upon completion of construction, management expects to refinance the line of credit debt with permanent financing. The due date on this loan is March 31, 2021. The total interest payment for the loan in 2019 was $336,167.

Note K– Fixed assets

All depreciable assets that cost more than $1,000 are recorded at cost and are depreciated either on a straight-line or double-declining balance basis. The following table provides a description of the various classes of fixed assets and their details. Also being depreciated within the leasehold improvements is $219,040 of interest capitalized in the year ended December 31, 2018 from a loan used to finance renovations of one of the leased properties. As of December 31, 2019, included in the fixed assets were $26,000 of non-depreciable assets.

TYPE	COST	LIFE EXPECTANCY	DEPRECIATION EXPENSE	ACCUMULATED DEPRECIATION	BOOK VALUE
Leasehold Improvements	$3,700,818	The life of the lease	$375,765	$1,026,533	$2,674,285
Furniture and Fixtures	444,080	5 to 15 years	48,325	159,100	284,980
Machinery and Equipment	865,431	3 to 10 years	194,725	313,637	551,794
TOTAL	**5,010,329**	-	**618,815**	**1,499,270**	**3,511,059**

Note L– Subsequent events

Subsequent events have been evaluated through October 20, 2020 the date of which financial statements were available to be issued. In March of 2020, the COVID-19 outbreak in the United States has resulted in reduced patient visits and the temporary reduction of operating hours for our sites as well as temporary closures. Hasc Diagnostic and Treatment Center Inc. utilized remote services, known as telehealth, as much as possible to offset the reduction in revenue.

Note M– Pension-Defined contribution

Hasc Diagnostic and Treatment Center Inc. offers a defined contribution pension plan to its employees. The clinic matches contributions at 25 percent up to a maximum of ten thousand dollars annually. The total pension matching expense for the year ended December 31, 2019 was $4,728.

HASC DIAGNOSTIC AND TREATMENT CENTER, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020

HASC DIAGNOSTIC AND TREATMENT CENTER, INC.

CONTENTS

J. GLIKSMAN CPA P.C.
CERTIFIED PUBLIC ACCOUNTANT
5417 18TH AVENUE
BROOKLYN, NY 11204

TEL (718) 234-8181
FAX (718) 234-0014

JOSEPH GLIKSMAN, CPA
MEMBER: AICPA
NYSSCPA

PARTICIPANT: AICPA
PEER REVIEW PROGRAM

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hasc Diagnostic & Treatment Center
Brooklyn, NY 11230

We have audited the accompanying financial statements of Hasc Diagnostic & Treatment Center, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hasc Diagnostic & Treatment Center, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Hasc Diagnostic & Treatment Center, Inc. December 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2020. In our opinion the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

J. Gliksman, CPA PC

Brooklyn, NY

October 26, 2021

HASC DIAGNOSTIC & TREATMENT CENTER, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)

ASSETS

	2020	2019
Current Assets		
Cash	$ 208,599	$ 587,344
Accounts Receivable	2,159,711	983,248
Grants Receivable	490,630	462,000
Prepaid Expenses	-	3,501
Total Current Assets	**$ 2,858,940**	**$ 2,036,093**
Fixed Assets		
Leasehold Improvements	$ 3,699,616	$ 3,700,818
Machinery & Equipment	910,517	865,431
Furniture & Fixtures	469,857	444,080
Accumulated Depreciation	(2,051,109)	(1,499,270)
Total Fixed Assets	**$ 3,028,881**	**$ 3,511,059**
Other Assets		
Security Deposits	$ 41,000	$ 41,000
Total Other Assets	**$ 41,000**	**$ 41,000**
TOTAL ASSETS	**$ 5,928,821**	**$ 5,588,152**

HASC DIAGNOSTIC & TREATMENT CENTER, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)

LIABILITIES AND NET ASSETS

	2020	2019
Current Liabilities		
Accounts Payable and Accrued Expenses	$ 554,120	$ 414,203
Accrued Wages & Taxes	273,588	50,558
Accrued Expenses	22,240	10,515
Total Current Liabilities	**$ 849,948**	**$ 475,276**
Other Liabilities		
Accrued Rent	$ 91,684	$ 69,193
Accrued Taxes	55,272	-
Loan Payable	2,271,477	2,022,107
Notes Payable	4,000,000	4,000,000
Total Other Liabilities	**$ 6,418,433**	**$ 6,091,300**
TOTAL LIABILITIES	**$ 7,268,381**	**$ 6,566,576**
Net Assets		
Without Donor Restrictions	$ (1,789,560)	$ (1,428,424)
With Donor Restrictions	450,000	450,000
Total Net Assets	**$ (1,339,560)**	**$ (978,424)**
TOTAL LIABILITIES AND NET ASSETS	**$ 5,928,821**	**$ 5,588,152**

HASC DIAGNOSTIC & TREATMENT CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
Revenue				
Program Service Fees	$ 5,579,795	$ -	$ 5,579,795	$ 4,696,268
Prior Periods Rate Adjustment	639,412	-	639,412	53,828
Grants	178,557	-	178,557	498,000
Other Income	1,770	-	1,770	4,413
Total	**$ 6,399,534**	**$ -**	**$ 6,399,534**	**$ 5,252,509**
Expenses				
Program Expenses:				
Program Services	$ 3,447,861	$ -	$ 3,447,861	$ 2,206,635
Facility Costs	169,406	-	169,406	156,105
Payroll Taxes and Fringes	475,859	-	475,859	355,601
Capital Costs	1,595,096	-	1,595,096	1,677,193
General & Administration	1,072,448	-	1,072,448	1,097,697
Total	**$ 6,760,670**	**$ -**	**$ 6,760,670**	**$ 5,493,231**
Change in Net Assets	$ (361,136)	$ -	$ (361,136)	$ (240,722)
Net Assets Beginning	(1,428,424)	450,000	(978,424)	(737,702)
NET ASSETS ENDING	**$ (1,789,560)**	**$ 450,000**	**$ (1,339,560)**	**$ (978,424)**

HASC DIAGNOSTIC & TREATMENT CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)

	2020	2019
Program Services		
Personnel Services	$ 2,933,640	$ 1,903,226
Medical Billing	168,523	98,730
Electronic Health Records	70,699	46,669
Medical Supplies	269,919	128,732
Transportation	-	13,218
Miscellaneous	5,080	16,060
Total Program Services	**$ 3,447,861**	**$ 2,206,635**
Facility		
Maintenance	$ 78,923	$ 56,215
Utilities	54,247	66,636
Telephone	36,236	33,254
Total Facility	**$ 169,406**	**$ 156,105**
Payroll Taxes and Fringes	**$ 475,859**	**$ 355,601**
Capital Costs		
Rent	$ 755,153	$ 710,770
Interest	266,000	336,167
Equipment Leasing	5,363	4,653
Depreciation	551,839	618,815
Insurance-Property & Liability	16,741	6,788
Total Capital Costs	**$ 1,595,096**	**$ 1,677,193**
Administration		
Professional Services	$ 230,372	$ 259,407
Administrative Salaries	450,106	587,584
Management Fees	39,000	39,000
Insurance-Prof.	3,803	27,490
Office Expenses and Supplies	106,182	80,555
Advertising	171,610	103,661
Bad Debt Expense	71,375	-
Total Administration	**$ 1,072,448**	**$ 1,097,697**
Total Costs	**$ 6,760,670**	**$ 5,493,231**

HASC DIAGNOSTIC & TREATMENT CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)

	2020	2019
Cash Flows from Operations:		
Increase (Decrease) in Net Assets	$ (361,136)	$ (240,722)
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operations		
Depreciation and Amortization	551,839	618,815
Change In:		
Receivables, Prepaids, Etc.	(1,201,591)	(1,069,150)
Payables, Accruals, Etc.	452,435	384,317
Net Cash (Used)/Provided by Operations	**$ (558,453)**	**$ (306,740)**
Cash Flows from Investing:		
Purchase of Fixed Assets	(69,662)	(195,257)
Net Cash (Used) /Provided by Investing	**$ (69,662)**	**$ (195,257)**
Cash Flows from Financing:		
Payments of Loans	$ -	$ -
Proceeds of Notes	249,370	350,000
Net Cash (Used)/Provided by Financing	**$ 249,370**	**$ 350,000**
Net Cash (Used)/Provided:	**$ (378,745)**	**$ (151,997)**
Cash Balance Beginning	587,344	739,341
CASH BALANCE ENDING	**$ 208,599**	**$ 587,344**
Interest Paid	$ 266,000	$ 336,167

Note A – Nature of Organization

The Hasc Diagnostic and Treatment Center, Inc. (The Center) is a not-for-profit organization that operates an article 16 and article 28 Clinic in Brooklyn, New York. As of August 1, 2016, the center received Federally Qualified Health Center (FQHC) status as a sub recipient of Sunset Park Health Council. This program is supported through the U.S. Department of Health and Human Services, Health Resources and Services Administration, through a sub- award of federal funds, and Sunset Park Health Council, Inc..

Note B – Accounting Policies

The accounting policies of the center conform to accounting principles generally accepted in the United States of America as applicable to voluntary health and welfare agencies. The accrual basis of accounting is followed by the center. Under the accrual basis of accounting, revenues are reported when earned. Expenditures are recorded when goods are received or services are rendered.

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation was $71,375 for the period presented. Balances older than 120 days are considered past due.

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Allocation methods used were unique to each expense category as seen most appropriate by management. The methods used were the following; percent of revenue earned by program, percent of salaries expense by program or activity, square footage used by function and hours worked within each program. Employee fringe health insurance costs was allocated based on the cost of policies for employees within each program or activity category.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results may differ from those estimates.

Note B – Accounting Policies (continued)

The center reports information regarding its financial position and activities according to following classes of net assets:

Net assets without donor restrictions:

net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the center. These net assets may be used at the discretion of the center's management and the board of directors.

Net assets with donor restrictions:

net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the center or passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. Revenue whose restriction expired during the year is presented as unrestricted revenue. Contributions and grants received are recorded depending on the existence or nature of any donor restrictions.

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the center's ongoing services and interest or dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

For purposes of the statements of cash flows, the center considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Advertising expense is mostly for marketing fees and ads in local papers. Hasc Diagnostic and Treatment Center Inc. expenses all advertising expense for marketing as it is incurred for time billed, and for ads as they are run. Accrued compensation for paid time off cannot be reasonably estimated by management. Accordingly, no such accrual is reflected in these financial statements.

The center is a tax-exempt organization under the law of New York State and under Internal Revenue Code 501(c)(3) as a non-private foundation.

Information for the year ended December 31, 2019 is presented for comparative purposes only and was extracted from the financial statements prepared for that year upon which an

Note B – Accounting Policies (continued)

unmodified opinion, dated October 20 2020 was expressed. Certain prior year amounts may have been reclassified and restated to conform with current year presentation as previously stated.

In March of 2020, the COVID-19 outbreak in the United States has resulted in reduced patient visits and the temporary reduction of operating hours for our sites as well as temporary closures. Hasc Diagnostic and Treatment Center Inc. utilized remote services, known as telehealth, as much as possible to offset the reduction in revenue.

Note C – Concentrations of Credit Risk

HD&TC maintains cash balances at a financial institution located in New York City. Federal Deposit Insurance Corporation insures accounts up to $250,000. At December 31, 2020, the center's uninsured cash balances totaled $66,273.

Note D – Accounts Receivable

Accounts receivable represents mostly billings from Medicare, Medicaid and other third-party insurance carriers to the center and is shown net of an allowance for bad debts of $499,425.

Note E – Grants/Receivable

The center received $48,000 under a Section 330 Federal Grant as a sub-recipient of Sunset Park Health Council. This amount was expended for a Medical Assistant reported in the Statement of Functional Expenses and the fringes for those employees. Expenditures are restricted to be in accordance with grant agreement. The clinic was also the recipient of grants from the U.S Department of Health and Humans Services (HHS) and other institutions in the amount of $130,557. These grants were part of the various programs set up to help providers within the healthcare industry appropriately respond to the coronavirus pandemic.

Note F – Third Party Reimbursement

The center receives reimbursement from Medicare, Medicaid, and third-party insurance companies for services provided to clients.

Note G – Leases

The center leases two sites used for its program activities in Brooklyn. The terms of the leases expire July 31, 2024 and April 26, 2027. Rental payments for the years ended December 31, 2019 and December 31, 2020, was $679,610 and $731,662 respectively. Future rental payments under the terms of the existing leases for the next five years are as follows:

Year ending December 31, 2021	$ 764,297
Year ending December 31, 2022	786,080
Year ending December 31, 2023	812,298
Year ending December 31, 2024	688,258
Year ending December 31, 2025	556,533

The center also has various equipment leases. The total for equipment lease in the year ended December 31, 2019 and December 31, 2020 was $4,653 and $5,362. The expected future lease payments are expected to be $5,095 every year thereafter.

Note H – Related Parties

Hasc Center, Inc., a related party by common board membership, has advanced $2,271,477 for the benefit of Hasc Diagnostic & Treatment Center Inc. under a subvention agreement. The agreement calls for a total assistance of $2,200,000 for the funding of specific program operations. Of the amount already advanced, only $700,000 is to fund the specific program in the agreement, with an additional availability of $1,500,000. The subvention is interest free, without a due date. The organization is only required to make payment on an as available basis.

In addition to the subvention, Hasc Diagnostic and Treatment Center Inc. has a liability to Hasc Center Inc. for management fees, health insurance and other insurance policies, which Hasc Center Inc. provides for the clinic and its employees in the amount of $365,049 reflected in the accounts payable. Fees for management services for Hasc Center, Inc. in the years ended December 31, 2019 and December 31, 2020 were $39,000 in both years. The insurance policies are provided at a cost basis by Hasc Center Inc.

Note I– Commitment and Contingencies

The center participates in a number of federal and state funded programs. These programs are subject to financial and compliance audits by the payers or their representatives. Audits of these programs for the year ended December 31, 2020, have not and may not be conducted. The amounts of revenues which may be subject to recovery by granting agencies cannot be determined at this time, although the center is confident that such amounts, if any, would be immaterial.

Note J – Notes Payable

The center established a line of credit in the amount of $5,000,000 to finance construction and related costs of a new site. The center owed $4,000,000 on the line of credit as of December 31, 2020. The interest rate is prime plus 3%. Management expects to refinance the line of credit debt with permanent financing. The due date on this loan is September 30, 2022. The total interest payment for the loan in 2019 was $336,167 while in 2020 the interest payments were $266,000.

Note K– Fixed assets

All depreciable assets that cost more than $5,000 are recorded at cost and are depreciated either on a straight-line or double-declining balance basis. The following table provides a description of the various classes of fixed assets and their details. Also being depreciated is $219,040 of interest capitalized in the year ended December 31, 2018 from a loan used to finance renovations of one of the leased properties. As of December 31, 2020, included in the fixed assets were $6,300 of non-depreciable assets.

TYPE	COST	LIFE EXPECTANCY	ACCUMULATED DEPRECIATION
Leasehold Improvements	$ 3,699,616	The life of the lease	$ 1,384,836
Furniture and Fixtures	469,857	5 to 15 years	206,672
Machinery and Equipment	910,517	3 to 10 years	459,601
TOTAL	**$ 5,079,990**		**$ 2,051,109**

Note L– Subsequent events

Subsequent events have been evaluated through October 26, 2021 the date of which financial statements were available to be issued.

Note M– Pension-Defined contribution

Hasc Diagnostic and Treatment Center Inc. offers a defined contribution pension plan to its employees. The clinic matches contributions at 25 percent up to a maximum of ten thousand dollars annually. The total pension matching expense for the year ended December 31, 2019 and December 31, 2020 was $4,728 and $6,238 respectively

Note N– Net Assets

The clinic also has $450,000 in net assets that was funded through a grant by the City of New York. The assets are restricted through the end of 2025 to the use of the clinic and ownership cannot be transferred. Additionally, the clinic may not permit any liens to be placed on these assets. These assets are reported in the statement of financial position as part of machinery & equipment and furniture & fixtures.

APPENDIX B-III
HEARTSHARE HUMAN SERVICES OF NEW YORK

FINANCIAL STATEMENTS
Years ended June 30, 2019, 2020 and 2021

HeartShare Human Services of New York and Affiliates

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2019 and 2018

BKD
CPAs & Advisors

HeartShare Human Services of New York and Affiliates
June 30, 2019 and 2018

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BKD
CPAs & Advisors

655 Third Avenue, Suite 1200 | New York, NY 10017-9115
212.867.4000 | Fax 212.867.9810 | bkd.com

Independent Auditor's Report

Board of Directors
HeartShare Human Services of New York and Affiliates
Brooklyn, New York

We have audited the accompanying consolidated financial statements of HeartShare Human Services of New York and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HeartShare Human Services of New York and Affiliates as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in *Note 1* to the consolidated financial statements, in 2019, HeartShare Human Services of New York and Affiliates adopted ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), and ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.*

As discussed in *Note 20* to the consolidated financial statements, the 2018 consolidated financial statements have been restated.

Our opinion is not modified with respect to these matters.

BKD, LLP

New York, New York
November 27, 2019

HeartShare Human Services of New York and Affiliates

Consolidated Statements of Financial Position

June 30, 2019 and 2018

	2019	2018 (Restated - Note 20)
Assets		
Current Assets		
Cash	$ 2,205,596	$ 5,691,225
Accounts receivable, net of 2018 allowance of $2,056,000	34,563,098	30,362,855
Distribution receivable	720,000	720,000
Due from Metro Community Health Centers, Inc.	711,569	823,677
Prepaid expenses and other receivables, net of 2018 allowance of $105,000	2,585,710	2,072,432
Security deposits	306,755	171,836
Other current assets	374,955	418,755
Total current assets	41,467,683	40,260,780
Due from The William M. Casey Foundation, Inc.	1,272,041	1,237,274
Distribution receivable	2,773,324	3,378,645
Due from Metro Community Health Centers, Inc.	888,311	1,061,260
Beneficial interest in perpetual trust	44,765	49,056
Interest in net assets of The William M. Casey Foundation, Inc.	8,249,665	7,249,480
Property and equipment, net	30,470,662	27,768,816
Other noncurrent assets	475,741	281,830
Total assets	$ 85,642,192	$ 81,287,141

HeartShare Human Services of New York and Affiliates
Consolidated Statements of Financial Position (Continued)
June 30, 2019 and 2018

	2019	2018 (Restated - Note 20)
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 5,474,928	$ 4,086,451
Accrued salaries and vacations payable	6,827,392	6,382,993
Due to government agencies	9,468,467	5,788,805
Current portion of long-term debt	3,832,697	3,666,441
Post-retirement benefit obligation	-	10,323
Allowance for potential rate adjustments	822,959	822,959
Other current liabilities	663,834	430,658
Total current liabilities	27,090,277	21,188,630
Long-Term Liabilities		
Due to government agencies	9,468,079	11,994,769
Long-term debt	21,179,610	19,475,132
Post retirement benefit obligation	518,610	563,337
Deferred rent liability	1,451,626	1,483,816
Allowance for potential rate adjustments	2,875,416	3,658,224
Total long-term liabilities	35,493,341	37,175,278
Total liabilities	62,583,618	58,363,908
Net Assets		
Without donor restrictions	17,316,078	16,688,762
With donor restrictions	5,742,496	6,234,471
Total net assets	23,058,574	22,923,233
Total liabilities and net assets	$ 85,642,192	$ 81,287,141

HeartShare Human Services of New York and Affiliates

Consolidated Statements of Activities

Years Ended June 30, 2019 and 2018

	2019			2018 (Restated - Note 20)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support						
Contributions and bequests	$ 3,564,523	$ 388,270	$ 3,952,793	$ 2,549,603	$ 1,527,531	$ 4,077,134
Special events revenues	1,838,405	-	1,838,405	1,169,390	23,358	1,192,748
Direct cost of special events	(630,863)	-	(630,863)	(573,379)	-	(573,379)
Patient service revenues (net of 2018 provision for bad debt of $311,877)	3,328,319	-	3,328,319	4,189,551	-	4,189,551
Fees and grants from government agencies	132,362,137	-	132,362,137	128,234,808	-	128,234,808
Client fees	4,163,546	-	4,163,546	3,480,296	-	3,480,296
Other grants	751,155	16,610	767,765	277,538	-	277,538
Interest income	112,957	-	112,957	118,516	-	118,516
Other revenues	4,598,434	-	4,598,434	3,201,340	-	3,201,340
Rental income	134,832	-	134,832	131,703	-	131,703
Net assets released from restrictions	892,564	(892,564)	-	917,764	(917,764)	-
Total revenues, gains and other support	151,116,009	(487,684)	150,628,325	143,697,130	633,125	144,330,255
Expenses						
Program services						
Boarding Home	19,546,971	-	19,546,971	20,249,067	-	20,249,067
Medical Services	5,257,219	-	5,257,219	5,623,841	-	5,623,841
AIDS Services	12,338	-	12,338	952,567	-	952,567
Residence Programs for the Developmentally Disabled	53,520,734	-	53,520,734	47,945,531	-	47,945,531
Prevention	6,899,942	-	6,899,942	6,552,528	-	6,552,528
Education	17,808,646	-	17,808,646	16,956,350	-	16,956,350
Respite	1,038,669	-	1,038,669	960,047	-	960,047
Energy Programs	189,503	-	189,503	170,151	-	170,151
Day Programs	22,505,199	-	22,505,199	22,210,642	-	22,210,642
Clinical Services	2,890,919	-	2,890,919	3,047,060	-	3,047,060
Children Community Residence	3,229,013	-	3,229,013	3,591,549	-	3,591,549
American Dream Program	468,823	-	468,823	312,552	-	312,552
Total program services	133,367,976	-	133,367,976	128,571,885	-	128,571,885

HeartShare Human Services of New York and Affiliates

Consolidated Statements of Activities (Continued)

Years Ended June 30, 2019 and 2018

	2019			2018 (Restated - Note 20)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Expenses (continued)						
Supporting services						
Management and general	$ 17,439,036	$ -	$ 17,439,036	$ 15,249,761	$ -	$ 15,249,761
Fundraising	766,734	-	766,734	698,686	-	698,686
Total supporting services	18,205,770	-	18,205,770	15,948,447	-	15,948,447
Total expenses	151,573,746	-	151,573,746	144,520,332	-	144,520,332
Change in Net Assets Before Other Changes	(457,737)	(487,684)	(945,421)	(823,202)	633,125	(190,077)
Loss on beneficial interest in perpetual trust	-	(4,291)	(4,291)	-	(838)	(838)
Change in unfunded post retirement benefits	84,868	-	84,868	29,030	-	29,030
Change in interest in net assets of The William M. Casey Foundation, Inc.	1,000,185	-	1,000,185	311,037	-	311,037
Change in Net Assets	627,316	(491,975)	135,341	(483,135)	632,287	149,152
Net Assets, Beginning of Year, as Previously Reported	16,688,762	6,234,471	22,923,233	18,249,155	5,602,184	23,851,339
Adjustment Applicable to Prior Years	-	-	-	(1,077,258)	-	(1,077,258)
Net Assets, Beginning of Year, as Restated	16,688,762	6,234,471	22,923,233	17,171,897	5,602,184	22,774,081
Net Assets, End of Year	$ 17,316,078	$ 5,742,496	$ 23,058,574	$ 16,688,762	$ 6,234,471	$ 22,923,233

HeartShare Human Services of New York and Affiliates

Consolidated Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018 (Restated - Note 20)
Operating Activities		
Change in net assets	$ 135,341	$ 149,152
Items not requiring (providing) operating cash flows		
Depreciation and amortization	3,443,501	3,660,550
Amortization of debt issuance costs included in interest expense	170,469	149,335
Loss from disposal of property and equipment	110,594	-
Loss on beneficial interest in perpetual trust	4,291	838
Change in interest in net assets of The William M. Casey Foundation, Inc.	(1,000,185)	(311,037)
Post-retirement benefit obligation	(55,050)	(970)
Reserve for contingency	-	371,020
Bad debt expense	-	1,242,556
Changes in		
Accounts receivable	(4,200,243)	(3,218,822)
Distribution receivable	605,321	587,451
Due from Metro Community Health Centers, Inc.	285,057	888,897
Prepaid expenses and other receivables	(513,278)	(82,946)
Security deposits	(134,919)	8,067
Other current assets	43,800	21,308
Due from The William M. Casey Foundation, Inc.	(34,767)	(1,237,274)
Other noncurrent assets	(193,911)	(9,758)
Accounts payable and accrued expenses	1,388,477	(1,699,027)
Accrued salaries and vacations payable	444,399	881,980
Due to government agencies	1,152,972	(580,769)
Allowance for potential rate adjustments	(782,808)	66,614
Other current liabilities	233,176	(132,105)
Deferred rent liability	(32,190)	(51,186)
Net cash provided by operating activities	1,070,047	703,874

HeartShare Human Services of New York and Affiliates

Consolidated Statements of Cash Flows (Continued)

Years Ended June 30, 2019 and 2018

	2019	2018 (Restated - Note 20)
Investing Activities		
Property and equipment acquisitions	$ (6,255,941)	$ (4,055,324)
Net cash used in investing activities	(6,255,941)	(4,055,324)
Financing Activities		
Proceeds from long-term debt	7,587,750	1,986,909
Principal payments on long-term debt	(5,668,963)	(2,640,178)
Debt issuance costs	(218,522)	(23,658)
Net cash provided by (used in) financing activities	1,700,265	(676,927)
Decrease in Cash	(3,485,629)	(4,028,377)
Cash, Beginning of Year	5,691,225	9,719,602
Cash, End of Year	$ 2,205,596	$ 5,691,225
Supplemental Cash Flows Information		
Interest paid, net of capitalized interest	$ 989,180	$ 1,213,945
Capital expenditure borrowings converted to term notes	$ 3,582,990	$ -

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

HeartShare Human Services of New York (HeartShare) operates programs in Brooklyn, Queens, and Staten Island, and was founded in 1914. HeartShare serves the community through children and family services, programs for persons of all ages with developmental disabilities and persons affected by HIV-AIDS. HeartShare is supported primarily by service fees paid by Medicaid, New York City and various New York State agencies, and government grants.

HeartShare Wellness, Ltd.'s (Wellness) services include Article 16 clinic services to provide evaluations and long-term therapies to individuals with intellectual and developmental disabilities (IDD), as well as a targeted case management program (Health Home) for those with chronic health/mental health conditions who also receive Medicaid. Wellness began operations on May 1, 2000. Wellness is supported primarily by patient service fees paid by Medicaid.

The members of Wellness are the Chairperson and President and CEO of HeartShare and one other person designated by the Chairperson of HeartShare.

HeartShare Education Center (dba The HeartShare School) (HEC) was granted a provisional charter by the New York State Education Department on July 26, 2006. Effective July 1, 2009, HEC's operations were segregated from HeartShare. HEC is approved by the New York State Education Department and the New York City Department of Education to educate children ages 5 to 21 diagnosed with autism and the spectrum disorders, as well as children diagnosed with mental retardation and other developmental disabilities. HEC focuses on the whole child and uses a combination of educational, behavioral and therapeutic approaches based on each child's unique needs. HEC is funded by the New York State Education Department through the New York City Department of Education and the New York State Department of Health. Additional support is provided through private donations and grants.

The members of HEC are the Chairperson and President and CEO of HeartShare and one other person designated by the Chairperson of HeartShare.

St. Vincent's Services, Inc. (dba HeartShare St. Vincent's Services) (HSVS) serves the community through the provision of foster boarding home services, educational services, medical and mental health care, group homes, and intermediate care services. HSVS is supported primarily by service fees paid by Medicaid, New York City and various New York State agencies, and government grants. HeartShare and HSVS formally affiliated in 2014.

The by-laws state that HSVS shall have only five (5) members: The Chairperson of HeartShare (unless otherwise so designated by the Board of Directors of HeartShare); the President and CEO of HeartShare (unless otherwise so designated by the Board of Directors of HeartShare); one (1) other person designated by the Board of Directors of HeartShare, the "Designee of HeartShare"; and one other person designated by the Board of Directors of The William M. Casey Foundation, Inc. (the Foundation), and, ex officio, the Bishop of The Roman Catholic Diocese of Brooklyn, New York, or his designee as so designated in writing by the Bishop.

During 2019, HSVS Property Foundation, Ltd. was formed as a 501(c)(2) organization holding title to certain properties of HSVS. HSVS is the sole member of HSVS Property Foundation, Ltd. As of June 30, 2019, there was no activity in HSVS Property Foundation, Ltd.

HeartShare is a member of the New York Integrated Network for Persons with Developmental Disabilities and Affiliate (the Network) which was founded on June 12, 2012 as a collaborative venture of successful and trusted service providers in New York State. The purpose is to become a sustainable network with an integrated system with multiple services and supports that will develop new and innovative models of care, utilize best practices, stabilize quality of services, and demonstrate effective and efficient delivery of care. On November 14, 2014, the Network was granted exemption from federal income tax under Internal Revenue Code Section 501(c)(3). The Network is a publicly supported organization as described in Internal Revenue Code Section 509(a). No consolidation is required as HeartShare is one of several members and has less than a 50 percent membership in the corporation.

Meaningful NY Initiatives for People with Disabilities, Inc. (MNY) was founded on July 7, 2014. The purpose is to support individuals with disabilities in developing skills that will enable them to enter and be successful in the workforce by providing services to the community. On March 9, 2015, MNY was granted exemption from federal income tax under Internal Revenue Code Section 501(c)(3). MNY is a publicly supported organization as described in Internal Revenue Code Section 509(a). Contributions to the Network have been expensed in these statements. No consolidation is required as HeartShare is one of several members and has less than a 50 percent membership in MNY.

Consolidation

The consolidated financial statements include the balances, activities and cash flows of HeartShare, Wellness, HEC, and HSVS. All material intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

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

Accounts Receivable

HeartShare Human Services of New York and Affiliates (HeartShare and Affiliates) record receivables based on the amount of consideration to which the organization expects to be entitled in exchange for services provided based on established rates. HeartShare and Affiliates perform individual credit risk assessments which evaluates the individual circumstances, abilities and intentions of each customer prior to providing the services. If subsequent to providing the services HeartShare and Affiliates become aware of customer-specific events, facts or circumstances indicating customers no longer have the ability or intention to pay the amount of consideration to which HeartShare and Affiliates expected to be entitled for providing the services, then the related receivable balances are written off as bad debt expense and reported in the statement of activities as other operating expenses.

Contract Assets

Amounts related to services provided to customers which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Contract asset balances would consist primarily of services provided to customers who are still receiving services at the end of the year. There were no contract assets at June 30, 2019.

Due from Metro Community Health Centers, Inc.

Included in due from Metro Community Health Centers, Inc. is a loan receivable which is recorded based on a signed loan agreement (see *Note 6*). Interest is accrued based on a rate specified in the loan agreement. In addition, a receivable has been recorded for operational costs incurred in the start up of the program. No allowance has been recorded at June 30, 2019 and 2018.

Beneficial Interest in Perpetual Trust

HSVS is a beneficiary of a perpetual trust held by another entity, as a trustee. HSVS' beneficial interest in this trust is recorded at the fair value.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Items with a cost in excess of $500 for HeartShare, Wellness, and HEC, and $1,000 for HSVS, and an estimated useful life of greater than one year are capitalized. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is provided on the straight-line method over the shorter of the term of the lease or the estimated useful life of the improvement.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	20 - 25 years
Transportation equipment	4 - 5 years
Furniture and equipment	3 - 15 years
Leasehold improvements	5 - 15 years

HeartShare capitalizes interest costs as a component of buildings, based on the weighted-average rates paid for long-term borrowing. Total interest incurred each year was:

	2019	2018
Interest costs capitalized	$ 138,230	$ 75,248
Interest costs charged to expense	1,165,517	1,185,300
Total interest incurred	$ 1,303,747	$ 1,260,548

Long-Lived Asset Impairment

HeartShare evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2019 and 2018.

Debt Issuance Costs

Debt issuance costs are reflected as a reduction of the carrying amount of the related debt and are amortized on the straight-line basis over the term of the associated debt. Amortization of debt issuance costs is included in interest expense.

Contract Liability

A contract liability represents revenue that has been deferred for the funds advanced by various government agencies for HeartShare and Affiliates' contracts related to services that have not yet been provided to customers. Contract liabilities consist of payments made by funding sources for HeartShare and Affiliates' contracts for services not yet performed and are expected to be performed within the next fiscal year. There were no contract liabilities at June 30, 2019.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Rental Income

Rental income is recognized based on the lease agreements. Leases are reflected on the straight-line basis. Accrued rental income is accrued when material.

Contributions and Bequests

Contributions and bequests are provided to HeartShare and Affiliates either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution and bequest is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on HeartShare and Affiliates overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.*, the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of operations as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Leases

Leases are classified as operating or capital leases in accordance with the terms of the underlying agreements. Operating lease payments are charged to rent expense. Rent expense is recorded on the straight-line basis over the term of the lease, unless another systematic and rational basis is more representative of the time pattern in which use benefit is derived from the leased property, in which case that basis shall be used. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense.

Income Taxes

HeartShare and Affiliates are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. HeartShare is a publicly supported organization as described in Section 509(a).

However, HeartShare and Affiliates are subject to federal income tax on any unrelated business taxable income. HeartShare and Affiliates file tax returns in the U.S. federal jurisdiction.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 financial statement presentation. These reclassifications had no effect on the change in net assets.

Changes in Accounting Principles

Revenue from Contracts with Customers

On July 1, 2018, HeartShare and Affiliates adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) using a modified retrospective method of adoption to all contracts with customers at July 1, 2018.

The core guidance in ASU 2014-09 is to recognize revenue to depict the provision of services to individuals with autism and other developmental disabilities in amounts that reflect the consideration to which HeartShare and Affiliates expect to be entitled in exchange for those services.

The amount to which HeartShare and Affiliates expect to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing the services.

Adoption of ASU 2014-09 resulted in changes in presentation of financial statements and related disclosures in the notes to the financial statements. Because contracts are generally completed within a year, HeartShare and Affiliates use the actual transaction price rather than estimating variable consideration amounts for contracts completed during the year ending June 30, 2019.

Presentation of Financial Statements of Not-For-Profit Entities

In 2019, HeartShare and Affiliates adopted ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets-those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets-unrestricted, temporarily restricted and permanently restricted.

Statement of Cash Flows

- HeartShare and Affiliates continue to use the indirect method of reporting to present operating cash flows.

Notes to the Financial Statements

- Expenses are reported by both nature and function in one location.
- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.

These changes had no impact on previously reported total change in net assets.

Note 2: Revenue from Contracts with Customers

Service Revenue

HeartShare and Affiliates receive funding from Medicaid, New York City, New York State agencies through fees and government grants. Revenue is reported at the amount that reflects the consideration to which HeartShare and Affiliates expect to be entitled in exchange for providing the contracted services. These amounts are due from third-party payors (including government programs) and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, HeartShare and Affiliates bill the third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Performance obligations are determined based on the nature of the services provided by HeartShare and Affiliates. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. HeartShare and Affiliates believe that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. HeartShare and Affiliates measure the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services to under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the government agencies' stipulations.

Because all of its performance obligations relate to contracts with a duration of less than one year, HeartShare and Affiliates have elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed when the service is completed and upon submission of required documentation.

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

Third-Party Payors

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicaid: Reimbursements for Medicaid services are generally paid for each type of service provided.

Other: Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provided organizations provide for payment using prospectively determined rates per established charges and prospectively determined daily rates. Certain of these rates are subject to final settlement and determined after submission of annual cost reports by HeartShare and Affiliates.

Private Pay

Agreements with customers typically provide for payments at established charges.

Significant Judgements

Laws and regulations concerning government programs, including Medicaid, are complex and subject to varying interpretation. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge HeartShare and Affiliates' compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon HeartShare and Affiliates. Revenues and receivables arising from the programs are dependent upon final audit and negotiations between HeartShare and Affiliates and various third parties. As of June 30, 2019 and 2018, an allowance for potential rate adjustments of $3,698,375 and $4,481,183, respectively, has been included in these financial statements.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and HeartShare and Affiliates' historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews and investigations.

Revenue Composition and Reimbursement Method

The composition of revenue by payor for the years ended June 30, 2019 is as follows:

	Boarding Home	Medical and AIDS Services	Residence Program	Prevention	Education	Respite	Day Programs	Clinical Services	Children Community Residence	Other Programs	Total
Medicaid	$ -	$ 2,925,010	$ 39,861,907	$ -	$ -	$ 820,105	$ 26,167,291	$ 3,328,319	$ -	$ -	$ 73,102,632
Medicare	-	41,303	-	-	-	-	-	-	-	-	41,303
OPWDD	-	-	3,654,924	-	-	195,082	-	-	-	-	3,850,006
New York City Governmental Agencies	15,800,632	-	9,263,292	-	18,782,875	-	-	-	-	-	43,846,799
New York State Department of Health	-	-	-	-	30,019	-	-	-	-	-	30,019
OMH	-	159,549	979,793	-	-	-	-	-	2,841,515	-	3,980,857
Managed Care	-	1,469,806	3,077,164	-	-	23,659	670,255	-	-	-	5,240,884
SNAP	-	-	717,060	-	-	-	-	-	-	-	717,060
SSI	-	-	3,593,672	-	-	-	-	-	-	-	3,593,672
Private	-	92,034	134,505	-	-	-	94,778	-	100,543	-	421,860
Other	70,563	6,683	10,642	-	-	5,468	-	-	-	292,564	385,920
Total Topic 606	15,871,195	4,694,385	61,292,959	-	18,812,894	1,044,314	26,932,324	3,328,319	2,942,058	292,564	135,211,012
Grants											
New York City government agencies	-	-	-	7,437,290	-	-	-	-	-	-	7,437,290
Other	-	-	-	167,073	-	-	-	-	-	-	167,073
	$ 15,871,195	$ 4,694,385	$ 61,292,959	$ 7,604,363	$ 18,812,894	$ 1,044,314	$ 26,932,324	$ 3,328,319	$ 2,942,058	$ 292,564	$142,815,375

Per Diem	$131,871,607
Per Contract	3,339,405
	$135,211,012

HeartShare' revenue is reimbursed on a per-diem and per-contract basis. Revenue of $135,211,012 for the year ended June 30, 2019 was recognized as the service transferred over time. Additionally, $7,604,363 represents grants from government agencies and are included on the statements of activities under fees and grants from government agencies.

Financing Component

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

Contract Costs

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

Note 3: Distribution Receivable

Distribution receivable are discounted using a 3 percent discount rate and are due as follows:

	2019	2018
Current	$ 720,000	$ 720,000
Two to five years	3,060,000	3,600,000
Thereafter	-	180,000
	3,780,000	4,500,000
Discount on pledges	(286,676)	(401,355)
	$ 3,493,324	$ 4,098,645

As of June 30, 2019 and 2018, the distribution receivable in the amount of $3,780,000 and $4,500,000, respectively, was from The William M. Casey Foundation, Inc. (the Foundation). This will be funded through part of the proceeds of a 99-year land lease held by the Foundation.

Note 4: Beneficial Interest in Perpetual Trust

HSVS has been named as an irrevocable beneficiary of a perpetual trust held and administered by independent trustees. Perpetual trust provides for the distribution of the net income of the trusts to HSVS; however, HSVS will never receive the assets of the trusts.

At the date HSVS receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statements of activities. A beneficial interest in perpetual trust is recorded in the statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

The estimated value of the expected future cash flows is $44,765 and $49,056, which represents the fair value of the trust assets at June 30, 2019 and 2018, respectively. The loss from this trust for 2019 and 2018 was $4,291 and $838, respectively.

Note 5: Interest in Net Assets of The William M. Casey Foundation, Inc.

HSVS and The William M. Casey Foundation, Inc. (the Foundation) are financially interrelated organizations. As described in *Note 10*, the Foundation is a real estate holding company exempt under the Internal Revenue Code section 501(c)(2).

HSVS' interest in the net assets of the Foundation is accounted for in a manner similar to the equity method. Changes in the interest are included in change in net assets. Transfers of assets between the Foundation and HSVS are recognized as increases or decreases in the interest in the net assets of the Foundation with corresponding decreases or increases in the assets transferred and have no effect on change in net assets.

HSVS' interest in the net assets of the Foundation was $8,249,665 and $7,249,480 at June 30, 2019 and 2018, respectively. This interest includes all the net assets that donors have stipulated should be used for HSVS.

Note 6: Due from Metro Community Health Centers, Inc.

During 2016, Wellness transferred its medical clinic license, pursuant to Article 28 of the Public Health Law, to Metro Community Health Centers, Inc., an unrelated not-for-profit organization. Additionally, pursuant to an asset sale agreement, on August 29, 2016, Wellness (seller) sold certain assets with a net book value of $1,234,050 to Metro Community Health Centers, Inc. In connection with this sale, Wellness recorded a gain of $220,252. As part of the agreement, Wellness accepted a note evidencing a loan receivable in the amount $1,454,302. The loan bears interest at an annual rate of 5.5 percent payable monthly over eight years. The payments were scheduled to begin in January 2017, however, due to cash flow issues, Wellness has agreed to defer collection until funds become available. As of June 30, 2019 and 2018, a total of $1,130,568 and $1,303,478, respectively, on the loan was outstanding.

Additionally, Wellness agreed to lease certain employees, provide contracted staff, rental space, and other costs to the same unrelated not-for-profit organization. The sublease agreement expires in May 2024. As of June 30, 2019 and 2018, $469,312 and $581,459, respectively, was due under this arrangement.

During 2019 and 2018, Wellness recorded rental income in the amount of $131,703 and $105,476, respectively.

The loans receivable and other amounts are due as follows:

2020	$ 711,569
2021	182,703
2022	193,012
2023	203,897
2024	215,400
Thereafter	93,299
	$ 1,599,880

Rental income to be received is as follows:

2020	$ 510,157
2021	525,462
2022	541,226
2023	557,462
2024	526,338
	$ 2,660,645

Note 7: Property and Equipment

Property and equipment at June 30, 2019 and 2018 consist of:

	2019	2018
Land	$ 6,489,545	$ 6,144,545
Buildings	24,224,950	24,631,245
Transportation equipment	131,824	140,122
Furniture and equipment	11,230,907	10,360,034
Leasehold improvements	30,098,975	28,682,570
Construction in progress	3,442,158	-
	75,618,359	69,958,516
Accumulated depreciation and amortization	(45,147,697)	(42,189,700)
	$ 30,470,662	$ 27,768,816

Note 8: Debt Service Reserve

Under the terms of the DASNY mortgages, HeartShare was required to deposit with the Medical Care Facilities Financing Agency (MCFFA) amounts to be held in reserve, which will be withdrawn to satisfy the remaining installments on the DASNY mortgages. The balance of the reserve fund as of June 30, 2019 and 2018 consists of cash of $230,899. This amount is included in deferred charges and other assets on the consolidated statement of financial position.

Note 9: Due to Government Agencies

HeartShare and Affiliates receive funding from various government agencies including the New York State Office for People with Developmental Disabilities (OPWDD), the New York State Office of Mental Health (OMH), the Center for Medicaid Services (CMS), the New York City Department of Mental Health and Hygiene (DMHH), New York City Department of Education, and New York State Education Department. These agencies, as well as the New York State Office of the Attorney General's Medicaid Fraud Control Unit (MFCU), the Internal Revenue Service, the New York State Office of the Attorney General's Charities Bureau, the New York State Department of Health's Independent Office of Medicaid Inspector General (OMIG), OASAS, New York City Human Resources Administration and other agencies have the right to audit fiscal, as well as programmatic compliance of HeartShare and Affiliates.

Due to New York City and New York State

HeartShare entered into contracts with OPWDD for the operation of eleven intermediate care facilities, nineteen individual residential alternatives, twenty-two supportive IRA apartments, and ten-day habilitation programs. As part of these agreements, OPWDD advanced funds to HeartShare for preoperational start-up costs, equipment, renovations, lease costs, real estate taxes and operations. HeartShare has agreed to pay back to OPWDD all of the above funds to the extent that such costs are reimbursed by Medicaid.

As of June 30, 2019 and 2018, HeartShare had accrued a liability in the amount of $6,951,882 and $6,881,739, respectively, for OPWDD advances, day habilitation recoupments, and the effects of new ICF reimbursement methodology.

As of June 30, 2019 and 2018, an estimated liability for HeartShare in the amount of $501,000 has been included in these consolidated financial statements for erroneous collection of food stamps receipts by certain consumers. These monies should not have been collected and are in the process of being refunded to the funding source.

The total amount due to New York State by HeartShare for these advances, liabilities and accrued interest was $7,452,882 and $7,382,739 at June 30, 2019 and 2018, respectively. During 2018, HeartShare entered into an agreement to repay a total of $5,183,974 based on weekly recoupments through April 2021.

As of June 30, 2019 and 2018, HSVS has due to government agencies of $10,701,886 and $9,684,162, respectively, has been included in these consolidated financial statements which consist of the following:

- HSVS entered into an agreement with New York City Administration for Children's Services to repay an original amount of $2,586,373 over 30 years (ending in 2046) at a rate of $7,185 per month. As of June 30, 2019 and 2018, the outstanding amount was $2,357,188 and $2,443,407, respectively.
- OMIG has audited the chemical dependency and clinic programs for HSVS. Formal findings have been communicated and a liability of $2,921,212 and $3,640,996 has been recorded in these consolidated financial statements as of June 30, 2019 and 2018, respectively.
- The remaining amounts of $5,423,486 and $3,599,759 as of June 30, 2019 and 2018, respectively, are related to New York City related foster care and group homes programs.

OMIG and the New York State Office for People with Developmental Disabilities audited HeartShare's home and community-based waiver services Medicaid billing. A preliminary report has been issued, which HeartShare has provided comprehensive written responses. At June 30, 2019, HeartShare has recognized a liability of $407,788 based on the draft report and are waiting a final determination. No further information was received from OMIG or OPWDD in regard to the responses.

As of the date of this report, audits performed by New York City (NYC) have been completed through June 30, 2014 and final reimbursement rates have been determined. Recoupments are made by reducing current payments for services provided.

The Office of State Comptroller performed an audit of HeartShare's Consolidated Fiscal Reports (CFR) for the years ended June 30, 2012, 2013 and 2014. The purpose of the audit was to determine if HeartShare's CFRs were properly calculated, adequately documented and allowable under the State Educational Department's Reimbursable Cost Manual. HeartShare received the final audit report on October 24, 2017. The audit results will not have a significant impact on HeartShare's financial position.

Due to Dormitory Authority of the State of New York

HeartShare has entered into loan agreements with the Dormitory Authority of the State of New York (DASNY) payable in annual installments until February 2019. The $108,663 and $216,356 due at June 30, 2019 and 2018, respectively, represent debt service payments on these loans not yet withheld from HeartShare's Medicaid payments.

Due From/To New York City Department of Education

HEC has agreed to the final reconciliation for tuition years through 2016 with the New York City Department of Education (DOE). These amounts are included in accounts receivable at June 30, 2019 and 2018.

In addition, HEC has received overpayments from the DOE for certain students. These amounts are included in the due to DOE and will be recouped from future tuition payments.

Note 10: Related-Party Transactions

The William M. Casey Foundation, Inc. is a tax-exempt entity under Section 501(c)(2). The Foundation is a real estate holding corporation for the purpose of supporting HSVS by holding title or leases to property to be leased, rented, subleased or otherwise made available to HSVS in its efforts to fulfill its mission statement, which may be amended from time to time.

The sole member of the Foundation is the Bishop of the Roman Catholic Diocese of Brooklyn, New York, and such membership shall not be terminated due to the death or resignation or expulsion of the person then holding such title but shall thereafter inure to the benefit of his successor.

HSVS rents office space and equipment from the Foundation through operating leases. Rent expense for the years ended June 30, 2019 and 2018 amounted to $1,556,143 and $1,548,683, respectively.

Note 11: Long-Term Debt

		2019	2018
A	Note payable - HSBC Bank, U.S.A.	$ 8,370,734	$ 10,180,940
B	Working capital line of credit - HSBC Bank, U.S.A.	1,000,000	-
C	Capital expenditure line of credit - HSBC Bank, U.S.A.	3,587,750	3,582,991
D	Mortgage payable (East 99th Street) - HSBC Bank, U.S.A.	793,020	850,260
E	Mortgage payable (East 102nd Street) - HSBC Bank, U.S.A.	881,472	945,097
F	Mortgage payable (East 66th Street) - HSBC Bank, U.S.A.	599,340	642,601
G	Mortgage payable (168th Street) - HSBC Bank, U.S.A.	692,889	709,100
H	Mortgage payable (Clermont Avenue) - HSBC Bank, U.S.A.	566,123	622,461
I	Mortgage payable (East 29th Street) - HSBC Bank, U.S.A.	281,835	342,569
J	Mortgage payable (153rd Avenue) - HSBC Bank, U.S.A.	579,367	-
K	Mortgage payable (Clarke Avenue) - HSBC Bank, U.S.A.	1,004,526	-
L	Mortgage payable (Avenue L) - HSBC Bank, U.S.A.	755,641	-
M	Mortgage payable (120th Avenue) - HSBC Bank, U.S.A.	1,223,509	-
N	Note payable - Dormitory Authority of the State of New York (DASNY)	-	2,625
O	HSVS Note payable - HSBC Bank, U.S.A.	3,438,792	3,897,360
P	HSVS Note payable - Dormitory Authority of the State of New York (DASNY)	2,051,645	2,131,852
		25,826,643	23,907,856
	Less unamortized debt issuance costs	(814,336)	(766,283)
	Less current maturities	(3,832,697)	(3,666,441)
		$ 21,179,610	$ 19,475,132

(A) In June 2013, HeartShare entered into a loan agreement with HSBC Bank, U.S.A. As part of the loan agreement, HeartShare borrowed the following amounts and agreed to the repayment schedules and collateral terms. The original principal amount of $18,000,000 bears interest at a rate of 4.35 percent per annum and is payable in monthly installments until July 2023. The properties encumbered are the land and buildings located at various program sites.

(B) In October 2016, HeartShare and HSVS entered into a revolving loan agreement for working capital of up to $12,000,000. The line of credit is renewable annually in March and bears interest at LIBOR plus 2.75 percent, as amended in July 2018. The borrowings on the line of credit is expected to be converted into term loans in 2021. The interest rate was 5.27 percent and 6 percent as of June 30, 2019 and 2018, respectively.

(C) In June 2013, HeartShare entered into a bridge financing facility revolving loan agreement for capital expenditures of up to $7,000,000. The agreement was amended in July 2018 to increase the available line to $9,500,000 and modify the interest rate to prime rate. The line of credit is renewable annually in March. The line of credit is payable on demand. The interest rate was 5.5 percent and 6 percent as of June 30, 2019 and 2018, respectively.

Interest of $138,230 and $75,248 was capitalized for the years ended June 30, 2019 and 2018, respectively, relating to construction projects. Once the construction project is completed, the expenditures are converted to bridge loans and then to a permanent loan.

(D) In August 2014, HeartShare entered into a $1,040,000 loan agreement with HSBC Bank, U.S.A. The loan bears interest at a rate of 4.82 percent per annum and is payable in monthly installments of $8,127 until October 2029. Payments commenced on October 1, 2014. The properties encumbered are the land and buildings located at various program sites.

(E) In August 2014, HeartShare entered into a $1,156,000 loan agreement with HSBC Bank, U.S.A. The loan bears interest at a rate of 4.82 percent per annum and is payable in monthly installments of $9,034 until October 2029. Payments commenced on October 1, 2014. The properties encumbered are the land and buildings located at various program sites.

(F) In August 2014, HeartShare entered into a $786,000 loan agreement with HSBC Bank, U.S.A. The loan bears interest at a rate of 4.82 percent per annum and is payable in monthly installments of $6,142 until October 2029. Payments commenced on October 1, 2014. The properties encumbered are the land and buildings located at various program sites.

(G) In June 2017, HeartShare converted a bridge loan in the amount of $722,839 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at a rate of 4.71 percent per annum and is payable to HSBC Bank, U.S.A. in monthly installments of $4,104 until November 2042. Payments commenced July 1, 2017. The loan is secured by property located in Springfield Gardens, New York.

(H) In July 2017, HeartShare converted a bridge loan in the amount of $672,853 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 4.66 percent per annum and is payable in monthly installments of $7,026 until July 2027. The loan is secured by property located in Brooklyn, New York.

(I) In August 2017, HeartShare converted a bridge loan in the amount of $392,365 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 4.26 percent per annum and is payable to in monthly installments of $6,186 until August 2023. The loan is secured by property located in Brooklyn, New York.

(J) In November 2018, HeartShare converted a bridge loan in the amount of $583,694 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 5.51 percent per annum and is payable to in monthly installments of $3,587 until June 2044. The loan is secured by property located in Howard Beach, New York.

(K) In December 2018, HeartShare converted a bridge loan in the amount of $1,012,000 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 5.17 percent per annum and is payable to in monthly installments of $6,016 until June 2044. The loan is secured by property located in Staten Island, New York.

(L) In December 2018, HeartShare converted a bridge loan in the amount of $763,400 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 5.44 percent per annum and is payable to in monthly installments of $4,659 until April 2044. The loan is secured by property located in Brooklyn, New York.

(M) In June 2019, HeartShare converted a bridge loan in the amount of $1,223,509 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 4.27 percent per annum and is payable to in monthly installments of $6,641 until October 2044. The loan is secured by property located in Jamaica, New York.

(N) HeartShare entered into a loan agreement with DASNY, a body corporate and politic of the State of New York, constituting a public benefit corporation, acting by and through its agent, the Commissioner of New York State Office for People with Developmental Disabilities. As part of the loan agreement, HeartShare borrowed the following amount and agreed to the repayment schedules and collateral terms. The loan bears interest at a rate of 6.41 percent per annum and is payable by HeartShare Human Services of New York to DASNY in semiannual installments until February 2019. The loan has been fully paid off as of June 30, 2019. The property encumbered is the land and building located in Maspeth, New York.

(O) In October 2015, HSVS entered into a $5,000,000 term loan agreement with HSBC Bank, U.S.A for working capital purposes. Payments commenced December 1, 2015. Interest is charged at a fixed rate of 3.92 percent per year. The loan is based on a 10-year amortization but will be due in 59 monthly installments.

The balance of any principal outstanding on the $5,000,000 term loan will be due on the maturity date which is November 1, 2020, or within one year of the issuance of these consolidated financial statements. HSVS does not anticipate having liquid funds available to make this balloon payment at its maturity date. As such, management intends to refinance the term loan prior to its maturity date.

(P) In December 2016, HSVS entered into a loan agreement with DASNY in the amount of $2,250,580 for the purpose of acquiring a building. Principal and interest are payable semiannually in the amount of $96,465. The loan matures on June 1, 2035. Interest is fixed at a rate of 5.3357 percent per year. The loan is secured by HSVS's revenue and furniture and equipment.

Aggregate annual maturities of long-term debt at June 30, 2019, are:

2020	$ 3,832,697
2021	9,017,909
2022	2,581,770
2023	2,700,490
2024	783,248
Thereafter	6,910,529
	$ 25,826,643

Interest expense on long-term debt was $1,165,517 and $1,185,300 for the years ended June 30, 2019 and 2018, respectively.

Note 12: Operating Leases

HeartShare leases space under noncancelable operating leases at various locations. The annual rentals are subject to escalation agreements and periodic rate increases, which expire at various dates through December 2029. Rental payments for the preschool program also include payments of principal and interest on the mortgage obtained by the landlord for site renovations. In addition, HeartShare currently leases space for its administrative offices. The lease terminates in May 2021.

Wellness leases space at various locations under lease agreements expiring between 2018 and 2028. HeartShare has guaranteed these leases.

HeartShare leases a facility, which it subleases to HEC for its program services. HEC is charged directly for the rent expense for their portion of the space so no elimination is necessary. The lease expired on June 30, 2018. In January 2018, HeartShare renewed its lease for an additional ten years commencing on July 1, 2018 with the expiration date of June 30, 2028.

HSVS leases space under noncancelable operating leases at various locations. The annual rentals are subject to escalation agreements and periodic rate increases, which expire on various dates through August 2026.

The HeartShare and HSVS operating leases are contingent upon the continuation of government funding.

The total rent expense for years ended June 30, 2019 and 2018 is $11,359,843 and $10,524,856, respectively.

Future minimum lease payments at June 30, 2019 were:

2020	$ 10,555,448
2021	8,332,166
2022	6,730,022
2023	5,838,031
2024	4,546,935
Thereafter	17,449,544
Total	$ 53,452,146

See *Note 6* for details of the sublease to Metro Community Health Centers, Inc.

Note 13: Pension and Other Postretirement Benefit Plans

Multiemployer Pension Plan

HeartShare and Affiliates contribute to a multiemployer defined benefit pension plan. The plan is administered by Catholic Federation of Social Service Agencies of Brooklyn and Queens (a separate unrelated organization.) The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If HeartShare and Affiliates choose to stop participating in some of its multiemployer plans, HeartShare and Affiliates may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

HeartShare and Affiliates' participation in this plan for the annual periods ended June 30, 2019 and 2018 is outlined below.

- Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2019 and 2018 is for the plan's year-end at June 30, 2018, and June 30, 2017, respectively.
- The zone status is based on information HeartShare and Affiliates received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone generally are less than 65 percent funded, plans in the yellow zone are less than 80 percent funded and plans in the green zone are at least 80 percent funded.
- The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) either is pending or has been implemented.

There have been no significant changes that affect the comparability of 2019 and 2018 contributions.

Pension Fund	EIN Number	Pension Protection Act Zone Status		FIP/RP Status Pending/ Implemented	Contributions of HeartShare and Affiliates	
		2019	2018		2019	2018
Catholic Federation of Social Service Agencies of Brooklyn and Queens Defined Benefit Plan	26-4439481	Yellow as of 6/30/2018	Yellow as of 6/30/2017	None	$ 2,547,504	$ 2,546,012

As of June 30, 2019 and 2018, $1,369,444 and $0, respectively, was accrued and was recorded as part of accounts payable and accrued expenses on the consolidated statements of financial position.

Defined Contribution Plan

Effective July 1, 2014, HeartShare and Affiliates entered into the Catholic Federation of Social Service Agencies of Brooklyn and Queens Defined Contribution Pension Plan. The Plan is a multiple-employer church plan. Contributions for eligible employees of HeartShare, Wellness, and HEC were made at the rate of 1 percent and 3 percent of participants' salaries for the years ended June 30, 2019 and 2018, respectively. Contributions for eligible employees of HSVS were made at the rate of 1 percent of participants' salaries for the years ended June 30, 2019 and 2018, respectively. Contribution expense for the years ended June 30, 2019 and 2018 was $585,148 and $1,140,568, respectively. As of June 30, 2019 and 2018, $106,533 and $292,500, respectively, was accrued and was recorded as part of accounts payable and accrued expenses on the statements of financial position.

Defined Benefit Pension Plan

HSVS had a defined benefit pension plan covering certain eligible employees. Plan benefits were generally based on the greater of an employee's accumulated cash balance plus interest or years of service and the employee's compensation during the last several years of employment. HSVS' funding policy was based on an actuarially determined cost method allowable under applicable regulations. The funds were invested in individual annuities. HSVS terminated the plan effective June 30, 2019 and all funds and liabilities have been paid out.

HSVS used a June 30 measurement date for the plan. Information about the plan's funded status for pension benefits as of June 30, 2018 is as follows:

	2018
Pension benefit obligation	$ (238,532)
Fair value of plan assets	99,912
Funded status	$ (138,620)

The net funded status liability was recognized in the consolidated statement of financial position and included as part of accrued salaries, vacation and pension payable as of June 30, 2018.

Information about the change in pension benefit obligations is as follows:

	June 30, 2018
Change in benefit obligations	
Beginning of year	$ (269,733)
Benefits paid	71,396
Interest cost	(18,881)
Actuarial gain (loss)	(21,314)
End of year	$ (238,532)

Information about the change in fair value of plan assets is as follows:

	June 30, 2018
Change in fair value of plan assets	
Beginning of year	$ 260,758
Actuarial return on plan assets	(89,450)
Benefits paid	(71,396)
End of year	$ 99,912

Components of net periodic benefit costs:

	June 30, 2018
Interest cost	$ (18,881)
Actual return of assets	(89,450)
Amounts arising during the period	
Net gain	102,705
Amounts reclassified as components of net periodic benefit cost of the period	
Net gain	6,228
Net periodic benefit cost	$ 602

Significant assumptions for pension benefits include:

	June 30, 2018
Weighted-average assumptions used to determine benefit obligations	
Discount rate	7.00%
Rate of compensation increase	5.00%
Weighted-average assumptions used to determine benefit costs	
Discount rate	7.00%
Rate of compensation increase	5.00%
Expected return on plan assets	7.00%

The expected rate of return on plan assets assumption of 7.0 percent was utilized as the best estimate for long-term asset performance based primarily on historical returns on plan assets.

Pension Plan Assets

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy.

At June 30, 2018, all of the plan's funds were invested in fixed annuity contracts and were classified as within the Level 2 hierarchy as disclosures for pricing methods are considered observable inputs.

Defined Benefit Postretirement Health Care Plan

HeartShare has a noncontributory defined benefit postretirement health care plan covering all employees who meet the eligibility requirements. HeartShare has not funded the plan to date. HeartShare does not expect to contribute to the plan in 2020.

HeartShare uses a July 1 measurement date for the plan. Information about the plan's funded status follows:

	2019	2018
Benefit obligation	$ (518,610)	$ (574,630)
Fair value of plan assets	-	-
Funded status	$ (518,610)	$ (574,630)

Assets and liabilities recognized in the statements of financial position:

	2019	2018
Noncurrent assets	$ -	$ -
Current liabilities	-	10,340
Noncurrent liabilities	518,610	564,290

Information about the change in benefit obligations is as follows:

	2019	2018
Benefit obligation at beginning of year	$ (573,660)	$ (574,630)
Service cost	(6,794)	(6,916)
Interest cost	(23,024)	(21,144)
Actuarial gain (loss)	84,868	29,030
	$ (518,610)	$ (573,660)

Other significant balances and costs are:

	2019	2018
Employer contributions	None	None
Participant contributions	None	None
Benefits paid	None	None
Net periodic benefit costs	$ 111,394	$ 144,809

Other changes in plan assets and benefit obligations recognized in change in net assets:

	2019	2018
Amounts arising during the period		
Net (gain) loss	$ 84,868	$ 29,030
Net prior service cost (credit)	6,794	6,916
Amounts reclassified as components of net periodic benefit cost of the period		
Net (gain) loss	81,576	116,749
Net prior service cost (credit)	None	None
Net transition (asset) obligation	None	None

The estimated net (gain) loss for the other defined benefit postretirement plans that will be amortized into net periodic benefit cost over the next fiscal year is $15,499.

Significant assumptions include:

	2019	2018
Weighted-average assumptions used to determine benefit obligations		
Discount rate	3.46%	4.05%
Rate of compensation increase	N/A	N/A
Weighted-average assumptions used to determine benefit costs		
Discount rate	4.05%	3.73%
Expected return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A

For measurement purposes, a 4.75 percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 2019 and 2018, respectively. The rate was assumed to decrease gradually to 3.784 percent by the year 2075 and remain at that level thereafter.

Contributions	
Expected employer contribution to postretirement benefit plans net of employee contribution for fiscal year 2020	$ -
Estimated Future Benefit Payments	
Shown below are expected benefit payments, which reflect expected future service for fiscal year	
2020	$ -
2021	3,750
2022	7,737
2023	15,008
2024	26,228
2025-2029	166,704

Note 14: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purpose:

	2019	2018
Subject to expenditure for specified purpose		
Developmental disabilities programs	$ 22,229	$ 22,229
Preschool	502,249	502,249
Family and children's services	10,000	10,000
Scholarships	3,481	3,481
American Dream Program	114,212	19,666
Family aid services	56,371	56,371
Smart Girls	54,886	54,886
Vocational training room	10,000	10,000
Other	43,277	43,277
	816,705	722,159
Subject to passage of time		
Promises to give that are not restricted by donors but which are unavailable for expenditure until due		
The William M. Casey Foundation Grant	4,765,365	5,347,595
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for education programs	115,661	115,661
Not subject to spending policy or appropriation		
Beneficial interest in perpetual trust	44,765	49,056
	$ 5,742,496	$ 6,234,471

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2019	2018
Expiration of time restrictions	$ 720,000	$ 720,000
Satisfaction of purpose restrictions		
American Dream Program	155,954	190,091
Teacher Turnover Prevention Program	16,610	7,673
	$ 892,564	$ 917,764

HSVS holds $160,426 and $164,717 of endowment funds as of June 30, 2019 and 2018, respectively. This consists of a beneficial interest in perpetual trust of $44,765 and $49,056 as of June 30, 2019 and 2018, respectively, and other endowment funds of $115,661 as of June 30, 2019 and 2018. HSVS's endowment consists of donor-restricted endowment funds to support educational programs to clients of the agency who are currently in care or clients who have aged out of care.

Note 15: Functional Expenses

The costs of providing HeartShare and Affiliates' services have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the program, management and general and fundraising categories based on the job responsibility, square footage, and other methods.

Program services are summarized as follows:

Boarding Home: The Boarding Home Program is funded by the City of New York through the Administration for Children's Services (ACS). ACS places abused and neglected children with contracted agencies that provide the children with foster homes and services. ACS pays a per diem rate to the agency.

Medical Services: The children in foster care receive general medical care through Medicaid. Medicaid is funded 50 percent by the Federal Government and 50 percent by New York State. Based on the different types of programs, the agency receives various per diem rates. The Out Patient Clinic (OPC) serves adult clients who struggle with mental health issues. This program is funded by the New York State Office of Mental Health (OMH). The Chemical Dependency program serves adult clients with substance abuse issues.

AIDS Services: The AIDS Residential Housing Program is funded by the City of New York through the Human Resources Administration's HIV/AIDS Services Administration

(HRA/HASA). This program provided housing and support services for adults with advanced HIV/AIDS. This program closed on June 30, 2018.

Residence Programs for the Developmentally Disabled: Intermediate Care Facilities (ICF) operated by certification from the Office for People with Developmental Disabilities (OPWDD) with a capacity of up to 30 beds to provide active programming, room and board, and continuous 24-hour per day supervision. The supervised Individual Residential Alternative (IRA), which provides 24-hour supervised care, and the Supportive IRA where the consumer receives services in a more independent setting is a community-based group living arrangement that provides room, board and individualized protective oversight. They are designed to provide a home environment and a setting where persons can acquire the skills necessary to live as independently as possible. The residence programs are certified by OPWDD. The Community Habilitation services are residential habilitation services that are provided to individuals who do not reside in a residence which is certified or operated by OPWDD. Residential Habilitation also may include program-related personal care, health care and protective oversight and supervision. Medicaid Service Coordination is a case management program emphasizing an individual's choice. It requires providers to assist the individual in acquiring services that best serve the individual. Residence programs serve adult clients referred from local hospitals who struggle with substance abuse and mental health issues. Residents are connected to support services, such as mental health and drug treatment programs, to help them become self-sufficient. Residence programs, coupled with such services, provide an affordable, safe and permanent place to live for people facing homelessness. In addition to allowing tenants to build their independence and become part of a community, this type of program reduces long-term costs to the city and state, such as for psychiatric inpatient care and emergency rooms.

Prevention: The Prevention Programs are funded by the City of New York. Three of the programs are funded through ACS with contracted services provided to 296 families. The other program is funded through the Department of Youth and Community Development (DYCD) with contracted services provided to 105 families. These programs are community-based family service centers that help families find healthy ways to resolve problems and avoid conflicts and crisis. The goal is to help these families stay together and keep the children out of foster care. ACS and DYCD reimburse the agency for qualifying expenses.

Education: The Education Programs are for children who are diagnosed as learning disabled. Disabilities can range from mild to severe. Clinical services are required for the programs. The program is funded by New York State Education Department through New York City Department of Education. The two Beacon Programs, the Out Of School Time Program, the New York City Housing Authority (NYCHA) Community Program and the two Cornerstone Programs are funded by the City of New York through Department of Youth and Community Development (DYCD). These programs provide recreational and educational activities for community residents of all ages. DYCD reimburses the agency for qualifying expenses.

Respite: Provides an array of services that support families in maintaining their family members with disabilities at home or at site.

Energy Programs: Grants are funded through contributions by Con Edison, Entergy, National Grid, NYSEG, RGE, foundations, corporations, and generous individuals. HeartShare administers the program that helps over 5,000 families stay warm in the winter and cool in the summer.

Day Programs: The Day Programs provide individuals with training in self-care and independent living skills. The programs also offer occupational, physical and speech therapy services. The staff also assists families with residential living plans for their relatives with developmental disabilities. Each facility offers services for individuals based on levels of disability.

Children Community Residence: This program is funded by OMH to provide thirty-two youngsters residing at four locations, each with various services such as daily living, social skills, behavioral management, crisis management, family support and therapeutic recreation.

American Dream Program: This program is funded by contributions used to provide and assist with the finest educational opportunities for clients who are still in care or those who have aged out of care.

Clinical Services: This program includes Article 16 clinic services which provide evaluations and long- term therapies to individuals with intellectual and developmental disabilities (IDD), as well as a targeted case management program (Health Home) for those with chronic health/mental health conditions who also receive Medicaid.

HeartShare Human Services of New York and Affiliates
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

2019

	Salaries, Payroll Taxes, and Employee Benefits	Transportation	Professional Fees and Contract Service Payments	Occupancy	Interest	Depreciation	Other	Total
Program Services								
Boarding Home	$ 8,921,445	$ 247,813	$ 1,422,870	$ 1,435,233	$ 123,230	$ 319,294	$ 7,077,086	$ 19,546,971
Medical Services	3,076,284	64,603	987,439	537,163	58,125	83,696	449,909	5,257,219
AIDS Services	7,494	-	978	-	1,707	-	2,159	12,338
Residence Programs for the Developmentally Disabled	37,170,889	355,345	1,643,966	5,195,168	742,761	2,050,043	6,362,562	53,520,734
Prevention	5,853,845	42,037	112,391	319,491	2,011	14,089	556,078	6,899,942
Education	15,014,377	45,049	214,934	1,392,527	14,316	170,451	956,992	17,808,646
Respite	728,764	21,712	25,006	55,637	13,756	27,373	166,421	1,038,669
Energy Programs	138,061	859	-	9,407	615	2,813	37,748	189,503
Day Programs	11,003,826	5,527,248	506,021	3,694,421	57,766	306,354	1,409,563	22,505,199
Clinical Services	1,950,686	20,184	204,918	323,754	-	15,906	375,471	2,890,919
Children Community Residence	2,321,407	48,563	108,835	50,348	118,438	217,725	363,697	3,229,013
American Dream Program	167,727	50,518	32,929	-	-	-	217,649	468,823
Total program services	86,354,805	6,423,931	5,260,287	13,013,149	1,132,725	3,207,744	17,975,335	133,367,976
Support Services								
Management and general	12,207,744	45,081	2,381,637	1,089,701	31,972	232,774	1,450,127	17,439,036
Fundraising	364,665	4,977	153,681	15,214	820	2,983	224,394	766,734
Direct costs of special events	-	-	-	38,128	-	-	592,735	630,863
Total support services	12,572,409	50,058	2,535,318	1,143,043	32,792	235,757	2,267,256	18,836,633
Less direct costs of special events	-	-	-	(38,128)	-	-	(592,735)	(630,863)
Total expenses	$ 98,927,214	$ 6,473,989	$ 7,795,605	$ 14,118,064	$ 1,165,517	$ 3,443,501	$ 19,649,856	$ 151,573,746

2018

	Salaries, Payroll Taxes, and Employee Benefits	Transportation	Professional Fees and Contract Service Payments	Occupancy	Interest	Depreciation	Other	Total
Total expenses	$ 93,549,927	$ 6,484,384	$ 11,490,173	$ 12,768,296	$ 1,185,300	$ 3,660,550	$ 15,381,702	$ 144,520,332

Note 16: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets

Level 3 Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2019 and 2018:

	Level 3	
	2019	2018
Beneficial interest in perpetual trust	$ 44,765	$ 49,056

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2019. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Beneficial Interest in Perpetual Trust

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Level 3 Valuation Process

Fair value determinations for Level 3 measurements of securities are the responsibility of the Controller’s office. The Controller’s office contracts with a pricing specialist to generate fair value estimates on a monthly or quarterly basis. The Controller’s office challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

Level 3 Reconciliation

	2019	2018
Balance, beginning of year	$ 49,056	$ 49,894
Change in carrying value of trust	(4,291)	(838)
Balance, end of year	$ 44,765	$ 49,056

Note 17: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

General Litigation

HeartShare and Affiliates are subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of HeartShare and Affiliates. Events could occur that would change this estimate materially in the near term.

Postretirement Benefit Obligations

HeartShare has a postretirement health care plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the projected unit credit cost method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

Revenue and Receivable Concentrations

As of June 30, 2019 and 2018, substantially all of the outstanding accounts receivable are due from Medicaid through the New York State and New York City reimbursement systems.

As of June 30, 2019 and 2018, approximately 93 percent and 94 percent, respectively, of revenues is paid by Medicaid, New York State and New York City.

Cash

At June 30, 2019, HeartShare and Affiliates' cash accounts exceeded federally insured limits by approximately $2,913,000.

Note 18: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 comprise the following:

Financial assets	
Cash	$ 2,205,596
Accounts receivable, net	34,563,098
Distribution receivable	720,000
Total financial assets	37,488,694
Donor-imposed restrictions	
Restricted funds	(1,267,959)
Net financial assets after donor-imposed restrictions and available to meet general expenditures within one year	$ 36,220,735

HeartShare and Affiliates receive significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures.

HeartShare and Affiliates manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. HeartShare and Affiliates forecast its future cash flows and monitors its liquidity.

Note 19: Subsequent Events

Subsequent events have been evaluated through November 27, 2019, which is the date the consolidated financial statements were issued. Subsequent to year-end, HeartShare Wellness, Ltd. transferred a targeted case management program (Health Home) to HSVS.

Note 20: Restatement of Prior Years' Financial Statements

The 2018 consolidated financial statements have been restated to correct previous reporting errors including the recognition of deferred rent liability and the corresponding straight-line rent adjustment. The adjustment relating to this restatement of $1,077,258 applicable to 2017 and prior have been included in the restated 2017 beginning net assets. During 2018, the deferred rent liability was then decreased by $51,186 for a net correction at the end of 2018 of $1,026,072. Additionally, during 2018, there was a correction for the reporting of an interest in the William M. Casey Foundation, Inc. (Foundation) in the amount of $437,524. This amount was incorrectly recorded as part of the change in interest on the statement of activities versus an increase in the due from the Foundation. In addition, there were error corrections between current and long-term liability classifications on the statement of financial position.

The following financial statement line items for 2018 have been restated:

	As Restated	As Previously Reported	Effect of Change
Statements of Financial Position			
Accounts receivable	$ 30,362,855	$ 29,350,513	$ 1,012,342
Total current assets	40,260,780	39,248,438	1,012,342
Due from The William M. Casey Foundation, Inc.	1,237,274	799,750	437,524
Interest in net assets of The William M. Casey Foundation, Inc.	7,249,480	7,687,004	(437,524)
Total assets	81,287,141	80,274,799	1,012,342
Other current liabilities	430,658	888,402	(457,744)
Due to government agencies	5,788,805	4,776,463	1,012,342
Total current liabilities	21,188,630	20,634,032	554,598
Deferred rent liability	1,483,816	-	1,483,816
Total long-term liabilities	37,175,278	35,691,462	1,483,816
Total liabilities	58,363,908	56,325,494	2,038,414
Net assets without donor restrictions	16,688,762	18,152,358	(1,463,596)
Net assets with donor restrictions	6,234,471	5,796,947	437,524
Total net assets	22,923,233	23,949,305	(1,026,072)
Total liabilities and net assets	81,287,141	80,274,799	1,012,342
Statements of Activities			
Management and general expenses	15,249,761	15,300,947	(51,186)
Total supporting services	15,948,447	15,999,633	(51,186)
Total expenses	144,520,332	144,571,518	(51,186)
Change in net assets without donor restrictions before other changes	(823,202)	(874,388)	51,186
Change in net assets with donor restrictions before other changes	633,125	195,601	437,524
Total change in net assets before other changes	(190,077)	(678,787)	488,710
Change in interest in net assets of The William M. Casey Foundation, Inc.	311,037	748,561	(437,524)
Change in net assets without donor restrictions	(483,135)	(96,797)	(386,338)
Change in net assets with donor restrictions	632,287	194,763	437,524
Total change in net assets	149,152	97,966	51,186
Statements of Functional Expenses			
Occupancy	3,025,301	-	3,025,301
Statements of Cash Flows			
Change in net assets	149,152	97,966	51,186
Other current liabilities	143,133,651	-	143,133,651
Change in interest in net assets of The William M. Casey Foundation, Inc.	(311,037)	(748,561)	437,524
Accounts receivable	(3,218,822)	(963,924)	(2,254,898)
Due from The William M. Casey Foundation, Inc.	(1,237,274)	(799,750)	(437,524)
Due to government agencies	(580,769)	(1,593,111)	1,012,342
Due to the Dormitory Authority of the State of New York	-	(39,315)	39,315
Deferred rent liability	(51,186)	-	(51,186)

Note 21: Future Change in Accounting Principle

Accounting for Leases

FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for fiscal periods beginning after December 15, 2018 including interim periods within those fiscal years for not-for-profit entities that have issued, or is a conduit bond obligor for, securities that are traded, listed or quoted on an exchange or an over-the-counter market. All other entities were required to adopt the standard for fiscal years beginning December 15, 2019, which has been delayed by one year by a board decision was reached by FASB at its October 16, 2019 meeting (*i.e.*, fiscal year beginning after December 15, 2020). ASU 2019-10 has been issued regarding this decision. HeartShare and Affiliates are evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.

HeartShare Human Services of New York and Affiliates

Consolidated Financial Statements
and Supplementary Information
Years Ended June 30, 2020 and 2019

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

HeartShare Human Services of New York and Affiliates

Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2020 and 2019

Contents

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

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

Independent Auditor's Report

The Board of Directors
HeartShare Human Services of New York and Affiliates
Brooklyn, New York

We have audited the accompanying consolidated financial statements of HeartShare Human Services of New York and Affiliates (collectively, HeartShare and Affiliates), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HeartShare Human Services of New York and Affiliates as of June 30, 2020, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

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

Audit of the 2019 Consolidated Financial Statements

The 2019 consolidated financial statements of HeartShare Human Services of New York and Affiliates were audited by other auditors, whose report dated November 27, 2019 expressed an unmodified opinion on those statements.

BDO USA, LLP

December 23, 2020

HeartShare Human Services of New York and Affiliates

Consolidated Statements of Financial Position
(with comparative totals for 2019)

June 30,	2020	2019
Assets		
Current Assets		
Cash	$ 5,549,052	$ 2,205,596
Accounts receivable	41,973,777	34,563,098
Distribution receivable	720,000	720,000
Due from Metro Community Health Centers, Inc.	645,918	711,569
Prepaid expenses and other receivables	1,271,733	2,585,710
Security deposits	617,936	306,755
Other current assets	174,946	374,955
Total Current Assets	50,953,362	41,467,683
Due from The William M. Casey Foundation, Inc.	1,272,041	1,272,041
Distribution Receivable	2,149,593	2,773,324
Due from Metro Community Health Centers, Inc.	705,608	888,311
Beneficial Interest in Perpetual Trust	38,550	44,765
Interest in Net Assets of The William M. Casey Foundation, Inc.	9,996,144	8,249,665
Property and Equipment, Net	31,622,447	30,470,662
Other Noncurrent Assets	237,294	475,741
Total Assets	$ 96,975,039	$ 85,642,192
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 8,458,621	$ 5,474,928
Accrued salaries and vacations payable	8,091,984	6,827,392
Due to government agencies	5,563,173	9,468,467
Current portion of long-term debt	17,794,115	3,832,697
Other current liabilities	1,664,251	663,834
Total Current Liabilities	41,572,144	26,267,318
Long-Term Liabilities		
Deferred payroll taxes	743,114	-
Due to government agencies	8,430,006	9,468,079
Long-term debt	15,834,693	21,179,610
Post-retirement benefit obligation	518,610	518,610
Deferred rent liability	1,174,782	1,451,626
Allowance for potential rate adjustments	5,296,697	3,698,375
Total Long-Term Liabilities	31,997,902	36,316,300
Total Liabilities	73,570,046	62,583,618
Net Assets		
Without donor restrictions	18,070,518	17,316,078
With donor restrictions	5,334,475	5,742,496
Total Net Assets	23,404,993	23,058,574
Total Liabilities and Net Assets	$ 96,975,039	$ 85,642,192

See accompanying notes to consolidated financial statements.

HeartShare Human Services of New York and Affiliates

Consolidated Statements of Activities (with comparative totals for 2019)

Year ended June 30			2020	2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, Gains and Other Support				
Contributions and bequests	$ 3,986,987	$ 552,323	$ 4,539,310	$ 3,952,793
Special events revenues	1,173,644	-	1,173,644	1,838,405
Direct costs of special events	(391,220)	-	(391,220)	(630,863)
Patient service revenues	1,312,389	-	1,312,389	3,328,319
Fees and grants from government agencies	139,830,379	-	139,830,379	132,362,137
Client fees	4,427,411	-	4,427,411	4,163,546
Other grants	-	17,120	17,120	767,765
Interest income	330,046	-	330,046	112,957
Other revenues	1,403,133	-	1,403,133	4,598,434
Rental income	138,626	-	138,626	134,832
Net assets released from restrictions	971,249	(971,249)	-	-
Total Revenues, Gains and Other Support	153,182,644	(401,806)	152,780,838	150,628,325
Expenses				
Program services:				
Boarding home	14,029,515	-	14,029,515	19,546,971
Medical services	6,327,189	-	6,327,189	5,257,219
AIDS services	-	-	-	12,338
Residence programs for the Developmentally Disabled	70,552,419	-	70,552,419	53,520,734
Prevention	7,951,304	-	7,951,304	6,899,942
Education	18,592,537	-	18,592,537	17,808,646
Respite	876,252	-	876,252	1,038,669
Energy programs	196,091	-	196,091	189,503
Day programs	21,219,300	-	21,219,300	22,505,199
Clinical services	1,074,578	-	1,074,578	2,890,919
Children community residence	-	-	-	3,229,013
American Dream program	604,470	-	604,470	468,823
Total Program Services	141,423,655	-	141,423,655	133,367,976
Supporting services:				
Management and general	12,062,968	-	12,062,968	17,439,036
Fundraising	688,060	-	688,060	766,734
Total Supporting Services	12,751,028	-	12,751,028	18,205,770
Total Expenses	154,174,683	-	154,174,683	151,573,746
Change in Net Assets, before other changes	(992,039)	(401,806)	(1,393,845)	(945,421)
Loss on beneficial interest in perpetual trust	-	(6,215)	(6,215)	(4,291)
Change in unfunded post-retirement benefits	-	-	-	84,868
Change in interest in net assets of The William M. Casey Foundation, Inc.	1,746,479	-	1,746,479	1,000,185
Change in Net Assets	754,440	(408,021)	346,419	135,341
Net Assets, beginning of year	17,316,078	5,742,496	23,058,574	22,923,233
Net Assets, end of year	$ 18,070,518	$ 5,334,475	$ 23,404,993	$ 23,058,574

See accompanying notes to consolidated financial statements.

HeartShare Human Services of New York and Affiliates

Statements of Functional Expenses
(with comparative totals for 2019)

Year ended June 30,

	Program Services											Supporting Services			Total	
	Boarding Home	Medical Services	Residence Programs	Prevention	Education	Respite	Energy Programs	Day Programs	Clinical	American Dream	Total Program Services	Management and General	Fundraising	Total Supporting Services	**2020**	2019
Salaries	$ 4,804,833	$ 3,368,930	$ 37,869,906	$ 5,162,419	$ 12,635,622	$ 469,219	$ 133,212	$ 8,643,558	$ 562,709	$ 172,582	$ 73,822,990	$ 4,098,699	$ 301,699	$ 4,400,398	**$ 78,223,388**	$ 78,607,286
Payroll taxes and employee benefits	1,280,670	787,292	9,822,160	1,433,158	3,088,097	122,052	33,845	2,228,289	131,500	53,870	18,980,933	2,836,963	70,749	2,907,712	**21,888,645**	20,316,978
Total Salaries and Related Expenses	6,085,503	4,156,222	47,692,066	6,595,577	15,723,719	591,271	167,057	10,871,847	694,209	226,452	92,803,923	6,935,662	372,448	7,308,110	**100,112,033**	98,924,264
Food	10,979	7,275	1,710,625	18,451	206,800	4,384	-	14,304	-	174	1,972,992	2,248	93	2,341	**1,975,333**	1,974,222
Clothing	385,420	-	142,031	22,652	39	-	-	32	-	-	550,174	-	400	400	**550,574**	602,425
Transportation	115,150	37,318	428,107	24,853	22,834	12,885	70	4,112,764	1,355	47,320	4,802,656	45,805	2,182	47,987	**4,850,643**	6,403,753
Supplies	79,238	76,887	1,229,218	165,545	125,610	3,618	1,120	118,852	3,416	2,421	1,805,925	207,572	12,467	220,039	**2,025,964**	1,573,043
Telephone	98,872	106,399	574,165	86,760	42,529	12,108	2,857	154,793	7,390	1,128	1,087,001	180,846	2,916	183,762	**1,270,763**	1,163,238
Professional fees and contract service payments	901,722	815,510	2,365,396	156,873	161,795	48,432	-	538,729	132,560	92,288	5,213,305	2,125,815	166,596	2,292,411	**7,505,716**	7,037,397
Camp fees and other children's activities	56,571	3,565	345,959	101,807	3,959	63,895	-	76,096	-	53,627	705,479	-	3,500	3,500	**708,979**	784,575
Dues	27,928	121,116	26,755	6,660	2,139	520	500	6,596	-	290	192,504	5,204	1,568	6,772	**199,276**	320,461
Postage, printing and publications	14,495	8,125	12,475	2,638	4,733	151	-	2,278	3,020	365	48,280	83,284	4,533	87,817	**136,097**	101,589
Minor equipment acquisitions	-	-	116,406	-	4	6	-	14	-	-	116,430	5,573	-	5,573	**122,003**	160,475
Occupancy	910,395	599,284	7,254,504	361,401	1,592,018	51,888	9,467	3,756,622	188,995	-	14,724,574	1,109,389	22,114	1,131,503	**15,856,077**	15,181,631
Repairs and maintenance	184,948	108,878	1,542,788	150,843	115,417	9,305	173	353,046	543	-	2,465,941	256,734	2,876	259,610	**2,725,551**	2,424,586
Equipment rental	5,675	-	574,836	54,393	6,892	15,538	1,008	257,728	14,295	-	930,365	76,340	537	76,877	**1,007,242**	961,676
Interest	153,727	57,088	1,108,991	11,909	49,524	11,546	564	47,527	-	-	1,440,876	29,345	945	30,290	**1,471,166**	1,165,514
Insurance	217,741	119,743	1,943,849	172,287	273,125	23,322	2,944	554,310	19,699	5,687	3,332,707	352,185	7,135	359,320	**3,692,027**	2,325,817
Medical supplies	-	-	476,535	-	5,332	49	-	12,189	1,319	-	495,424	-	-	-	**495,424**	497,111
New York State health care facility assessment	-	-	143,176	-	-	-	-	-	-	-	143,176	-	-	-	**143,176**	226,755
Depreciation and amortization	145,042	86,265	2,670,702	14,386	225,120	27,334	1,528	288,897	6,768	-	3,466,042	233,748	3,256	237,004	**3,703,046**	3,453,698
Miscellaneous	102,484	23,479	189,118	4,269	30,948	-	8,803	52,676	1,009	78,159	490,945	413,218	84,494	497,712	**988,657**	1,406,583
Foster boarding home payments	4,533,625	35	4,717	-	-	-	-	-	-	96,559	4,634,936	-	-	-	**4,634,936**	4,884,933
Total Expenses, reported on the consolidated statements of activities	$ 14,029,515	$ 6,327,189	$ 70,552,419	$ 7,951,304	$ 18,592,537	$ 876,252	$ 196,091	$ 21,219,300	$ 1,074,578	$ 604,470	$ 141,423,655	$ 12,062,968	$ 688,060	$ 12,751,028	**$ 154,174,683**	$ 151,573,746

See accompanying notes to consolidated financial statements.

HeartShare Human Services of New York and Affiliates

Consolidated Statements of Cash Flows
(with comparative totals for 2019)

Year ended June 30,	2020	2019
Cash Flows from Operating Activities		
Change in net assets	**$ 346,419**	$ 135,341
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	**3,703,046**	3,443,501
Amortization of debt issuance costs included in interest expense	**122,162**	170,469
Loss from disposal of property and equipment	**-**	110,594
Loss on beneficial interest in perpetual trust	**6,215**	4,291
Change in interest in net assets of The William M. Casey Foundation, Inc.	**(1,746,479)**	(1,000,185)
Post-retirement benefit obligation	**-**	(55,050)
Changes in:		
Accounts receivable	**(7,410,679)**	(4,200,243)
Distribution receivable	**623,731**	605,321
Due from Metro Community Health Centers, Inc.	**248,354**	285,057
Prepaid expenses and other receivables	**1,313,977**	(513,278)
Security deposits	**(311,181)**	(134,919)
Other current assets	**200,009**	43,800
Due from The William M. Casey Foundation, Inc.	**-**	(34,767)
Other noncurrent assets	**238,447**	(193,911)
Accounts payable and accrued expenses	**2,983,693**	1,388,477
Accrued salaries and vacations payable	**2,007,707**	444,399
Due to government agencies	**(4,943,368)**	1,152,972
Allowance for potential rate adjustments	**1,598,322**	(782,808)
Other current liabilities	**1,000,417**	233,176
Deferred rent liability	**(276,844)**	(32,190)
Net Cash Provided by (Used in) Operating Activities	**(296,052)**	1,070,047
Cash Flows from Investing Activities		
Property and equipment acquisitions	**(4,854,831)**	(6,255,941)
Net Cash Used in Investing Activities	**(4,854,831)**	(6,255,941)
Cash Flows from Financing Activities		
Proceeds from long-term debt	**15,041,192**	7,587,750
Principal payments on long-term debt	**(6,530,681)**	(5,668,963)
Debt issuance costs	**(16,172)**	(218,522)
Net Cash Provided by Financing Activities	**8,494,339**	1,700,265
Increase (Decrease) in Cash	**3,343,456**	(3,485,629)
Cash, beginning of year	**2,205,596**	5,691,225
Cash, end of year	**$ 5,549,052**	$ 2,205,596
Supplemental Cash Flows Information		
Interest paid, net of capitalized interest	**$ 733,947**	$ 989,180
Capital expenditure borrowings converted to term notes	**-**	3,582,990

See accompanying notes to consolidated financial statements.

1. Nature of Organization

HeartShare Human Services of New York (HeartShare) operates programs in Brooklyn, Queens, and Staten Island, and was founded in 1914. HeartShare serves the community through children and family services, programs for persons of all ages with developmental disabilities and persons affected by HIV-AIDS. HeartShare is supported primarily by service fees paid by Medicaid, New York City and various New York State agencies, and government grants.

HeartShare Wellness, Ltd.'s (Wellness) operates Article 16 clinic services to provide evaluations and long-term therapies to individuals with intellectual and developmental disabilities (IDD). Wellness began operations on May 1, 2000. Wellness is supported primarily by patient service fees paid by Medicaid.

The members of Wellness are the Chairperson and President and CEO of HeartShare and one other person designated by the Chairperson of HeartShare.

HeartShare Education Center (dba The HeartShare School) (HEC) was granted a provisional charter by the New York State Education Department on July 26, 2006. Effective July 1, 2009, HEC's operations were segregated from HeartShare. HEC is approved by the New York State Education Department and the New York City Department of Education (DOE) to educate children ages five to 21 diagnosed with autism and the spectrum disorders, as well as children diagnosed with mental retardation and other developmental disabilities. HEC focuses on the whole child and uses a combination of educational, behavioral and therapeutic approaches based on each child's unique needs. HEC is funded by the New York State Education Department through the New York City Department of Education and the New York State Department of Health. Additional support is provided through private donations and grants.

The members of HEC are the Chairperson and President and CEO of HeartShare and one other person designated by the Chairperson of HeartShare.

St. Vincent's Services, Inc. (dba HeartShare St. Vincent's Services) (HSVS) serves the community through the provision of foster boarding home services, educational services, medical and mental health care, group homes, and intermediate care services. HSVS is supported primarily by service fees paid by Medicaid, New York City and various New York State agencies, and government grants. HSVS formally affiliated in 2014.

The by-laws state that HSVS shall have only five members: The Chairperson of HeartShare (unless otherwise so designated by the Board of Directors of HeartShare); the President and CEO of HeartShare (unless otherwise so designated by the Board of Directors of HeartShare); one other person designated by the Board of Directors of HeartShare, the "Designee of HeartShare"; and one other person designated by the Board of Directors of The William M. Casey Foundation, Inc. (the Foundation); and, ex officio, the Bishop of The Roman Catholic Diocese of Brooklyn, New York, or his designee as so designated in writing by the Bishop.

During 2019, HSVS Property Foundation, Ltd. was formed as a 501(c)(2) organization holding title to certain properties of HSVS. HSVS is the sole member of HSVS Property Foundation, Ltd. As of June 30, 2020, there was no activity in HSVS Property Foundation, Ltd.

HeartShare is a member of the New York Integrated Network for Persons with Developmental Disabilities and Affiliate (the Network) which was founded on June 12, 2012 as a collaborative venture of successful and trusted service providers in New York State. The purpose is to become a sustainable network with an integrated system with multiple services and supports that will develop new and innovative models of care, utilize best practices, stabilize quality of services, and demonstrate effective and efficient delivery of care. On November 14, 2014, the Network was granted exemption from federal income tax under Internal Revenue Code Section 501(c)(3). The Network is a publicly supported organization, as described in Internal Revenue Code Section 509(a). No consolidation is required, as HeartShare is one of several members and has less than a 50% membership in the corporation.

Meaningful NY Initiatives for People with Disabilities, Inc. (MNY) was founded on July 7, 2014. The purpose is to support individuals with disabilities in developing skills that will enable them to enter and be successful in the workforce by providing services to the community. On March 9, 2015, MNY was granted exemption from federal income tax under Internal Revenue Code Section 501(c)(3). MNY is a publicly supported organization, as described in Internal Revenue Code Section 509(a). Contributions to the Network have been expensed in these statements. No consolidation is required, as HeartShare is one of several members and has less than a 50% membership in MNY.

2. Principles of Consolidation

The accompanying consolidated financial statements include the balances, activities and cash flows of HeartShare, Wellness, HEC, and HSVS (collectively referred to as HeartShare and Affiliates). All intercompany transactions have been eliminated.

3. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to not-for-profit entities. In the consolidated statements of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Consolidated Financial Statement Presentation

The classification of a not-for-profit organization’s net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets defined below in the consolidated statements of financial position, and the amounts of change in each of those classes of net assets, are displayed in the consolidated statements of activities.

These classes are defined as follows:

Without Donor Restrictions - This class consists of net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operations of HeartShare and Affiliates. Expenses are reported as decreases in net assets without donor restrictions.

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

Risks and Uncertainties

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

As a result of the COVID-19 outbreak, HeartShare and Affiliates have incurred, and are expected to incur for the foreseeable future, incremental and other COVID-19 pandemic related expenses. COVID-19 related expenses consist of additional costs that are incurring to protect its employees, students and teachers, and to support social distancing requirements resulting from the COVID-19 pandemic. These costs include, but are not limited to, new or added benefits provided to consumers, employees and teachers, the purchase of additional personal protection equipment and disinfecting supplies, additional facility-cleaning services, initiated programs and communications to customers on utility response, and increased technology expenses to support remote working, where possible.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full impact that the pandemic will have on HeartShare and Affiliates' financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

On March 27. 2020, the Coronavirus Aid, Relief and Economic Security Act (the CARES Act) was enacted. The CARES Act, among other things, has apportioned funds for the United States Small Business Administration Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment, as well as established the Public Health and Social Services Emergency Fund for eligible healthcare providers for healthcare-related expenses or lost revenue associated with the COVID-19 pandemic. In July 2020, HeartShare, HSVS, Wellness and HEC applied and received $1,900,000, $1,900,000, $308,603 and $517,931, respectively, in PPP loans, which management believes will be fully forgiven. HeartShare, HSVS and Wellness have all successfully applied for and are scheduled to receive $1,800,000, $800,000 and $60,000, respectively, from provider relief funds.

HeartShare and Affiliates elected to defer employer-side payroll taxes during the quarter April 1, 2020 through June 30, 2020 in the amount of $743,144.

Accounts Receivable

HeartShare and Affiliates record receivables based on the amount of consideration to which the organization expects to be entitled in exchange for services provided based on established rates. HeartShare and Affiliates perform individual credit risk assessments, which evaluate the individual circumstances, abilities and intentions of each customer prior to providing the services. If, subsequent to providing the services, HeartShare and Affiliates become aware of customer-specific events, facts or circumstances indicating customers no longer have the ability or intention to pay the amount of consideration to which HeartShare and Affiliates are expected to be entitled for providing the services, then the related receivable balances are written off as bad debt expense and reported in the consolidated statements of activities.

Contract Assets

Amounts related to services provided to customers who have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Contract asset balances would consist primarily of services provided to customers who are still receiving services at the end of the year. There were no contract assets at June 30, 2020.

Due from Metro Community Health Centers, Inc.

Included in due from Metro Community Health Centers, Inc. is a loan receivable that is recorded based on a signed loan agreement (see Note 8). Interest is accrued based on a rate specified in the loan agreement. In addition, a receivable has been recorded for operational costs incurred in the start-up of the program. No allowance has been recorded at June 30, 2020 and 2019.

Beneficial Interest in Perpetual Trust

HSVS is a beneficiary of a perpetual trust held by another entity, as a trustee. HSVS's beneficial interest in this trust is recorded at the fair value.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Items with a cost in excess of $500 for HeartShare, Wellness, and HEC, and $1,000 for HSVS, and an estimated useful life of greater than one year, are capitalized. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is provided on the straight-line method over the shorter of the term of the lease or the estimated useful life of the improvement.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

	Years
Building	20-25
Transportation equipment	4-5
Furniture and equipment	3-5
Leasehold improvements	5-15

HeartShare capitalizes interest costs as a component of buildings, based on the weighted-average rates paid for long-term borrowing. Total interest incurred each year was:

June 30,		**2020**		2019
Interest costs capitalized	**$**	**181,681**	$	138,230
Interest costs charged to expense		**733,947**		1,165,517
Total Interest Incurred	**$**	**915,628**	$	1,303,747

Long-Lived Asset Impairment

HeartShare and Affiliates evaluate the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2020 and 2019.

Debt Issuance Costs

Debt issuance costs are reflected as a reduction of the carrying amount of the related debt and are amortized on the straight-line basis over the term of the associated debt. Amortization of debt issuance costs is included in interest expense.

Contract Liability

A contract liability represents revenue that has been deferred for the funds advanced by various government agencies for HeartShare and Affiliates' contracts related to services that have not yet been provided to customers. Contract liabilities consist of payments made by funding sources for HeartShare and Affiliates' contracts for services not yet performed and are expected to be performed within the next fiscal year. There were no contract liabilities at June 30, 2020.

Rental Income

Rental income is recognized based on the lease agreements. Leases are reflected on the straight-line basis.

Contributions and Bequests

Contributions and bequests are provided to HeartShare and Affiliates either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts, with or without donor restrictions. The value recorded for each contribution and bequest is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction:	
Gifts that depend on HeartShare and Affiliates overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, i.e., the donor-imposed barrier is met
Unconditional gifts, with or without restriction:	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restrictions.

Conditional contributions having donor stipulations that are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Leases

Leases are classified as operating or capital leases in accordance with the terms of the underlying agreements. Operating lease payments are charged to rent expense. Rent expense is recorded on the straight-line basis over the term of the lease, unless another systematic and rational basis is more representative of the time pattern in which use benefit is derived from the leased property, in which case that basis shall be used. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense.

Income Taxes

HeartShare and Affiliates are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. HeartShare and Affiliates are publicly supported organizations, as described in Section 509(a).

However, HeartShare and Affiliates are subject to federal income tax on any unrelated business taxable income. HeartShare and Affiliates file tax returns in the U.S. federal jurisdiction.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing HeartShare and Affiliates' services have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the program, management and general and fundraising categories based on the job responsibility, square footage, and other methods.

Program services are summarized as follows:

Boarding Home - The Boarding Home Program is funded by the City of New York through the Administration for Children's Services (ACS). ACS places abused and neglected children with contracted agencies that provide the children with foster homes and services. ACS pays a per-diem rate to the agency.

Medical Services - The children in foster care receive general medical care through Medicaid. Medicaid is funded 50% by the federal government and 50% by New York State. Based on the different types of programs, the agency receives various per-diem rates. The Out-Patient Clinic (OPC) serves adult clients who struggle with mental health issues. This program is funded by the New York State Office of Mental Health (OMH). The Chemical Dependency program serves adult clients with substance abuse issues.

Residence Programs for the Developmentally Disabled – The Intermediate Care Facilities (ICF) operates by certification from the Office for People with Developmental Disabilities (OPWDD) with a capacity of up to 30 beds to provide active programming, room and board, and continuous 24-hour per day supervision. The supervised Individual Residential Alternative (IRA), which provides 24-hour supervised care, and the Supportive IRA, where the consumer receives services in a more independent setting, are a community-based group living arrangement that provides room, board and individualized protective oversight. They are designed to provide a home environment and a setting where persons can acquire the skills necessary to live as independently as possible. The residence programs are certified by OPWDD. The Community Habilitation services are residential habilitation services that are provided to individuals who do not reside in a residence that is certified or operated by OPWDD. Residential Habilitation also may include program-related personal care, health care and protective oversight and supervision. Residence programs serve adult clients referred from local hospitals who struggle with substance abuse and mental health issues. Residents are connected to support services, such as mental health and drug treatment programs, to help them become self-sufficient. Residence programs, coupled with such services, provide an affordable, safe and permanent place to live for people facing homelessness. In addition to allowing tenants to build their independence and become part of a community, this type of program reduces long-term costs to the city and state, such as for psychiatric inpatient care and emergency rooms. The Children Community Residence program provides for 24 youngsters residing at three locations, each with various services such as daily living, social skills, behavioral management, crisis management, family support and therapeutic recreation.

Prevention - The Prevention Programs are funded by the City of New York. Three of the programs are funded through ACS with contracted services provided to 352 families. The other program is funded through the Department of Youth and Community Development (DYCD) with contracted services provided to 105 families. These programs are community-based family service centers that help families find healthy ways to resolve problems and avoid conflicts and crisis. The goal is to help these families stay together and keep the children out of foster care. ACS and DYCD reimburse the agency for qualifying expenses.

Education - The Education Programs are for children who are diagnosed as learning-disabled. Disabilities can range from mild to severe. Clinical services are required for the programs. The program is funded by New York State Education Department through New York City Department of Education. The two Beacon Programs, the Out of School Time Program, the New York City Housing Authority (NYCHA) Community Program and the two Cornerstone Programs are funded by the City of New York through DYCD. These programs provide recreational and educational activities for community residents of all ages. DYCD reimburses the agency for qualifying expenses.

Respite – This program provides an array of services that support families in maintaining their family members with disabilities at home or at-site.

Energy Programs - Grants are funded through contributions by Con Edison, Entergy, National Grid, New York State Electric and Gas Corporation (NYSEG), Rochester Gas and Electric Corporation (RGE), foundations, corporations, and generous individuals. HeartShare administers the program that helps over 5,000 families stay warm in the winter and cool in the summer.

Day Programs - The Day Programs provide individuals with training in self-care and independent living skills. The programs also offer occupational, physical and speech therapy services. The staff also assists families with residential living plans for their relatives with developmental disabilities. Each facility offers services for individuals based on levels of disability.

Clinical Services - This program includes Article 16 clinic services that provide evaluations and long-term therapies to individuals with IDD, as well as a targeted case management program (Health Home) for those with chronic health/mental health conditions who also receive Medicaid.

American Dream Program - This program is funded by contributions used to provide and assist with the finest educational opportunities for clients who are still in care or those who have aged out of care.

Reclassifications

Certain reclassifications have been made to the 2019 consolidated financial statements to conform to the 2020 consolidated financial statement presentation. These reclassifications had no effect on the change in net assets.

Accounting Pronouncements Issued but Not Yet Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Accounting for Leases*, which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statements of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The FASB issued ASU 2020-05, which deferred the effective date until annual periods beginning after December 15, 2021. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

4. Revenue from Contracts with Customers

Service Revenue

HeartShare and Affiliates receive funding from Medicaid, New York City, and New York State agencies through fees and government grants. Revenue is reported at the amount that reflects the consideration to which HeartShare and Affiliates expect to be entitled in exchange for providing the contracted services. These amounts are due from third-party payors (including government programs) and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, HeartShare and Affiliates bill the third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Performance obligations are determined based on the nature of the services provided by HeartShare and Affiliates. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. HeartShare and Affiliates believe that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. HeartShare and Affiliates measure the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the government agencies’ stipulations.

Because all of its performance obligations relate to contracts with a duration of less than one year, HeartShare and Affiliates have elected to apply the optional exemption provided in FASB Accounting Standards Codification (ASC) 606-10-50-14(a) and, therefore, are not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed when the service is completed and upon submission of required documentation.

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

Third-Party Payors

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors are as follows:

Medicaid - Reimbursements for Medicaid services are generally paid for each type of service provided.

Other - Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates per established charges and prospectively determined daily rates. Certain of these rates are subject to final settlement and determined after submission of annual cost reports by HeartShare and Affiliates.

Private Pay – Agreements with customers typically provide for payments at established charges.

Significant Judgements

Laws and regulations concerning government programs, including Medicaid, are complex and subject to varying interpretation. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge HeartShare and Affiliates' compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon HeartShare and Affiliates. Revenues and receivables arising from the programs are dependent upon final audit and negotiations between HeartShare and Affiliates and various third parties. As of June 30, 2020 and 2019, an allowance for potential rate adjustments of $5,296,697 and $3,698,375, respectively, has been included in these consolidated financial statements.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and HeartShare and Affiliates' historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews and investigations.

Revenue Composition and Reimbursement Method

The composition of revenue by payor is as follows:

June 30, 2020

	Boarding Home	Medical and AIDS Services	Residence Program	Prevention	Education	Respite	Day Programs	Clinical Services	Total
Medicaid	$ -	$ 3,380,312	$ 41,796,816	$ -	$ -	$ 603,478	$ 25,286,841	$ 1,419,011	$ 72,486,458
Medicare	-	68,091	-	-	-	-	-	-	68,091
OPWDD	-	-	3,839,108	-	-	162,718	-	-	4,001,826
New York City governmental agencies	14,847,332	-	11,798,569	8,472,565	20,185,760	-	-	-	55,304,226
New York State Department of Health	-	-	-	-	204,432	-	-	-	204,432
OMH	-	(60,246)	6,456,787	-	-	-	-	-	6,396,541
Managed Care	-	1,491,928	-	-	-	-	-	-	1,491,928
SNAP	-	-	787,670	-	-	-	-	-	787,670
Other	179,266	134,170	-	88,160	-	-	-	-	401,596
Total	$ 15,026,598	$ 5,014,255	$ 64,678,950	$ 8,560,725	$ 20,390,192	$ 766,196	$ 25,286,841	$ 1,419,011	$ 141,142,768

Per diem	$ 132,582,043
Per contract	8,560,725
	$ 141,142,768

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June 30, 2019

	Boarding Home	Medical and AIDS Services	Residence Program	Prevention	Education	Respite	Day Programs	Clinical Services	Children Community Residence	Other Programs	Total
Medicaid	$ -	$ 2,925,010	$ 39,861,907	$ -	$ -	$ 820,105	$ 26,167,291	$ 3,328,319	$ -	$ -	$ 73,102,632
Medicare	-	41,303	-	-	-	-	-	-	-	-	41,303
OPWDD	-	-	3,654,924	-	-	195,082	-	-	-	-	3,850,006
New York City governmental agencies	15,800,632	-	9,263,292	7,437,290	18,782,875	-	-	-	-	-	51,284,089
New York State Department of Health	-	-	-	-	30,019	-	-	-	-	-	30,019
OMH	-	159,549	979,793	-	-	-	-	-	2,841,515	-	3,980,857
Managed Care	-	1,469,806	3,077,164	-	-	23,659	670,255	-	-	-	5,240,884
SNAP	-	-	717,060	-	-	-	-	-	-	-	717,060
SSI	-	-	3,593,672	-	-	-	-	-	-	-	3,593,672
Private	-	92,034	134,505	-	-	-	94,778	-	100,543	-	421,860
Other	70,563	6,683	10,642	167,073	-	5,468	-	-	-	292,564	552,993
	$ 15,871,195	$ 4,694,385	$ 61,292,959	$ 7,604,363	$ 18,812,894	$ 1,044,314	$ 26,932,324	$ 3,328,319	$ 2,942,058	$ 292,564	$ 142,815,375

Per diem	$ 131,871,607
Per contract	3,339,405
	$ 135,211,012

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Financing Component

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

Contract Costs

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

5. Distribution Receivable

Distribution receivable are discounted using a 3% discount rate and are due as follows:

June 30,	**2020**	2019
Current	**$ 720,000**	$ 720,000
Two to five years	**2,340,000**	3,060,000
	3,060,000	3,780,000
Discount on pledges	**(190,407)**	(286,676)
	$ 2,869,593	$ 3,493,324

As of June 30, 2020 and 2019, the distribution receivable in the amount of $3,060,000 and $3,780,000, respectively, was from the Foundation. This will be funded through part of the proceeds of a 99-year land lease held by the Foundation.

6. Beneficial Interest in Perpetual Trust

HSVS has been named as an irrevocable beneficiary of a perpetual trust held and administered by independent trustees. Perpetual trust provides for the distribution of the net income of the trust to HSVS; however, HSVS will never receive the assets of the trust.

At the date HSVS receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the consolidated statements of activities. A beneficial interest in perpetual trust is recorded in the statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trust are reported at the fair value of the trust's assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

The estimated value of the expected future cash flows is $38,550 and $44,765, which represents the fair value of the trust assets at June 30, 2020 and 2019, respectively. The loss from this trust for 2020 and 2019 was $6,215 and $4,291, respectively.

7. Interest in Net Assets of The William M. Casey Foundation, Inc.

HSVS and the Foundation are financially interrelated organizations. As described in Note 12, the Foundation is a real estate holding company exempt under the Internal Revenue Code section 501(c)(2).

HSVS's interest in the net assets of the Foundation is accounted for in a manner similar to the equity method. Changes in the interest are included in change in net assets. Transfers of assets between the Foundation and HSVS are recognized as increases or decreases in the interest in the net assets of the Foundation with corresponding decreases or increases in the assets transferred and have no effect on change in net assets.

HSVS's interest in the net assets of the Foundation was $9,996,144 and $8,249,665 at June 30, 2020 and 2019, respectively. This interest includes all the net assets that donors have stipulated should be used for HSVS.

8. Due from Metro Community Health Centers, Inc.

During 2016, Wellness transferred its medical clinic license, pursuant to Article 28 of the Public Health Law, to Metro Community Health Centers, Inc., an unrelated not-for-profit organization. Additionally, pursuant to an asset sale agreement, on August 29, 2016, Wellness (seller) sold certain assets with a net book value of $1,234,050 to Metro Community Health Centers, Inc. In connection with this sale, Wellness recorded a gain of $220,252. As part of the agreement, Wellness accepted a note evidencing a loan receivable in the amount $1,454,302. The loan bears interest at an annual rate of 5.5% payable monthly over eight years. As of June 30, 2020 and 2019, a total of $888,311 and $1,130,568, respectively, on the loan was outstanding.

Additionally, Wellness agreed to lease certain employees, provide contracted staff, rental space, and other costs to the same unrelated not-for-profit organization. The sublease agreement expires in May 2024. As of June 30, 2020 and 2019, $463,215 and $469,312, respectively, was due under this arrangement.

During 2020 and 2019, Wellness recorded rental income in the amount of $138,626 and $131,703, respectively.

The loans receivable and other amounts are due as follows:

Year ending June 30,	
2021	$ 182,703
2022	193,012
2023	203,897
2024	215,400
2025	93,299
	$ 888,311

Rental income to be received is as follows:

Year ending June 30,		
2021	$	525,462
2022		541,226
2023		557,462
2024		526,338
	$	2,150,488

9. Property and Equipment

Property and equipment consist of:

June 30,		**2020**		2019
Land	**$**	**7,039,545**	$	6,489,545
Buildings		**26,632,825**		24,224,950
Transportation equipment		**130,087**		131,824
Furniture and equipment		**10,922,691**		11,230,907
Leasehold improvements		**34,593,859**		30,098,975
Construction in progress		**821,566**		3,442,158
		80,140,573		75,618,359
Less: accumulated depreciation and amortization		**(48,518,126)**		(45,147,697)
	$	**31,622,447**	$	30,470,662

10. Debt Service Reserve

Under the terms of the Dormitory Authority of the State of New York (DASNY) mortgages, HeartShare was required to deposit with the Medical Care Facilities Financing Agency (MCFFA) amounts to be held in reserve, which will be withdrawn to satisfy the remaining installments on the DASNY mortgages. The balance of the reserve fund as of June 30, 2020 and 2019 consists of cash of $54,806. This amount is included in other current assets on the consolidated statements of financial position.

11. Due to Government Agencies

HeartShare and Affiliates receive funding from various government agencies, including the New York State OPWDD, the New York State OMH, the Center for Medicaid Services (CMS), the New York City Department of Mental Health and Hygiene (DMHH), New York City Department of Education, and New York State Education Department. These agencies, as well as the New York State Office of the Attorney General's Medicaid Fraud Control Unit (MFCU), the Internal Revenue Service, the New York State Office of the Attorney General's Charities Bureau, the New York State Department of Health's Independent Office of Medicaid Inspector General (OMIG), the New York Office of Alcoholism & Substance Abuse Services (OASAS), the New York City Human Resources Administration and other agencies, have the right to audit fiscal, as well as programmatic, compliance of HeartShare and Affiliates.

Due to New York City and New York State

HeartShare entered into contracts with OPWDD for the operation of two Children Residential ICF Programs, 48 IRAs, 33 supportive IRA apartments, and 12-day habilitation programs. As part of these agreements, OPWDD issued a PPA agreeing to reimburse capital costs within the rate to HeartShare for preoperational start-up costs, equipment, renovations, lease costs, real estate taxes and operations.

As of June 30, 2020 and 2019, HeartShare had accrued a liability in the amount of $5,046,261 and $6,951,882, respectively, for OPWDD advances, day habilitation recoupments, and the effects of new ICF reimbursement methodology.

As of June 30, 2020 and 2019, an estimated liability for HeartShare in the amount of $501,000 has been included in these consolidated financial statements for erroneous collection of food stamps receipts by certain consumers. These monies should not have been collected and are in the process of being refunded to the funding source.

The total amount due to New York State by HeartShare for these advances, liabilities and accrued interest was $5,547,261 and $7,452,882 at June 30, 2020 and 2019, respectively. During 2018, HeartShare entered into an agreement to repay a total of $5,183,974 based on weekly recoupments through April 2021.

As of June 30, 2020 and 2019, HSVS has due to government agencies of $7,615,602 and $10,701,886, respectively, which has been included in these consolidated financial statements, which consist of the following:

- HSVS entered into an agreement with New York City ACS to repay an original amount of $2,586,373 over 30 years (ending in 2046) at a rate of $7,185 per month. As of June 30, 2020 and 2019, the outstanding amount was $2,420,969 and $2,357,188, respectively.
- OMIG has audited the chemical dependency and clinic programs for HSVS. Formal findings have been communicated and a liability of $1,959,185 and $2,921,212 has been recorded in these consolidated financial statements as of June 30, 2020 and 2019, respectively.
- The remaining amounts of $3,235,448 and $5,423,486 as of June 30, 2020 and 2019, respectively, are related to New York City related foster care and group homes programs.

OMIG and the New York State OPWDD audited HeartShare's home and community-based waiver services Medicaid billing. A preliminary report has been issued, which HeartShare has provided comprehensive written responses. At June 30, 2020, HeartShare has recognized a liability of $3,235,448 based on the draft report and are waiting a final determination. No further information was received from OMIG or OPWDD in regard to the responses.

As of the date of this report, audits performed by New York City have been completed through June 30, 2014 and final reimbursement rates have been determined. Recoupments are made by reducing current payments for services provided.

The Office of State Comptroller performed an audit of HeartShare's Consolidated Fiscal Reports (CFR) for the years ended June 30, 2012, 2013 and 2014. The purpose of the audit was to determine if HeartShare's CFRs were properly calculated, adequately documented and allowable under the State Educational Department's Reimbursable Cost Manual. HeartShare received the final audit report on October 24, 2017. The audit results will not have a significant impact on HeartShare's financial position.

Due from/to New York City Department of Education

HEC has agreed to the final reconciliation for tuition years through 2016 with the New York City DOE. These amounts are included in accounts receivable at June 30, 2020 and 2019.

In addition, HEC has received overpayments from the DOE for certain students. These amounts are included in due to government agencies and will be recouped from future tuition payments.

12. Related-Party Transactions

The Foundation is a tax-exempt entity under Section 501(c)(2). The Foundation is a real estate holding corporation for the purpose of supporting HSVS by holding title or leases to property to be leased, rented, subleased or otherwise made available to HSVS in its efforts to fulfill its mission statement, which may be amended from time to time.

The sole member of the Foundation is the Bishop of the Roman Catholic Diocese of Brooklyn, New York, and such membership shall not be terminated due to the death or resignation or expulsion of the person then holding such title but shall thereafter inure to the benefit of his successor.

HSVS rents office space and equipment from the Foundation through operating leases. Rent expense for the years ended June 30, 2020 and 2019 amounted to $1,563,261 and $1,556,143, respectively.

13. Long-Term Debt

	2020	2019
(A) Note payable - HSBC Bank, U.S.A.	**$ 6,479,927**	$ 8,370,734
(B) Working capital line of credit - HSBC Bank, U.S.A.	**9,500,000**	1,000,000
(C) Capital expenditure line of credit - HSBC Bank, U.S.A.	**6,357,699**	3,587,750
(D) Mortgage payable (East 99th Street) - HSBC Bank, U.S.A.	**733,022**	793,020
(E) Mortgage payable (East 102nd Street) - HSBC Bank, U.S.A.	**814,782**	881,472
(F) Mortgage payable (East 66th Street) - HSBC Bank, U.S.A.	**553,995**	599,340
(G) Mortgage payable (168th Street) - HSBC Bank, U.S.A.	**676,458**	692,889
(H) Mortgage payable (Clermont Avenue) - HSBC Bank, U.S.A.	**507,379**	566,123
(I) Mortgage payable (East 29th Street) - HSBC Bank, U.S.A.	**218,574**	281,835
(J) Mortgage payable (153rd Avenue) - HSBC Bank, U.S.A.	**568,489**	579,367
(K) Mortgage payable (Clarke Avenue) - HSBC Bank, U.S.A.	**984,645**	1,004,526
(L) Mortgage payable (Avenue L) - HSBC Bank, U.S.A.	**741,131**	755,641
(M) Mortgage payable (120th Avenue) - HSBC Bank, U.S.A.	**1,199,215**	1,223,509
(N) HSVS note payable - HSBC Bank, U.S.A.	**2,962,006**	3,438,792
(O) HSVS note payable - DASNY	**1,967,101**	2,051,645
	34,264,423	25,826,643
Less:		
Unamortized debt issuance costs	**(635,615)**	(814,336)
Current maturities	**(17,794,115)**	(3,832,697)
	$ 15,834,693	$ 21,179,610

(A) In June 2013, HeartShare entered into a loan agreement with HSBC Bank, U.S.A. As part of the loan agreement, HeartShare borrowed the following amounts and agreed to the repayment schedules and collateral terms. The original principal amount of $18,000,000 bears interest at a rate of 4.35% per annum and is payable in monthly installments until July 2023. The properties encumbered are the land and buildings located at various program sites.

(B) In October 2016, HeartShare and HSVS entered into a revolving loan agreement for working capital of up to $12,000,000. The line of credit is renewable annually in March and bears interest at London Inter-Bank Offered Rate (LIBOR) plus 2.7%, as amended in July 2018. The borrowings on the line of credit are expected to be converted into term loans in 2021. The interest rate was 3.25% and 5.27% as of June 30, 2020 and 2019, respectively. In December 2020, HeartShare converted one of the bridge loans under the revolving loan agreement in the amount of $1,000,000 to a permanent loan with HSBC bank, U.S.A. The loan bears interest rate of LIBOR plus 3% and is payable in $8,333 commencing in January 2021 until December 1, 2025. The loan is secured by property located in Howard Beach, New York.

(C) In June 2013, HeartShare entered into a bridge financing facility revolving loan agreement for capital expenditures of up to $7,000,000. The agreement was amended in July 2018 to increase the available line to $9,500,000 and modify the interest rate to prime rate. The line of credit is renewable annually in March. The line of credit is payable on demand. The interest rate was 3.25% and 5.5% as of June 30, 2020 and 2019, respectively.

Interest of $181,680 and $138,230 was capitalized for the years ended June 30, 2020 and 2019, respectively, relating to construction projects. Once the construction project is completed, the expenditures are converted to bridge loans and then to a permanent loan.

(D) In August 2014, HeartShare entered into a $1,040,000 loan agreement with HSBC Bank, U.S.A. The loan bears interest at a rate of 4.82% per annum and is payable in monthly installments of $8,127 until October 2024. Payments commenced on October 1, 2014. The properties encumbered are the land and buildings located at various program sites.

(E) In August 2014, HeartShare entered into a $1,156,000 loan agreement with HSBC Bank, U.S.A. The loan bears interest at a rate of 4.82% per annum and is payable in monthly installments of $9,034 until October 2024. Payments commenced on October 1, 2014. The properties encumbered are the land and buildings located at various program sites.

(F) In August 2014, HeartShare entered into a $786,000 loan agreement with HSBC Bank, U.S.A. The loan bears interest at a rate of 4.82% per annum and is payable in monthly installments of $6,142 until October 2024. Payments commenced on October 1, 2014. The properties encumbered are the land and buildings located at various program sites.

(G) In June 2017, HeartShare converted a bridge loan in the amount of $722,839 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at a rate of 4.71% per annum and is payable to HSBC Bank, U.S.A. in monthly installments of $4,104 until November 2027. Payments commenced July 1, 2017. The loan is secured by property located in Springfield Gardens, New York.

(H) In July 2017, HeartShare converted a bridge loan in the amount of $672,853 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 4.66% per annum and is payable in monthly installments of $7,026 until July 2027. The loan is secured by property located in Brooklyn, New York.

(I) In August 2017, HeartShare converted a bridge loan in the amount of $392,365 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 4.26% per annum and is payable in monthly installments of $6,186 until August 2023. The loan is secured by property located in Brooklyn, New York.

(J) In November 2018, HeartShare converted a bridge loan in the amount of $583,694 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 5.51% per annum and is payable in monthly installments of $3,587 until June 2023. The loan is secured by property located in Howard Beach, New York.

(K) In December 2018, HeartShare converted a bridge loan in the amount of $1,012,000 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 5.17% per annum and is payable in monthly installments of $6,016 until January 2024. The loan is secured by property located in Staten Island, New York.

(L) In December 2018, HeartShare converted a bridge loan in the amount of $763,400 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 5.44% per annum and is payable in monthly installments of $4,659 until December 2028. The loan is secured by property located in Brooklyn, New York.

(M) In June 2019, HeartShare converted a bridge loan in the amount of $1,223,509 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 4.27% per annum and is payable in monthly installments of $6,641 until June 2024. The loan is secured by property located in Jamaica, New York.

(N) In October 2015, HSVS entered into a $5,000,000 term loan agreement with HSBC Bank, U.S.A for working capital purposes. Payments commenced December 1, 2015. Interest is charged at a fixed rate of 3.92% per year. The loan is based on a ten-year amortization but will be due in 59 monthly installments.

The balance of any principal outstanding on the $5,000,000 term loan has a maturity date of November 1, 2020. In December 2020, the $5,000,000 term loan was amended to revise monthly principal installments of $46,647 and interest at 1.00% above the prime rate or 3.00% above the LIBOR rate commencing on December 1, 2020.

(O) In December 2016, HSVS entered into a loan agreement with DASNY in the amount of $2,250,580 for the purpose of acquiring a building. Principal and interest are payable semiannually in the amount of $96,465. The loan matures on June 1, 2035. Interest is fixed at a rate of 5.3357% per year. The loan is secured by HSVS's revenue and furniture and equipment.

Aggregate annual maturities of long-term debt at June 30, 2020 are:

Year ending June 30,	
2021	$ 17,794,115
2022	3,196,600
2023	3,336,157
2024	1,440,418
2025	1,198,404
Thereafter	7,298,729
	$ 34,264,423

Interest expense on long-term debt was $1,473,052 and $1,165,517 for the years ended June 30, 2020 and 2019, respectively.

14. Operating Leases

HeartShare leases space under noncancelable operating leases at various locations. The annual rentals are subject to escalation agreements and periodic rate increases, which expire at various dates through December 2029. Rental payments for the preschool program also include payments of principal and interest on the mortgage obtained by the landlord for site renovations. In addition, HeartShare currently leases space for its administrative offices. The lease terminates in May 2021.

Wellness leases space at various locations under lease agreements expiring between 2018 and 2028. HeartShare has guaranteed these leases.

HeartShare leases a facility, which it subleases to HEC for its program services. HEC is charged directly for the rent expense for their portion of the space so no elimination is necessary. The lease expired on June 30, 2018. In January 2018, HeartShare renewed its lease for an additional ten years commencing on July 1, 2018 with the expiration date of June 30, 2028.

HSVS leases space under noncancelable operating leases at various locations. The annual rentals are subject to escalation agreements and periodic rate increases, which expire on various dates through August 2026.

The HeartShare and HSVS operating leases are contingent upon the continuation of government funding.

The total rent expense for years ended June 30, 2020 and 2019 is $11,439,722 and $11,359,843, respectively.

Future minimum lease payments at June 30, 2020 were:

Year ending June 30,		
2021	$	7,839,257
2022		5,543,947
2023		5,407,177
2024		4,559,039
2025		3,558,841
Thereafter		10,760,544
	$	37,668,805

See Note 8 for details of the sublease to Metro Community Health Centers, Inc.

15. Pension and Other Postretirement Benefit Plans

Multiemployer Pension Plan

HeartShare and Affiliates contribute to a multiemployer defined benefit pension plan. The plan is administered by Catholic Federation of Social Service Agencies of Brooklyn and Queens (a separate unrelated organization.) The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

- If HeartShare and Affiliates choose to stop participating in some of its multiemployer plans, HeartShare and Affiliates may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

HeartShare and Affiliates' participation in this plan for the annual periods ended June 30, 2020 and 2019 is outlined below.

- Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2020 and 2019 is for the plan's year-end at June 30, 2019 and June 30, 2018, respectively.
- The zone status is based on information HeartShare and Affiliates received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone generally are less than 65% funded, plans in the yellow zone are less than 80% funded and plans in the green zone are at least 80% funded.
- The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) either is pending or has been implemented.

There have been no significant changes that affect the comparability of 2020 and 2019 contributions.

		Pension Protection Act Zone Status		FIP/RP Status	Contributions of HeartShare	
Pension Fund	EIN Number	**2020**	2019	Pending/ Implemented	**2020**	2019
Catholic Federation of Social Service Agencies of Brooklyn and Queens Defined Benefit Plan	26-4439481	**Yellow as of 6/30/2019**	Yellow as of 6/30/2018	None	**$ 2,679,410**	$ 2,547,504

As of June 30, 2020 and 2019, $0 and $1,369,444, respectively, was accrued and was recorded as part of accounts payable and accrued expenses on the consolidated statements of financial position.

Defined Contribution Plan

Effective July 1, 2014, HeartShare and Affiliates entered into the Catholic Federation of Social Service Agencies of Brooklyn and Queens Defined Contribution Pension Plan. The plan is a multiple-employer church plan. Contributions for eligible employees of HeartShare, Wellness, and HEC were made at the rate of 1% of participants' salaries for the years ended June 30, 2020 and 2019. Contributions for eligible employees of HSVS were made at the rate of 1% of participants' salaries for the years ended June 30, 2020 and 2019, respectively. Contribution expense for the years ended June 30, 2020 and 2019 was $550,607 and $585,148, respectively. As of June 30, 2020 and 2019, $30,700 and $106,533, respectively, was accrued and was recorded as part of accounts payable and accrued expenses on the consolidated statements of financial position.

Defined Benefit Pension Plan

HSVS had a defined benefit pension plan covering certain eligible employees. Plan benefits were generally based on the greater of an employee's accumulated cash balance plus interest or years of service and the employee's compensation during the last several years of employment. HSVS's funding policy was based on an actuarially determined cost method allowable under applicable regulations. The funds were invested in individual annuities. HSVS terminated the plan effective June 30, 2019 and all funds and liabilities have been paid out.

Defined Benefit Postretirement Health Care Plan

HeartShare has a noncontributory defined benefit postretirement health care plan covering all employees who meet the eligibility requirements. HeartShare has not funded the plan to date. HeartShare does not expect to contribute to the plan in 2020.

Estimated Future Benefit Payments

Shown below are expected benefit payments, which reflect expected future service for fiscal year:

June 30,		
2021	$	7,586
2022		7,729
2023		21,999
2024		28,884
2025		30,176
2026-2030		611,818

16. Net Assets

Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purpose:

June 30,		**2020**		2019
Subject to expenditure for specified purpose:				
Developmental disabilities programs	$	**11,729**	$	22,229
Preschool		**525,837**		502,249
Family and children's services		**-**		10,000
Scholarships		**-**		3,481
Memorial Fund		**9,629**		-
Mother Cabrini Grant		**187,500**		-
ArtShare Grant		**122,072**		-
American Dream Program		**17,329**		114,212
Family aid services		**56,371**		56,371
Smart Girls		**54,886**		54,886
Vocational training room		**10,000**		10,000
Other		**43,277**		43,277
		1,038,630		816,705
Subject to passage of time:				
Promises to give that are not restricted by donors but that are unavailable for expenditure until due:				
The William M. Casey Foundation Grant		**4,141,634**		4,765,365
Endowments:				
Subject to appropriation and expenditure when a specified event occurs:				
Restricted by donors for education programs		**115,661**		115,661
Not subject to spending policy or appropriation:				
Beneficial interest in perpetual trust		**38,550**		44,765
	$	**5,334,475**	$	5,742,496

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

June 30,		**2020**		2019
Expiration of time restrictions	**$**	**720,000**	$	720,000
Satisfaction of purpose restrictions:				
Developmental disabilities programs		**10,500**		-
American Dream Program		**210,148**		155,954
Family and children's services		**10,000**		-
Scholarships		**3,481**		-
Teacher Turnover Prevention Program		**17,120**		16,610
	$	**971,249**	$	892,564

HSVS holds $154,211 and $160,426 of endowment funds as of June 30, 2020 and 2019, respectively. This consists of a beneficial interest in perpetual trust of $38,550 and $44,765 as of June 30, 2020 and 2019, respectively, and other endowment funds of $115,661 as of June 30, 2020 and 2019, respectively. HSVS's endowment consists of donor-restricted endowment funds to support educational programs to clients of the agency who are currently in care or clients who have aged out of care.

17. Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 – This level consists of quoted prices in active markets for identical assets.

Level 2 – This level consists of observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

Level 3 – This level consists of unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets.

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall:

	Level 3			
		2020		2019
Beneficial interest in perpetual trust	**$**	**38,550**	$	44,765

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2020. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Beneficial Interest in Perpetual Trust

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Level 3 Reconciliation

June 30,	**2020**	2019
Balance, beginning of year	**$ 44,765**	$ 49,056
Change in carrying value of trust	**(6,215)**	(4,291)
Balance, end of year	**$ 38,550**	$ 44,765

18. Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

General Litigation

HeartShare and Affiliates are subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of HeartShare and Affiliates. Events could occur that would change this estimate materially in the near term.

Revenue and Receivable Concentrations

As of June 30, 2020 and 2019, substantially all of the outstanding accounts receivable are due from Medicaid through the New York State and New York City reimbursement systems.

As of June 30, 2020 and 2019, approximately 89% and 93%, respectively, of revenues is paid by Medicaid, New York State and New York City.

Cash

HeartShare and Affiliates have cash accounts in financial institutions that, from time to time, exceed the Federal Deposit Insurance Corporation limit. HeartShare and Affiliates have not experienced any losses in such accounts and management does not believe HeartShare and Affiliates are exposed to any significant credit risk.

19. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020 comprise the following:

Financial assets:		
Cash	$	5,549,052
Accounts receivable, net		41,973,777
Distribution receivable		720,000
Financial Assets Available to Meet General Expenditures Within One Year	**$**	**48,242,829**

HeartShare and Affiliates receive contributions restricted by donors and consider contributions restricted for programs that are ongoing, major and central to their annual operations to be available to meet cash needs for general expenditures.

HeartShare and Affiliates manage their liquidity and reserve the following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. HeartShare and Affiliates forecast their future cash flows and monitor their liquidity.

20. Subsequent Events

HeartShare and Affiliates have evaluated all events or transactions that occurred after June 30, 2020 through December 23, 2020, the date the consolidated financial statements were available to be issued. During this period, there were no material subsequent events that required disclosure, other than the following:

HSVS and the Foundation have entered into an Amendment to the Restated and Amended Agreement of Affiliation, effective October 15, 2020. The agreement outlines the conveyance of all real property, with the exception of 66 Boerum Place, to HSVS Property Foundation, Ltd., an affiliate of HSVS. The Foundation’s by-laws have been amended to reflect the appointment of directors to the Foundation’s board to include: (1) one director elected by the members, and (2) four directors elected by HSVS. In addition, the amended by-laws include certain actions that require consent of the members.

Supplementary Information

HeartShare Human Services of New York and Affiliates

Consolidating Schedule of Financial Position

June 30, 2020

	HSHS	HSSV	Education	Wellness	Eliminations	Total
Assets						
Current Assets						
Cash	$ 3,712,656	$ 813,795	$ 231,611	$ 790,990	$ -	$ 5,549,052
Accounts receivable	22,280,091	17,845,418	1,549,655	298,613	-	41,973,777
Distribution receivable	-	720,000	-	-	-	720,000
Due from Metro Community Health Centers, Inc.	-	-	-	645,918	-	645,918
Due from Related Party	-	-	-	500,000	(500,000)	-
Prepaid expenses and other receivables	666,359	605,374	-	-	-	1,271,733
Security deposits	310,181	307,755	-	-	-	617,936
Other current assets	150,000	-	5,777	19,169	-	174,946
Total Current Assets	27,119,287	20,292,342	1,787,043	2,254,690	(500,000)	50,953,362
Due from The William M. Casey Foundation, Inc.	-	1,272,041	-	-	-	1,272,041
Distribution Receivable	-	2,149,593	-	-	-	2,149,593
Due from Metro Community Health Centers, Inc.	-	-	-	705,608	-	705,608
Due from Related Party	11,856,185	-	-	2,944,705	(14,800,890)	-
Beneficial Interest in Perpetual Trust	-	38,550	-	-	-	38,550
Interest in Net Assets of The William M. Casey Foundation, Inc.	-	9,996,144	-	-	-	9,996,144
Property and Equipment, Net	26,540,828	4,933,375	127,304	20,940	-	31,622,447
Other Noncurrent Assets	237,294	-	-	-	-	237,294
Total Assets	$ 65,753,594	$ 38,682,045	$ 1,914,347	$ 5,925,943	$ (15,300,890)	$ 96,975,039

HeartShare Human Services of New York and Affiliates

Consolidating Schedule of Financial Position

June 30, 2020

	HSHS	HSSV	Education	Wellness	Eliminations	Total
Liabilities and Net Assets						
Current Liabilities						
Accounts payable and accrued expenses	$ 5,757,994	$ 2,403,585	$ 13,338	$ 283,704	$ -	$ 8,458,621
Accrued salaries and vacations payable	5,821,852	2,028,385	156,926	84,821	-	8,091,984
Due to government agencies	2,689,662	2,653,633	219,878	-	-	5,563,173
Due to Related Party	-	500,000	-	-	(500,000)	-
Current portion of long-term debt	16,746,430	1,047,685	-	-	-	17,794,115
Other current liabilities	1,664,251	-	-	-	-	1,664,251
Total Current Liabilities	32,680,189	8,633,288	390,142	368,525	(500,000)	41,572,144
Long-Term Liabilities						
Deferred payroll taxes	509,710	205,169	24,516	3,719	-	743,114
Due to government agencies	2,879,888	4,961,969	588,149	-	-	8,430,006
Due to Related Party	-	13,213,961	1,586,929	-	(14,800,890)	-
Long-term debt	11,453,271	4,381,422	-	-	-	15,834,693
Post-retirement benefit obligation	518,610	-	-	-	-	518,610
Deferred rent liability	1,174,782	-	-	-	-	1,174,782
Allowance for potential rate adjustments	5,296,697	-	-	-	-	5,296,697
Total Long-Term Liabilities	21,832,958	22,762,521	2,199,594	3,719	(14,800,890)	31,997,902
Total Liabilities	54,513,147	31,395,809	2,589,736	372,244	(15,300,890)	73,570,046
Net Assets						
Without donor restrictions	10,383,680	2,818,528	(685,389)	5,553,699	-	18,070,518
With donor restrictions	856,767	4,467,708	10,000	-	-	5,334,475
Total Net Assets	11,240,447	7,286,236	(675,389)	5,553,699	-	23,404,993
Total Liabilities and Net Assets	$ 65,753,594	$ 38,682,045	$ 1,914,347	$ 5,925,943	$ (15,300,890)	$ 96,975,039

HeartShare Human Services of New York and Affiliates

Consolidating Schedule of Activities

Year ended June 30, 2020

	HSHS	HSSV	Education	Wellness	Eliminations	Total
Changes in Net Assets Without Donor Restrictions						
Operating Revenues, Gains and Other Support						
Contributions and bequests	$ 482,331	$ 3,499,451	$ 5,205	$ -	$ -	$ 3,986,987
Special events revenues	720,952	452,692	-	-	-	1,173,644
Direct costs of special events	(182,470)	(208,750)	-	-	-	(391,220)
Patient service revenues	-	-	-	1,312,389	-	1,312,389
Fees and grants from government agencies	88,753,606	46,845,258	4,124,893	106,622	-	139,830,379
Client fees	4,427,411	-	-	-	-	4,427,411
Other grants	-	-	-	-	-	-
Interest income	221,661	108,385	-	-	-	330,046
Other revenues	6,564,676	297,417	-	58,750	(5,517,710)	1,403,133
Rental income	-	-	-	138,626	-	138,626
Net assets released from restrictions	23,981	930,148	17,120	-	-	971,249
Total Revenues, Gains and Other Support	101,012,148	51,924,601	4,147,218	1,616,387	(5,517,710)	153,182,644
Expenses						
Program services:						
Boarding home	-	14,029,515	-	-	-	14,029,515
Medical services	-	6,327,189	-	-	-	6,327,189
Residence programs for the Developmentally Disabled	53,247,724	17,304,695	-	-	-	70,552,419
Prevention	-	7,951,304	-	-	-	7,951,304
Education	14,710,963	-	3,881,574	-	-	18,592,537
Respite	876,252	-	-	-	-	876,252
Energy programs	196,091	-	-	-	-	196,091
Day programs	21,219,300	-	-	-	-	21,219,300
Clinical services	-	-	-	1,074,578	-	1,074,578
American Dream program	-	604,470	-	-	-	604,470
Total Program Services	90,250,330	46,217,173	3,881,574	1,074,578	-	141,423,655

HeartShare Human Services of New York and Affiliates

Consolidating Schedule of Activities

Year ended June 30, 2020

	HSHS	HSSV	Education	Wellness	Eliminations	Total
Supporting services:						
Management and general	$ 10,527,623	$ 6,365,450	$ 453,010	$ 234,595	$ (5,517,710)	$ 12,062,968
Fundraising	387,363	300,697	-	-	-	688,060
Total Supporting Services	10,914,986	6,666,147	453,010	234,595	(5,517,710)	12,751,028
Total Expenses	101,165,316	52,883,320	4,334,584	1,309,173	(5,517,710)	154,174,683
Change in Net Assets, before other changes	(153,168)	(958,719)	(187,366)	307,214	-	(992,039)
Non-Operating Income (Expense)						
Loss on beneficial interest in perpetual trust	-	-	-	-	-	-
Change in unfunded post-retirement benefits	-	-	-	-	-	-
Change in interest in net assets of The William M. Casey Foundation, Inc.	-	1,746,479	-	-	-	1,746,479
Changes in Net Assets Without Donor Restriction	(153,168)	787,760	(187,366)	307,214	-	754,440
Changes in Net Assets with Donor Restrictions	-	-	-	-	-	-
Contributions and Bequests	342,789	209,534	-	-	-	552,323
Fees and Grants from Government Agencies	-	-	17,120	-	-	17,120
Loss on Beneficial Interest in Perpetual Trust	-	(6,215)	-	-	-	(6,215)
Net Assets Released	(23,981)	(930,148)	(17,120)	-	-	(971,249)
Changes in Net Assets with Donor Restrictions	318,808	(726,829)	-	-	-	(408,021)
Net Assets, beginning of year	11,074,807	7,225,305	(488,023)	5,246,485	-	23,058,574
Net Assets, end of year	$ 11,240,447	$ 7,286,236	$ (675,389)	$ 5,553,699	$ -	$ 23,404,993

HeartShare Human Services of New York and Affiliates

Consolidated Financial Statements and Supplementary Information
Year Ended June 30, 2021

HeartShare Human Services of New York and Affiliates

Consolidated Financial Statements
and Supplementary Information
Year Ended June 30, 2021

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Tel: 212-371-4446
Fax: 212-371-9374
www.bdo.com

622 Third Ave, Suite 3100
New York, NY 10017

Independent Auditor's Report

The Board of Directors
HeartShare Human Services of New York and Affiliates
Brooklyn, New York

Opinion

We have audited the consolidated financial statements of HeartShare Human Services of New York and Affiliates (collectively, HeartShare and Affiliates), which comprise the consolidated statement of financial position as of June 30, 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of HeartShare and Affiliates as of June 30, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of HeartShare and Affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HeartShare and Affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 HeartShare and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HeartShare and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary Consolidating Schedule of Financial Position and Consolidating Schedule of Activities are presented for purposes of additional analysis and are not required parts of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the 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.

BDO USA, LLP

December 1, 2021

HeartShare Human Services of New York and Affiliates

Consolidated Statement of Financial Position

June 30, 2021		
Assets		
Current Assets		
Cash	$	5,254,613
Accounts receivable		45,780,741
Due from Metro Community Health Centers, Inc.		1,006,809
Prepaid expenses and other receivables		1,224,838
Security deposits		610,217
Other current assets		174,946
Total Current Assets		54,052,164
Due from Metro Community Health Centers, Inc.		512,595
Beneficial Interest in Perpetual Trust		47,102
Property and Equipment, Net		37,549,123
Deferred Leasing Costs		1,254,720
Right-of-Use Assets		77,748,582
Other Noncurrent Assets		8,619,044
Total Assets	$	179,783,330
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$	5,397,095
Accrued salaries and vacation payable		9,967,223
Due to government agencies		5,073,895
Current portion of long-term debt		3,336,497
Lines of credit		7,578,851
Loan payable - Paycheck Protection Program		154,302
Current portion of operating lease liabilities		10,181,414
Other current liabilities		2,267,028
Total Current Liabilities		43,956,305
Long-Term Liabilities		
Deferred payroll taxes		1,548,938
Due to government agencies, less current portion		12,770,073
Long-term debt, net of deferred issuance costs and current portion		19,679,301
Loan payable - Paycheck Protection Program, less current portion		4,472,232
Refundable advance - Provider Relief Fund		1,256,481
Post-retirement benefit obligation		518,610
Operating lease liabilities, less current portion		70,303,241
Allowance for potential rate adjustments		5,094,791
Total Long-Term Liabilities		115,643,667
Total Liabilities		159,599,972
Net Assets		
Without donor restrictions		19,377,484
With donor restrictions		805,874
Total Net Assets		20,183,358
Total Liabilities and Net Assets	$	179,783,330

See accompanying notes to consolidated financial statements.

HeartShare Human Services of New York and Affiliates

Consolidated Statement of Activities

Year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions, bequests and non-government grants	$ 3,114,081	$ 248,058	$ 3,362,139
Special events revenues	750,879	-	750,879
Direct costs of special events	(79,609)	-	(79,609)
Patient service revenues	243,348	-	243,348
Fees and grants from government agencies	143,157,320	-	143,157,320
Client fees	4,959,837	-	4,959,837
Interest income	109,259	-	109,259
Other revenues	528,006	-	528,006
Rental income	2,612,136	-	2,612,136
Net assets released from restriction	551,869	(551,869)	-
Total Revenues, Gains, and Other Support	155,947,126	(303,811)	155,643,315
Expenses			
Program services:			
Boarding home	14,093,663	-	14,093,663
Medical services	6,130,293	-	6,130,293
Residence programs	70,276,877	-	70,276,877
Prevention	9,378,386	-	9,378,386
Education	18,104,295	-	18,104,295
Respite	356,601	-	356,601
Energy programs	212,466	-	212,466
Day programs	17,074,747	-	17,074,747
Clinical services	672,554	-	672,554
American Dream program	258,344	-	258,344
Total Program Services	136,558,226	-	136,558,226
Supporting services:			
Management and general	18,392,290	-	18,392,290
Fundraising	637,986	-	637,986
Total Supporting Services	19,030,276	-	19,030,276
Total Expenses	155,588,502	-	155,588,502
Change in Net Assets, before other changes	358,624	(303,811)	54,813
Gain on beneficial interest in perpetual trust	-	8,552	8,552
Change in affiliation with the William M. Casey Foundation, Inc.	(6,711,144)	-	(6,711,144)
Change in Net Assets	(6,352,520)	(295,259)	(6,647,779)
Net Assets, beginning of year, as revised	25,730,004	1,101,133	26,831,137
Net Assets, end of year	$ 19,377,484	$ 805,874	$ 20,183,358

See accompanying notes to consolidated financial statements.

HeartShare Human Services of New York and Affiliates

Consolidated Statement of Functional Expenses

Year ended June 30, 2021

	Program Services											Supporting Services			
	Boarding Home	Medical Services	Residence Programs	Prevention	Education	Respite	Energy Programs	Day Programs	Clinical Services	American Dream	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	$ 4,895,974	$ 3,410,805	$ 37,802,551	$ 6,319,005	$ 12,039,359	$ 199,136	$ 150,702	$ 7,178,071	$ 253,636	$ 39,214	$ 72,288,453	$ 9,798,301	$ 173,624	$ 9,971,925	$ 82,260,378
Payroll taxes and employee benefits	1,282,727	884,270	9,982,502	1,738,320	3,047,040	54,196	40,762	1,874,646	85,480	11,069	19,001,012	2,551,636	49,976	2,601,612	21,602,624
Total Salaries and Related Expenses	6,178,701	4,295,075	47,785,053	8,057,325	15,086,399	253,332	191,464	9,052,717	339,116	50,283	91,289,465	12,349,937	223,600	12,573,537	103,863,002
Occupancy	922,924	251,996	6,530,678	332,508	1,731,467	50,987	9,592	4,265,398	254,382	113	14,350,045	1,166,008	88,592	1,254,600	15,604,645
Professional fees and contract service payments	610,485	1,047,452	2,574,625	192,542	157,083	25,331	-	1,416,809	36,934	6,730	6,067,991	2,652,776	190,818	2,843,594	8,911,585
Foster boarding home payments	4,603,836	-	-	-	-	-	-	-	-	-	4,603,836	-	-	-	4,603,836
Insurance	231,841	122,530	2,238,322	212,563	314,150	5,555	3,925	674,853	8,992	1,309	3,814,040	436,400	4,521	440,921	4,254,961
Depreciation and amortization	110,918	46,549	2,770,004	17,041	245,372	4,129	1,191	399,141	5,701	-	3,600,046	418,518	3,226	421,744	4,021,790
Repairs and maintenance	91,102	20,096	1,705,063	43,920	84,384	1,011	110	195,155	4,243	-	2,145,084	246,485	4,131	250,616	2,395,700
Supplies	20,674	53,413	1,285,978	158,136	199,113	658	13	105,952	4,487	3,901	1,832,325	170,536	9,518	180,054	2,012,379
Food	5,040	6,095	1,548,585	19,505	64,734	-	-	4,103	-	-	1,648,062	13,540	9,797	23,337	1,671,399
Interest	110,608	30,010	1,044,667	8,031	56,335	1,151	499	63,034	-	-	1,314,335	25,991	804	26,795	1,341,130
Telephone	108,488	79,535	584,064	84,315	45,025	9,252	4,072	152,893	6,615	-	1,074,259	131,410	1,904	133,314	1,207,573
Transportation	101,131	9,113	216,921	9,735	1,301	712	-	453,766	240	22,910	815,829	39,872	443	40,315	856,144
Equipment rental	23,192	-	470,300	-	14,616	962	752	230,544	10,074	-	750,440	58,755	812	59,567	810,007
Medical supplies	-	-	469,506	-	12,101	57	-	7,335	761	-	489,760	-	-	-	489,760
Clothing	340,074	-	160,363	-	-	-	-	-	-	25	500,462	-	-	-	500,462
Foster parent expenses	304,828	1,326	20,739	25,781	-	-	-	-	-	62,611	415,285	-	-	-	415,285
Minor equipment acquisitions	-	-	205,046	-	61,079	2,301	-	4,582	900	-	273,908	2,408	-	2,408	276,316
Stipends	76,598	400	93,423	200	-	-	-	-	-	96,310	266,931	-	1,000	1,000	267,931
Camp fees and other children's activities	35,125	2,268	71,794	133,969	-	-	-	-	-	14,138	257,294	-	4,029	4,029	261,323
Dues	30,985	111,812	76,726	6,380	5,818	761	250	14,549	-	-	247,281	13,138	-	13,138	260,419
New York State health care facility assessment	-	-	205,106	-	-	-	-	-	-	-	205,106	-	-	-	205,106
Postage, printing, and publications	15,700	3,610	11,168	1,215	2,753	36	-	1,769	74	14	36,339	52,677	12,684	65,361	101,700
Staff development	3,287	199	10,074	14,042	-	-	-	-	-	-	27,602	312	-	312	27,914
Conference expenses	1,765	7	-	2	-	-	-	-	-	-	1,774	15	-	15	1,789
Miscellaneous	166,361	48,807	198,672	61,176	22,565	366	598	32,147	35	-	530,727	613,512	82,107	695,619	1,226,346
Total Expenses, reported on the consolidated statement of activities	$ 14,093,663	$ 6,130,293	$ 70,276,877	$ 9,378,386	$ 18,104,295	$ 356,601	$ 212,466	$ 17,074,747	$ 672,554	$ 258,344	$136,558,226	$ 18,392,290	$ 637,986	$ 19,030,276	$155,588,502

See accompanying notes to consolidated financial statements.

HeartShare Human Services of New York and Affiliates

Consolidated Statement of Cash Flows

Year ended June 30, 2021	
Cash Flows from Operating Activities	
Change in net assets	$ (6,647,779)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	4,021,790
Amortization of debt issuance costs included in interest expense	63,007
Gain on beneficial interest in perpetual trust	(8,552)
Change in interest in net assets of The William M. Casey Foundation, Inc.	9,996,144
Amortization of right-of-use assets – operating leases	12,162,819
Changes in:	
Accounts receivable	(3,806,964)
Grant receivable	4,141,634
Due from Metro Community Health Centers, Inc.	(167,878)
Prepaid expenses and other receivables	46,895
Security deposits	7,719
Other noncurrent assets	(8,381,750)
Accounts payable and accrued expenses	(3,061,526)
Accrued salaries and vacations payable	2,681,063
Other current liabilities	602,777
Due to government agencies	3,850,789
Allowance for potential rate adjustments	(201,906)
Operating lease liabilities	(10,601,528)
Net Cash Provided by Operating Activities	4,696,754
Cash Flows from Investing Activities	
Property and equipment acquisitions	(4,492,042)
Net Cash Used in Investing Activities	(4,492,042)
Cash Flows from Financing Activities	
Proceeds from long-term debt	3,760,000
Principal payments on long-term debt	(10,057,086)
Proceeds from Paycheck Protection Program loan	4,626,534
Proceeds from Provider Relief Fund	1,256,481
Debt issuance costs	(85,080)
Net Cash Used in Financing Activities	(499,151)
Decrease in Cash	(294,439)
Cash, beginning of year	5,549,052
Cash, end of year	$ 5,254,613
Supplemental Cash Flows Information	
Interest paid, net of capitalized interest	$ 733,947

See accompanying notes to consolidated financial statements.

1. Nature of Organization

HeartShare Human Services of New York (HeartShare) operates programs in Brooklyn, Queens, and Staten Island, and was founded in 1914. HeartShare serves the community through children and family services, programs for persons of all ages with developmental disabilities, and persons affected by HIV-AIDS. HeartShare is supported primarily by service fees paid by Medicaid, New York City and various New York State agencies, and government grants.

HeartShare Wellness, Ltd. (Wellness) operates Article 16 clinic services to provide evaluations and long-term therapies to individuals with intellectual and developmental disabilities (IDD). Wellness began operations on May 1, 2000. Wellness is supported primarily by patient service fees paid by Medicaid.

The members of Wellness are the Chairperson and President and CEO of HeartShare, and one other person designated by the Chairperson of HeartShare.

HeartShare Education Center (dba The HeartShare School) (HEC) was granted a provisional charter by the New York State Education Department (NYSED) on July 26, 2006. Effective July 1, 2009, HEC's operations were segregated from HeartShare. HEC is approved by the NYSED and the New York City Department of Education (DOE) to educate children ages five to 21 diagnosed with autism and the spectrum disorders, as well as children diagnosed with mental retardation and other developmental disabilities. HEC focuses on the whole child and uses a combination of educational, behavioral, and therapeutic approaches based on each child's unique needs. HEC is funded by the NYSED through the DOE and the New York State Department of Health (DOH). Additional support is provided through private donations and grants.

The members of HEC are the Chairperson and President and CEO of HeartShare, and one other person designated by the Chairperson of HeartShare.

St. Vincent's Services, Inc. (dba HeartShare St. Vincent's Services) (HSVS) serves the community through the provision of foster boarding home services, educational services, medical and mental health care, group homes, and intermediate care services. HSVS is supported primarily by service fees paid by Medicaid, New York City and various New York State agencies, and government grants.

The by-laws state that HSVS shall have only five members: The Chairperson of HeartShare (unless otherwise so designated by the Board of Directors of HeartShare); the President and CEO of HeartShare (unless otherwise so designated by the Board of Directors of HeartShare); one other person designated by the Board of Directors of HeartShare, the "Designee of HeartShare"; one other person designated by the Board of Directors of The William M. Casey Foundation, Inc. (the Casey Foundation); and, ex officio, the Bishop of The Roman Catholic Diocese of Brooklyn, New York, or his designee as so designated in writing by the Bishop.

During 2019, HSVS Property Foundation, Ltd. (HSVS Foundation) was formed as a 501(c)(2) organization holding title to certain properties of HSVS. HSVS is the sole member of HSVS Foundation.

On October 30, 2020, an amendment to the affiliation agreement was executed between HSVS and the Casey Foundation. The Casey Foundation is a New York not-for-profit corporation exempt from federal income tax as a section 501(c)(2) title holding company. The purpose of the Casey Foundation is to hold title to property and to lease, rent, or otherwise make such property available to HSVS in furtherance of HSVS's charitable purposes. The Casey Foundation is governed by a five-person board of directors. Four of the directors are appointed by HSVS. The fifth director is appointed by the Casey Foundation's corporate members, which consist of the Bishop, the Vicar General, and a member of the clergy of the Roman Catholic Diocese of Brooklyn, New York.

HeartShare is a member of the New York Integrated Network for Persons with Developmental Disabilities and Affiliate (the Network), which was founded on June 12, 2012 as a collaborative venture of successful and trusted service providers in New York State. The purpose is to become a sustainable network with an integrated system with multiple services and supports that will develop new and innovative models of care, utilize best practices, stabilize quality of services, and demonstrate effective and efficient delivery of care. On November 14, 2014, the Network was granted exemption from federal income tax under Internal Revenue Code Section 501(c)(3). The Network is a publicly supported organization, as described in Internal Revenue Code Section 509(a). No consolidation is required, as HeartShare is one of several members and has less than a 50% membership in the corporation.

HeartShare is a member of the Meaningful NY Initiatives for People with Disabilities, Inc. (MNY), which was was founded on July 7, 2014. The purpose of MNY is to support individuals with disabilities in developing skills that will enable them to enter and be successful in the workforce by providing services to the community. On March 9, 2015, MNY was granted exemption from federal income tax under Internal Revenue Code Section 501(c)(3). MNY is a publicly supported organization, as described in Internal Revenue Code Section 509(a). Contributions to MNY have been expensed in these consolidated financial statements. No consolidation is required, as HeartShare is one of several members and has less than a 50% membership in MNY.

2. Principles of Consolidation

The accompanying consolidated financial statements include the balances, activities, and cash flows of HeartShare, Wellness, HEC, and HSVS, including their affiliates the Casey Foundation and HSVS Property Foundation, (collectively referred to as HeartShare and Affiliates). All intercompany transactions have been eliminated.

Due to an error on the statement of financial position of the Casey Foundation relating to prior years, consolidated net assets at July 1, 2020 were revised to reflect a decrease of $3,285,000 in the June 30, 2020 recorded beneficial interest in the Casey Foundation.

3. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to not-for-profit entities. In the consolidated 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.

Consolidated Financial Statement Presentation

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

These classes are defined as follows:

Without Donor Restrictions - This class consists of net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operations of HeartShare and Affiliates. Expenses are reported as decreases in net assets without donor restrictions.

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

Risks and Uncertainties

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

As a result of the COVID-19 outbreak, HeartShare and Affiliates have incurred, and is expected to incur for the foreseeable future, incremental and other COVID-19 pandemic-related expenses. COVID-19-related expenses consist of additional costs that are incurring to protect HeartShare and Affiliates employees and consumers, and to support social-distancing requirements resulting from the COVID-19 pandemic. These costs include, but are not limited to, new or added benefits provided to employees and consumers, the purchase of additional personal protection equipment and disinfecting supplies, additional facility cleaning services, initiated programs and communications to customers on utility response, and increased technology expenses to support remote working, where possible.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full impact that the pandemic will have on HeartShare and Affiliates' financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was enacted and passed by Congress as a result of the economic fallout from the COVID-19 pandemic. The CARES Act, among other things, has apportioned funds for the United States Small Business Administration (SBA) Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment, as well as established the Public Health and Social Services Emergency Fund (the Provider Relief Fund). The United States Department of Health and Human Services (HHS) has allocated the Provider Relief Fund among eligible healthcare providers through both general and targeted distributions which began in April 2020.

During the fiscal year ended June 30, 2021, HeartShare and Affiliates received Provider Relief Funds totaling $4,041,016. In July 2020, HeartShare and Affiliates applied and received $4,626,354 in PPP loans. Due to management's assessment of forgiveness, it is expected that the PPP loans will be fully forgiven, but until such time the PPP loans are recorded as a loan payable in the accompanying consolidated statement of financial position. See Note 13 for further details on this loan payable and forgiveness. In addition, the CARES Act includes a provision to defer employer side payroll taxes. HeartShare and Affiliates elected to defer payroll taxes beginning in April 2020. As of June 30, 2021, a total of $3,097,876 employer side payroll taxes were deferred of which $1,548,938 was included in current liabilities.

The Provider Relief Funds are subjected to post payment reporting requirements. The recognition of amounts received is conditioned upon the provision of care for individuals with possible or actual cases of COVID-19, certification that payment will be used to prevent, prepare for, and respond to coronavirus and shall reimburse the recipient only for healthcare related expenses or lost revenues that are attributable to the coronavirus. These monies have been recognized following the grant accounting model, recognizing income over the applicable reporting period as management becomes reasonably assured of meeting the required criteria.

June 30, 2021		
Funds received during the year	$	4,041,016
Funds applied to incremental expenses and lost revenues		(2,784,535)
Funds unused	$	1,256,481

The unused funds of $1,256,481 is included in refundable advance – provider relief fund in the consolidated statement of financial position. The funds applied to incremental expenses and lost revenues of $2,784,535 is included in fees and grants from government agencies in the consolidated statement of activities.

Accounts Receivable

HeartShare and Affiliates record receivables based on the amount of consideration to which the organization expects to be entitled in exchange for services provided based on established rates. HeartShare and Affiliates perform individual credit risk assessments, which evaluate the individual circumstances, abilities, and intentions of each customer prior to providing the services. If, subsequent to providing the services, HeartShare and Affiliates become aware of customer-specific events, facts, or circumstances indicating customers no longer have the ability or intention to pay the amount of consideration to which HeartShare and Affiliates are expected to be entitled for providing the services, then the related receivable balances are written off as bad debt expense and reported in the consolidated statement of activities.

Contract Assets

Amounts related to services provided to customers who have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Contract asset balances would consist primarily of services provided to customers who are still receiving services at the end of the year. There were no contract assets at June 30, 2021.

Due from Metro Community Health Centers, Inc.

Included in due from Metro Community Health Centers, Inc. is a loan receivable that is recorded based on a signed loan agreement (see Note 6). Interest is accrued based on a rate specified in the loan agreement. In addition, a receivable has been recorded for operational costs incurred in the start-up of the program. No allowance has been recorded at June 30, 2021.

Beneficial Interest in Perpetual Trust

HSVS is a beneficiary of a perpetual trust held by another entity, as a trustee. HSVS's beneficial interest in this trust is recorded at the fair value.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Items with a cost in excess of $500 for HeartShare, Wellness, and HEC, and $1,000 for HSVS, and an estimated useful life of greater than one year, are capitalized. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is provided on the straight-line method over the shorter of the term of the lease or the estimated useful life of the improvement.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Asset Category	Years
Building	20-25
Transportation equipment	4-5
Furniture and equipment	3-5
Leasehold improvements	5-15

HeartShare capitalizes interest costs as a component of buildings, based on the weighted-average rates paid for long-term borrowing.

Long-Lived Asset Impairment

HeartShare and Affiliates evaluate the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended June 30, 2021.

Debt Issuance Costs

Debt issuance costs are reflected as a reduction of the carrying amount of the related debt and are amortized on the straight-line basis over the term of the associated debt. Amortization of debt issuance costs is included in interest expense.

Contract Liability

A contract liability represents revenue that has been deferred for the funds advanced by various government agencies for HeartShare and Affiliates' contracts related to services that have not yet been provided to customers. Contract liabilities consist of payments made by funding sources for HeartShare and Affiliates' contracts for services not yet performed and are expected to be performed within the next fiscal year. There were no contract liabilities at June 30, 2021.

Rental Income

Rental income is recognized based on the lease agreements. Leases are reflected on the straight-line basis.

Deferred Leasing Costs

Deferred leasing costs represent lease commissions that were paid to an agent. Leasing costs are amortized over the term of the lease. Amortization is computed utilizing the straight-line method. Amortization expense for the year ended June 30, 2021 was $13,899.

Contributions

Contributions and promises to give are recorded as revenue at the time they are made or pledged unconditionally and supported by a written commitment. Contributions are classified as with or without donor restrictions. Contributions are nonexchange transactions in which no commensurate value is exchanged and fall under the purview of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Income Taxes

HeartShare, HSVS, Wellness and HEC are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and a similar provision of state law. HSVS Foundation and the Casey Foundation are exempt from income taxes under 501(c)(2) of the Code. However, HeartShare and Affiliates are subject to federal income tax on any unrelated business taxable income. For the year ended June 30, 2021, HeartShare and Affiliates did not have any unrelated business taxable income.

HeartShare and Affiliates have not taken any unsubstantiated tax positions that would require provision of a liability under FASB ASC 740, *Income Taxes*. Under ASC 740, an organization must recognize the tax liability associated with uncertain tax positions taken for tax return purposes when it is more likely than not the position will not be sustained upon examination by a taxing authority. HeartShare and Affiliates do not believe that there are any material uncertain tax positions and, accordingly, have not recognized any liability for unrecognized tax benefits. HeartShare and Affiliates have filed Internal Revenue Service (IRS) Form 990, as required, and all other applicable returns in jurisdictions when it is required. For the year ended June 30, 2021, there was no interest or penalties recorded or included in the consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing HeartShare and Affiliates' services have been summarized on a functional basis in the consolidated statement of activities. Certain costs have been allocated among the program, management and general, and fundraising categories based on the job responsibility, square footage, and other methods.

Program services are summarized as follows:

Boarding Home - The Boarding Home Program is funded by the City of New York through the Administration for Children's Services (ACS). ACS places abused and neglected children with contracted agencies that provide the children with foster homes and services. ACS pays a per-diem rate to the agency.

Medical Services - The children in foster care receive general medical care through Medicaid. Medicaid is funded 50% by the federal government and 50% by New York State. Based on the different types of programs, the agency receives various per-diem rates. The Out-Patient Clinic (OPC) serves adult clients who struggle with mental health issues. This program is funded by the New York State Office of Mental Health (OMH). The Chemical Dependency program serves adult clients with substance abuse issues.

Residence Programs for the Developmentally Disabled – The Intermediate Care Facilities (ICF) operate by certification from the Office for People with Developmental Disabilities (OPWDD) with a capacity of up to 30 beds to provide active programming, room and board, and continuous 24-hour per day supervision. The supervised Individual Residential Alternative (IRA), which provides 24-hour supervised care, and the supportive IRA, where the consumer receives services in a more independent setting, are community-based group living arrangements that provide room, board, and individualized protective oversight. They are designed to provide a home environment and a setting where persons can acquire the skills necessary to live as independently as possible. The residence programs are certified by OPWDD. The Community Habilitation services are residential habilitation services that are provided to individuals who do not reside in a residence that is certified or operated by OPWDD. Residential Habilitation also may include program-related personal care, health care, and protective oversight and supervision. Residence programs serve adult clients referred from local hospitals who struggle with substance abuse and mental health issues. Residents are connected to support services, such as mental health and drug treatment programs, to help them become self-sufficient. Residence programs, coupled with such services, provide an affordable, safe, and permanent place to live for people facing homelessness. In addition to allowing tenants to build their independence and become part of a community, this type of program reduces long-term costs to the city and state, such as for psychiatric inpatient care and emergency rooms. The Children Community Residence program provides for 24 youngsters residing at three locations, each with various services, such as daily living, social skills, behavioral management, crisis management, family support, and therapeutic recreation.

Prevention - The Prevention Programs are funded by the City of New York. Three of the programs are funded through ACS with contracted services provided to 352 families. The other program is funded through the Department of Youth and Community Development (DYCD) with contracted services provided to 105 families. These programs are community-based family service centers that help families find healthy ways to resolve problems and avoid conflicts and crisis. The goal is to help these families stay together and keep the children out of foster care. ACS and DYCD reimburse the agency for qualifying expenses.

Education - The Education Programs are for children who are diagnosed as learning-disabled. Disabilities can range from mild to severe. Clinical services are required for the programs. The program is funded by New York State Education Department through the New York City Department of Education. The two Beacon Programs, the Out of School Time Program, the New York City Housing Authority (NYCHA) Community Program, and the two Cornerstone Programs are funded by the City of New York through DYCD. These programs provide recreational and educational activities for community residents of all ages. DYCD reimburses the agency for qualifying expenses.

Respite – This program provides an array of services that support families in maintaining their family members with disabilities at home or at-site.

Energy Programs - Grants are funded through contributions by Con Edison, Entergy, National Grid, New York State Electric and Gas Corporation (NYSEG), Rochester Gas and Electric Corporation (RGE), foundations, corporations, and generous individuals. HeartShare administers the program that helps over 5,000 families stay warm in the winter and cool in the summer.

Day Programs - The Day Programs provide individuals with training in self-care and independent living skills. The programs also offer occupational, physical, and speech therapy services. The staff also assists families with residential living plans for their relatives with developmental disabilities. Each facility offers services for individuals based on levels of disability.

Clinical Services - This program includes Article 16 clinic services that provide evaluations and long-term therapies to individuals with IDD, as well as a targeted case management program (Health Home) for those with chronic health/mental health conditions who also receive Medicaid.

American Dream Program - This program is funded by contributions used to provide and assist with the finest educational opportunities for clients who are still in care or those who have aged out of care.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Accounting for Leases (Topic 842)*, 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 a 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 for not-for-profit entities with conduit debt.

Effective July 1, 2020, HeartShare and Affiliates adopted ASU 2016-02 following the modified retrospective method of application.

4. Revenue from Contracts with Customers

Service Revenue

HeartShare and Affiliates receive funding from Medicaid, New York City, and New York State agencies through fees and government grants. Revenue is reported at the amount that reflects the consideration to which HeartShare and Affiliates expect to be entitled in exchange for providing the contracted services. These amounts are due from third-party payors (including government programs) and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, HeartShare and Affiliates bill the third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Performance obligations are determined based on the nature of the services provided by HeartShare and Affiliates. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. HeartShare and Affiliates believe that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. HeartShare and Affiliates measure the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the government agencies' stipulations.

Because all of its performance obligations relate to contracts with a duration of less than one year, HeartShare and Affiliates have elected to apply the optional exemption provided in FASB Accounting Standards Codification (ASC) 606-10-50-14(a) and, therefore, are not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed when the service is completed and upon submission of required documentation.

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

Third-Party Payors

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors is as follows:

Medicaid - Reimbursements for Medicaid services are generally paid for each type of service provided.

Other - Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per established charges and prospectively determined daily rates. Certain of these rates are subject to final settlement and determined after submission of annual cost reports by HeartShare and Affiliates.

Private Pay – Agreements with customers typically provide for payments at established charges.

Significant Judgments

Laws and regulations concerning government programs, including Medicaid, are complex and subject to varying interpretation. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge HeartShare and Affiliates' compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims, or penalties would have upon HeartShare and Affiliates. Revenues and receivables arising from the programs are dependent upon final audit and negotiations between HeartShare and Affiliates and various third parties. As of June 30, 2021, an allowance for potential rate adjustments of $5,094,791 has been included in these consolidated financial statements.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and HeartShare and Affiliates' historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews, and investigations.

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Revenue Composition and Reimbursement Method

The composition of revenue by payor is as follows:

June 30, 2021

	Boarding Home	Medical Services	Residence Program	Prevention	Education	Respite	Day Programs	Clinical Services	Total
Medicaid	$ -	$ 4,496,534	$ 46,468,109	$ -	$ -	$ 333,814	$ 13,285,628	$ 272,207	$ 64,856,292
Medicare	-	79,894	-	-	-	-	-	-	79,894
OPWDD	-	-	4,158,350	-	-	117,100	-	-	4,275,450
New York City governmental agencies	14,056,772	-	14,252,140	10,059,282	16,160,947	-	-	-	54,529,141
New York State Department of Health	-	-	-	-	53,047	-	-	-	53,047
OMH	-	(91,200)	4,065,816	-	-	-	-	-	3,974,616
Managed Care	-	1,797,041	5,839,903	-	-	619	996,282	-	8,633,845
SNAP	-	-	1,008,343	-	-	-	-	-	1,008,343
SSI	-	-	3,131,395	-	-	-	-	-	3,131,395
Other	130,149	5,416	22,289	(83,744)	-	-	-	-	74,110
Total	$ 14,186,921	$ 6,287,685	$ 78,946,345	$ 9,975,538	$ 16,213,994	$ 451,533	$ 14,281,910	$ 272,207	$140,616,133

Per diem	$130,640,595
Per contract	9,975,538
	$140,616,133

Also included in the financial statement line item, fees and contracts from government agencies, $2,784,535 of Provider Relief Funds from the HHS.

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Financing Component

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

Contract Costs

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

5. Beneficial Interest in Perpetual Trust

HSVS has been named as an irrevocable beneficiary of a perpetual trust held and administered by independent trustees. Perpetual trust provides for the distribution of the net income of the trust to HSVS; however, HSVS will never receive the assets of the trust.

At the date HSVS receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the consolidated statement of activities. A beneficial interest in perpetual trust is recorded in the consolidated statement of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trust are reported at the fair value of the trust's assets in the consolidated statement of financial position, with trust distributions and changes in fair value recognized in the consolidated statement of activities.

The estimated value of the expected future cash flows is $47,102, which represents the fair value of the trust assets at June 30, 2021. The gain from this trust for 2021 was $8,552.

6. Due from Metro Community Health Centers, Inc.

During 2016, Wellness transferred its medical clinic license, pursuant to Article 28 of the Public Health Law, to Metro Community Health Centers, Inc., an unrelated not-for-profit organization. Additionally, pursuant to an asset sale agreement, on August 29, 2016, Wellness (seller) sold certain assets with a net book value of $1,234,050 to Metro Community Health Centers, Inc. In connection with this sale, Wellness recorded a gain of $220,252. As part of the agreement, Wellness accepted a note evidencing a loan receivable in the amount $1,454,302. The loan bears interest at an annual rate of 5.5% payable monthly over eight years. As of June 30, 2021, a total of $873,465 on the loan was outstanding.

Additionally, Wellness agreed to lease certain employees and provide contracted staff, rental space, and other costs to the same unrelated not-for-profit organization. The sublease agreement expires in May 2024. As of June 30, 2021, $645,939 was due under this arrangement.

During 2021, Wellness recorded rental income in the amount of $143,307.

The loans receivable and other amounts are due as follows:

Year ending June 30,		
2022	$	1,006,809
2023		203,897
2024		215,400
2025		93,298
	$	1,519,404

Rental income to be received is as follows:

Year ending June 30,		
2022	$	541,226
2023		557,462
2024		526,338
	$	1,625,026

7. Property and Equipment

Property and equipment consist of the following:

June 30, 2021		
Land	$	9,059,856
Buildings		40,199,031
Transportation equipment		93,191
Furniture and equipment		11,142,393
Leasehold improvements		34,162,744
		94,657,215
Less: accumulated depreciation and amortization		(57,108,092)
Property and Equipment, Net	$	37,549,123

Depreciation and amortization expense for the year ended June 30, 2021 was $4,021,790.

8. Debt Service Reserve

Under the terms of the Dormitory Authority of the State of New York (DASNY) mortgages, HeartShare was required to deposit with the Medical Care Facilities Financing Agency (MCFFA) amounts to be held in reserve, which will be withdrawn to satisfy the remaining installments on the DASNY mortgages. The balance of the reserve fund as of June 30, 2021 consists of cash of $141,573. This amount is included in other current assets on the consolidated statement of financial position.

9. Due to Government Agencies

HeartShare and Affiliates receive funding from various government agencies, including the New York State Office for People With Developmental Disabilities (OPWDD), the New York State OMH, the Center for Medicaid Services (CMS), the New York City Department of Mental Health and Hygiene (DMHH), New York City DOE, and New York State Education Department. These agencies, as well as the New York State Office of the Attorney General's Medicaid Fraud Control Unit (MFCU), the Internal Revenue Service, the New York State Office of the Attorney General's Charities Bureau, the New York State Department of Health's Independent Office of Medicaid Inspector General (OMIG), the New York Office of Alcoholism & Substance Abuse Services (OASAS), the New York City Human Resources Administration, and other agencies, have the right to audit fiscal, as well as programmatic, compliance of HeartShare and Affiliates.

Current portion of due to government agencies represents balances that are expected to be repaid in the next 12 months following fiscal year end. As of June 30, 2021, the total current portion of due to government agencies in the consolidated statement of financial position is $5,073,895. The remaining amount of due to government agencies of $12,770,073 is included in long-term liabilities.

Due to New York City and New York State

HeartShare entered into contracts with OPWDD for the operation of two Children Residential ICF Programs, 48 IRAs, 33 supportive IRA apartments, and 12-day habilitation programs. As part of these agreements, OPWDD issued a Provider Payment Agreement (PPA) agreeing to reimburse capital costs within the rate to HeartShare for preoperational start-up costs, equipment, renovations, lease costs, real estate taxes, and operations.

As of June 30, 2021, HeartShare had accrued a liability in the amount of $3,358,408 for OPWDD advances, day habilitation recoupments, and the effects of new ICF reimbursement methodology.

As of June 30, 2021, an estimated liability for HeartShare in the amount of $818,657 has been included in these financial statements for erroneous collection of food stamps receipts by certain customers. These monies should have not been collected and are in the process of being refunded to the funding source.

The total amount due to New York State and New York City for these advances, liabilities, and accrued interest was $4,747,740 at June 30, 2021.

As of June 30, 2021, HSVS has due to government agencies of $8,099,683, which has been included in these consolidated financial statements, which consist of the following:

- HSVS entered into an agreement with New York City ACS to repay an original amount of $2,586,373 over 30 years (ending in 2046) at a rate of $7,185 per month. As of June 30, 2021, the outstanding amount was $2,341,935.
- OMIG has audited the chemical dependency and clinic programs for HSVS. Formal findings have been communicated and a liability of $1,199,254 has been recorded in these consolidated financial statements as of June 30, 2021.
- Out of the remaining amount of $4,558,494 as of June 30, 2021, $3,670,256 is related to New York City-related foster care and group homes programs and $628,585 is related to New York State-related residence programs.

As of the date of this report, audits performed by New York City have been completed through June 30, 2014 and final reimbursement rates have been determined. Recoupments are made by reducing current payments for services provided.

The Office of State Comptroller performed an audit of HeartShare's Consolidated Fiscal Reports (CFR) for the years ended June 30, 2012, 2013, and 2014. The purpose of the audit was to determine if HeartShare's CFRs were properly calculated, adequately documented, and allowable under the State Educational Department's Reimbursable Cost Manual. HeartShare received the final audit report on October 24, 2017. The audit results will not have a significant impact on HeartShare's financial position.

Due from/to New York City Department of Education

HEC has agreed to the final reconciliation for tuition years through 2016 with the New York City DOE. These amounts are included in accounts receivable at June 30, 2021.

In addition, HEC has received overpayments from the DOE for certain students. As of June 30, 2021, due to DOE of $819,481 is included in due to government agencies and will be recouped from future tuition payments.

10. Rental Income

Ground Lease

In February 2012, the Casey Foundation entered into a 49-year ground lease with an unrelated third party (the Tenant) for a tract of land where the parking lot once existed. During 2014, the Casey Foundation received an initial payment of $1,000,000 as a credit of full satisfaction of the base rent payable from the lease commencement date (October 24, 2012) to the rent commencement date (April 24, 2014). Base rent began April 24, 2014 over the term of the lease.

In June 2013, the Casey Foundation signed a lease amendment with the Tenant, which extended the lease term to 99 years. The amended lease now expires October 23, 2111. The Casey Foundation received a payment of $4,000,000 in June 2013, as additional consideration for entering into this amendment. The lease includes escalations in base rent payments to the Casey Foundation starting October 2017, increasing every five years throughout the lease term. Total base rent payments to be received by the Casey Foundation over the remaining life of the lease total $224,000,408, as follows:

Year ending June 30,	
2022	$ 1,100,000
2023	1,173,333
2024	1,210,000
2025	1,210,000
2026	1,210,000
Thereafter	218,097,075
	$ 224,000,408

The Casey Foundation records rental income on a straight-line basis over the term of the lease. This resulted in an annual adjustment of $1,289,741 for the year ended June 30, 2021.

Rental income relating to the ground leases noted above for the year ended June 30, 2021 is $2,389,741.

Additionally, and concurrently with the aforementioned lease, the Casey Foundation entered into a recognition agreement and a consideration agreement with the Roman Catholic Diocese of Brooklyn, New York (the Diocese). In consideration of the Diocese entering into the recognition agreement, the Casey Foundation agrees to remit to the Diocese, an amount equal to 16% of the monthly base rent collected from the Tenant. The Casey Foundation agrees to remit payment within seven (7) days of its receipt of the monthly base rent. The consideration agreement extends over the life of the 99-year lease. For the year ended June 30, 2021, the Casey Foundation made annual payments of $176,000.

The Casey Foundation is also entitled to a $3,200,000 security deposit payable on or before February 16, 2102. The security deposit shall be maintained in an interest-bearing account. The Casey Foundation may utilize the security deposit if the Tenant defaults on any of the terms, conditions and provisions of the lease. The Tenant, at their election, in lieu of a cash payment of the security deposit, may deliver to the Casey Foundation an irrevocable letter of credit.

If at expiration of the lease term, the Tenant is not in default on any of the terms, conditions and provisions of the lease, any remaining security deposit and interest shall be returned to the Tenant within 60 days of October 23, 2111.

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11. Long-Term Debt

June 30, 2021	
(A) Note payable - HSBC Bank, U.S.A.	$ 4,503,150
(B) Mortgage payable (East 99th Street) - HSBC Bank, U.S.A.	669,922
(C) Mortgage payable (East 102nd Street) - HSBC Bank, U.S.A.	744,644
(D) Mortgage payable (East 66th Street) - HSBC Bank, U.S.A.	506,306
(E) Mortgage payable (168th Street) - HSBC Bank, U.S.A.	659,135
(F) Mortgage payable (Clermont Avenue) - HSBC Bank, U.S.A.	445,728
(G) Mortgage payable (East 29th Street) - HSBC Bank, U.S.A.	152,497
(H) Mortgage payable (153rd Avenue) - HSBC Bank, U.S.A.	556,898
(I) Mortgage payable (Clarke Avenue) - HSBC Bank, U.S.A.	963,553
(J) Mortgage payable (Avenue L) - HSBC Bank, U.S.A.	725,689
(K) Mortgage payable (120th Avenue) - HSBC Bank, U.S.A.	1,170,870
(L) Mortgage payable (151st Avenue) - HSBC Bank, U.S.A.	955,908
(M) Bonds payable (53 Dreyer) – DASNY Series 2021 A-1 & A-2	1,305,000
(N) Bonds payable (89 Clearmont Avenue) – DASNY Series 2021 A-1 & A-2	1,270,000
(O) Bonds payable (Gateway Elton Center) – DASNY Series 2021 A-1 & A-2	1,185,000
(P) HSVS note payable – HSBC Bank, U.S.A	2,488,483
(Q) HSVS note payable - DASNY	1,877,984
(R) HSVS property payable - DASNY	3,285,000
	23,465,767
Add: premium on bonds payable	332,825
Less: unamortized debt issuance costs	(782,794)
Less: current maturities	(3,336,497)
	$ 19,679,301

(A) In June 2013, HeartShare entered into a loan agreement with HSBC Bank, U.S.A. As part of the loan agreement, HeartShare borrowed the following amounts and agreed to the repayment schedules and collateral terms. The original principal amount of $18,000,000 bears interest at a rate of 4.35% per annum and is payable in monthly installments until July 2023. The properties encumbered are the land and buildings located at various program sites.

(B) In August 2014, HeartShare entered into a $1,040,000 loan agreement with HSBC Bank, U.S.A. The loan bears interest at a rate of 4.82% per annum and is payable in monthly installments of $8,127 until October 2024. Payments commenced on October 1, 2014. The properties encumbered are the land and buildings located at various program sites.

(C) In August 2014, HeartShare entered into a $1,156,000 loan agreement with HSBC Bank, U.S.A. The loan bears interest at a rate of 4.82% per annum and is payable in monthly installments of $9,034 until October 2024. Payments commenced on October 1, 2014. The properties encumbered are the land and buildings located at various program sites.

(D) In August 2014, HeartShare entered into a $786,000 loan agreement with HSBC Bank, U.S.A. The loan bears interest at a rate of 4.82% per annum and is payable in monthly installments of $6,142 until October 2024. Payments commenced on October 1, 2014. The properties encumbered are the land and buildings located at various program sites.

(E) In June 2017, HeartShare converted a bridge loan in the amount of $722,839 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at a rate of 4.71% per annum and is payable in monthly installments of $4,104 until November 2027. Payments commenced on July 1, 2017. The loan is secured by property located in Springfield Gardens, New York.

(F) In July 2017, HeartShare converted a bridge loan in the amount of $672,853 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 4.66% per annum and is payable in monthly installments of $7,026 until July 2027. The loan is secured by property located in Brooklyn, New York.

(G) In August 2017, HeartShare converted a bridge loan in the amount of $392,365 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 4.26% per annum and is payable in monthly installments of $6,186 until August 2023. The loan is secured by property located in Brooklyn, New York.

(H) In November 2018, HeartShare converted a bridge loan in the amount of $583,694 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 5.51% per annum and is payable in monthly installments of $3,587 until June 2023. The loan is secured by property located in Howard Beach, New York.

(I) In December 2018, HeartShare converted a bridge loan in the amount of $1,012,000 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 5.17% per annum and is payable in monthly installments of $6,016 until January 2024. The loan is secured by property located in Staten Island, New York.

(J) In December 2018, HeartShare converted a bridge loan in the amount of $763,400 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 5.44% per annum and is payable in monthly installments of $4,659 until December 2028. The loan is secured by property located in Brooklyn, New York.

(K) In June 2019, HeartShare converted a bridge loan in the amount of $1,223,509 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 4.27% per annum and is payable in monthly installments of $6,641 until June 2024. The loan is secured by property located in Jamaica, New York.

(L) In December 2020, HeartShare converted a bridge loan in the amount of $1,000,000 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 4.20% per annum and is payable in monthly installments of $10,187 until December 2025. The loan is secured by property located in Howard Beach, New York.

(M) In June 2021, HeartShare entered into a bond payable agreement with DASNY, a body corporate and politic of the State of New York, constituting a public benefit corporation, acting by and through its agent, the Commissioner of OPWDD. As part of the bond payable agreement, HeartShare borrowed $1,305,000 and agreed to the repayment schedules and collateral terms. The loan is payable by HeartShare to DASNY in monthly installments until June 2046. The property encumbered is the land and building located in Staten Island, New York.

(N) In June 2021, HeartShare entered into a bond payable agreement with DASNY, a body corporate and politic of the State of New York, constituting a public benefit corporation, acting by and through its agent, the Commissioner of OPWDD. As part of the bond payable agreement, HeartShare borrowed $1,270,000 and agreed to the repayment schedules and collateral terms. The loan is payable by HeartShare to DASNY in monthly installments until June 2046. The property encumbered is the land and building located in Staten Island, New York.

(O) In June 2021, HeartShare entered into a bond payable agreement with DASNY, a body corporate and politic of the State of New York, constituting a public benefit corporation, acting by and through its agent, the Commissioner of OPWDD. As part of the bond payable agreement, HeartShare borrowed $1,185,000 and agreed to the repayment schedules and collateral terms. The loan is payable by HeartShare to DASNY in monthly installments until June 2033. The property encumbered is the land and building located in Brooklyn, New York.

(P) In October 2015, HSVS obtained a $5,000,000 term loan payable on a monthly basis in the amount of $50,433, which includes principal and interest, for working capital purposes. Payments commenced December 1, 2015. Interest is charged at a fixed rate of 3.92% per year. The loan is based on a ten-year amortization but will be due in 59 monthly installments. As of June 30, 2021, the outstanding balance was $2,488,483. The balance of any principal outstanding on the $5,000,000 term loan has a maturity date of November 30, 2025. In December 2020, the $5,000,000 term loan was amended to revise monthly principal installments of $46,647 and interest at 1.00% above the prime rate or 3.00% above the London Interbank Offered Rate (LIBOR) commencing on December 1, 2020.

(Q) In December 2016, HSVS entered into a loan agreement with DASNY in the amount of $2,250,580 for the purpose of acquiring a building. Principal and interest are payable semiannually in the amount of $96,465. The loan matures June 1, 2035. Interest is fixed at the rate of 5.3357% per year. The loan is secured by HSVS's revenue and furniture and equipment. As of June 30, 2021, the outstanding balance was $1,877,984.

(R) In April 2021, the Casey Foundation entered into several loan agreements with Dormitory Authority of the State of New York (DASNY) totaling in the amount of $3,285,000 for the purpose of acquiring multiple buildings. Principal and interest are payable semiannually in various amounts. The loans mature on various maturity dates up through February 2037, with varying interest rates. The loans are secured by HSVS and the Casey Foundation's revenue and furniture and equipment. As of June 30, 2021, the outstanding balance was $3,285,000.

Aggregate annual maturities of long-term debt at June 30, 2021 are as follows:

Year ending June 30,		
2022	$	3,648,271
2023		3,485,281
2024		1,593,598
2025		1,370,987
2026		1,090,867
Thereafter		13,179,075
	$	24,368,079

Interest expense on long-term debt was $1,137,391 for the year ended June 30, 2021.

12. Lines of Credit

In December 2020, HeartShare and HSVS amended their revolving loan agreement for working capital of up to $15,000,000. The line of credit is renewable annually in March and bears interest at LIBOR plus 3.0%. The interest rate was 3.07% as of June 30, 2021. As of June 30, 2021, the outstanding balance on the working capital revolving loan was $6,000,000.

In December 2020, HeartShare entered into a bridge financing facility revolving loan agreement for capital expenditures of up to $6,500,000. The line of credit is renewable annually in March. The line of credit is payable on demand. The interest rate was 3.09% as of June 30, 2021. As of June 30, 2021, the outstanding balance on the bridge financing revolving loan was $1,578,851.

Interest of $542,445 was capitalized for the year ended June 30, 2021, relating to construction projects. Once the construction project is completed, the expenditures are converted to bridge loans and then to a permanent loan.

13. Loan Payable – Paycheck Protection Program

In July of 2020, HeartShare, HSVS, Wellness, and HEC applied for and received approval for a loan under the Paycheck Protection Program (PPP) administered by the United States Small Business Administration. The receipt of these funds, and the loan forgiveness of the loan attendant to these funds, is dependent on HeartShare having initially qualified for the loan and qualifying for the forgiveness of such loan based on their future adherence to the forgiveness criteria. The PPP was legislated as part of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), and is a program designed to provide a direct incentive for small businesses to keep their workers on the payroll. The loan may be partially or fully forgiven if the business keeps its employee counts and employee wages stable. As of June 30, 2021, HeartShare, HSVS, HEC, and Wellness's PPP loan had a balance of $1,900,000, $1,900,000, $517,931, and $308,603, respectively. The note is held by a bank. On November 4, 2021, HSVS and HEC were notified their PPP loan was fully forgiven by the SBA. The remaining outstanding loans are eligible for forgiveness under the CARES Act; management believes that these loans will be fully forgiven, except for the $154,302 funds for Wellness which is presented as a current liability.

14. Operating Leases

HeartShare and Affiliaties lease certain facilities and equipment under operating leases with terms generally ranging from two to 25 years. The nature of these leases generally falls into one of the following categories: real estate, office and facility equipment, and vehicles. Leases are generally classified as either finance or operating leases based on the underlying terms of the agreement and certain criteria, such as the term of the lease relative to the useful life of the asset and the total lease payments to be made as compared to the fair value of the asset, amongst other criteria. HeartShare and Affiliates elected to adopt the package of practical expedients, which included (1) an election to not reassess whether expired or existing contracts contain leases under the new definition of a lease, (2) an election to not reassess the lease classification for expired or existing leases, and (3) an election not to reassess whether any previously capitalized initial direct costs would qualify for capitalization under the new standard. Accordingly, all leases that were previously classified as operating leases under previous guidance, were classified as operating leases under the new guidance. For leases with initial terms greater than a year, HeartShare and Affiliates record the related right-of-use assets and liabilities at the present value of the lease payments to be paid over the life of the related lease. For leases with a term of 12 months or less, HeartShare and Affiliates have elected not to recognize a right-of-use asset or lease liability.

HeartShare and Affiliates' leases may include variable lease payments and renewal options. Variable lease payments are excluded from the amounts used to determine the right-of-use assets and liabilities, unless the variable lease payments depend on an index or rate or are in substance fixed payments. Lease payments related to periods subject to renewal options are also excluded from the amounts used to determine the right-of-use assets and liabilities unless HeartShare and Affiliates is reasonably certain to exercise the option to extend the lease. The present value of lease payments is calculated by utilizing a risk-free discount rate determined using a period comparable with that of the lease term. HeartShare and Affiliates elected not to separate lease components from non-lease components in contracts when determining its lease payments for its asset classes. As such, HeartShare and Affiliates account for each separate lease component and the associated non-lease components as a single lease component when determining the right-of-use assets and lease liabilities.

The following table summarizes information related to the lease assets and liabilities as of and for the year ended June 30, 2021:

June 30, 2021		
Lease cost:		
Operating lease expense	$	12,162,819
Short-term lease expense		552,557
Total operating lease cost	$	12,715,376

June 30, 2021		
Right-of-use assets and liabilities:		
Right-of-use assets – operating leases	$	77,748,582
Lease liability – operating leases		80,484,655

Year ended June 30, 2021		
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	11,154,085
Right-of-use assets obtained in exchange for operating lease obligations		41,473,346
Weighted-average remaining lease term – operating leases		7.2 years
Weighted-average discount rate – operating leases		0.59%

The aggregate future lease payments below summarize the remaining future undiscounted cash flows for operating leases as of June 30, 2021, and a reconciliation to operating lease liabilities reported on the consolidated statement of financial position:

Year ending June 30,		
2022	$	7,753,956
2023		6,788,653
2024		7,547,802
2025		7,531,394
2026		7,549,146
Thereafter		55,782,698
Total lease payments		92,953,649
Less: Interest		(12,468,994)
Present value of lease liabilities	$	80,484,655

During the year, the Casey Foundation transferred ten properties with a net book value of $4,574,621 to HSVS Property Foundation, Ltd. HSVS leases four buildings from HSVS Property Foundation, Ltd. A right-of-use asset and corresponding lease liability of $19,151,285 is eliminated in consolidation of HSVS and its affiliates.

15. Pension and Other Postretirement Benefit Plans

Multiemployer Pension Plan

HeartShare and Affiliates contribute to a multiemployer defined benefit pension plan. The plan is administered by Catholic Federation of Social Service Agencies of Brooklyn and Queens (a separate unrelated organization.) The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If HeartShare and Affiliates choose to stop participating in some of its multiemployer plans, HeartShare and Affiliates may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

HeartShare and Affiliates' participation in this plan for the annual period ended June 30, 2021 is outlined below.

- Unless otherwise noted, the most recent PPA zone status available in 2021 is for the plan's year-end at June 30, 2020.
- The zone status is based on information HeartShare and Affiliates received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone generally are less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded.
- The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) either is pending or has been implemented.

There have been no significant changes that affect the comparability of 2021 contributions.

June 30, 2021

Pension Fund	EIN Number	Pension Protection Act Zone Status	FIP/RP Status Pending/ Implemented	Contributions of HeartShare
Catholic Federation of Social Service Agencies of Brooklyn and Queens Defined Benefit Plan	26-4439481	Yellow as of June 30, 2020	None	$ 2,679,700

Defined Contribution Plan

Effective July 1, 2014, HeartShare and Affiliates entered into the Catholic Federation of Social Service Agencies of Brooklyn and Queens Defined Contribution Pension Plan. The plan is a multiple-employer church plan. Contributions for eligible employees of HeartShare, HSVS, Wellness, and HEC were made at the rate of 1% of participants' salaries for the year ended June 30, 2021. Contribution expense for the year ended June 30, 2021 was $173,603.

Defined Benefit Pension Plan

HSVS had a defined benefit pension plan covering certain eligible employees. Plan benefits were generally based on the greater of an employee's accumulated cash balance plus interest or years of service and the employee's compensation during the last several years of employment. HSVS's funding policy was based on an actuarially determined cost method allowable under applicable regulations. The funds were invested in individual annuities. HSVS terminated the plan effective June 30, 2019 and all funds and liabilities have been paid out.

Defined Benefit Postretirement Health Care Plan

HeartShare has a noncontributory defined benefit postretirement health care plan covering all employees who meet the eligibility requirements. HeartShare has not funded the plan to date. HeartShare does not expect to contribute to the plan in 2021.

16. Net Assets

Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purpose:

June 30, 2021	
Subject to expenditure for specified purpose:	
Developmental disabilities programs	$ 23,805
Preschool	530,068
Memorial Fund	23,304
ArtShare Grant	16,774
Family aid services	56,371
Smart Girls	54,886
Other	43,277
	748,485
Subject to appropriation and expenditure when a specified event occurs:	
Restricted by donors for education programs	10,287
Not subject to spending policy or appropriation:	
Beneficial interest in perpetual trust	47,102
Total	**$ 805,874**

Net Assets Released from Restriction

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

June 30, 2021		
Satisfaction of purpose restrictions:		
American Dream program	$	114,212
Educational programs		115,374
Developmental disabilities programs		29,485
Mother Cabrini Grant		187,500
ArtShare Grant		105,298
Total	**$**	**551,869**

17. Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 – This level consists of quoted prices in active markets for identical assets.

Level 2 – This level consists of observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

Level 3 – This level consists of unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets.

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall:

June 30, 2021		Level 3
Beneficial interest in perpetual trust	$	47,102

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2021. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Beneficial Interest in Perpetual Trust

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Level 3 Reconciliation

June 30, 2021		
Balance, beginning of year	$	38,550
Change in carrying value of trust		8,552
Balance, end of year	**$**	**47,102**

18. Significant Estimates and Concentrations

U.S. GAAP requires disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

General Litigation

HeartShare and Affiliates are subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets, and cash flows of HeartShare and Affiliates. Events could occur that would change this estimate materially in the near term.

Revenue and Receivable Concentrations

As of June 30, 2021, substantially all of the outstanding accounts receivable are due from Medicaid through the New York State and New York City reimbursement systems. As of June 30, 2021, approximately 89% of revenues is paid by Medicaid, New York State, and New York City.

Cash

HeartShare and Affiliates have cash accounts in financial institutions that, from time-to-time, exceed the Federal Deposit Insurance Corporation limit. HeartShare and Affiliates have not experienced any losses in such accounts and management does not believe HeartShare and Affiliates are exposed to any significant credit risk.

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19. Liquidity and Availability

Financial assets available for general expenditure—that is, without donor or other restrictions limiting their use—within one year of June 30, 2021 comprise the following:

Financial assets:		
Cash	$	5,254,613
Accounts receivable, net		45,780,741
Total Financial Assets, at fiscal year-end		51,035,354
Less: those unavailable for general expenditures within one year, due to:		
donor-imposed restricted funds		805,874
Financial Assets Available to Meet General Expenditures Within One Year	$	50,229,480

HeartShare and Affiliates receive contributions restricted by donors and consider contributions restricted for programs that are ongoing, major, and central to their annual operations to be available to meet cash needs for general expenditures.

HeartShare and Affiliates manage their liquidity and reserve the following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. HeartShare and Affiliates forecast their future cash flows and monitor their liquidity.

20. Subsequent Events

In September 2021, HeartShare, HSVS, HEC and Wellness applied for forgiveness of the full amounts of the PPP loans. On November 4, 2021, HSVS and HEC were notified their PPP loans were fully forgiven by the SBA. On November 10, 2021, SBA notified Wellness of the partial forgiveness of its PPP loan in the amount of $172,981.

HeartShare and Affiliates have evaluated all events or transactions that occurred after June 30, 2021 through December 1, 2021, the date the consolidated financial statements were available to be issued. During this period, there were no material subsequent events other than those above items that required disclosure or adjustments.

Supplementary Information

HeartShare Human Services of New York and Affiliates

Consolidating Schedule of Financial Position

June 30, 2021

	HSHS	HSVS	Education	Wellness	Eliminations	Total
Assets						
Current Assets						
Cash	$ 2,827,835	$ 2,024,351	$ 173,425	$ 229,002	$ -	$ 5,254,613
Accounts receivable	25,654,454	18,378,561	1,633,220	114,506	-	45,780,741
Due from Metro Community Health Centers, Inc.	-	-	-	1,006,809	-	1,006,809
Due from related party	500,000	-	-	500,000	(1,000,000)	-
Prepaid expenses and other receivables	727,041	497,797	-	-	-	1,224,838
Security deposits	302,462	307,755	-	-	-	610,217
Other current assets	150,000	-	5,777	19,169	-	174,946
Total Current Assets	30,161,792	21,208,464	1,812,422	1,869,486	(1,000,000)	54,052,164
Due from Metro Community Health Centers, Inc.	-	-	-	512,595	-	512,595
Due from Related Party	12,755,066	-	-	1,152,148	(13,907,214)	-
Beneficial Interest in Perpetual Trust	-	47,102	-	-	-	47,102
Property and Equipment, Net	26,776,810	10,618,503	128,159	25,651	-	37,549,123
Deferred Leasing Costs	-	1,254,720	-	-	-	1,254,720
Right-of-Use Asset	64,841,810	9,485,387	-	3,421,385	-	77,748,582
Other Noncurrent Assets	491,881	8,127,163	-	-	-	8,619,044
Total Assets	$ 135,027,359	$ 50,741,339	$ 1,940,581	$ 6,981,265	$ (14,907,214)	$ 179,783,330

HeartShare Human Services of New York and Affiliates

Consolidating Schedule of Financial Position

June 30, 2021

	HSHS	HSVS	Education	Wellness	Eliminations	Total
Liabilities and Net Assets						
Current Liabilities						
Accounts payable and accrued expenses	$ 3,103,904	$ 1,741,571	$ 197,076	$ 354,544	$ -	$ 5,397,095
Accrued salaries and vacation payable	7,020,921	2,835,986	12,258	98,058	-	9,967,223
Due to government agencies	2,316,181	2,451,885	305,829	-	-	5,073,895
Due to related party	500,000	500,000	-	-	(1,000,000)	-
Current portion of long-term debt	2,721,030	615,467	-	-	-	3,336,497
Lines of credit	7,078,851	500,000	-	-	-	7,578,851
Loan payable - Paycheck Protection Program	-	-	-	154,302	-	154,302
Current portion of operating lease liabilities	7,140,468	2,524,022	-	516,924	-	10,181,414
Other current liabilities	2,267,028	-	-	-	-	2,267,028
Total Current Liabilities	32,148,383	11,168,931	515,163	1,123,828	(1,000,000)	43,956,305
Long-Term Liabilities						
Deferred payroll taxes	1,069,501	423,652	49,129	6,656	-	1,548,938
Due to government agencies	6,608,623	5,647,798	513,652	-	-	12,770,073
Due to related party	1,152,148	11,792,604	962,462	-	(13,907,214)	-
Long-term debt	12,643,301	7,036,000	-	-	-	19,679,301
Refundable advance - Provider Relief Fund	-	1,256,481	-	-	-	1,256,481
Loan payable - Paycheck Protection Program	1,900,000	1,900,000	517,931	154,301	-	4,472,232
Post-retirement benefit obligation	518,610	-	-	-	-	518,610
Operating lease liability	60,321,799	7,019,975	-	2,961,467	-	70,303,241
Allowance for potential rate adjustments	5,094,791	-	-	-	-	5,094,791
Total Long-Term Liabilities	89,308,773	35,076,510	2,043,174	3,122,424	(13,907,214)	115,643,667
Total Liabilities	121,457,156	46,245,441	2,558,337	4,246,252	(14,907,214)	159,599,972
Net Assets						
Without donor restrictions	12,976,252	4,283,975	(617,756)	2,735,013	-	19,377,484
With donor restrictions	593,951	211,923	-	-	-	805,874
Total Net Assets	13,570,203	4,495,898	(617,756)	2,735,013	-	20,183,358
Total Liabilities and Net Assets	$ 135,027,359	$ 50,741,339	$ 1,940,581	$ 6,981,265	$ (14,907,214)	$ 179,783,330

HeartShare Human Services of New York and Affiliates

Consolidating Schedule of Activities

Year ended June 30, 2021

	HSHS	HSVS	Education	Wellness	Eliminations	Total
Changes in Net Assets Without Donor Restrictions						
Revenues, Gains, and Other Support						
Contributions, bequests and non-government grants	$ 2,941,258	$ 2,467,417	$ 199,086	$ 6,320	$ (2,500,000)	$ 3,114,081
Special events revenues	520,309	230,570	-	-	-	750,879
Direct costs of special events	(31,109)	(48,500)	-	-	-	(79,609)
Patient service revenues	-	-	-	243,348	-	243,348
Fees and grants from government agencies	88,934,052	49,622,632	4,488,766	111,870	-	143,157,320
Client fees	4,959,837	-	-	-	-	4,959,837
Interest income	4,822	104,437	-	-	-	109,259
Other revenues	6,285,861	146,189	900	44,723	(5,949,667)	528,006
Rental income	-	2,468,829	-	143,307	-	2,612,136
Net assets released from restriction	322,283	219,586	10,000	-	-	551,869
Total Revenues, Gains, and Other Support	103,937,313	55,211,160	4,698,752	549,568	(8,449,667)	155,947,126
Expenses						
Program services:						
Boarding home	-	14,093,663	-	-	-	14,093,663
Medical services	-	6,130,293	-	-	-	6,130,293
Residence programs for the Developmentally Disabled	53,229,256	17,047,621	-	-	-	70,276,877
Prevention		9,378,386	-	-	-	9,378,386
Education	13,976,358	-	4,127,937	-	-	18,104,295
Respite	356,601	-	-	-	-	356,601
Energy programs	212,466	-	-	-	-	212,466
Day programs	17,074,747	-	-	-	-	17,074,747
Clinical services	-	-	-	672,554	-	672,554
American Dream program	-	258,344	-	-	-	258,344
Total Program Services	84,849,428	46,908,307	4,127,937	672,554	-	136,558,226

HeartShare Human Services of New York and Affiliates

Consolidating Schedule of Activities

Year ended June 30, 2021

	HSHS	HSVS	Education	Wellness	Eliminations	Total
Supporting services:						
Management and general	$ 16,097,696	$ 7,545,387	$ 503,182	$ 195,692	$ (5,949,667)	$ 18,392,290
Fundraising	397,625	240,361	-	-	-	637,986
Total Supporting Services	16,495,321	7,785,748	503,182	195,692	(5,949,667)	19,030,276
Total Expenses	101,344,749	54,694,055	4,631,119	868,246	(5,949,667)	155,588,502
Change in Net Assets, before other changes	2,592,564	517,105	67,633	(318,678)	(2,500,000)	358,624
Non-Operating Income (Expense)						
Change in affiliation with the William M. Casey Foundation, Inc.	-	(6,711,144)	-	-	-	(6,711,144)
Forgiveness of debt - Due from HeartShare	-	-	-	(2,500,000)	2,500,000	-
Change in Net Assets Without Donor Restriction	2,592,564	(6,194,039)	67,633	(2,818,678)	-	(6,352,520)
Change in Net Assets with Donor Restrictions						
Contributions and bequests	59,467	188,591	-	-	-	248,058
Gain on beneficial interest in perpetual trust	-	8,552	-	-	-	8,552
Net assets released from restriction	(322,283)	(219,586)	(10,000)	-	-	(551,869)
Change in Net Assets with Donor Restrictions	(262,816)	(22,443)	(10,000)	-	-	(295,259)
Net Assets, beginning of year, as revised	11,240,455	10,712,380	(675,389)	5,553,691	-	26,831,137
Net Assets, end of year	$ 13,570,203	$ 4,495,898	$ (617,756)	$ 2,735,013	$ -	$ 20,183,358

APPENDIX B-IV
YOUNG ADULT INSTITUTE, INC.

FINANCIAL STATEMENTS
Years ended June 30, 2019, 2020 and 2021

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES

YAI
Seeing beyond disability.

CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2019 AND 2018

MARKS PANETH

ACCOUNTANTS & ADVISORS

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
with Supplementary Information
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2019 and 2018

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Marks Paneth LLP
685 Third Avenue
New York, NY 10017
P 212.503.8800
F 212.370.3759
markspaneth.com

MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of the
Young Adult Institute, Inc. and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Young Adult Institute, Inc. ("YAI") and its Affiliates: YAI/Rockland County Association for People with Disabilities ("YAI/RCAPD"), Premier HealthCare, Inc. ("PHC") and the International Institute for People with Disabilities of Puerto Rico, Inc. ("IIPD-PR") (YAI and its Affiliates are collectively referred to as the "Agency"), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Agency as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, during the year ended June 30, 2019, the Agency has adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matter - Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules (shown on pages 18-19) are presented for the purposes of additional analysis of the consolidated financial statements, rather than to present the financial position, change in net assets and cash flows of the individual affiliates, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Marks Paneth LLP

New York, NY
November 27, 2019

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents (Notes 2D and 10)	$ 9,783,009	$ 15,036,602
Short-term investments (Notes 2E and 5)	13,263,816	16,952,115
Accounts receivable, net (Notes 2F and 4)	30,832,434	26,216,748
Other receivables, net (Notes 2F and 8A)	12,931,833	780,353
Prepaid expenses and other assets	6,920,266	3,704,682
Property and equipment, net (Notes 2H, 6, 7 and 8B)	44,396,252	37,704,820
Debt service reserve (Note 2N)	2,632,962	2,651,718
TOTAL ASSETS	$ 120,760,572	$ 103,047,038
LIABILITIES		
Accounts payable and accrued expenses	$ 11,431,654	$ 9,217,691
Accrued salary	8,312,579	6,227,526
Accrued vacation	4,265,477	4,178,538
Accrued pension (Note 11)	2,139,603	2,205,311
Other liabilities (Note 8F)	10,199,143	1,525,022
Due to funding sources (Note 8D)	6,786,784	9,970,057
Notes and mortgages payable (Notes 2M and 7)	41,826,974	32,711,031
Capital lease obligations (Note 8B)	958,452	19,389
Deferred rent (Note 2L)	1,117,010	3,511,216
TOTAL LIABILITIES	87,037,676	69,565,781
COMMITMENTS AND CONTINGENCIES (Note 8)		
NET ASSETS (Note 2C)		
Net assets without donor restrictions		
Net invested in property and equipment	17,804,870	17,402,225
Available for operations	15,215,817	15,316,838
Total without donor restrictions	33,020,687	32,719,063
Net assets with donor restrictions (Note 9)	702,209	762,194
TOTAL NET ASSETS	33,722,896	33,481,257
TOTAL LIABILITIES AND NET ASSETS	$ 120,760,572	$ 103,047,038

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018	Without Donor Restrictions	With Donor Restrictions
Operating Revenue and Support						
Medicaid (Notes 2G, 2K and 12)	$ 171,807,267	$ -	$ 171,807,267	$ 167,293,418	$ 167,293,418	$ -
Government Grants (Note 2G)	21,156,094	-	21,156,094	20,594,384	20,594,384	-
Medicare and Client Fees (Notes 2G and 12)	10,804,314	-	10,804,314	10,451,114	10,451,114	-
Other Revenues	3,819,973	-	3,819,973	1,750,139	1,750,139	-
Contributions (Note 2I)	888,124	58,645	946,769	1,240,849	735,681	505,168
Special Events (net of direct costs of $587,972 and $354,100 for 2019 and 2018)	190,351	203,049	393,400	300,875	194,185	106,690
Investment Activity (Note 5)	798,942	-	798,942	69,797	69,797	-
Net Assets Released from Restrictions (Note 2C)	321,679	(321,679)	-	-	560,270	(560,270)
Total Operating Revenue and Support	209,786,744	(59,985)	209,726,759	201,700,576	201,648,988	51,588
Operating Expenses:						
Program Services:						
Residential Services	99,074,748	-	99,074,748	89,830,985	89,830,985	-
Day and Community Services	61,083,324	-	61,083,324	62,457,601	62,457,601	-
Clinical Services	21,444,941	-	21,444,941	21,554,624	21,554,624	-
Employment Services	1,900,321	-	1,900,321	1,921,949	1,921,949	-
Total Program Services	183,503,334	-	183,503,334	175,765,159	175,765,159	-
Supporting Services:						
Management and General (Note 2J)	25,354,153	-	25,354,153	23,598,986	23,598,986	-
Fundraising	520,700	-	520,700	600,604	600,604	-
Total Supporting Services	25,874,853	-	25,874,853	24,199,590	24,199,590	-
Total Operating Expenses	209,378,187	-	209,378,187	199,964,749	199,964,749	-
Change In Net Assets From Operations	408,557	(59,985)	348,572	1,735,827	1,684,239	51,588
Non-Operating Activities						
Gain from lease buyout (Note 8A)	8,407,333	-	8,407,333	-	-	-
Benefit obligation in excess of plan assets (Note 8F)	(8,514,266)	-	(8,514,266)	-	-	-
Total Non-Operating Activities	(106,933)	-	(106,933)	-	-	-
CHANGE IN NET ASSETS	301,624	(59,985)	241,639	1,735,827	1,684,239	51,588
Net Assets - Beginning of Year	32,719,063	762,194	33,481,257	31,745,430	31,034,824	710,606
NET ASSETS - END OF YEAR	$ 33,020,687	$ 702,209	$ 33,722,896	$ 33,481,257	$ 32,719,063	$ 762,194

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, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	For the Year Ended June 30, 2019									
	Program Services					Supporting Services				
	Residential Services	Day and Community Services	Clinical Services	Employment Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2019	Total 2018
Salaries	$ 61,349,078	$ 29,259,389	$ 12,004,916	$ 1,304,469	$ 103,917,852	$ 11,942,353	$ 260,734	$ 12,203,087	$ 116,120,939	$ 111,058,158
Payroll taxes and benefits (Note 11)	16,231,735	7,787,160	2,655,618	339,325	27,013,838	3,177,557	68,010	3,245,567	30,259,405	31,077,666
Total Personnel Costs	77,580,813	37,046,549	14,660,534	1,643,794	130,931,690	15,119,910	328,744	15,448,654	146,380,344	142,135,824
Contracted services	1,379,360	329,008	1,695,454	139	3,403,961	1,318,610	2,966	1,321,576	4,725,537	2,406,698
Professional fees	445,900	212,038	39,807	5,736	703,481	1,842,946	13,686	1,856,632	2,560,113	2,299,551
Program supplies	2,931,842	1,762,073	462,167	1,629	5,157,711	55,039	17,326	72,365	5,230,076	4,815,900
Food	2,557,864	250,831	457	283	2,809,435	197	971	1,168	2,810,603	2,120,713
Transportation (Note 8)	1,628,056	12,586,218	229,608	40,264	14,484,146	99,090	7,327	106,417	14,590,563	13,650,049
Office and equipment expense	808,440	294,434	139,142	8,081	1,250,097	696,513	46,288	742,801	1,992,898	1,960,257
Staff development and expenses	305,071	209,199	115,370	3,672	633,312	506,235	9,699	515,934	1,149,246	952,908
Occupancy (Note 8)	2,329,549	5,135,702	1,979,257	132,005	9,576,513	160,931	-	160,931	9,737,444	10,867,739
Repairs and maintenance	1,741,038	863,600	355,146	10,001	2,969,785	307,510	-	307,510	3,277,295	3,018,230
Insurance	1,016,975	405,581	13,703	9,414	1,445,673	1,239,420	-	1,239,420	2,685,093	2,412,232
Utilities	1,290,660	518,122	130,734	5,996	1,945,512	200,889	-	200,889	2,146,401	2,182,264
Telephone	573,827	323,060	143,887	16,034	1,056,808	288,851	1,081	289,932	1,346,740	1,516,723
Information technology	456,771	388,520	675,760	15,946	1,536,997	1,702,666	29,206	1,731,872	3,268,869	2,913,746
Depreciation and amortization (Notes 2H and 6)	2,697,926	483,400	759,424	6,054	3,946,804	947,025	54,696	1,001,721	4,948,525	4,345,011
Interest	1,167,323	138,741	-	90	1,306,154	628,575	-	628,575	1,934,729	1,571,012
Bad debt	9,341	6,532	40,274	1,135	57,282	-	-	-	57,282	514,853
Miscellaneous	153,992	129,716	4,217	48	287,973	239,746	8,710	248,456	536,429	281,039
TOTAL EXPENSES	$ 99,074,748	$ 61,083,324	$ 21,444,941	$ 1,900,321	$ 183,503,334	$ 25,354,153	$ 520,700	$ 25,874,853	$ 209,378,187	$ 199,964,749

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

	Program Services					Supporting Services			
	Residential Services	Day and Community Services	Clinical Services	Employment Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2018
Salaries	$ 54,987,225	$ 30,415,414	$ 12,870,399	$ 1,297,861	$ 99,570,899	$ 11,125,290	$ 361,969	$ 11,487,259	$ 111,058,158
Payroll taxes and benefits (Note 11)	15,653,907	8,721,029	2,925,411	348,365	27,648,712	3,329,087	99,867	3,428,954	31,077,666
Total Personnel Costs	70,641,132	39,136,443	15,795,810	1,646,226	127,219,611	14,454,377	461,836	14,916,213	142,135,824
Contracted services	672,149	164,207	960,018	7,838	1,804,212	601,280	1,206	602,486	2,406,698
Professional fees	379,507	200,782	33,159	5,054	618,502	1,641,365	39,684	1,681,049	2,299,551
Program supplies	2,710,676	1,654,233	397,293	2,686	4,764,888	51,012	-	51,012	4,815,900
Food	1,912,176	203,168	425	117	2,115,886	-	4,827	4,827	2,120,713
Transportation (Note 8)	1,434,537	11,837,887	227,135	39,247	13,538,806	105,906	5,337	111,243	13,650,049
Office and equipment expense	788,628	332,419	163,001	15,050	1,299,098	606,066	55,093	661,159	1,960,257
Staff development and expenses	291,903	236,220	60,580	5,815	594,518	347,729	10,661	358,390	952,908
Occupancy (Note 8)	2,196,211	5,014,097	1,746,712	106,711	9,063,731	1,804,008	-	1,804,008	10,867,739
Utilities	1,292,321	522,739	145,072	14,727	1,974,859	207,405	-	207,405	2,182,264
Repairs and maintenance	1,684,320	719,980	316,060	13,688	2,734,048	284,182	-	284,182	3,018,230
Insurance	906,703	428,097	219,790	10,264	1,564,854	847,299	79	847,378	2,412,232
Telephone	593,934	320,589	129,618	27,991	1,072,132	443,408	1,183	444,591	1,516,723
Information technology	518,129	682,306	299,794	16,743	1,516,972	1,381,475	15,299	1,396,774	2,913,746
Depreciation and amortization (Notes 2H and 6)	2,686,291	466,000	921,948	5,750	4,079,989	263,418	1,604	265,022	4,345,011
Interest	1,035,464	110,762	-	-	1,146,226	424,786	-	424,786	1,571,012
Bad debt	-	378,029	133,290	3,534	514,853	-	-	-	514,853
Miscellaneous	86,904	49,643	4,919	508	141,974	135,270	3,795	139,065	281,039
TOTAL EXPENSES	$ 89,830,985	$ 62,457,601	$ 21,554,624	$ 1,921,949	$ 175,765,159	$ 23,598,986	$ 600,604	$ 24,199,590	$ 199,964,749

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

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 241,639	$ 1,735,827
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	4,221,804	4,345,011
Accelerated Depreciation due to move	726,721	-
Non-cash interest expense	276,449	222,386
Unrealized loss (gain) on short-term investments	(291,132)	32,665
Realized gain on short-term investments	(144,776)	(1,279)
Bad debt	57,282	514,853
Loss on disposal of property and equipment	99,919	-
Subtotal	5,187,906	6,849,463
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(4,672,968)	33,311
Prepaid expenses and other assets	(3,215,584)	784,800
Other receivables	(12,151,480)	216,857
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	2,213,963	(94,365)
Accrued salary	2,085,053	(188,986)
Accrued vacation	86,939	1,112,768
Accrued pension	(65,708)	(809,070)
Due to funding sources	(3,183,273)	(6,555,980)
Deferred rent	(2,394,206)	(261,196)
Other liabilities	8,674,121	(2,293,700)
Net Cash Used in Operating Activities	(7,435,237)	(1,206,098)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(11,739,876)	(4,367,415)
Purchases of short-term investments	(8,342,665)	(10,778,138)
Proceeds from sale of short-term investments	12,470,175	12,373,753
Decrease in debt service reserve	15,453	13,742
Net Cash Used in Investing Activities	(7,596,913)	(2,758,058)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes and mortgages	21,322,845	3,921,982
Principal repayments of notes and mortgages	(11,917,187)	(5,298,542)
Bond issuance Cost	(566,163)	-
Principal capital lease obligations	1,043,369	-
Principal repayments of capital lease obligations	(104,307)	(112,748)
Net Cash Provided by (Used in) Financing Activities	9,778,557	(1,489,308)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,253,593)	(5,453,464)
Cash and Cash Equivalents - Beginning of Year	15,036,602	20,490,066
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 9,783,009	$ 15,036,602
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 1,658,280	$ 1,348,626

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

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The Young Adult Institute, Inc. ("YAI") is organized under the Not-for-Profit Corporation Law of New York State and was incorporated in 1964. YAI has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. YAI has an equivalent exemption at the state and local levels.

YAI serves people of all ages with developmental and learning disabilities, from infants through the elderly, in a variety of community settings and at home through state-of-the-art programs that help to build skills, expand opportunities, and support community living. YAI's many programs and direct services benefit thousands of individuals and their families daily throughout the New York metropolitan area. YAI is funded primarily by Medicaid. YAI's has over 300 programs and direct services that benefit over 21,000 individuals and their families daily in ten counties throughout the New York metropolitan area. YAI is funded primarily by Medicaid.

YAI is part of a network of independent agencies, collectively known as the YAI Network. The network provides programs and support for people with intellectual and developmental disabilities throughout New York City, Westchester County, Rockland County, Long Island, New Jersey, and Puerto Rico. YAI is the sole corporate member of three of these agencies which have been included in the consolidated financial statements (collectively, the “Agency”). Further descriptions follow:

- YAI is the sole corporate member of Premier Healthcare, Inc. (“PHC”). PHC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. PHC has an equivalent exemption at the state and local levels. PHC is an outpatient diagnostic and treatment center offering health care services to the general public with a specialty in medical services for people with developmental and learning disabilities and their families in many sites throughout the New York area. PHC is a quality health care practice providing outpatient clinic services which include: primary health, pediatrics, internal medicine, dentistry (including desensitization), nutrition, gynecology, neurology, podiatry, psychiatry, physical therapy, occupational therapy, ophthalmology, speech pathology and psychology. PHC’s primary source of revenue is patient service fees received from Medicaid, Medicare and other third-party payors.

- YAI is the sole corporate member of the YAI/Rockland County Association for People with Disabilities (“YAI/RCAPD”). YAI/RCAPD has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. YAI/RCAPD has an equivalent exemption at the state and local levels. YAI/RCAPD provides a wide variety of employment, residential, family support and social/recreational programs which promote essential social and vocational skills that enable people with learning and other developmental disabilities to lead independent, productive and dignified lives. YAI/RCAPD provides extensive support and education to families and guidance and training to professionals who are assisting people with developmental and learning disabilities. YAI/RCAPD is funded primarily by service fees paid by various New York State agencies and government grants. Effective July 1, 2019, YAI/RCAPD merged into YAI.

- YAI is the sole corporate member of the International Institute for People with Disabilities of Puerto Rico, Inc. (“IIPD-PR”), which was incorporated in 1998 under the Not-for-Profit Corporation Law of the Commonwealth of Puerto Rico. IIPD-PR has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has a similar exemption at the state and local levels. IIPD-PR’s mission is to create employment opportunities for people with disabilities. By providing competitive employment opportunities for persons with disabilities, IIPD-PR demonstrated a commitment to independence, community inclusion and productivity for people with special needs. IIPD-PR did not have any programmatic operations during the fiscal years ending June 30, 2019 and 2018.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Accounting and Use of Estimates -*** The Agency’s consolidated financial statements have been prepared on the accrual basis of accounting. The Agency adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. ***Basis of Consolidation -*** The Agency's accompanying consolidated financial statements include the activities of: YAI; PHC; YAI/RCAPD and IIPD-PR. YAI has consolidated these entities pursuant to U.S. GAAP due to its financial interest and control over them. All material intercompany transactions and balances have been eliminated upon consolidation.

C. ***Basis of Net Asset Presentation -*** The Agency maintains its net assets under the following three classes:

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

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

D. ***Cash and Cash Equivalents*** **-** The Agency considers highly liquid debt instruments with maturities of three months or less, when acquired, to be cash and cash equivalents. Program participant funds included in cash and cash equivalents amounted to approximately $758,000 and $1,226,000, respectively, for the years ended June 30, 2019 and 2018. Such amounts are also included as a liability in the accompanying consolidated financial statements.

E. ***Short-term Investments and Fair Value Measurements*** **-** Short-term investments are carried at fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 5.

F. ***Allowance for Uncollectible Receivables -*** The Agency determines whether an allowance for uncollectible receivables should be provided for accounts receivable. Such estimate is based on management's assessment of the aged basis of its receivables, current economic conditions, historical experience, and collections subsequent to year end. As of June 30, 2019 and 2018, the Agency determined an allowance of $2,184,609 and $2,203,462, respectively, for accounts receivable was necessary. In addition, the Agency has established an allowance for doubtful accounts for other receivables due from network agencies of $1,223,376 and $1,182,988 as of June 30, 2019 and 2018, which representing nearly the entire balance due.

G. ***Revenue Recognition -*** The Agency records Medicaid revenue based on established rates multiplied by the number of units of service provided. Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, the Agency records a liability due to funding sources. Other revenue includes management programmatic services provided to other network agencies. Such revenue is recorded based on the support service agreement. Medicaid is accounted for under Accounting Standards Codification Topic 606. Government grants are accounted for under Accounting Standard Update ("ASU") 2018-08. Multi-year governmental contracts included under government grants are cancellable by the funder upon its sole discretion.

H. ***Property and Equipment -*** Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the applicable lease. Property and equipment is capitalized by the Agency provided its cost is $5,000 or more and its useful life is greater than one year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. ***Contributions -*** Unconditional contributions, including promises to give cash and other assets, are reported at their fair value on the date the contribution is received. The Agency reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose of restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Contributions are accounted for under ASU 2018-08.

J. ***Functional Expenses -*** The costs of providing program and supporting services of the Agency have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, expenses that are not directly charged to programs and supporting services are allocated among programs and supporting services. The expenses that are allocated include occupancy and maintenance which is allocated on a square footage basis, as well as payroll taxes and benefits, which are allocated on the basis of estimates of time and effort.

K. ***Prior Period Revenue -*** There are occasions when funding source reimbursements for prior years are adjusted in the current year. Such adjustments may be due to retroactive rate adjustments, funding source audit findings, additional monies available over and above original contract amounts, rate appeal results, etc. Included in Medicaid revenue for the years ended June 30, 2019 and 2018 is an increase of $2,040,224 and $7,182,865, respectively, of prior year revenues relating to such adjustments.

L. ***Deferred Rent -*** The Agency leases real property under various operating leases. The leases include rent escalations. Since the rent increases over time, the Agency records an adjustment to rent expense each year to reflect its straight-lining policy. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent in the accompanying consolidated statements of financial position.

M. ***Bond Issuance Costs -*** Bond issuance costs consist of financing costs which are amortized over the life of the bond. The amortization is on the straight-line method which does not differ materially from the effective interest rate method.

N. ***Debt Service Reserves -*** Under the terms of the Industrial Development Agency ("IDA"), and Dormitory Authority of State of New York ("DASNY"), the Agency is required to deposit with the bond trustee an amount to be held in a debt service reserve fund, which will be utilized to satisfy the last payment required on the mortgage, or can be used prior to that point under the direction of IDA or DASNY to make any loan payments due by reason of default or other causes spelled out in the loan agreement. The debt service reserve is carried at market value in the accompanying consolidated statements of financial position.

O. ***Recent Accounting Pronouncements*** - Financial Accounting Standards Board ("FASB") ASU 2016-14, "Not-for-Profit Entities" was adopted by or the year ended June 30, 2019. ASU 2016-14 provides for a number of changes, including the presentation of two classes of net assets and enhanced disclosure on liquid resources and expense allocation. This change has no impact on the change in net assets for the year ended June 30, 2019. Net assets as of June 30, 2018 were renamed to conform to the new presentation.

FASB ASU 2014-09, "Revenue from Contracts with Customers" (Topic 606) was also adopted by the Agency for the year ended June 30, 2019. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services as described in Note 12.

FASB ASU 2018-08, "Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made" (Topic 958) was also adopted by the Agency for the year ended June 30, 2019. The core guidance is to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a contribution is conditional as further descried in Note 2I.

NOTE 3 – LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	$ 9,783,009
Short-term investments	13,263,816
Accounts receivable, net	30,832,434
Other receivables	12,931,833
Total Financial Assets	66,811,092
Less: Other receivables due in more than one year	(5,684,202)
Less: Program participant funds	(758,000)
Less: Net assets with donor restrictions	(702,209)
	$ 59,666,681

The Agency strives to maintain liquid financial assets sufficient to cover expenditures. Revenue from funders are expected to cover most expenses. Financial assets are available to fund any programs or supporting services with unanticipated shortfalls. In addition, as noted in Note 7, the Agency has multiple lines of credit totaling a maximum drawdown of $36 million.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following as of June 30*:*

	2019	2018
Due from Medicaid	$ 21,474,728	$ 19,244,669
Due from the State of New York	7,634,546	6,297,129
Due from the City of New York	1,272,255	1,435,359
Due from other sources	2,635,514	1,443,053
	33,017,043	28,420,210
Less: allowance for doubtful accounts	(2,184,609)	(2,203,462)
	$ 30,832,434	$ 26,216,748

NOTE 5 – SHORT-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS

Short-term investments consist of the following as of June 30:

	2019	2018
Money market funds	$ 2,021,911	$ 8,322,485
Mutual funds	2,134,739	1,009,606
Corporate bonds	3,797,753	3,016,319
Government bonds	4,770,442	4,089,585
Alternative investments	538,971	514,120
	$ 13,263,816	$ 16,952,115

Investment activity consists of the following for the years ended June 30:

	2019	2018
Interest	$ 363,034	$ 101,183
Realized gain	144,776	1,279
Unrealized gain (loss)	291,132	(32,665)
	$ 798,942	$ 69,797

NOTE 5 – SHORT-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs. The Agency has no level 3 investments.

In determining fair value, the Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. Investments in money markets and U.S. Treasury bills are valued using market prices in active markets (Level 1). Fair value of these investments is determined by management through the investment managers. Level 1 instrument valuations are obtained from real-time quotes in active exchange markets involving identical assets. Corporate bonds, U.S. Government bonds and alternative investments are designated as Level 2 instruments and valuations are obtained from similar market or model derived valuations in which all significant inputs are observable or can be derived primarily from or corroborated with observable market data (credit risk/grade, maturities, etc.).

Financial assets carried at fair value as of June 30, 2019 are classified in the table as follows:

	Level 1	Level 2	Total
Short-term Investments:			
Money market funds	$ 2,021,911	$ -	$ 2,021,911
Mutual funds	2,134,739	-	2,134,739
Corporate bonds	-	3,797,753	3,797,753
Government bonds	-	4,770,442	4,770,442
Alternative investments	-	538,971	538,971
Total Short-Term Investments	4,156,650	9,107,166	13,263,816
Debt Service Reserve Fund:			
U.S. Treasury bills	2,632,962	-	2,632,962
	$ 6,789,612	$ 9,107,166	$ 15,896,778

Financial assets carried at fair value as of June 30, 2018 are classified in the table as follows:

	Level 1	Level 2	Total
Short-term Investments:			
Money market funds	$ 8,322,485	$ -	$ 8,322,485
Mutual funds	1,009,606	-	1,009,606
Corporate bonds	-	3,016,319	3,016,319
Government bonds	-	4,089,585	4,089,585
Alternative investments	-	514,120	514,120
Total Short-Term Investments	9,297,154	7,654,961	16,952,115
Debt Service Reserve Fund:			
U.S. Treasury bills	2,651,718	-	2,651,718
	$ 11,948,872	$ 7,654,961	$ 19,603,833

NOTE 6 – PROPERTY AND EQUIPMENT

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

	2019	2018	Estimated Useful Lives
Land	$ 11,772,584	$ 10,812,584	
Buildings and building improvements	64,447,640	59,354,338	15-25 years
Leasehold improvements	24,768,160	25,595,251	5-25 years
Furniture and equipment	17,069,390	17,530,447	3-10 years
Construction in progress	6,974,001	3,571,544	
	125,031,775	116,864,164	
Less: accumulated depreciation	(80,635,523)	(79,159,344)	
	$ 44,396,252	$ 37,704,820	

Depreciation and amortization expenses amounted to $4,948,525 and $4,345,011 for the years ended June 30, 2019 and 2018, respectively. During 2019, YAI accelerated the depreciation for leasehold improvements and furniture and equipment related to the central office move amounted to $726,721 of the depreciation and amortization expense. For the year ended June 30, 2019, fixed assets with a total cost of $3,572,265 and total accumulated depreciation of $3,472,346 were disposed. This resulted in a loss of $99,919 on disposal of property and equipment.

Construction in progress consists of construction at new locations and various renovations with a combined additional estimated cost to complete of approximately $12 million and estimated completion dates in fiscal year 2020.

NOTE 7 – NOTES AND MORTGAGES PAYABLE

	2019	2018
A. YAI has available an $18 million working capital line of credit with a bank carrying an interest rate of prime or 30-day London Inter-bank Offered Rate (“LIBOR”) (at YAI's election) plus 2% per annum, which at June 30, 2019 interest rates were between 4.68% and 4.72%. The loan is collateralized by YAI's accounts receivable and matures in December 2019. YAI is in the process of renewing the line of credit. The outstanding balance as of November 27, 2019 amounted to $15,793,606.	$ 10,842,911	$ 7,842,911
B. YAI has available a $14 million line of credit with a bank for the acquisition and renovation of program sites. Upon receipt of New York State prior property approvals, the funds drawn down on this line of credit are subsequently converted into notes. As of June 30, 2019, there were ten notes executed. The notes bear an interest rate of prime or 30-day LIBOR (at YAI's election) plus 2% per annum, resulting in a rate of between 4.68% and 4.72% at June 30, 2019. The notes are collateralized by related property and mature in December 2020. YAI is in the process of renewing the line of credit. The outstanding balance as of November 27, 2019 amounted to $10,324,023.	5,132,305	4,928,613
C. YAI has entered into various loan agreements with the Dormitory Authority of the State of New York. The loans carry interest rates ranging from 1.57% to 4.52% per annum, payable in semi-annual installments and have maturity dates ranging from August 2018 through July 2044. The loans are collateralized by YAI’s underlying real property.	24,668,963	18,486,967

NOTE 7 – NOTES AND MORTGAGES PAYABLE (Continued)

	2019	2018
D. PHC has a $3 million revolving line of credit with a bank. The line has an interest rate equal to the prime rate plus 0.50% per annum. The line of credit is guaranteed by YAI. The outstanding balance as of November 27, 2019 amounted to $2,452,330.	$ 2,042,330	$ 1,282,331
E. YAI/RCAPD had a line of credit with a bank in the amount of $1 million. The line of credit had an interest rate at the lender's prime rate. The line of credit was guaranteed by YAI. The line of credit was paid off and closed in July 2019.	675,841	650,870
F. YAI/RCAPD financed the purchase and renovation of certain properties through the issuance of Civic Facility Revenue Bonds Series 2006J by the County of Rockland Industrial Development Agency (Special Needs Facilities Pooled Program) carrying average interest rates of: 4.75%, 4.74%, 4.78% and 4.75% per annum maturing in July 2020. The proceeds of the loan were used to finance the purchase and renovation of collateralized properties located in Rockland County, New York.	-	765,001
	43,362,350	33,956,693
Less: unamortized debt issuance costs	(1,535,376)	(1,245,662)
Notes and mortgages payable, net	$ 41,826,974	$ 32,711,031

Most of the loans have provisions for loan covenants. The Agency was in compliance with these covenants as of and during the years ended June 30, 2019 and 2018. The unamortized debt issuance costs increased due to an addition of closing costs of $512,100 for new loans less non-cash interest expense of $222,386.

Required future annual principal payments are payable as follows for the years ending June 30:

2020	$ 16,113,019
2021	7,144,125
2022	1,951,878
2023	2,543,641
2024	1,599,667
Thereafter	14,010,020
	$ 43,362,350

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. The Agency has a number of operating lease agreements. Annual future minimum rentals payable for real and personal property principally under long-term operating leases expiring at varying dates through 2038 follows:

	Real Property	Vehicles and Equipment	Total
2020	$ 7,294,906	$ 1,548,746	$ 8,843,652
2021	3,144,170	1,352,579	4,496,749
2023	2,678,774	895,121	3,573,895
2024	2,481,601	494,248	2,975,849
2025	2,317,244	-	2,317,244
Thereafter	8,949,941	-	8,949,941
	$ 26,866,636	$ 4,290,694	$ 31,157,330

YAI's 460 West 34th Street lease was due to expire in 2027. During 2019 fiscal year, the landlord bought out YAI's lease with a surrender agreement for approximately $8.4 million which, is included in other receivables as of June 30, 2019.

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

YAI's 460 West 34th Street lease was due to expire in 2027. During 2019 fiscal year, the landlord bought out YAI's lease with a surrender agreement for approximately $8.4 million which, is included in other receivables as of June 30, 2019.

Rent expense (shown as occupancy and transportation in the accompanying consolidated statements of functional expenses) amounted to the following for the years ended June 30:

	2019	2018
Real property	$ 8,312,242	$ 9,732,662
Vehicles and equipment	1,507,656	938,977
	$ 9,819,898	$ 10,671,639

B. YAI has capital leases for computer and electronic equipment with maturities in 2024, and with the following annual payments:

2020	$ 185,360
2021	197,872
2022	211,229
2023	225,489
2024	138,500
	$ 958,450

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

D. The Agency receives a significant portion of its revenue for services provided from third-party reimbursement through government agencies and Medicaid. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the government. The Agency, when appropriate, records an estimated liability to governmental agencies for any excess reimbursement over allowable costs and underspending of interim rates. As of June 30, 2019 and 2018, due to funding source represents overpayments from the 2012-2019 fiscal years for the Agency's programs. Such amounts are expected to be recouped by the funding sources.

E. The Agency is subject to legal proceedings and claims which have arisen in the ordinary course of its business and which have not been fully adjudicated. Management does not believe there will be a material adverse effect upon the financial position of the Agency.

F. During 2019 YAI recorded the benefit obligation for a Supplemental Pension Plan and Trust and Life Insurance Plan and Trust in excess of the assets of the plan for certain previous employees. The liability amounted to approximately $8.5 million and is included in other liabilities in the consolidated statements of financial position. The liability represents the present value of the future obligation calculated with a discount rate of 5.5% and social security life expectancy table.

G. Subsequent to year end, YAI has entered into a sale and purchase agreement of a condominium to relocate its central office. The purchase price for the unit is approximately $26 million, which shall be paid with interest calculated at the rate of 8% per annum and payable in monthly installments, commencing one hundred eighty days following the closing date of September 3, 2019.

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

Installment purchase payments are as follows:

2020	$ 705,615
2021	2,116,844
2022	2,116,844
2023	2,116,844
2024	2,116,844
Thereafter	76,938,218
	$ 86,111,209

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

The Agency's net assets with donor restrictions subject to expenditure for the specified purpose of the passage of time consist of the following as of June 30:

	2019	2018
Community of Learners and Linking Individuals to Necessary Knowledge	$ 692,209	$ 752,194
Endowment fund held in perpetuity	10,000	10,000
	$ 702,209	$ 762,194

During the years ended June 30, 2019 and 2018, the Agency released net assets with donor restriction of $321,679 and $560,270, respectively, by satisfying donor-imposed purpose, passage of time restrictions and appropriation of endowment earnings by the Board of Trustees. Endowment net assets amounted to $10,000 as of both June 30, 2019 and 2018. As of June 30, 2019, and 2018, there were no underwater funds.

NOTE 10 – CONCENTRATION

Cash and cash equivalents that potentially subject the Agency to a concentration of credit risk include cash and short-term investment accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Cash and short-term investment accounts are insured up to $250,000 per depositor. As of June 30, 2019 and 2018, there was approximately $9 million and $15 million of cash and cash equivalents and $12 million and $13 million, respectively, of short-term investments held by one bank that exceeded FDIC limits.

NOTE 11 – RETIREMENT PLANS

On July 1, 2015, the Agency adopted the YAI Network Affiliates 401(a) Plan. Employees are eligible to participate in the plan upon completion of one year of service after July 1, 2015 and when the employee worked at least 1,000 hours. Contributions to this plan are based on amounts determined in accordance with the Internal Revenue Code Section 415. The liability for the Agency amounted to approximately $2,140,000 and $2,205,000 as of June 30, 2019 and 2018, respectively. The expense for the Agency amounted to $2,115,000 and $2,185,000 for the years ended June 30, 2019 and 2018, respectively. In December 2018 the Agency adopted changes to both the YAI Network Affiliates 401(a) Plan and the YAI Network Affiliates 403(b) Plan. The changes included ending employer contributions into the 401(a) plan effective after the year ending June 30, 2019 and replacing that benefit with a 403(b) match effective July 1, 2019.

NOTE 12 – REVENUE FROM CONTRACTS WITH CUSTOMERS

Service Contracts - The Agency receives Medicaid revenue from contracts with the New York State Office for People with Developmental Disabilities (OPWDD) to provide support and services to individuals with developmental and learning disabilities, from infants through the elderly, in a variety of community settings and at home through state-of-the-art programs that help to build skills, expand opportunities, and support community living.. Revenue is reported at the amount that reflects the consideration to which the Agency expects to be entitled in exchange for providing the contracted services. These amounts are due from OPWDD, third-party payors (Medicare), individuals (Client Fees) and others, and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations.

NOTE 12 – REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Generally, the Agency bills OPWDD, third-party payors and individuals after the services are performed or has completed their portion of the contract. Receivables are due in full when billed and revenue is recognized as performance obligations are satisfied.

Performance Obligations - Performance obligations are determined based on the nature of the services provided by the Agency in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided. This method depicts the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Agency measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the OPWDD stipulations.

All performance obligations relate to contracts with a duration of less than one year, therefore, there are no performance obligations or contract balances that are unsatisfied as of June 30, 2019. The performance obligations for these contracts are completed when the service is completed and upon submission of required documentation. The Agency determines the transaction price based on established rates and contracts for services provided.

Program service fees consist of revenues for the following programs:

	Medicaid	Medicare and Client Fees	Total
Residential Services	$ 86,933,165	$ 8,081,980	$ 95,015,145
Day and Community Services	60,157,357	97,910	60,255,267
Clinical Services	21,800,952	2,622,924	24,423,876
Employment Services	826,139	1,500	827,639
Other	2,089,654	-	2,089,654
	$ 171,807,267	$ 10,804,314	$ 182,611,581

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition or disclosure, events subsequent to the date of the consolidated statement of financial position through November 27, 2019, the date the consolidated financial statements were available to be issued.

Effective July 1, 2019, YAI became the sole corporate member of The STAR Program d/b/a Manhattan Star Academy (“MSA”). MSA is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. MSA offers a continuum of care for school-age children with a diverse range of diagnoses, including developmental delays, autism spectrum disorders and speech language disorders.

Effective July 1, 2019, YAI became the sole corporate member of The International Academy of Hope (“iHOPE”). iHOPE is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. iHOPE provides educational and related services to children, adolescents, and young adults from ages 5 years to 21 years old, who have sustained acquired brain injuries or other brain-based disorders who cannot be served in their local school systems.

After receiving approval from the YAI and YAI/RCAPD Board of Trustees, OPWDD, and the New York State Attorney General’s Office YAI and YAI/RCAPD entered into a transaction whereby all of YAI/RCAPD’s program contracts, assets and liabilities were transferred to YAI. Effective July 1, 2019, YAI/RCAPD ceased operations with the Certificate of Incorporation of YAI being the Certificate of Incorporation of the surviving entity without any amendments or changes. Subsequent to the effective date of the transfer, the business of the combined corporations is conducted through YAI as the surviving organization.

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2019

	YAI	YAI/RCAPD	PHC	IIPD-PR	Consolidating Eliminations	Total 2019
ASSETS						
Cash and cash equivalents	$ 9,068,076	$ 275,769	$ 437,415	$ 1,749	$ -	$ 9,783,009
Short-term investments	13,263,816	-	-	-	-	13,263,816
Accounts receivable, net	26,537,970	1,362,240	2,932,224	-	-	30,832,434
Other receivables, net	14,924,775	-	-	-	(1,992,942)	12,931,833
Prepaid expenses and other assets	6,460,561	147,003	307,163	5,539	-	6,920,266
Property and equipment, net	41,829,121	2,125,179	441,952	-	-	44,396,252
Debt service reserve	2,632,962	-	-	-	-	2,632,962
TOTAL ASSETS	$ 114,717,281	$ 3,910,191	$ 4,118,754	$ 7,288	$ (1,992,942)	$ 120,760,572
LIABILITIES						
Accounts payable and accrued expenses	$ 9,930,975	$ 714,134	$ 786,545	$ -	$ -	$ 11,431,654
Accrued salary	7,730,406	157,341	424,832	-	-	8,312,579
Accrued vacation	3,790,515	90,906	384,056	-	-	4,265,477
Accrued pension	2,000,915	44,057	94,631	-	-	2,139,603
Other liabilities	10,199,143	-	-	-	-	10,199,143
Due to funding sources	5,480,034	195,273	1,111,477	-	-	6,786,784
Notes and mortgages payable	39,108,803	675,841	2,042,330	-	-	41,826,974
Capital lease obligations	958,452	-	-	-	-	958,452
Due to related party	-	1,035,128	6,797,878	603,524	(8,436,530)	-
Deferred rent	992,920	34,067	90,023	-	-	1,117,010
TOTAL LIABILITIES	80,192,163	2,946,747	11,731,772	603,524	(8,436,530)	87,037,676
COMMITMENTS AND CONTINGENCIES						
NET ASSETS (DEFICIT)						
Net assets without donor restrictions						
Net invested in property and equipment	15,237,739	2,125,179	441,952	-	-	17,804,870
Available for operations	18,595,170	(1,171,735)	(8,054,970)	(596,236)	6,443,588	15,215,817
Total net assets without donor restrictions	33,832,909	953,444	(7,613,018)	(596,236)	6,443,588	33,020,687
Net Assets with donor restrictions	692,209	10,000	-	-	-	702,209
TOTAL NET ASSETS (DEFICIT)	34,525,118	963,444	(7,613,018)	(596,236)	6,443,588	33,722,896
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	$ 114,717,281	$ 3,910,191	$ 4,118,754	$ 7,288	$ (1,992,942)	$ 120,760,572

See independent auditors' report.

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Young Adult Institute, Inc.			YAI/Rockland County Association for People with Disabilities			Premier Healthcare, Inc.		International Institute for People with Disabilities of Puerto Rico, Inc.			Consolidated Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Total	Unrestricted	Total	Consolidating Eliminations	Without Donor Restrictions	With Donor Restrictions	Total 2019
Operating Revenue and Support														
Medicaid	$ 153,844,277	$ -	$ 153,844,277	$ 4,551,789	$ -	$ 4,551,789	13,411,201	$ 13,411,201	$ -	$ -	$ -	$ 171,807,267	$ -	$ 171,807,267
Government Grants	18,957,757	-	18,957,757	2,198,337	-	2,198,337	-	-	-	-	-	21,156,094	-	21,156,094
Medicare and Client fees	7,732,305	-	7,732,305	449,085	-	449,085	2,622,924	2,622,924	-	-	-	10,804,314	-	10,804,314
Other Revenues	5,843,427	-	5,843,427	-	-	-	-	-	-	-	(2,023,454)	3,819,973	-	3,819,973
Contributions	880,393	58,645	939,038	7,328	-	7,328	403	403	-	-	-	888,124	58,645	946,769
Special Events (net of direct costs of								-						
$587,972 and $354,100 for 2019 and 2018, respectively)	190,351	203,049	393,400	-	-	-	-	-	-	-	-	190,351	203,049.00	393,400
Investment Activity	781,321	-	781,321	14,614	-	14,614	3,007	3,007	-	-	-	798,942	-	798,942
Net Assets Released from Restrictions	321,679	(321,679)	-	-	-	-	-	-	-	-	-	321,679.00	(321,679.00)	-
Total Operating Revenue and Support	188,551,510	(59,985)	188,491,525	7,221,153	-	7,221,153	16,037,535	16,037,535	-	-	(2,023,454)	209,786,744	(59,985)	209,726,759
Operating Expenses:														
Program Services:														
Residential Services	94,598,475	-	94,598,475	4,476,273	-	4,476,273	-	-	-	-		99,074,748	-	99,074,748
Day and Community Services	60,586,699	-	60,586,699	496,625	-	496,625	-	-	-	-	-	61,083,324	-	61,083,324
Clinical Services	8,064,462	-	8,064,462	-	-	-	13,380,479	13,380,479	-	-	-	21,444,941	-	21,444,941
Employment Services	1,194,977	-	1,194,977	705,344	-	705,344	-	-	-	-	-	1,900,321	-	1,900,321
Total Program Services	164,444,613	-	164,444,613	5,678,242	-	5,678,242	13,380,479	13,380,479	-	-	-	183,503,334	-	183,503,334
Supporting Services:														
Management and General	23,338,774	-	23,338,774	1,069,668	-	1,069,668	2,965,371	2,965,371	3,794	3,794	(2,023,454)	25,354,153	-	25,354,153
Fundraising	520,700	-	520,700	-	-	-	-	-	-	-	-	520,700	-	520,700
Total Supporting Services	23,859,474	-	23,859,474	1,069,668	-	1,069,668	2,965,371	2,965,371	3,794	3,794	(2,023,454)	25,874,853	-	25,874,853
Total Operating Expenses	188,304,087	-	188,304,087	6,747,910	-	6,747,910	16,345,850	16,345,850	3,794	3,794	(2,023,454)	209,378,187	-	209,378,187
Change In Net Assets From Operations	247,423	(59,985)	187,438	473,243	-	473,243	(308,315)	(308,315)	(3,794)	(3,794)	-	408,557	(59,985)	348,572
Non-Operating:														
Gain from lease buyout	8,407,333		8,407,333	-	-	-	-	-	-	-	-	8,407,333		8,407,333
Benefit obligation in excess of plan assets	(8,514,266)	-	(8,514,266)	-	-	-	-	-	-	-	-	(8,514,266)	-	(8,514,266)
Total Non-Operating	(106,933)	-	(106,933)	-	-	-	-	-	-	-	-	(106,933)	-	(106,933)
CHANGE IN NET ASSETS	140,490	(59,985)	80,505	473,243	-	473,243	(308,315)	(308,315)	(3,794)	(3,794)	-	301,624	(59,985)	241,639
Net Assets - Beginning of Year	33,692,419	752,194	34,444,613	480,201	10,000	490,201	(7,304,703)	(7,304,703)	(592,442)	(592,442)	6,443,588	32,719,063	762,194	33,481,257
NET ASSETS - END OF YEAR	$ 33,832,909	$ 692,209	$ 34,525,118	$ 953,444	$ 10,000	$ 963,444	$ (7,613,018)	$ (7,613,018)	$ (596,236)	$ (596,236)	$ 6,443,588	$ 33,020,687	$ 702,209	$ 33,722,896

See independent auditors' report.

YAI AND AFFILIATES

Seeing beyond disability.

CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION
(Together with Independent Auditors' Report)

YEAR ENDED JUNE 30, 2020

MARKS PANETH

ACCOUNTANTS & ADVISORS

YAI AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
(Together with Independent Auditors' Report)

YEAR ENDED JUNE 30, 2020

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Marks Paneth LLP
685 Third Avenue
New York, NY 10017
P 212.503.8800
F 212.370.3759
markspaneth.com

MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
YAI and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Young Adult Institute, Inc. d/b/a YAI ("YAI") and its Affiliates: The Manhattan Star Academy ("MSA"), The International Academy of Hope ("IHOPE"), Premier HealthCare, Inc. ("PHC") and the International Institute for People with Disabilities of Puerto Rico, Inc. ("IIPD-PR") (YAI and its Affiliates are collectively referred to as the "Agency"), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Agency as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules (shown on pages 16-17) are presented for the purposes of additional analysis of the consolidated financial statements, rather than to present the financial position, change in net assets and cash flows of the individual affiliates, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Marks Paneth LLP

New York, NY
February 1, 2021

YAI AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2020

ASSETS	
Cash and cash equivalents (Notes 2D and 10)	$ 7,372,223
Short-term investments (Notes 2E and 5)	15,665,753
Government receivables, net (Notes 2F and 4)	37,500,999
Tuition receivables, net (Note 2F)	21,280,596
Other receivables, net (Notes 2F and 2I)	9,489,853
Prepaid expenses and other assets	10,140,358
Property and equipment, net (Notes 2H, 6, 7 and 8A)	51,930,803
Debt service reserve (Note 2N)	2,870,580
TOTAL ASSETS	$ 156,251,165
LIABILITIES	
Accounts payable and accrued expenses	$ 16,077,065
Accrued salary	9,249,630
Accrued vacation	5,105,927
Accrued pension (Note 11)	1,455,789
Other liabilities (Note 8F)	10,157,044
Due to funding sources (Note 8D)	4,791,826
Notes and mortgages payable (Notes 2N and 7)	64,115,662
Capital lease obligations (Note 8B)	2,856,134
Deferred rent (Note 2L)	3,146,427
TOTAL LIABILITIES	116,955,504
COMMITMENTS AND CONTINGENCIES (Note 8)	
NET ASSETS (Note 2C)	
Net assets without donor restrictions	
Net invested in property and equipment	13,218,664
Available for operations	24,582,656
Total without donor restrictions	37,801,320
Net assets with donor restrictions (Note 9)	1,494,341
TOTAL NET ASSETS	39,295,661
TOTAL LIABILITIES AND NET ASSETS	$ 156,251,165

YAI AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Medicaid (Notes 2G, 2K and 12)	$ 170,512,211	$ -	$ 170,512,211
Government grants (Note 2G)	21,728,121	-	21,728,121
Medicare and client fees (Notes 2G and 12)	13,076,964	-	13,076,964
Tuition (Notes 2G and 12)	26,858,428	-	26,858,428
Other revenues	4,782,482	-	4,782,482
Contributions (Note 2I)	1,610,785	1,014,017	2,624,802
Special events (net of direct costs of $257,835)	150,123	81,780	231,903
Investment activity (Note 5)	862,870	-	862,870
Net assets released from restrictions (Note 2C)	336,276	(336,276)	-
Total Operating Revenue and Support	239,918,260	759,521	240,677,781
Operating Expenses:			
Program Services:			
Residential services	108,507,732	-	108,507,732
Day and community services	58,576,796	-	58,576,796
Clinical services	21,292,372	-	21,292,372
Educational services	20,111,113	-	20,111,113
Employment services	2,504,264	-	2,504,264
Total Program Services	210,992,277	-	210,992,277
Supporting Services:			
Management and general (Note 2J)	27,958,149	-	27,958,149
Fundraising	481,457	-	481,457
Total Supporting Services	28,439,606	-	28,439,606
Total Operating Expenses	239,431,883	-	239,431,883
Change In Net Assets From Operations	486,377	759,521	1,245,898
Non-Operating Activities			
Benefit obligation in excess of plan assets (Note 8F)	(392,418)	-	(392,418)
Total Non-Operating Activities	(392,418)	-	(392,418)
CHANGE IN NET ASSETS	93,959	759,521	853,480
Net Assets - Beginning of Year	33,020,687	702,209	33,722,896
Change in reporting entity (Note 13)	4,686,674	32,611	4,719,285
NET ASSETS - END OF YEAR	$ 37,801,320	$ 1,494,341	$ 39,295,661

YAI AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services						Supporting Services			
	Residential Services	Day and Community Services	Clinical Services	Educational Services	Employment Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2020
Salaries	$ 66,961,208	$ 28,791,866	$ 11,164,071	$ 11,354,134	$ 1,739,105	$ 120,010,384	$ 12,657,491	$ 344,824	$ 13,002,315	$ 133,012,699
Payroll taxes and benefits (Note 11)	17,242,023	7,529,188	2,128,696	3,463,955	441,942	30,805,804	3,476,626	97,406	3,574,032	34,379,836
Total Personnel Costs	84,203,231	36,321,054	13,292,767	14,818,089	2,181,047	150,816,188	16,134,117	442,230	16,576,347	167,392,535
Contracted services	2,024,498	516,734	2,107,399	377,766	4,277	5,030,674	1,556,233	-	1,556,233	6,586,907
Professional fees	166,116	160,664	19,907	407,808	3,577	758,072	1,429,676	6,347	1,436,023	2,194,095
Program supplies	3,327,012	1,731,718	461,040	202,658	34,884	5,757,312	91,037	3,820	94,857	5,852,169
Food	2,871,255	163,592	2,958	1,468	109	3,039,382	265	-	265	3,039,647
Transportation	1,749,008	10,088,111	144,991	2,488	16,333	12,000,931	118,831	820	119,651	12,120,582
Office and equipment expense	817,990	291,601	272,578	153,990	14,354	1,550,513	1,264,795	14,484	1,279,279	2,829,792
Staff development and expenses	228,214	181,481	77,628	60,059	3,401	550,783	471,295	2,333	473,628	1,024,411
Occupancy (Note 8)	2,593,715	5,619,178	2,337,349	2,885,883	142,452	13,578,577	1,616,383	-	1,616,383	15,194,960
Repairs and maintenance	1,982,327	958,262	343,241	241,651	10,093	3,535,574	141,177	-	141,177	3,676,751
Insurance	1,874,788	646,751	186,273	18,399	35,028	2,761,239	320,633	-	320,633	3,081,872
Utilities	1,427,583	516,500	101,518	224,285	8,798	2,278,684	158,377	-	158,377	2,437,061
Telephone	650,288	332,250	119,244	17,393	25,290	1,144,465	324,749	1,125	325,874	1,470,339
Information technology	538,224	373,356	905,956	74,413	23,193	1,915,142	2,414,579	5,512	2,420,091	4,335,233
Depreciation and amortization (Notes 2H and 6)	2,805,343	551,084	728,182	303,806	1,381	4,389,796	478,523	-	478,523	4,868,319
Interest	1,246,109	121,565	7,321	6,958	41	1,381,994	1,167,694	-	1,167,694	2,549,688
Bad debt	1,346	147	183,260	300,000	-	484,753	-	-	-	484,753
Miscellaneous	685	2,748	760	13,999	6	18,198	269,785	4,786	274,571	292,769
TOTAL EXPENSES	$ 108,507,732	$ 58,576,796	$ 21,292,372	$ 20,111,113	$ 2,504,264	$ 210,992,277	$ 27,958,149	$ 481,457	$ 28,439,606	$ 239,431,883

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

YAI AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 853,480
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	4,868,319
Non-cash interest expense	233,231
Unrealized gain on short-term investments	(363,994)
Realized gain on short-term investments	(102,981)
Bad debt	484,753
Subtotal	5,972,808
Changes in operating assets and liabilities:	
(Increase) decrease in assets:	
Government receivables	(7,153,318)
Tuition receivables	(11,793,051)
Prepaid expenses and other assets	(2,482,463)
Other receivables	(35,013)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	3,965,147
Accrued salary	243,389
Accrued vacation	799,843
Accrued pension	(733,471)
Due to funding sources	(1,994,958)
Deferred rent	1,196,922
Other liabilities	(1,454,833)
Net Cash Used in Operating Activities	(13,468,998)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(10,729,412)
Purchases of short-term investments	(4,810,352)
Proceeds from sale of short-term investments	2,875,390
Decrease in debt service reserve	(237,618)
Net Cash Used in Investing Activities	(12,901,992)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from notes and mortgages	25,471,600
Principal repayments of notes and mortgages	(3,669,805)
Bond issuance cost	(588,975)
Principal capital lease obligations	2,248,730
Principal repayments of capital lease obligations	(351,048)
Net Cash Provided by Financing Activities	23,110,502
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,260,488)
Cash and Cash Equivalents - Beginning of Year	10,632,711
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 7,372,223
Supplemental Disclosure of Cash Flow Information:	
Cash paid for interest	$ 2,316,457

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

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The Young Adult Institute, Inc. d/b/a YAI ("YAI") is organized under the Not-for-Profit Corporation Law of New York State and was incorporated in 1964. YAI has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. YAI has an equivalent exemption at the state and local levels.

YAI serves people of all ages with developmental and learning disabilities in a variety of community settings and at home through state-of-the-art programs that help to build skills, expand opportunities, and support community living. YAI's many programs and direct services benefit thousands of individuals and their families daily throughout the New York metropolitan area. YAI is funded primarily by Medicaid. YAI has over 300 programs and direct services that benefit over 21,000 individuals and their families daily throughout the New York metropolitan area and California.

YAI is part of a network of independent agencies, collectively known as the YAI Network. The network provides programs and support for people with intellectual and developmental disabilities throughout New York City, Westchester County, Rockland County, Long Island, New Jersey and California. YAI is the sole corporate member of these agencies which have been included in the consolidated financial statements (collectively, the “Agency”). Further descriptions follow:

- YAI is the sole corporate member of Premier Healthcare, Inc. (“PHC”). PHC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. PHC has an equivalent exemption at the state and local levels. PHC is an outpatient diagnostic and treatment center offering health care services to the general public with a specialty in medical services for people with developmental and learning disabilities and their families in many sites throughout the New York area. PHC is a quality health care practice providing outpatient clinic services which include: primary health, pediatrics, internal medicine, dentistry (including desensitization), nutrition, audiology, neurology, podiatry, psychiatry, physical therapy, occupational therapy, ophthalmology, speech pathology and psychology. PHC’s primary source of revenue is patient service fees received from Medicaid, Medicare and other third-party payors.

- Effective July 1, 2019, YAI became the sole corporate member of The Manhattan Star Academy (“MSA”). MSA is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. MSA offers a continuum of care for school-age children with a diverse range of diagnoses, including developmental delays, autism spectrum disorders and speech language disorders.

- Effective July 1, 2019, YAI became the sole corporate member of The International Academy of Hope (“IHOPE”). IHOPE is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. IHOPE provides educational and related services to children, adolescents, and young adults from ages 5 years to 21 years old, who have sustained acquired brain injuries or other brain-based disorders who cannot be served in their local school systems.

- YAI is the sole corporate member of the International Institute for People with Disabilities of Puerto Rico, Inc. (“IIPD-PR”), which was incorporated in 1998 under the Not-for-Profit Corporation Law of the Commonwealth of Puerto Rico. IIPD-PR has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has a similar exemption at the state and local levels. IIPD-PR’s mission is to create employment opportunities for people with disabilities. By providing competitive employment opportunities for persons with disabilities, IIPD-PR demonstrated a commitment to independence, community inclusion and productivity for people with special needs. IIPD-PR had no programmatic operations during the fiscal year ended June 30, 2020.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Accounting and Use of Estimates -*** The Agency’s consolidated financial statements have been prepared on the accrual basis of accounting. The Agency adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. ***Basis of Consolidation -*** The Agency's accompanying consolidated financial statements include the activities of: YAI; PHC; MSA; IHOPE; and IIPD-PR. YAI has consolidated these entities pursuant to U.S. GAAP due to its financial interest and control over them. All material intercompany transactions and balances have been eliminated upon consolidation.

C. ***Basis of Net Asset Presentation -*** The Agency maintains its net assets under the following two classes:

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

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

D. ***Cash and Cash Equivalents*** **-** The Agency classifies cash equivalents as highly liquid financial instruments with maturities of three months or less when acquired, except for those short-term investments managed by investment managers as part of the Agency's investment strategies and the debt service reserve. Program participant funds included in cash and cash equivalents amounted to approximately $137,000 for the year ended June 30, 2020. Such amounts are also included as a liability in the accompanying consolidated financial statements.

E. ***Short-term Investments and Fair Value Measurements*** **-** Short-term investments are carried at fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 5.

F. ***Allowance for Uncollectible Receivables -*** The Agency determines whether an allowance for uncollectible receivables should be provided for accounts receivable. Such estimate is based on management's assessment of the aged basis of its receivables, current economic conditions, historical experience, and collections subsequent to year end. As of June 30, 2020, the Agency determined an allowance of approximately $2.5 million for government receivables and approximately $1.9 million for tuition receivables was necessary. In addition, the Agency has established an allowance for doubtful accounts for other receivables of approximately $1.2 million as of June 30, 2020.

G. ***Revenue Recognition -*** The Agency records Medicaid revenue based on established rates multiplied by the number of units of service provided. Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. Tuition is derived from contracts with customers and recognized during the school year upon exchange of contracted services. To the extent amounts received exceed amounts spent, the Agency records a liability due to funding sources. Other revenue includes management programmatic services provided to other network agencies. Such revenue is recorded based on the support service agreement. Medicaid and tuition is accounted for under Accounting Standards Codification ("ASU") Topic 606. Government grants are accounted for under ASU 2018-08 and amounted to $21,728,121 for the year ended June 30, 2020. For the year ended June 30, 2020, the Agency received conditional grants and contract from government agencies in the aggregate amount of $11 million. Such grants have not been recognized in the accompanying consolidated financial statements as they are for further periods and will be recognized when contract barriers are overcome.

H. ***Property and Equipment -*** Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the applicable lease. Property and equipment is capitalized by the Agency provided its cost is $5,000 or more and its useful life is greater than one year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. ***Contributions -*** Unconditional contributions, including promises to give cash and other assets, are reported at their fair value on the date the contribution is received. The Agency reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose of restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Contributions are accounted for under ASU 2018-08. Conditional contributions pertaining to future years is disclosed when material.

J. ***Functional Expenses -*** The costs of providing program and supporting services of the Agency have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, expenses that are not directly charged to programs and supporting services are allocated among programs and supporting services. The expenses that are allocated include occupancy and maintenance, which is allocated on a square footage basis, as well as payroll taxes and benefits, which are allocated on the basis of estimates of time and effort.

K. ***Prior Period Revenue -*** There are occasions when funding source reimbursements for prior years are adjusted in the current year. Such adjustments may be due to retroactive rate adjustments, funding source audit findings, additional monies available over and above original contract amounts, rate appeal results, etc. Included in Medicaid revenue for the year ended June 30, 2020 is a decrease of approximately $144,000 of prior year revenues relating to such adjustments.

L. ***Deferred Rent -*** The Agency leases real property under various operating leases. The leases include rent escalations. Since the rent increases over time, the Agency records an adjustment to rent expense each year to reflect its straight-lining policy. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent in the accompanying consolidated statement of financial position.

M. ***Bond Issuance Costs -*** Bond issuance costs consist of financing costs which are amortized over the life of the bond. The amortization is on the straight-line method which does not differ materially from the effective interest rate method.

N. ***Debt Service Reserve -*** Under the terms of the Dormitory Authority of the State of New York ("DASNY"), the Agency is required to deposit with the bond trustee an amount to be held in a debt service reserve fund, which will be utilized to satisfy the last payment required on the mortgage, or can be used prior to that point under the direction of DASNY to make any loan payments due by reason of default or other causes spelled out in the loan agreement. The debt service reserve is carried at market value in the accompanying consolidated statement of financial position.

NOTE 3 – LIQUIDITY AND AVAILABILITY

The financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement financial position date, include the following as of June 30:

	2020
Cash and cash equivalents	$ 7,372,223
Short-term investments	15,665,753
Government receivables, net	37,500,999
Tuition receivables, net	21,280,596
Other receivables, net	9,489,853
Total Financial Assets	91,309,424
Less: Other receivables due in more than one year	(2,100,000)
Less: Program participant funds	(137,102)
Less: Net assets with donor restrictions	(1,494,341)
	$ 87,577,981

NOTE 3 – LIQUIDITY AND AVAILABILITY (Continued)

The Agency strives to maintain liquid financial assets sufficient to cover expenditures. Revenue from funders are expected to cover most expenses. Financial assets are available to fund any programs or supporting services with unanticipated shortfalls. In addition, as noted in Note 7, the Agency has multiple lines of credit totaling a maximum drawdown of $42 million.

NOTE 4 – GOVERNMENT RECEIVABLES

Government receivables consists of the following as of June 30*:*

	2020
Due from Medicaid	$ 25,760,344
Due from the State of New York	10,328,627
Due from the City of New York	1,061,311
Due from other sources	2,800,793
	39,951,075
Less: allowance for doubtful accounts	(2,450,076)
	$ 37,500,999

NOTE 5 – SHORT-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS

Short-term investments consist of the following as of June 30:

	2020
Money market funds	$ 3,822,298
Mutual funds	2,841,390
Corporate bonds	3,052,408
Government bonds	5,445,764
Multi-strategy investments	503,893
	$ 15,665,753

Investment activity consists of the following for the year ended June 30:

	2020
Interest	$ 395,895
Realized gain	102,981
Unrealized gain	363,994
	$ 862,870

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs. The Agency has no Level 3 investments.

NOTE 5 – SHORT-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS

In determining fair value, the Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. Investments in money markets and U.S. Treasury bills are valued using market prices in active markets (Level 1). Fair value of these investments is determined by management through the investment managers. Level 1 instrument valuations are obtained from real-time quotes in active exchange markets involving identical assets. Corporate bonds, U.S. Government bonds and multi-strategy investments are designated as Level 2 instruments and valuations are obtained from similar market or model derived valuations in which all significant inputs are observable or can be derived primarily from or corroborated with observable market data (credit risk/grade, maturities, etc.).

Financial assets carried at fair value as of June 30, 2020 are classified in the table as follows:

	Level 1	Level 2	Total
Short-term investments:			
Money market funds	$ 3,822,298	$ -	$ 3,822,298
Mutual funds	2,841,390	-	2,841,390
Corporate bonds	-	3,052,408	3,052,408
Government bonds	-	5,445,764	5,445,764
Multi-strategy investments	-	503,893	503,893
Total Short-term investments	6,663,688	9,002,065	15,665,753
Debt Service Reserve Fund:			
U.S. Treasury bills	2,870,580	-	2,870,580
	$ 9,534,268	$ 9,002,065	$ 18,536,333

NOTE 6 – PROPERTY AND EQUIPMENT

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

	2020	Estimated Useful Lives
Land	$ 11,772,584	
Buildings and building improvements	68,846,929	15-25 years
Leasehold improvements	28,027,033	5-25 years
Furniture and equipment	20,486,423	3-10 years
Construction in progress	9,518,626	
	138,651,595	
Less: accumulated depreciation	(86,720,792)	
	$ 51,930,803	

Depreciation and amortization expenses amounted to $4,868,319 for the year ended June 30, 2020. Construction in progress consists of construction at new locations and various renovations with a combined additional estimated cost to complete of approximately $12 million and estimated completion dates in fiscal year 2021.

NOTE 7 – NOTES AND MORTGAGES PAYABLE

	2020
A. YAI has entered into various loan agreements with the Dormitory Authority of the State of New York. The loans carry interest rates ranging from 1.57% to 4.52% per annum, payable in semi-annual installments and have maturity dates ranging from August 2018 through June 2045. The loans are collateralized by YAI's underlying real property.	$ 30,582,008

NOTE 7 – NOTES AND MORTGAGES PAYABLE (Continued)

	2020
B. YAI has available a $14 million line of credit with a bank for the acquisition and renovation of program sites. Upon receipt of New York State prior property approvals, the funds drawn down on this line of credit are subsequently converted into notes. As of June 30, 2020, there were seven notes executed. The notes bear an interest rate of prime resulting in a rate of 3.25% as of June 30, 2020. The notes are collateralized by related property and mature in April 2022. The outstanding balance as of February 1, 2021 amounted to $7,467,955.	$ 9,546,359
C. The Agency has available a $28 million working capital line of credit with a bank carrying an interest rate of prime which as of June 30, 2020 was 3.25%. The loan is collateralized by YAI's accounts receivable and matures in April 2022. The outstanding balance as of February 1, 2021 amounted to $24,270,133.	25,389,077
D. MSA has a construction loan payable to a bank which bears interest at a fixed rate of 3.05% per annum and expires on October 1, 2021. The loan is collateralized by funds deposited and guaranteed by YAI.	498,037
	66,015,481
Less: unamortized debt issuance costs	(1,899,819)
Notes and mortgages payable, net	$ 64,115,662

Most of the loans have provisions for loan covenants. The Agency was in compliance with these covenants as of and during the year ended June 30, 2020. The unamortized debt issuance costs increased due to an addition of closing costs of $588,975 for new loans less non-cash interest expense of $233,231.

Required future annual principal payments are payable as follows for the years ending June 30:

2021	$ 2,291,052
2022	36,983,882
2023	2,519,634
2024	1,716,635
2025	2,079,088
Thereafter	18,525,371
	$ 64,115,662

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. The Agency has operating lease agreements, and annual future minimum rentals payable for real and personal property principally under long-term operating leases expiring at varying dates through 2061 as follows:

	Real Property	Vehicles and Equipment	Total
2021	$ 11,534,483	$ 1,785,916	$ 13,320,399
2022	10,940,388	1,333,592	12,273,980
2023	10,173,243	870,202	11,043,445
2024	9,752,332	203,402	9,955,734
2025	9,018,169	49,087	9,067,256
Thereafter	148,797,443	-	148,797,443
	$200,216,058	$ 4,242,199	$ 204,458,257

Included in real property above is an operating agreement for a condominium for the Agency's central office. The annual future minimum payments are calculated as the condominium's purchase price of approximately $26 million multiplied by an interest rate of 8% per annum and payable in monthly installments.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Rent expense amounted to the following for the year ended June 30:

	2020
Real property	$ 13,556,532
Vehicles and equipment	2,150,113

B. YAI has capital leases for computer and electronic equipment with maturities in 2025, and with the following annual payments:

2021	$ 675,436
2022	713,327
2023	753,569
2024	602,452
2025	111,350
	$ 2,856,134

C. The Agency believes it has no uncertain tax positions as of June 30, 2020 and 2019 in accordance with ASC Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

D. The Agency receives a significant portion of its revenue for services provided from third-party reimbursement through government agencies and Medicaid. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the government. The Agency, when appropriate, records an estimated liability to governmental agencies for any excess reimbursement over allowable costs and underspending of interim rates. As of June 30, 2020, due to funding source represents overpayments from the 2012-2020 fiscal years for the Agency's programs. Such amounts are expected to be recouped by the funding sources.

E. The Agency is subject to legal proceedings and claims which have arisen in the ordinary course of its business and which have not been fully adjudicated. Management does not believe there will be a material adverse effect upon the financial position of the Agency.

F. During the year ended June 30, 2020, YAI recorded the benefit obligation for a Supplemental Pension Plan and Trust and Life Insurance Plan and Trust in excess of the assets of the plan for certain previous employees. The liability amounted to approximately $6.4 million, and is included in other liabilities in the consolidated statement of financial position. The liability represents the present value of the future obligation calculated with a discount rate of 5.5% and social security life expectancy table.

G. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the United States. COVID-19 disrupted operations of the Agency during the year ended June 30, 2020. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on the Agency's mission, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. Accordingly, the Agency cannot predict the extent to which its financial condition and results of operations will be affected. The Agency continues to monitor evolving economic and business conditions and the actual and potential impacts of COVID-19 on operations.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

The Agency's net assets with donor restrictions subject to expenditure for the specified purpose of the passage of time consist of the following as of June 30:

	2020
Grants and restricted funds	$ 1,484,341
Fund held in perpetuity	10,000
	$ 1,494,341

During the year ended June 30, 2020, the Agency released net assets with donor restriction of $336,276 by satisfying donor-imposed purpose, passage of time restrictions and appropriation of endowment earnings by the Board of Trustees.

NOTE 10 – CONCENTRATION

Cash and cash equivalents that potentially subject the Agency to a concentration of credit risk include cash and short-term investment accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Cash and short-term investment accounts are insured up to $250,000 per depositor. As of June 30, 2020, there was approximately $7.5 million of cash and cash equivalents held by one bank that exceeded FDIC limits.

NOTE 11 – RETIREMENT PLAN

On January 1, 2019, the Agency adopted the YAI Network Affiliates 403(b) Plan. All common law employees are eligible to make salary reduction contributions into the plan. Employees who complete 1,000 hours of service during the plan year and are employed on the last day of the plan year are eligible for employer matching contributions. The employer matching contribution will be equal to 50% of the first 6% of employee compensation deferral made to the plan for periods on or after July 1, 2019. For the year ended June 30, 2020 the employer matching contribution was $1,455,789.

NOTE 12 – REVENUE FROM CONTRACTS WITH CUSTOMERS

Service Contracts - The Agency receives Medicaid revenue from contracts with the New York State Office for People with Developmental Disabilities (OPWDD) to provide support and services to individuals with developmental and learning disabilities, from infants through the elderly, in a variety of community settings and at home through state-of-the-art programs that help to build skills, expand opportunities, and support community living. Revenue is reported at the amount that reflects the consideration to which the Agency expects to be entitled in exchange for providing the contracted services. These amounts are due from OPWDD, third-party payors (Medicare), individuals (Client Fees) and others, and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Service revenue is derived from contracts with customers.

Tuition revenue is reported at the amount that reflects the consideration to which the Agency expects to be entitled in exchange for providing the contracted services. Service revenue from tuition is recognized after the services are performed or after the Agency has completed its portion of the contract. Tuition is recorded as revenue in the period in which the tuition and fees relate to the school year. Deferred tuition is tuition payments committed prior to June 30, but which are applicable to the following academic year. These amounts are deferred and recognized as revenue in the fiscal year that educational services are provided. As of June 30, 2020, approximately $430,000 of deferred tuition is included in other liabilities in the consolidated statement of financial position.

Generally, the Agency bills OPWDD, third-party payors, tuition and individuals after the services are performed or has completed their portion of the contract. Receivables are due in full when billed and revenue is recognized as performance obligations are satisfied.

NOTE 12 – REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Performance Obligations - Performance obligations are determined based on the nature of the services provided by the Agency in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided. This method depicts the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Agency measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the OPWDD stipulations.

All performance obligations relate to contracts with a duration of less than one year, therefore, there are no performance obligations or contract balances that are unsatisfied as of June 30, 2020. The performance obligations for these contracts are completed when the service is completed and upon submission of required documentation. The Agency determines the transaction price based on established rates and contracts for services provided.

For the year ended June 30, 2020, program service fees consist of revenues for the following programs:

	Medicaid	Medicare and Client Fees	Tuition	Total
Residential services	$ 96,733,949	$ 8,446,510	$ -	$ 105,180,459
Day and community services	53,773,814	1,722,738	-	55,496,552
Clinical services	18,930,047	2,907,716	-	21,837,763
Educational services	-	-	26,858,428	26,858,428
Employment services	1,074,401	-	-	1,074,401
	$ 170,512,211	$ 13,076,964	$ 26, 858,428	$ 210,447,603

NOTE 13 – CHANGE IN REPORTING ENTITY

Effective July 1, 2019, YAI became the sole corporate member of MSA and IHOPE, which resulted in a net increase in net assets as of July 1, 2019. Such increase is included in change in reporting entity of $4,719,285 in the consolidated statement of activities for the year ended June 30, 2020.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statement of financial position through February 1, 2021, the date the consolidated financial statements were available to be issued.

YAI AND AFFILIATES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2020

	YAI	MSA	IHOPE	PHC	IIPD-PR	Consolidating Eliminations	Total 2020
ASSETS							
Cash and cash equivalents	$ 5,705,678	$ 657,279	$ 760,092	$ 249,174	$ -	$ -	$ 7,372,223
Short-term investments	15,665,753	-	-	-	-	-	15,665,753
Government receivable, net	34,942,038	-	-	2,558,961	-	-	37,500,999
Tuition receivables, net	-	6,161,135	15,119,461	-	-	-	21,280,596
Due from Network Agencies	7,708,889	519,887	-	-	-	(8,228,776)	-
Other receivables, net	9,415,052	-	38,686	36,115	-	-	9,489,853
Prepaid expenses and other assets	8,805,106	229,011	469,643	636,598	-	-	10,140,358
Property and equipment, net	49,246,310	1,473,710	217,230	993,553	-	-	51,930,803
Debt service reserve	2,870,580	-	-	-	-	-	2,870,580
TOTAL ASSETS	$ 134,359,406	$ 9,041,022	$ 16,605,112	$ 4,474,401	$ -	$ (8,228,776)	$ 156,251,165
LIABILITIES							
Accounts payable and accrued expenses	$ 14,796,048	$ 390,271	$ 248,612	$ 642,134	$ -	$ -	$ 16,077,065
Accrued salary	8,223,525	273,561	316,425	436,119	-	-	9,249,630
Accrued vacation	4,680,612	-	98,719	326,596	-	-	5,105,927
Accrued pension	1,222,329	65,667	89,102	78,691	-	-	1,455,789
Other liabilities	8,811,280	1,277,279	68,485	-	-	-	10,157,044
Due to funding sources	4,026,113	-	-	765,713	-	-	4,791,826
Notes and mortgages payable	54,074,087	3,489,340	4,000,000	2,552,235	-	-	64,115,662
Capital lease obligations	2,661,906	-	-	194,228	-	-	2,856,134
Due to related party	-	34,190	5,789,071	8,245,579	603,524	(14,672,364)	-
Deferred rent	1,265,750	1,338,594	71,281	470,802	-	-	3,146,427
TOTAL LIABILITIES	99,761,650	6,868,902	10,681,695	13,712,097	603,524	(14,672,364)	116,955,504
COMMITMENTS AND CONTINGENCIES							
NET ASSETS							
Net assets without donor restrictions							
Net invested in property and equipment	11,217,739	984,370	217,230	799,325	-	-	13,218,664
Available for operations	21,924,936	1,180,729	5,673,948	(10,037,021)	(603,524)	6,443,588	24,582,656
Total net assets without donor restrictions	33,142,675	2,165,099	5,891,178	(9,237,696)	(603,524)	6,443,588	37,801,320
Net assets with donor restrictions	1,455,081	7,021	32,239	-	-	-	1,494,341
TOTAL NET ASSETS	34,597,756	2,172,120	5,923,417	(9,237,696)	(603,524)	6,443,588	39,295,661
TOTAL LIABILITIES AND NET ASSETS	$ 134,359,406	$ 9,041,022	$ 16,605,112	$ 4,474,401	$ -	$ (8,228,776)	$ 156,251,165

See independent auditors' report.

YAI AND AFFILIATES
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	YAI			Manhattan Star Academy			International Academy of Hope			Premier Healthcare, Inc.		YAI/Rockland County Association for People with Disabilities			International Institute for People with Disabilities of Puerto Rico, Inc.			Consolidated Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Total	Consolidating Eliminations	Without Donor Restrictions	With Donor Restrictions	Total 2020
Operating Revenue and Support																				
Medicaid	$ 158,655,531	$ -	$ 158,655,531	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,856,680	$ 11,856,680	$ -	$ -	$ -	$ -	$ -	$ -	$ 170,512,211	$ -	$ 170,512,211
Government grants	21,166,706	-	21,166,706	-	-	-	-	-	-	561,415	561,415	-	-	-	-	-	-	21,728,121	-	21,728,121
Medicare and client fees	10,950,071	-	10,950,071	-	-	-	-	-	-	2,126,893	2,126,893	-	-	-	-	-	-	13,076,964	-	13,076,964
Tuition	-	-	-	11,087,477	-	11,087,477	15,770,951	-	15,770,951	-	-	-	-	-	-	-	-	26,858,428	-	26,858,428
Other revenues	7,957,347	-	7,957,347	12,855	-	12,855	5,168	-	5,168	-	-	-	-	-	-	-	(3,192,888)	4,782,482	-	4,782,482
Contributions	1,566,130	1,006,636	2,572,766	10,645	7,381	18,026	32,582	-	32,582	1,428	1,428	-	-	-	-	-	-	1,610,785	1,014,017	2,624,802
Special events (net of direct costs of $257,835)	150,123	81,780	231,903	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150,123	81,780	231,903
Investment activity	862,870	-	862,870	-	-	-	-	-	-	-	-	-	-	-	-	-	-	862,870	-	862,870
Net assets released from restrictions	335,544	(335,544)	-	360	(360)	-	372	(372)	-	-	-	-	-	-	-	-	-	336,276	(336,276)	-
Total Operating Revenue and Support	201,644,322	752,872	202,397,194	11,111,337	7,021	11,118,358	15,809,073	(372)	15,808,701	14,546,416	14,546,416	-	-	-	-	-	(3,192,888)	239,918,260	759,521	240,677,781
Operating Expenses:																				
Program Services:																				
Residential services	108,507,732	-	108,507,732	-	-	-	-	-	-	-	-	-	-	-	-	-	-	108,507,732	-	108,507,732
Day and community services	58,576,796	-	58,576,796	-	-	-	-	-	-	-	-	-	-	-	-	-	-	58,576,796	-	58,576,796
Clinical services	7,810,110	-	7,810,110	-	-	-	-	-	-	13,482,262	13,482,262	-	-	-	-	-	-	21,292,372	-	21,292,372
Educational services	-	-	-	8,863,364	-	8,863,364	11,247,749	-	11,247,749	-	-	-	-	-	-	-	-	20,111,113	-	20,111,113
Employment services	2,504,264	-	2,504,264	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,504,264	-	2,504,264
Total Program Services	177,398,902	-	177,398,902	8,863,364	-	8,863,364	11,247,749	-	11,247,749	13,482,262	13,482,262	-	-	-	-	-	-	210,992,277	-	210,992,277
Supporting Services:																				
Management and general	25,019,849	-	25,019,849	1,599,360	-	1,599,360	1,835,708	-	1,835,708	2,688,832	2,688,832	-	-	-	7,288	7,288	(3,192,888)	27,958,149	-	27,958,149
Fundraising	476,831	-	476,831	-	-	-	4,626	-	4,626	-	-	-	-	-	-	-	-	481,457	-	481,457
Total Supporting Services	25,496,680	-	25,496,680	1,599,360	-	1,599,360	1,840,334	-	1,840,334	2,688,832	2,688,832	-	-	-	7,288	7,288	(3,192,888)	28,439,606	-	28,439,606
Total Operating Expenses	202,895,582	-	202,895,582	10,462,724	-	10,462,724	13,088,083	-	13,088,083	16,171,094	16,171,094	-	-	-	7,288	7,288	(3,192,888)	239,431,883	-	239,431,883
Change In Net Assets From Operations	(1,251,260)	752,872	(498,388)	648,613	7,021	655,634	2,720,990	(372)	2,720,618	(1,624,678)	(1,624,678)	-	-	-	(7,288)	(7,288)	-	486,377	759,521	1,245,898
Non-Operating:																				
Contribution from acquisition	953,444	10,000	963,444	-	-	-	-	-	-	-	-	(953,444)	(10,000)	(963,444)	-	-	-	-	-	-
Benefit obligation in excess of plan assets	(392,418)	-	(392,418)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(392,418)	-	(392,418)
Total Non-Operating Activities	561,026	10,000	571,026	-	-	-	-	-	-	-	-	(953,444)	(10,000)	(963,444)	-	-	-	(392,418)	-	(392,418)
CHANGE IN NET ASSETS	(690,234)	762,872	72,638	648,613	7,021	655,634	2,720,990	(372)	2,720,618	(1,624,678)	(1,624,678)	(953,444)		(963,444)	(7,288)	(7,288)	-	93,959	759,521	853,480
Net Assets - beginning of year	33,832,909	692,209	34,525,118	-	-	-	-	-	-	(7,613,018)	(7,613,018)	953,444	10,000	963,444	(596,236)	(596,236)	6,443,588	33,020,687	702,209	33,722,896
Change in reporting entity	-	-	-	1,516,486	-	1,516,486	3,170,188	32,611	3,202,799	-	-	-	-	-	-	-	-	4,686,674	32,611	4,719,285
NET ASSETS - END OF YEAR	$ 33,142,675	$ 1,455,081	$ 34,597,756	$ 2,165,099	$ 7,021	$ 2,172,120	$ 5,891,178	$ 32,239	$ 5,923,417	$ (9,237,696)	$ (9,237,696)	$ -	$ -	$ -	$ (603,524)	$ (603,524)	$ 6,443,588	$ 37,801,320	$ 1,494,341	$ 39,295,661

See independent auditors' report.

YAI AND AFFILIATES

Seeing beyond disability.

CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2021 AND 2020

MARKS PANETH
ACCOUNTANTS & ADVISORS

YAI AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2021 AND 2020

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Marks Paneth LLP
685 Third Avenue
New York, NY 10017
P 212.503.8800
F 212.370.3759
markspaneth.com

MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
YAI and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Young Adult Institute, Inc. d/b/a YAI ("YAI") and its Affiliates: The Manhattan Star Academy ("MSA"), The International Academy of Hope ("IHOPE"), Premier HealthCare, Inc. ("PHC") and the International Institute for People with Disabilities of Puerto Rico, Inc. ("IIPD-PR") (YAI and its Affiliates are collectively referred to as the "Agency"), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2O to the consolidated financial statements, during the year ended June 30, 2021, the Agency adopted Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to this matter.

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 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 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
December 1, 2021

YAI AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents (Notes 2D and 12)	$ 8,203,532	$ 7,372,223
Short-term investments (Notes 2E and 5)	32,938,526	15,665,753
Government receivables, net (Notes 2F and 4)	30,652,456	37,500,999
Tuition receivables, net (Note 2F)	29,416,935	21,280,596
Other receivables, net (Notes 2F and 2I)	5,975,241	9,489,853
Prepaid expenses and other assets	10,368,927	10,140,358
Property and equipment, net (Notes 2H, 6 and 7)	55,252,919	51,930,803
Lease right to use asset (Notes 2O and 8A)	131,970,964	-
Debt service reserve (Note 2N)	3,230,192	2,870,580
TOTAL ASSETS	$ 308,009,692	$ 156,251,165
LIABILITIES		
Accounts payable and accrued expenses	$ 12,738,175	$ 16,077,065
Accrued salary	14,633,130	9,249,630
Accrued vacation	6,650,834	5,105,927
Accrued pension (Note 13)	2,303,457	1,455,789
Other liabilities (Note 9D)	14,462,751	10,157,044
Due to funding sources (Note 9B)	2,987,740	4,791,826
Refundable advances (Note 10)	6,539,204	-
Notes and mortgages payable (Notes 2N and 7)	69,516,614	64,115,662
Capital lease obligations (Note 8B)	2,658,072	2,856,134
Lease liability (Notes 2O and 8A)	136,650,458	-
Deferred rent (Note 2L)	-	3,146,427
TOTAL LIABILITIES	269,140,435	116,955,504
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS (Note 2C)		
Net assets without donor restrictions		
Net invested in property and equipment	9,800,596	13,218,664
Available for operations	27,555,309	24,582,656
Total without donor restrictions	37,355,905	37,801,320
Net assets with donor restrictions (Note 11)	1,513,352	1,494,341
TOTAL NET ASSETS	38,869,257	39,295,661
TOTAL LIABILITIES AND NET ASSETS	$ 308,009,692	$ 156,251,165

YAI AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020	Without Donor Restrictions	With Donor Restrictions
Operating Revenue and Support						
Medicaid (Notes 2G, 2K and 14)	$ 160,791,359	$ -	$ 160,791,359	$ 170,512,211	$ 170,512,211	$ -
Government grants (Note 2G)	19,945,808	-	19,945,808	21,728,121	21,728,121	-
Medicare and client fees (Notes 2G and 14)	13,008,927	-	13,008,927	13,076,964	13,076,964	-
Tuition (Notes 2G and 14)	28,696,988	-	28,696,988	26,858,428	26,858,428	-
Other revenues	4,027,686	-	4,027,686	4,782,482	4,782,482	-
Contributions (Note 2I)	2,607,396	384,759	2,992,155	2,624,802	1,610,785	1,014,017
Paycheck Protection Program (Note 10)	7,686,850	-	7,686,850	-	-	-
Special events (net of direct costs of $22,999 and $257,835)	497,163	-	497,163	231,903	150,123	81,780
Investment activity (Note 5)	1,418,626	-	1,418,626	862,870	862,870	-
Net assets released from restrictions (Note 2C)	365,748	(365,748)	-	-	336,276	(336,276)
Total Operating Revenue and Support	239,046,551	19,011	239,065,562	240,677,781	239,918,260	759,521
Operating Expenses:						
Program Services:						
Residential services	114,998,340	-	114,998,340	108,507,732	108,507,732	-
Day and community services	45,277,829	-	45,277,829	58,576,796	58,576,796	-
Clinical services	21,770,956	-	21,770,956	21,292,372	21,292,372	-
Educational services	21,599,768	-	21,599,768	20,111,113	20,111,113	-
Employment services	2,306,481	-	2,306,481	2,504,264	2,504,264	-
Total Program Services	205,953,374	-	205,953,374	210,992,277	210,992,277	-
Supporting Services:						
Management and general	28,531,778	-	28,531,778	27,958,149	27,958,149	-
Fundraising	836,392	-	836,392	481,457	481,457	-
Total Supporting Services	29,368,170	-	29,368,170	28,439,606	28,439,606	-
Total Operating Expenses	235,321,544	-	235,321,544	239,431,883	239,431,883	-
Change In Net Assets From Operations	3,725,007	19,011	3,744,018	1,245,898	486,377	759,521
Non-Operating Activities						
Benefit obligation in excess of plan assets (Note 9D)	(4,170,422)	-	(4,170,422)	(392,418)	(392,418)	-
Total Non-Operating Activities	(4,170,422)	-	(4,170,422)	(392,418)	(392,418)	-
CHANGE IN NET ASSETS	(445,415)	19,011	(426,404)	853,480	93,959	759,521
Net Assets - Beginning of Year	37,801,320	1,494,341	39,295,661	33,722,896	33,020,687	702,209
Change in reporting entity	-	-	-	4,719,285	4,686,674	32,611
NET ASSETS - END OF YEAR	$ 37,355,905	$ 1,513,352	$ 38,869,257	$ 39,295,661	$ 37,801,320	$ 1,494,341

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

YAI AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	Program Services						Supporting Services				
	Residential Services	**Day and Community Services**	**Clinical Services**	**Educational Services**	**Employment Services**	**Total Program Services**	**Management and General**	**Fundraising**	**Total Supporting Services**	**Total 2021**	**Total 2020**
Salaries	$ 70,835,209	$ 23,616,895	$ 11,125,873	$ 11,986,820	$ 1,684,283	$ 119,249,080	$ 12,063,700	$ 525,353	$ 12,589,053	$ 131,838,133	$ 133,012,699
Payroll taxes and benefits (Note 13)	19,536,039	6,496,933	3,043,941	2,761,881	466,681	32,305,475	2,467,766	153,303	2,621,069	34,926,544	34,379,836
Total Personnel Costs	90,371,248	30,113,828	14,169,814	14,748,701	2,150,964	151,554,555	14,531,466	678,656	15,210,122	166,764,677	167,392,535
Contracted services	1,282,635	335,865	1,965,284	227,980	1,884	3,813,648	1,398,761	7,525	1,406,286	5,219,934	6,586,907
Professional fees	95,791	85,518	35,982	455,753	2,071	675,115	1,947,469	24,819	1,972,288	2,647,403	2,194,095
Program supplies	3,314,986	1,238,874	635,526	244,482	3,330	5,437,198	137,494	335	137,829	5,575,027	5,852,169
Food	2,620,087	46,662	-	1,780	-	2,668,529	15	-	15	2,668,544	3,039,647
Transportation	1,772,067	3,627,460	30,187	1,207	37,097	5,468,018	42,117	430	42,547	5,510,565	12,120,582
Office and equipment expense	1,086,814	188,478	138,118	219,172	7,462	1,640,044	324,606	37,119	361,725	2,001,769	2,829,792
Staff development and expenses	174,525	109,765	36,252	75,778	6,359	402,679	295,408	1,377	296,785	699,464	1,024,411
Occupancy (Note 8)	2,959,431	6,198,216	2,611,489	3,019,094	24,612	14,812,842	3,107,675	11	3,107,686	17,920,528	15,194,960
Repairs and maintenance	2,210,020	1,030,458	374,746	479,382	8,707	4,103,313	72,652	-	72,652	4,175,965	3,676,751
Insurance	1,743,110	613,883	230,908	-	28,929	2,616,830	1,121,586	-	1,121,586	3,738,416	3,081,872
Utilities	1,484,950	447,084	109,153	360,895	-	2,402,082	85,038	-	85,038	2,487,120	2,437,061
Telephone	564,374	260,198	96,186	11,092	8,029	939,879	262,360	417	262,777	1,202,656	1,470,339
Information technology	748,211	413,991	675,082	83,136	24,511	1,944,931	2,337,725	10,293	2,348,018	4,292,949	4,335,233
Depreciation and amortization (Notes 2H and 6)	2,752,860	377,285	463,517	323,204	901	3,917,767	961,833	-	961,833	4,879,600	4,868,319
Interest	1,718,112	105,062	10,138	6,985	-	1,840,297	1,217,372	-	1,217,372	3,057,669	2,549,688
Bad debt	98,126	84,241	188,563	1,340,998	1,625	1,713,553	206,400	-	206,400	1,919,953	484,753
Miscellaneous	993	961	11	129	-	2,094	481,801	75,410	557,211	559,305	292,769
TOTAL EXPENSES	$ 114,998,340	$ 45,277,829	$ 21,770,956	$ 21,599,768	$ 2,306,481	$ 205,953,374	$ 28,531,778	$ 836,392	$ 29,368,170	$ 235,321,544	$ 239,431,883

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

YAI AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services						Supporting Services			
	Residential Services	Day and Community Services	Clinical Services	Educational Services	Employment Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2020
Salaries	$ 66,961,208	$ 28,791,866	$ 11,164,071	$ 11,354,134	$ 1,739,105	$ 120,010,384	$ 12,657,491	$ 344,824	$ 13,002,315	$ 133,012,699
Payroll taxes and benefits (Note 13)	17,242,023	7,529,188	2,128,696	3,463,955	441,942	30,805,804	3,476,626	97,406	3,574,032	34,379,836
Total Personnel Costs	84,203,231	36,321,054	13,292,767	14,818,089	2,181,047	150,816,188	16,134,117	442,230	16,576,347	167,392,535
Contracted services	2,024,498	516,734	2,107,399	377,766	4,277	5,030,674	1,556,233	-	1,556,233	6,586,907
Professional fees	166,116	160,664	19,907	407,808	3,577	758,072	1,429,676	6,347	1,436,023	2,194,095
Program supplies	3,327,012	1,731,718	461,040	202,658	34,884	5,757,312	91,037	3,820	94,857	5,852,169
Food	2,871,255	163,592	2,958	1,468	109	3,039,382	265	-	265	3,039,647
Transportation	1,749,008	10,088,111	144,991	2,488	16,333	12,000,931	118,831	820	119,651	12,120,582
Office and equipment expense	817,990	291,601	272,578	153,990	14,354	1,550,513	1,264,795	14,484	1,279,279	2,829,792
Staff development and expenses	228,214	181,481	77,628	60,059	3,401	550,783	471,295	2,333	473,628	1,024,411
Occupancy (Note 8)	2,593,715	5,619,178	2,337,349	2,885,883	142,452	13,578,577	1,616,383	-	1,616,383	15,194,960
Repairs and maintenance	1,982,327	958,262	343,241	241,651	10,093	3,535,574	141,177	-	141,177	3,676,751
Insurance	1,874,788	646,751	186,273	18,399	35,028	2,761,239	320,633	-	320,633	3,081,872
Utilities	1,427,583	516,500	101,518	224,285	8,798	2,278,684	158,377	-	158,377	2,437,061
Telephone	650,288	332,250	119,244	17,393	25,290	1,144,465	324,749	1,125	325,874	1,470,339
Information technology	538,224	373,356	905,956	74,413	23,193	1,915,142	2,414,579	5,512	2,420,091	4,335,233
Depreciation and amortization (Notes 2H and 6)	2,805,343	551,084	728,182	303,806	1,381	4,389,796	478,523	-	478,523	4,868,319
Interest	1,246,109	121,565	7,321	6,958	41	1,381,994	1,167,694	-	1,167,694	2,549,688
Bad debt	1,346	147	183,260	300,000	-	484,753	-	-	-	484,753
Miscellaneous	685	2,748	760	13,999	6	18,198	269,785	4,786	274,571	292,769
TOTAL EXPENSES	$ 108,507,732	$ 58,576,796	$ 21,292,372	$ 20,111,113	$ 2,504,264	$ 210,992,277	$ 27,958,149	$ 481,457	$ 28,439,606	$ 239,431,883

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

YAI AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (426,404)	$ 853,480
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,879,600	4,868,319
Non-cash interest expense	405,191	233,231
Unrealized gain on short-term investments	(927,984)	(363,994)
Realized gain on short-term investments	(100,001)	(102,981)
Bad debt	1,919,953	484,753
Loss on disposal of property and equipment	10,884	-
Subtotal	5,761,239	5,972,808
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Government receivables	4,928,590	(7,153,318)
Tuition receivables	(8,136,339)	(11,793,051)
Prepaid expenses and other assets	(228,569)	(2,482,463)
Other receivables	3,514,612	(35,013)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(3,338,890)	3,965,147
Accrued salary	5,383,500	243,389
Accrued vacation	1,544,907	799,843
Accrued pension	847,668	(733,471)
Due to funding sources	(1,804,086)	(1,994,958)
Refundable advances	6,539,204	-
Lease liability and deferred rent	1,533,067	1,196,922
Other liabilities	4,305,707	(1,454,833)
Net Cash Provided by (Used in) Operating Activities	20,850,610	(13,468,998)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(8,212,600)	(10,729,412)
Purchases of short-term investments	(43,092,761)	(4,810,352)
Proceeds from sale of short-term investments	26,847,973	2,875,390
Decrease in debt service reserve	(359,612)	(237,618)
Net Cash Used in Investing Activities	(24,817,000)	(12,901,992)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes and mortgages	21,304,805	25,471,600
Principal repayments of notes and mortgages	(15,446,068)	(3,669,805)
Bond issuance cost	(862,976)	(588,975)
Principal capital lease obligations	883,074	2,248,730
Principal repayments of capital lease obligations	(1,081,136)	(351,048)
Net Cash Provided by Financing Activities	4,797,699	23,110,502
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	831,309	(3,260,488)
Cash and Cash Equivalents - Beginning of Year	7,372,223	10,632,711
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 8,203,532	$ 7,372,223
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 2,652,478	$ 2,316,457

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

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The Young Adult Institute, Inc. d/b/a YAI ("YAI") is organized under the Not-for-Profit Corporation Law of New York State and was incorporated in 1964. YAI has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. YAI has an equivalent exemption at the state and local levels.

YAI serves people of all ages with developmental and learning disabilities in a variety of community settings and at home through state-of-the-art programs that help to build skills, expand opportunities, and support community living. YAI's many programs and direct services benefit thousands of individuals and their families daily throughout the New York metropolitan area. YAI is funded primarily by Medicaid. YAI has over 300 programs and direct services that benefit over 21,000 individuals and their families daily throughout the New York metropolitan area and California.

YAI is part of a network of independent agencies, collectively known as the YAI Network. The network provides programs and support for people with intellectual and developmental disabilities throughout New York City, Westchester County, Rockland County, Long Island, New Jersey and California. YAI is the sole corporate member of these agencies which have been included in the consolidated financial statements (collectively, the "Agency"). Further descriptions follow:

- YAI is the sole corporate member of Premier Healthcare, Inc. ("PHC"). PHC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. PHC has an equivalent exemption at the state and local levels. PHC is an outpatient diagnostic and treatment center offering health care services to the general public with a specialty in medical services for people with developmental and learning disabilities and their families in many sites throughout the New York area. PHC is a quality health care practice providing outpatient clinic services which include: primary health, pediatrics, internal medicine, dentistry (including desensitization), nutrition, audiology, neurology, podiatry, psychiatry, physical therapy, occupational therapy, ophthalmology, speech pathology and psychology. PHC's primary source of revenue is patient service fees received from Medicaid, Medicare and other third-party payors.

- Effective July 1, 2019, YAI became the sole corporate member of The Manhattan Star Academy ("MSA"). MSA is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. MSA offers a continuum of care for school-age children with a diverse range of diagnoses, including developmental delays, autism spectrum disorders and speech language disorders.

- Effective July 1, 2019, YAI became the sole corporate member of The International Academy of Hope ("IHOPE"). IHOPE is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. IHOPE provides educational and related services to children, adolescents, and young adults from ages 5 years to 21 years old, who have sustained acquired brain injuries or other brain-based disorders who cannot be served in their local school systems.

- YAI is the sole corporate member of the International Institute for People with Disabilities of Puerto Rico, Inc. ("IIPD-PR"), which was incorporated in 1998 under the Not-for-Profit Corporation Law of the Commonwealth of Puerto Rico. IIPD-PR has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has a similar exemption at the state and local levels. IIPD-PR's mission is to create employment opportunities for people with disabilities. By providing competitive employment opportunities for persons with disabilities, IIPD-PR demonstrated a commitment to independence, community inclusion and productivity for people with special needs. IIPD-PR had no programmatic operations during the fiscal years ended June 30, 2021 and 2020.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Accounting and Use of Estimates -*** The Agency's consolidated financial statements have been prepared on the accrual basis of accounting. The Agency adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. ***Basis of Consolidation -*** The Agency's accompanying consolidated financial statements include the activities of: YAI; PHC; MSA; IHOPE; and IIPD-PR. YAI has consolidated these entities pursuant to U.S. GAAP due to its financial interest and control over them. All material intercompany transactions and balances have been eliminated upon consolidation.

C. ***Basis of Net Asset Presentation -*** The Agency maintains its net assets under the following two classes:

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

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

D. ***Cash and Cash Equivalents*** **-** The Agency classifies cash equivalents as highly liquid financial instruments with maturities of three months or less when acquired, except for those short-term investments managed by investment managers as part of the Agency's investment strategies and the debt service reserve. Program participant funds included in cash and cash equivalents amounted to approximately $317,000 and $137,000 for the years ended June 30, 2021 and 2020, respectively. Such amounts are also included as a liability in the accompanying consolidated financial statements.

E. ***Short-term Investments and Fair Value Measurements*** **-** Short-term investments are carried at fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 5.

F. ***Allowance for Uncollectible Receivables -*** The Agency determines whether an allowance for uncollectible receivables should be provided for accounts receivable. Such estimate is based on management's assessment of the aged basis of its receivables, current economic conditions, historical experience, and collections subsequent to year end. As of June 30, 2021 and 2020, the Agency determined an allowance of approximately $2.6 and $2.5 million, respectively, for government receivables and approximately $3.4 million and $1.9 million for tuition receivables was necessary. In addition, the Agency has established an allowance for doubtful accounts for other receivables of approximately $0 and $1.2 million, respectively, as of June 30, 2021 and 2020.

G. ***Revenue Recognition -*** The Agency records Medicaid revenue based on established rates multiplied by the number of units of service provided. Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. Tuition is derived from contracts with customers and recognized during the school year upon exchange of contracted services. To the extent amounts received exceed amounts spent, the Agency records a liability due to funding sources. Other revenue includes management programmatic services provided to other network agencies. Such revenue is recorded based on the support service agreement. Medicaid and tuition is accounted for under Accounting Standards Codification ("ASC") Topic 606. Government grants are accounted for under Accounting Standard Update ("ASU") 2018-08 and amounted to $19,990,045 and $21,728,121 for the years ended June 30, 2021 and 2020, respectively. For the years ended June 30, 2021 and 2020, respectively, the Agency received conditional grants and contracts from government agencies in the aggregate amount of $8.2 million and $11 million. Such grants have not been recognized in the accompanying consolidated financial statements as they are for further periods and will be recognized when contract barriers are overcome.

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 net assets with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose of restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Contributions are accounted for under ASU 2018-08. Conditional contributions pertaining to future years are disclosed when material.

J. ***Functional Expenses -*** The costs of providing program and supporting services of the Agency have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, expenses that are not directly charged to programs and supporting services are allocated among programs and supporting services. The expenses that are allocated include occupancy and maintenance, which is allocated on a square footage basis, as well as payroll taxes and benefits, which are allocated on the basis of estimates of time and effort.

K. ***Prior Period Revenue -*** There are occasions when funding source reimbursements for prior years are adjusted in the current year. Such adjustments may be due to retroactive rate adjustments, funding source audit findings, additional monies available over and above original contract amounts, rate appeal results, etc. Included in Medicaid revenue for the years ended June 30, 2021 and 2020 is an increase of approximately $1 million and a decrease of approximately $144,000 of prior year revenues relating to such adjustments.

L. ***Deferred Rent -*** The Agency leases real property under various operating leases. The leases include rent escalations. Since the rent increases over time, the Agency records an adjustment to rent expense each year to reflect its straight-lining policy. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent in the accompanying consolidated statements of financial position. (see Note 2O).

M. ***Bond Issuance Costs*** **-** Bond issuance costs consist of financing costs which are amortized over the life of the bond. The amortization is on the straight-line method which does not differ materially from the effective interest rate method.

N. ***Debt Service Reserve*** **-** Under the terms of the Dormitory Authority of the State of New York ("DASNY"), the Agency is required to deposit with the bond trustee an amount to be held in a debt service reserve fund, which will be utilized to satisfy the last payment required on the mortgage, or can be used prior to that point under the direction of DASNY to make any loan payments due by reason of default or other causes spelled out in the loan agreement. The debt service reserve is carried at market value in the accompanying consolidated statements of financial position.

O. ***Recent Accounting Pronouncements -*** Financial Accounting Standards Board ("FASB") ASU 2016-02, *Leases* (Topic 842) was adopted by the Agency for the year ended June 30, 2021. The ASU requires organizations that lease assets to recognize the present value of the assets and liabilities for the rights and obligations created by those leases. The adoption of the ASU required the Agency to record amounts as of July 1, 2020. This resulted in operating lease right-of-use assets of $131,970,964 and a lease liability of $136,650,458 as of June 30, 2021. The adoption of ASU 2016-02 did not affect the change in net assets as previously reported.

NOTE 3 – LIQUIDITY AND AVAILABILITY

The financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement financial position date, include the following as of June 30:

	2021	2020
Cash and cash equivalents	$ 8,203,532	$ 7,372,223
Short-term investments	32,938,526	15,665,753
Government receivables, net	30,652,456	37,500,999
Tuition receivables, net	29,416,935	21,280,596
Other receivables, net	5,975,241	9,489,853
Total Financial Assets	107,186,690	91,309,424
Less: Other receivables due in more than one year	(2,100,000)	(2,100,000)
Less: Program participant funds	(316,770)	(137,102)
Less: Net assets with donor restrictions	(1,529,611)	(1,494,341)
	$ 103,240,309	$ 87,577,981

The Agency strives to maintain liquid financial assets sufficient to cover expenditures. Revenue from funders are expected to cover most expenses. Financial assets are available to fund any programs or supporting services with unanticipated shortfalls. In addition, as noted in Note 7, the Agency has multiple lines of credit totaling a maximum drawdown of $42 million.

NOTE 4 – GOVERNMENT RECEIVABLES

Government receivables consists of the following as of June 30*:*

	2021	2020
Due from Medicaid	$ 21,246,002	$ 25,760,344
Due from the State of New York	8,436,235	10,328,627
Due from the City of New York	605,094	1,061,311
Due from other sources	3,205,848	2,800,793
	33,493,179	39,951,075
Less: allowance for doubtful accounts	(2,840,723)	(2,450,076)
	$ 30,652,456	$ 37,500,999

NOTE 5 – SHORT-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS

Short-term investments consist of the following as of June 30:

	2021	2020
Money market funds	$ 15,068,680	$ 3,822,298
Mutual funds	4,594,956	2,841,390
Corporate bonds	3,411,730	3,052,408
Government bonds	8,951,292	5,445,764
Multi-strategy investments	911,868	503,893
	$ 32,938,526	$ 15,665,753

Investment activity consists of the following for the years ended June 30:

	2021	2020
Interest	$ 390,641	$ 395,895
Realized gain	100,001	102,981
Unrealized gain	927,984	363,994
	$ 1,418,626	$ 862,870

NOTE 5 – SHORT-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs. The Agency has no Level 3 investments.

In determining fair value, the Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. Investments in money markets and U.S. Treasury bills are valued using market prices in active markets (Level 1). Fair value of these investments is determined by management through the investment managers. Level 1 instrument valuations are obtained from real-time quotes in active exchange markets involving identical assets. Corporate bonds, U.S. Government bonds and multi-strategy investments are designated as Level 2 instruments and valuations are obtained from similar market or model derived valuations in which all significant inputs are observable or can be derived primarily from or corroborated with observable market data (credit risk/grade, maturities, etc.).

Financial assets carried at fair value as of June 30, 2021 are classified in the table as follows:

	Level 1	Level 2	Total
Short-term investments:			
Money market funds	$ 15,068,680	$ -	$ 15,068,680
Mutual funds	4,594,956	-	4,594,956
Corporate bonds	-	3,411,730	3,411,730
Government bonds	-	8,951,292	8,951,292
Multi-strategy investments	-	911,868	911,868
Total Short-term investments	19,663,636	13,274,890	32,938,526
Debt Service Reserve Fund:			
U.S. Treasury bills	3,230,192	-	3,230,192
	$ 22,893,828	$ 13,274,890	$ 36,168,718

Financial assets carried at fair value as of June 30, 2020 are classified in the table as follows:

	Level 1	Level 2	Total
Short-term investments:			
Money market funds	$ 3,822,298	$ -	$ 3,822,298
Mutual funds	2,841,390	-	2,841,390
Corporate bonds	-	3,052,408	3,052,408
Government bonds	-	5,445,764	5,445,764
Multi-strategy investments	-	503,893	503,893
Total Short-term investments	6,663,688	9,002,065	15,665,753
Debt Service Reserve Fund:			
U.S. Treasury bills	2,870,580	-	2,870,580
	$ 9,534,268	$ 9,002,065	$ 18,536,333

NOTE 6 – PROPERTY AND EQUIPMENT

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

	2021	2020	Estimated Useful Lives
Land	$ 12,714,251	$ 11,772,584	
Buildings and building improvements	73,741,940	68,846,929	15-25 years
Leasehold improvements	29,387,315	28,027,033	5-25 years
Furniture and equipment	22,116,888	20,486,423	3-10 years
Construction in progress	7,784,410	9,518,626	
	145,744,804	138,651,595	
Less: accumulated depreciation	(90,491,885)	(86,720,792)	
	$ 55,252,919	$ 51,930,803	

Depreciation and amortization expenses amounted to $4,879,600 and $4,868,319 for the years ended June 30, 2021 and 2020, respectively. During 2021, property and equipment no longer in use with a cost of $1,119,391 and accumulated depreciation of $1,108,507 were disposed of resulting in a loss of $10,884. Construction in progress consists of construction at new locations and various renovations with a combined additional estimated cost of completion of approximately $7.4 million and estimated completion dates during fiscal year 2022.

NOTE 7 – NOTES AND MORTGAGES PAYABLE

	2021	2020
A. YAI has entered into various loan agreements with the DASNY. The loans carry interest rates ranging from 1.57% to 4.52% per annum, payable in semi-annual installments and have maturity dates ranging from August 2018 through June 2045. The loans are collateralized by YAI's underlying real property.	$ 39,780,187	$ 30,582,008
B. YAI has available a $14 million line of credit with a bank for the acquisition and renovation of program sites. Upon receipt of New York State prior property approvals, the funds drawn down on this line of credit are subsequently converted into notes. As of June 30, 2021 and 2020, there were seven notes executed. The notes bear an interest rate of prime resulting in a rate of 3.25% as of June 30, 2021 and 2020. The notes are collateralized by related property and mature in April 2022. The outstanding balance as of December 1, 2021 amounted to $8,463,918.	8,463,918	9,546,359
C. The Agency has available a $28 million working capital line of credit with a bank carrying an interest rate of prime which as of June 30, 2021 was 3.25%. The loan is collateralized by YAI's accounts receivable and matures in April 2022. The outstanding balance as of December 1, 2021 amounted to $23,503,676.	23,503,676	25,389,077
D. MSA has a construction loan payable to a bank which bears interest at a fixed rate of 3.05% per annum and expires on October 1, 2021. The loan is collateralized by funds deposited and guaranteed by YAI.	126,436	498,037
	71,874,217	66,015,481
Less: unamortized debt issuance costs	(2,357,603)	(1,899,819)
Notes and mortgages payable, net	$ 69,516,614	$ 64,115,662

Most of the loans have provisions for loan covenants. The Agency was in compliance with these covenants as of and during the years ended June 30, 2021 and 2020. The unamortized debt issuance costs increased due to an addition of closing costs of $862,976 for new loans less non-cash interest expense of $405,191.

NOTE 7 – NOTES AND MORTGAGES PAYABLE (Continued)

Required future annual principal payments are payable as follows for the years ending June 30:

2022	$ 34,124,890
2023	2,824,895
2024	2,017,316
2025	2,394,769
2026	1,371,520
Thereafter	29,140,827
	$ 71,874,217

NOTE 8 – LEASES

A. The Agency has operating lease agreements, and annual future minimum rentals payable for real and personal property principally under long-term operating leases expiring at varying dates through 2061 for facilities (which include payment of property taxes, insurance maintenance costs and rental payments) and for copying/printing equipment. The Agency assesses whether an arrangement qualifies as a lease at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. As a result, adopting FASB ASC 842 had no impact to prior year consolidated statement of financial position information, and because these leases are operating leases, the adoption of the standard has no impact on the Agency's consolidated change in net assets. Comparative information provided in the following paragraphs was determined using the accounting principles in effect as of and for the year ended June 30, 2021 (i.e. ASC 840). No comparative information is provided for the amounts reported on the consolidated statement of financial position as of June 30, 2020 since the Agency used the modified retrospective method of transition that does not require restating the prior period.

As of June 30, 2021, the right-of-use ("ROU") asset had a balance of $131,970,964, as shown in the consolidated statements of financial position; the lease liability totaled $136,650,458 as shown in the consolidated statements of financial position. The lease liabilities were calculated utilizing the Agency's incremental borrowing rate of 3.25% for leases in effect at the initial adoption date of July 1, 2020. The weighted average of the remaining lease term is 456 months, and the weighted average discount rate is 3.25%.

The Agency has operating lease agreements, and annual future minimum rentals payable for real and personal property principally under long-term operating leases expiring at varying dates through 2053 as follows:

	Real Property	Vehicles and Equipment	Total
2022	$ 12,431,579	$ 1,349,334	$ 13,780,913
2023	11,454,488	979,483	12,433,971
2024	11,009,622	581,206	11,590,828
2025	10,584,580	387,929	10,972,509
2026	8,243,396	173,200	8,416,596
Thereafter	136,670,275	-	136,670,275
Total lease payments	190,393,940	3,471,152	193,865,092
Less: Present value discount	(57,035,545)	(179,089)	(57,214,634)
	$133,358,395	$ 3,292,063	$ 136,650,458

Rent expense amounted to the following for the years ended June 30:

	2021	2020
Real property	$ 15,780,288	$ 13,556,532
Vehicles and equipment	1,588,655	2,150,113

NOTE 8 – LEASES (Continued)

B. YAI has capital leases for computer and electronic equipment with maturities in 2025, and with the following annual payments:

2022	$ 1,003,047
2023	860,799
2024	682,875
2025	111,351
	$ 2,658,072

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. The Agency believes it has no uncertain tax positions as of June 30, 2021 and 2020 in accordance with ASC Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

B. 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, 2021 and 2020, due to funding sources represents overpayments from the 2012-2020 fiscal years for the Agency's programs. Such amounts are expected to be recouped by the funding sources.

C. 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.

D. During the years ended June 30, 2021 and 2020, YAI recorded the benefit obligation for a Supplemental Pension Plan and Trust and Life Insurance Plan and Trust in excess of the assets of the plan for certain previous employees. The liability amounted to approximately $10 million and $6 million, respectively, and is included in other liabilities in the consolidated statements of financial position. The liability represents the present value of the future obligation calculated with a discount rate of 5.5% and social security life expectancy table.

E. In March 2020 the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic. The extent of the impact of the pandemic on the Agency's financial condition and results of operations will depend on future developments. Accordingly, the Agency cannot predict the extent to which its financial condition and results of operations will be affected. The Agency continues to monitor evolving economic and business conditions and the actual and potential impacts of COVID-19 on operations.

NOTE 10 – REFUNDABLE ADVANCES

In April 2021, the Agency received total proceeds in the amount of $14.2 million under the Paycheck Protection Program ("PPP") established as part of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) if the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for ten months after the end of the covered period. The Agency intends to comply with all requirements of PPP forgiveness.

NOTE 10 – REFUNDABLE ADVANCES (Continued)

In accounting for the terms of the PPP loan, the Agency is guided by ASC 958-608 as a conditional contribution. For the year ended June 30, 2021, the Agency has incurred sufficient qualifying expenses and has met other conditions for forgiveness and accordingly recorded grant income of $7,686,850 in the accompanying consolidated statements of activities. Refundable advances and grant income consist of the following as of June 30, 2021:

	PPP proceeds	Paycheck protection program	Refundable advances
YAI	$ 10,000,000	$ (5,775,883)	$ 4,224,117
PHC	1,737,012	(774,102)	962,910
IHOPE	1,431,867	(660,922)	770,945
MSA	1,057,175	(475,943)	581,232
	$ 14,226,054	$ (7,686,850)	$ 6,539,204

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

The Agency's net assets with donor restrictions subject to expenditure for the specified purpose of the passage of time consist of the following as of June 30:

	2021	2020
Grants and restricted funds	$ 1,503,352	$ 1,484,341
Fund held in perpetuity	10,000	10,000
	$ 1,513,352	$ 1,494,341

During the years ended June 30, 2021 and 2020, the Agency released net assets with donor restrictions of $365,748 and $336,276, respectively, by satisfying donor-imposed purpose and passage of time restrictions.

NOTE 12 – 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, 2021 and 2020, there was approximately $6.7 million and $7.5 million, respectively, of cash and cash equivalents held by one bank that exceeded FDIC limits.

NOTE 13 – RETIREMENT PLAN

On January 1, 2019, the Agency adopted the YAI Network Affiliates 403(b) Plan. All common law employees are eligible to make salary reduction contributions into the plan. Employees who complete 1,000 hours of service during the plan year and are employed on the last day of the plan year are eligible for employer matching contributions. The employer matching contribution will be equal to 50% of the first 6% of the employee compensation deferral made to the plan for periods on or after July 1, 2019. As of June 30, 2021 and 2020 the employer matching contribution liability was $2,303,457 and $1,455,789, respectively.

NOTE 14 – REVENUE FROM CONTRACTS WITH CUSTOMERS

Service Contracts - The Agency receives Medicaid revenue from contracts with the New York State Office for People with Developmental Disabilities (OPWDD) to provide support and services to individuals with developmental and learning disabilities, from infants through the elderly, in a variety of community settings and at home through state-of-the-art programs that help to build skills, expand opportunities, and support community living. Revenue is reported at the amount that reflects the consideration to which the Agency expects to be entitled in exchange for providing the contracted services. These amounts are due from OPWDD, third-party payors (Medicare), individuals (Client Fees) and others, and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Service revenue is derived from contracts with customers.

NOTE 14 – REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Tuition revenue is reported at the amount that reflects the consideration to which the Agency expects to be entitled in exchange for providing the contracted services. Service revenue from tuition is recognized after the services are performed or after the Agency has completed its portion of the contract. Tuition is recorded as revenue in the period in which the tuition and fees relate to the school year. Deferred tuition is tuition payments committed prior to June 30, but which are applicable to the following academic year. These amounts are deferred and recognized as revenue in the fiscal year that educational services are provided. As of June 30, 2021 and 2020, approximately $300,000 and $430,000, respectively, of deferred tuition is included in other liabilities in the consolidated statements of financial position.

Generally, the Agency bills OPWDD, third-party payors, tuition and individuals after the services are performed or has completed their portion of the contract. Receivables are due in full when billed and revenue is recognized as performance obligations are satisfied.

Performance Obligations - Performance obligations are determined based on the nature of the services provided by the Agency in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided. This method depicts the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Agency measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the OPWDD stipulations.

All performance obligations relate to contracts with a duration of less than one year, therefore, there are no performance obligations or contract balances that are unsatisfied as of June 30, 2021 and 2020. The performance obligations for these contracts are completed when the service is completed and upon submission of required documentation. The Agency determines the transaction price based on established rates and contracts for services provided.

For the year ended June 30, 2021, program service fees consist of revenues for the following programs:

	Medicaid	Medicare and Client Fees	Tuition	Total
Residential services	$ 103,420,445	$ 8,492,494	$ -	$ 111,912,939
Day and community services	37,247,026	530,290	-	37,777,316
Clinical services	18,509,015	3,985,580	-	22,494,595
Educational services	-	-	28,696,988	28,696,988
Employment services	1,614,873	563	-	1,615,436
	$ 160,791,359	$ 13,008,927	$ 28,696,988	$ 202,497,274

For the year ended June 30, 2020, program service fees consist of revenues for the following programs:

	Medicaid	Medicare and Client Fees	Tuition	Total
Residential services	$ 96,733,949	$ 8,446,510	$ -	$ 105,180,459
Day and community services	53,773,814	1,722,738	-	55,496,552
Clinical services	18,930,047	2,907,716	-	21,837,763
Educational services	-	-	26,858,428	26,858,428
Employment services	1,074,401	-	-	1,074,401
	$ 170,512,211	$ 13,076,964	$ 26,858,428	$ 210,447,603

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statement of financial position through December 1, 2021, the date the consolidated financial statements were available to be issued.

YAI AND AFFILIATES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2021

	YAI	MSA	IHOPE	PHC	IIPD-PR	Consolidating Eliminations	Total 2021
ASSETS							
Cash and cash equivalents	$ 5,899,098	$ 945,246	$ 577,380	$ 781,808	$ -	$ -	$ 8,203,532
Short-term investments	32,938,526	-	-	-	-	-	32,938,526
Government receivables, net	28,065,593	-	-	2,586,863	-	-	30,652,456
Tuition receivables, net	-	10,519,712	18,897,223	-	-	-	29,416,935
Due from Network Agencies	9,276,964	518,575	-	4,937	-	(9,800,476)	-
Other receivables, net	5,975,241	-	-	-	-	-	5,975,241
Prepaid expenses and other assets	8,774,331	293,326	482,063	819,207	-	-	10,368,927
Property and equipment, net	52,305,469	1,247,662	862,787	837,001	-	-	55,252,919
Lease right to use asset	96,318,348	17,798,114	959,722	16,894,780	-	-	131,970,964
Debt service reserve	3,230,192	-	-	-	-	-	3,230,192
TOTAL ASSETS	$ 242,783,762	$ 31,322,635	$ 21,779,175	$ 21,924,596	$ -	$ (9,800,476)	$ 308,009,692
LIABILITIES							
Accounts payable and accrued expenses	$ 10,996,775	$ 196,890	$ 817,036	$ 727,474	$ -	$ -	$ 12,738,175
Accrued salary	12,703,229	585,888	596,657	747,356	-	-	14,633,130
Accrued vacation	5,711,483	266,614	214,440	458,297	-	-	6,650,834
Accrued pension	1,924,493	109,189	157,704	112,071	-	-	2,303,457
Other liabilities	13,147,611	1,291,240	23,900	-	-	-	14,462,751
Due to funding sources	2,812,415	-	-	175,325	-	-	2,987,740
Refundable advances	4,224,117	581,232	770,945	962,910	-	-	6,539,204
Notes and mortgages payable	59,839,655	3,124,724	4,000,000	2,552,235	-	-	69,516,614
Capital lease obligations	2,525,180	-	-	132,892	-	-	2,658,072
Due to related party	-	3,075,442	5,229,549	7,335,549	603,524	(16,244,064)	-
Lease liability	98,790,873	19,312,724	1,017,361	17,529,500	-	-	136,650,458
TOTAL LIABILITIES	212,675,831	28,543,943	12,827,592	30,733,609	603,524	(16,244,064)	269,140,435
COMMITMENTS AND CONTINGENCIES							
NET ASSETS							
Net assets without donor restrictions							
Net invested in property and equipment	7,110,762	1,122,938	862,787	704,109	-	-	9,800,596
Available for operations	21,549,657	1,638,480	8,040,230	(9,513,122)	(603,524)	6,443,588	27,555,309
Total net assets without donor restrictions	28,660,419	2,761,418	8,903,017	(8,809,013)	(603,524)	6,443,588	37,355,905
Net assets with donor restrictions	1,447,512	17,274	48,566	-	-	-	1,513,352
TOTAL NET ASSETS	30,107,931	2,778,692	8,951,583	(8,809,013)	(603,524)	6,443,588	38,869,257
TOTAL LIABILITIES AND NET ASSETS	$ 242,783,762	$ 31,322,635	$ 21,779,175	$ 21,924,596	$ -	$ (9,800,476)	$ 308,009,692

See independent auditors' report.

YAI AND AFFILIATES
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	YAI			Manhattan Star Academy			International Academy of Hope			Premier Healthcare, Inc.		International Institute for People with Disabilities of Puerto Rico, Inc.			Consolidated Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Total	Without Donor Restrictions	Total	Consolidating Eliminations	Without Donor Restrictions	With Donor Restrictions	Total 2021
Operating Revenue and Support																	
Medicaid	$ 149,693,885	$ -	$ 149,693,885	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,097,474	$ 11,097,474	$ -	$ -	$ -	$ 160,791,359	$ -	$ 160,791,359
Government grants	18,263,054	-	18,263,054	69,713	-	69,713	35,643	-	35,643	1,577,398	1,577,398	-	-	-	19,945,808	-	19,945,808
Medicare and client fees	9,792,859	-	9,792,859	-	-	-	-	-	-	3,216,068	3,216,068	-	-	-	13,008,927	-	13,008,927
Tuition	-	-	-	12,523,191	-	12,523,191	16,173,797	-	16,173,797	-	-	-	-	-	28,696,988	-	28,696,988
Other revenues	7,424,031	-	7,424,031	65	-	65	750	-	750	37,003	37,003	-	-	(3,434,163)	4,027,686	-	4,027,686
Contributions	2,461,980	321,834	2,783,814	40,731	14,434	55,165	104,491	48,491	152,982	194	194	-	-	-	2,607,396	384,759	2,992,155
Paycheck Protection Program (Note 10)	5,775,883	-	5,775,883	475,943	-	475,943	660,922	-	660,922	774,102	774,102	-	-	-	7,686,850	-	7,686,850
Special Events (net of direct costs of $22,999 and $257,835)	497,163	-	497,163	-	-	-	-	-	-	-	-	-	-	-	497,163	-	497,163
Investment activity	1,418,626	-	1,418,626	-	-	-	-	-	-	-	-	-	-	-	1,418,626	-	1,418,626
Net assets released from restrictions	329,403	(329,403)	-	4,181	(4,181)	-	32,164	(32,164)	-	-	-	-	-	-	365,748	(365,748)	-
Total Operating Revenue and Support	195,656,884	(7,569)	195,649,315	13,113,824	10,253	13,124,077	17,007,767	16,327	17,024,094	16,702,239	16,702,239	-	-	(3,434,163)	239,046,551	19,011	239,065,562
Operating Expenses:																	
Program Services:																	
Residential services	114,998,340	-	114,998,340	-	-	-	-	-	-	-	-	-	-	-	114,998,340	-	114,998,340
Day and community services	45,277,829	-	45,277,829	-	-	-	-	-	-	-	-	-	-	-	45,277,829	-	45,277,829
Clinical services	7,546,925	-	7,546,925	-	-	-	-	-	-	14,224,031	14,224,031	-	-	-	21,770,956	-	21,770,956
Educational services	-	-	-	10,111,683	-	10,111,683	11,488,085	-	11,488,085	-	-	-	-	-	21,599,768	-	21,599,768
Employment services	2,306,481	-	2,306,481	-	-	-	-	-	-	-	-	-	-	-	2,306,481	-	2,306,481
Total Program Services	170,129,575	-	170,129,575	10,111,683	-	10,111,683	11,488,085	-	11,488,085	14,224,031	14,224,031	-	-	-	205,953,374	-	205,953,374
Supporting Services:																	
Management and general	25,020,203	-	25,020,203	2,399,960	-	2,399,960	2,496,253	-	2,496,253	2,049,525	2,049,525	-	-	(3,434,163)	28,531,778	-	28,531,778
Fundraising	818,940	-	818,940	5,862	-	5,862	11,590	-	11,590	-	-	-	-	-	836,392	-	836,392
Total Supporting Services	25,839,143	-	25,839,143	2,405,822	-	2,405,822	2,507,843	-	2,507,843	2,049,525	2,049,525	-	-	(3,434,163)	29,368,170	-	29,368,170
Total Operating Expenses	195,968,718	-	195,968,718	12,517,505	-	12,517,505	13,995,928	-	13,995,928	16,273,556	16,273,556	-	-	(3,434,163)	235,321,544	-	235,321,544
Change In Net Assets From Operations	(311,834)	(7,569)	(319,403)	596,319	10,253	606,572	3,011,839	16,327	3,028,166	428,683	428,683	-	-	-	3,725,007	19,011	3,744,018
Non-Operating:																	
Contribution from acquisition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Benefit obligation in excess of plan assets	(4,170,422)	-	(4,170,422)	-	-	-	-	-	-	-	-	-	-	-	(4,170,422)	-	(4,170,422)
Total Non-Operating Activities	(4,170,422)	-	(4,170,422)	-	-	-	-	-	-	-	-	-	-	-	(4,170,422)	-	(4,170,422)
CHANGE IN NET ASSETS	(4,482,256)	(7,569)	(4,489,825)	596,319	10,253	606,572	3,011,839	16,327	3,028,166	428,683	428,683	-	-	-	(445,415)	19,011	(426,404)
Net Assets - beginning of year	33,142,675	1,455,081	34,597,756	2,165,099	7,021	2,172,120	5,891,178	32,239	5,923,417	(9,237,696)	(9,237,696)	(603,524)	(603,524)	6,443,588	37,801,320	1,494,341	39,295,661
NET ASSETS - END OF YEAR	$ 28,660,419	$ 1,447,512	$ 30,107,931	$ 2,761,418	$ 17,274	$ 2,778,692	$ 8,903,017	$ 48,566	$ 8,951,583	$ (8,809,013)	$ (8,809,013)	$ (603,524)	$ (603,524)	$ 6,443,588	$ 37,355,905	$ 1,513,352	$ 38,869,257

See independent auditors' report.

APPENDIX C

UNAUDITED FINANCIAL INFORMATION OF PARTICIPANTS

APPENDIX C-I

EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.

INTERIM UNAUDITED FINANCIALS FOR THE PERIOD JULY 1, 2021 TO MARCH 31, 2022

Eden II School for Autistic Children, Inc.
Financial Statements

March 31, 2022

Eden II School For Autistic Children, Inc.
Statements of Financial Position

	March 31, 2022	June 30, 2021
ASSETS		
Cash and cash equivalents	7,003,175	7,031,808
Program services receivable, net	5,105,274	4,720,995
Grants and contracts receivables, net	1,040,683	1,096,541
Prepaid expenses and other assets	511,306	503,336
Assets whose use is limited	1,049,325	1,220,007
Property and equipment, net	17,458,633	17,101,554
Right of Use Asset	585,930	585,930
TOTAL ASSETS	**32,754,326**	**32,260,170**
LIABILITIES		
Accounts payable and accrued expenses	4,333,716	1,662,243
Accrued compensation	3,369,762	4,211,452
Due to state and local agencies	1,229,562	1,226,234
Due to related party	526,511	718,641
Line of credit - FAAP	-	850,000
Bonds Payable	7,535,063	7,955,763
Loan Payable	5,562,148	5,197,898
Lease Liability	585,930	585,930
Line of credit - bank	-	-
TOTAL LIABILITIES	23,142,692	22,408,160
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted net assets	8,917,056	9,348,327
Temporarily restricted net assets	694,579	503,682
Total Net Assets	9,611,635	9,852,010
Total Liabilities and Net Assets	**32,754,326**	**32,260,170**
	-	-

Eden II School For Autistic Children Inc.
Statement of Activities

Nine months ending March 31, 2022	Actual	Budget	Variance
REVENUE AND SUPPORT:			
Program and public support services	25,141,611	26,473,999	(1,332,388)
Grant and Contract Services	340,627	689,847	(349,220)
Contributions	45,595	126,003	(80,408)
Other Revenue	261,957	260,377	1,580
Net assets released from restriction	33,031	35,895	(2,864)
TOTAL REVENUE AND SUPPORT	25,822,822	27,586,121	(1,763,299)
EXPENSES:			
Program Services:			
Educational	7,876,260	8,663,757	787,497
Residential	8,037,326	8,340,381	303,055
Adult Habilitation	4,114,882	4,827,075	712,193
Family Support	788,765	843,133	54,368
Community Outreach	1,787,215	1,812,020	24,805
Total Program Services	22,604,446	24,486,365	1,881,918
Supporting Services:			
Management & General	3,335,726	3,317,378	(18,348)
Development	313,392	342,517	29,125
Total Supporting Services	3,649,118	3,659,895	10,777
Total EXPENSES	26,253,564	28,146,259	1,892,695
CHANGE IN UNRESTRICTED NET ASSETS BEFORE NON-OPERATING ACTIVITIES	**(430,742)**	**(560,139)**	**129,396**
NON-OPERATING ACTIVITIES:			
Unrealized gain/(loss) on trustee held funds	(529)	-	(529)
Total Non-operating activities	(529)	-	(529)
CHANGE IN UNRESTRICTED NET ASSETS	(431,272)	(560,139)	128,867
Net unrestricted assets - beginning of the year	9,348,327		
UNRESTRICTED NET ASSETS- END OF YEAR	8,917,055		
Changes in Temporarily Restricted Net Assets:			
Restricted contributions	223,928	15,000	208,928
Net assets released to operations	(33,031)	(35,895)	2,864
CHANGE IN TEMPORARIALY RESTRICTED NET ASSETS	190,897	(20,895)	211,792
Net temporarily restricted net assets - beginning of year	503,682		
TEMPORARIALY RESTRICTED NET ASSETS - END OF YEAR	694,579		

Eden II School For Autistic Children, Inc.
Statement of Operating Activities
Nine months ending March 31, 2022

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	8,758,212	8,819,760	4,766,144	717,352	2,079,903	140	100	25,141,611	26,473,999	(1,332,388)
Grant and Contract Services	176,747	-	20,000	123,020	-	20,859	-	340,627	689,847	(349,220)
Contributions	2,628	1,000	5,060	-	1,775	501	34,631	45,595	126,003	(80,408)
Other Revenue	-	69,096	-	-	-	5,361	187,500	261,957	260,377	1,580
Net assets released from restriction	25,141	285	5,217	-	2,389	-	-	33,031	35,895	(2,864)
Total Operating Revenue (A)	8,962,728	8,890,141	4,796,421	840,373	2,084,067	26,861	222,231	25,822,822	27,586,121	(1,763,299)
Expenses										
Salaries	5,246,958	5,221,832	2,669,047	611,255	1,385,436	1,891,535	196,882	17,222,945	18,502,232	1,279,287
Fringe benefits	1,240,928	1,233,760	545,823	113,181	318,520	401,113	55,286	3,908,611	4,254,206	345,595
Non-Payroll	899,551	1,260,843	878,551	36,411	79,996	913,897	47,341	4,116,591	4,354,188	237,597
Interest	84,999	100,788	-	6,140	-	59,340	3,311	254,578	232,953	(21,625)
Bad Debt Expense	-	-	-	-	-	1,419	-	1,419	-	(1,419)
Total Cash Operating Expenses	7,472,436	7,817,223	4,093,421	766,987	1,783,952	3,267,304	302,820	25,504,143	27,343,579	1,839,436
Revenue over(under) cash expenses (B)	**1,490,292**	**1,072,918**	**703,000**	**73,386**	**300,115**	**(3,240,443)**	**(80,589)**	**318,679**	**242,542**	**76,137**
Non-Cash & Non-Operating Revenue (Expense)										
Depreciation	(403,823)	(220,103)	(21,461)	(21,778)	(3,262)	(68,422)	(10,572)	(749,421)	(802,680)	53,260
Unrealized gain/(loss) on trustee held funds	-	-	-	-	-	(529)	-	(529)		(529)
Total Non-Operating Items	(403,823)	(220,103)	(21,461)	(21,778)	(3,262)	(68,952)	(10,572)	(749,950)	(802,680)	52,730
Change in Unrestricted Net Assets:	**1,086,468**	**852,815**	**681,539**	**51,608**	**296,852**	**(3,309,394)**	**(91,160)**	**(431,272)**	**(560,139)**	**128,867**
Operating Gross Profit Percentage (B/A)	16.6%	12.1%	14.7%	8.7%	14.4%	-12063.7%	-36.3%	1.2%	0.9%	
Operating Contribution w/Admin Allocation	358,890	(110,688)	83,215	(42,744)	30,006			318,679		
Contribution w/Depreciation & Admin Allocation based on program expenses	(98,231)	(356,111)	62,603	(67,033)	28,030			(430,742)		

Eden II School For Autistic Children, Inc.
Statement of Functional Expenses

Nine months ending March 31, 2022

	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	5,246,958	5,221,832	2,669,047	611,255	1,385,436	15,134,528	1,891,535	196,882	2,088,417	17,222,945	18,502,232	1,279,287
Fringe benefits	1,240,928	1,233,760	545,823	113,181	318,520	3,452,213	401,113	55,286	456,398	3,908,611	4,254,206	345,595
Total Salaries, Wages and Fringe Benefits	6,487,886	6,455,592	3,214,870	724,436	1,703,956	18,586,740	2,292,648	252,167	2,544,815	21,131,556	22,756,438	1,624,882
Food	-	170,821	202	63	20	171,106	-	-	-	171,106	209,353	38,247
Repairs and Maintenance	208,000	378,887	158,163	7,563	8,174	760,787	34,316	4,269	38,585	799,372	904,092	104,720
Utilities	81,151	117,862	63,422	6,465	4,203	273,104	29,961	4,255	34,215	307,319	331,986	24,667
Travel	5,682	1,731	9,100	-	-	16,513	1,994	783	2,777	19,291	41,336	22,046
Staff training and Development	1,121	1,020	921	350	1,867	5,278	4,975	188	5,163	10,441	57,088	46,647
Consultants and Contractual Services	20,884	8,590	1,310	-	1,946	32,730	161,264	11,805	173,069	205,799	204,747	(1,052)
Consumable Supplies	124,542	322,695	110,982	8,410	12,972	579,600	95,080	16,139	111,219	690,819	902,333	211,513
Insurance	67,098	63,006	51,542	6,801	141	188,588	219,907	2,047	221,954	410,542	359,431	(51,112)
Professional Fees	5,621	13,490	4,820	245	270	24,445	129,034	240	129,274	153,719	118,302	(35,417)
Rent	364,367	94,973	475,346	5,140	47,940	987,766	29,559	2,207	31,766	1,019,532	1,034,393	14,860
Interest	84,999	100,788	-	6,140	-	191,926	59,340	3,311	62,652	254,578	232,953	(21,625)
Facility Tax	-	64,638	-	-	-	64,638	-	-	-	64,638	72,877	8,239
Miscellaneous	21,086	23,131	2,743	1,375	2,463	50,798	207,806	5,409	213,215	264,012	118,252	(145,761)
Bad Debt Expense	-	-	-	-	-	-	1,419	-	1,419	1,419	-	(1,419)
Operating Subtotal	7,472,436	7,817,223	4,093,421	766,987	1,783,952	21,934,020	3,267,304	302,820	3,570,123	25,504,143	27,343,579	1,839,436
Depreciation	403,823	220,103	21,461	21,778	3,262	670,426	68,422	10,572	78,994	749,421	802,680	53,260
Total Functional Expenses	**7,876,260**	**8,037,326**	**4,114,882**	**788,765**	**1,787,215**	**22,604,446**	**3,335,726**	**313,392**	**3,649,118**	**26,253,564**	**28,146,259**	**1,892,695**
										-		

APPENDIX C-IIA

HASC CENTER, INC.

INTERIM UNAUDITED FINANCIALS FOR THE PERIOD JULY 1, 2021 TO FEBRUARY 28, 2022

HASC CENTER, INC.
STATEMENT OF FINANCIAL POSITION
February 28, 2022

ASSETS

Current Assets		**February 28, 2022**
Cash and Cash Equivalents	$	10,509,139
Cash-JP Morgan Annuity		1,466,501
Investments		15,216,164
Accounts Receivable (Less $4,000 Allowance)		1,327,442
Medicaid and Grants Receivable		13,679,707
Notes Receivable		750,000
Prepaid Expenses		1,299,269
Prepaid Interest		10,880
Total Current Assets	**$**	**44,259,102**
Fixed Assets		
Land	$	2,881,500
Building		31,712,603
Leasehold Improvements		4,534,719
Machinery & Equipment		1,877,551
Furniture & Fixtures		678,983
Accumulated Depreciation		(19,982,824)
Total Fixed Assets	**$**	**21,702,532**
Other Assets		
Due From Blanche Kahn Family Health Center		2,543,535
Reserve Funds		574,891
Camp HASC		7,244,665
Security Deposits		123,589
Retirement Trust Fund		1,911,981
Bond Closing Costs (Net of Amortization of $440,845)		645,556
Total Other Assets	**$**	**13,044,217**
TOTAL ASSETS	**$**	**79,005,851**

HASC CENTER, INC.
STATEMENT OF FINANCIAL POSITION
February 28, 2022

LIABILITIES AND NET ASSETS

Current Liabilities		**February 28, 2022**
Accounts Payable	$	2,350,718
Accrued Wages & Taxes		2,042,814
Accrued Expenses		174,362
Loans & Leases Payable		2,462,208
Advances from OPWDD		216,548
Due to Employees- HCA		415,507
Mortgages Payable		702,466
Other Liabilities		34,824
Total Current Liabilities	**$**	**8,399,447**
Other Liabilities		
Loans Payable	$	10,702,769
Deferred Taxes Payable		601,208
Advances From OPWDD		250,218
Mortgages Payable		6,161,369
Retirement Fund Payable		1,911,981
Other Liabilities		142,198
Total Other Liabilities	**$**	**19,769,743**
TOTAL LIABILITIES	**$**	**28,169,190**
Net Assets		
Unrestricted Net Assets	$	48,732,416
Board Designated Net Assets		2,104,245
Total Net Assets	**$**	**50,836,661**
TOTAL LIABILITIES AND NET ASSETS	**$**	**79,005,851**

HASC CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2022

		February 28, 2022
REVENUE		
Program Services Fees .		44,595,659
Provider Relief Fund		448,410
Management Income		26,000
Other Income		279,194
Investment Income		(722,481)
TOTAL REVENUE	**$**	**44,626,782**
EXPENSES		
Program Services	$	38,813,897
General & Administrative		3,029,708
TOTAL EXPENSES	**$**	**41,843,605**
Surplus	**$**	**2,783,177**
Net Assets- Beginning		45,949,239
NET ASSETS - ENDING	**$**	**48,732,416**

APPENDIX C-IIB

HASC DIAGNOSTIC & TREATMENT CENTER, INC.

UNAUDITED FINANCIAL STATEMENTS FOR YEAR ENDED DECEMBER 31, 2021

HASC DIAGNOSTIC & TREATMENT CENTER, INC.

STATEMENT OF FINANCIAL POSITION

ASSETS

	December 31, 2021		December 31, 2020
Current Assets			
Cash	$ 3,369,306	1)	$ 208,599
Due from Employees	(8,032)		(1,539)
Accounts Receivable	2,718,728		2,161,250
Sec 330 Grants Receivable	12,000		24,000
Other Grants Receivable	663,288	2)	466,630
Prepaid Expenses	30,101		0
Total Current Assets	**$ 6,785,391**		**$ 2,858,940**
Fixed Assets			
Medical & Dental Equipment	$ 331,382		$ 331,382
Leasehold Improvements	3,740,020		3,732,234
Machinery & Equipment	592,817		581,047
Furnitures & Fixtures	466,828		435,327
Accumulated Depreciation	**$ (2,565,433)**		**$ (2,051,109)**
Total Fixed Assets	**$ 2,565,614**		**$ 3,028,881**
Other Assets			
Security Deposits	$ 41,000		$ 41,000
Total Other Assets	**$ 41,000**		**$ 41,000**
TOTAL ASSETS	**$ 9,392,005**		**$ 5,928,821**

1) Increase in cash is due to growth in FQHC visits and improvement in collection rate and PPP Loan received in april as well 1.6 Million received in August for retro Capital rate adjustment to 1/1/2019 new rate is 319.27, 10/1/21 increase for MEI to 322.03

2) Grants Receivable are Vaccine Center reimbursements received from NYC in Oct-Nov for Aug-Sep Vaccine operations

HASC DIAGNOSTIC & TREATMENT CENTER, INC.

STATEMENT OF FINANCIAL POSITION

LIABILITIES AND NET ASSETS

	December 31, 2021		December 31, 2020	
Current Liabilities				
Accounts Payable	$	385,880	$	463,645
Accrued Wages & Taxes		299,759		328,229
Accrued Expenses		105,333		91,684
Notes Payable HASC - Current		125,786		112,716
Total Current Liabilities	**$**	**916,758**	**$**	**996,274**
Other Liabilities				
Hasc - Subvention	$	2,272,108	$	2,272,107
Notes Payable FJC		3,450,000		4,000,000
PPP Loan (pending Forgiveness Application)		502,648		0
Total Other Liabilities	**$**	**6,224,756**	**$**	**6,272,107**
TOTAL LIABILITIES	**$**	**7,141,514**	**$**	**7,268,381**
Net Assets				
Unrestricted Net Assets	$	2,250,491	$	(1,339,560)
Total Net Assets	**$**	**2,250,491**	**$**	**(1,339,560)**
TOTAL LIABILITIES AND NET ASSETS	**$**	**9,392,005**	**$**	**5,928,821**

HASC DIAGNOSTIC & TREATMENT CENTER, INC.

STATEMENT OF ACTIVITIES

December 31, 2021

	Period to Date Dec-21	Annual Budget Dec-21	Current Year to Date Jan-Dec 2021		Annual Budget Jan-Dec 2021	Prior Year to Date Jan-Dec 2020
REVENUE						
E14th St Program Service Fees	$ 241,610	$ 199,275	$ 2,818,487		$ 2,391,300	$ 2,244,122
Rambam Program Service Fees	804,333	367,604	6,502,672		4,411,244	2,856,837
CHIP Supplemental Revenue (Estimated)	20,272	7,083	243,268		85,000	136,011
Article 16 Program Service Fees	78,250	62,083	830,096		745,000	580,514
Safety Net Distrib	38,693		116,080	1)		0
Sunset Park ARP Pediatrics	35,435		106,305			
HHS Provider Trelief	0		19,346			52,610
Sec 330 Grants	4,000	4,000	48,000		48,000	48,000
COVID VACCINE CENTER	292,923	0	2,487,659		0	0
Other income	20,000	292	23,209		3,500	61,317
TOTAL REVENUE	**$ 1,535,516**	**$ 640,337**	**$ 13,195,122**		**$ 7,684,044**	**$ 5,979,411**
			$ (13,181,903)			
EXPENSES						
General & Administrative	$ 219,981	$ 102,708	$ 1,725,666		$ 1,232,500	$ 1,206,127
Facility	26,461	14,021	292,557		168,250	169,407
Medical	573,521	317,344	5,423,973		3,808,127	3,228,516
Fringes	78,261	52,083	612,466		625,000	466,300
Capital Costs	135,526	124,088	1,550,408		1,489,050	1,594,653
TOTAL EXPENSES OPERATING	**$ 1,033,750**	**$ 610,244**	**$ 9,605,071**		**$ 7,322,927**	**$ 6,665,003**
Change in Net Assets Operations	**$ 501,767**	**$ 30,093**	**$ 3,590,051**		**$ 361,117**	**$ (685,592)**
Prior Period Adjustment						**$ 60,732**
Change in Net assets	**$ 501,767**	**$ 30,093**	**$ 3,590,051**		**$ 361,117**	**$ (624,860)**

1) Safety Net 2021 based on 2019 AHCF, hoping to have larger disbursement this year as we have more medicaid visits in 2020 we are preparing the AHCF due 3/15/22 and should reach the 5%self pay threshold.

HASC DIAGNOSTIC & TREATMENT CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FQHC BKFHC

December 31, 2021

	Period to Date Dec-21	Annual Budget Dec-21	Current Year to Date Jan-Dec 2021	Annual Budget Jan-Dec 2021	Prior Year to Date Jan-Dec 2020
ADMINISTRATION					
Administrative Salaries	16,986	$ 22,917	$ 179,184	$ 275,000	$ 218,699
Professional Fees	22,218	8,333	171,448	100,000	175,186
Management Fees	747	833	13,619	10,000	14,068
Insurance-Professional	549	167	1,260	2,000	1,372
Office Expenses	7,838	2,917	19,647	35,000	16,554
Advertising	858	625	13,507	7,500	9,300
Bad Debt Expense				-	
TOTAL ADMINISTRATION	**$ 49,196**	**$ 35,792**	**$ 398,665**	**$ 429,500**	**$ 435,179**
FACILITY					
Maintenance and Cleaning	2,176	$ 2,000	29,098	$ 24,000	23,302
Utilities	1,237	83	10,884	1,000	8,189
Telephone	631	542	5,945	6,500	7,359
TOTAL FACILITY	**$ 4,044**	**$ 2,625**	**$ 45,927**	**$ 31,500**	**$ 38,850**
MEDICAL					
Physician	$ 27,090	$ 16,667	$ 182,835	$ 200,000	$ 178,442
PA	88,131	7,083	134,924	85,000	55,307
Nurse Practitioner	-	-	-	-	10,537
Nurse	2,828	3,333	35,237	40,000	37,819
Medical Assistant	7,342	3,750	67,869	45,000	36,005
Medical Supplies	4,731	2,500	21,715	30,000	29,087
Contracted Psychiatrist	33,245	23,333	282,793	280,000	229,964
Contracted Podiatrist	15,840	6,250	84,160	75,000	79,040
Contracted Medical Billing	7,015	9,964	84,178	119,565	47,742
Electronic Health Records Softwa	10,501	2,083	126,015	25,000	52,806
Scheduling/Medical Records/Treatm	11,932	12,083	128,964	145,000	144,199
TOTAL MEDICAL	**$ 208,655**	**$ 87,047**	**$ 1,148,690**	**$ 435,235**	**$ 900,948**
FRINGES	**$ 11,495**	**$ 14,583**	**$ 82,735**	**$ 175,000**	**$ 73,820**
CAPITAL COSTS					
Rent	$ 23,364	$ 17,500	$ 226,331	$ 210,000	$ 210,403
Equipment Leasing	316	313	4,221	3,750	3,805
Depreciation Expense	401	125	4,683	1,500	3,763
Property and Liability Insurance	417	417	6,388	5,000	4,525
TOTAL CAPITAL COSTS	**$ 24,498**	**$ 18,354**	**$ 241,623**	**$ 220,250**	**$ 222,496**
TOTAL OPERATIONS	**$ 297,888**	**$ 158,401**	**$ 1,917,640**	**$ 1,291,485**	**$ 1,671,293**

HASC DIAGNOSTIC & TREATMENT CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FQHC RAMBAM

December 31, 2021

	Period to Date Dec-21		Annual Budget Dec-21	Current Year to Date Jan-Dec 2021	Annual Budget Jan-Dec 2021	Prior Year to Date Jan-Dec 2020
ADMINISTRATION						
Management Salaries	$ 5,926		$ 25,000	$ 168,739	$ 300,000	$ 325,104
Other Administrative	675		6,250	16,186	75,000	58,664
Management Fees	26,110		-	15,235	-	20,814
Consulting Fees	2,275		625	97,301	7,500	40,052
Malpractice Insurance	807		6,250	1,856	75,000	2,029
Advertising	10,183		12,500	159,974	150,000	162,310
Office Supplies and Expenses	27,147		6,250	140,144	75,000	94,508
TOTAL ADMINISTRATION	**$ 73,123**		**$ 56,875**	**$ 599,435**	**$ 682,500**	**$ 703,481**
FACILITY						
Maintenance and Security	$ 2,250		$ 3,750	$ 46,545	$ 45,000	$ 50,439
Utilities	2,207		4,167	36,230	50,000	43,659
Telephone	2,099		2,500	19,236	30,000	27,200
TOTAL FACILITY	**$ 6,556**		**$ 10,417**	**$ 102,011**	**$ 125,000**	**$ 121,298**
MEDICAL						
Physician Medical	$ 32,880		$ 45,000	$ 464,088	$ 540,000	$ 430,674
PA Medical	(42,074)		35,417	411,849	425,000	422,189
Nurse Practitioner	24,013		3,333	135,582	40,000	38,094
Nurses	25,879		6,250	86,679	75,000	13,577
Patient support	344		2,917	23,139	35,000	37,852
Medical Assistant	43,135		20,000	435,421	240,000	250,908
Dentist	19,780		18,750	226,032	225,000	166,639
Dental Hygienist	6,858		2,917	74,063	35,000	32,427
Dental Assistant	2,457		4,167	10,561	50,000	6,739
Medical Supplies	24,715		20,833	261,829	250,000	208,605
Dental Supplies	4,189		2,083	73,634	25,000	26,344
Medical Billing	24,053		18,380	288,636	220,562	101,294
Electronic Health Records Software	4,627.92		2,083	55,535	25,000	17,894
General Office Manager			-		-	
Reception / Scheduling	16,168		12,500	219,550	150,000	147,692
TOTAL MEDICAL	**$ 187,025**		**$ 194,630**	**$ 2,766,598**	**$ 2,335,562**	**$ 1,900,928**
FRINGES	**$ 34,917**		**$ 27,083**	**$ 259,024**	**$ 325,000**	**$ 322,230**
CAPITAL COSTS						
Rent	$ 40,090		$ 38,250	$ 475,256	$ 459,000	$ 473,940
Interest	19,208		22,917	230,495	275,000	266,000
Depreciation Expense	42,181		40,000	506,238	480,000	547,245
Property and Liability Insurance	1,384		83	16,610	1,000	10,859
					0	
TOTAL CAPITAL COSTS	**$ 102,863**		**$ 101,250**	**$ 1,228,599**	**$ 1,215,000**	**$ 1,298,044**
TOTAL OPERATIONS	**$ 404,484**	**1)**	**$ 390,255**	**$ 4,955,667**	**$ 4,683,062**	**$ 4,345,981**

HASC DIAGNOSTIC & TREATMENT CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Article 16 Services
December 31, 2021

	Period to Date Dec-21	Annual Budget Dec-21	Current Year to Date Jan-Dec 2021	Annual Budget Jan-Dec 2021	Prior Year to Date Jan-Dec 2020
ADMINISTRATION					
Administrative Salaries	$ 5,177.00	$ 7,916.67	59,061	$ 95,000	$ 63,911
Professional Fees	2,452	833	14,049	10,000	15,134
Management Fees	228	625	4,146	7,500	4,118
Insurance-Professional	167	125	383	1,500	402
Office Expenses	1,036	458	7,048	5,500	4,716
Advertising	368	83	4,327	1,000	-
Bad Debt Expense				-	
TOTAL ADMINISTRATION	**$ 9,428**	**$ 10,042**	**$ 89,014**	**$ 120,500**	**$ 88,281**
FACILITY					
Maintenance and Cleaning	$ -	$ 625	1,893	$ 7,500	5,183
Utilities	412	208	3631	2,500	2399
Telephone	194	146	1,506	1,750	1,677
TOTAL FACILITY	**$ 606**	**$ 979**	**$ 7,030**	**$ 11,750**	**$ 9,259**
MEDICAL					
Physician	$ 1,500	$ 2,917	$ 25,611	$ 35,000	$ 24,843
Medical Supplies	550	667	7,934	8,000	7,890
Psychologist	28,690	9,167	159,507	110,000	132,744
Speech Therapist	5,147	3,750	40,896	45,000	23,585
Occupational Therapist	3,645	3,333	23,126	40,000	28,124
Physical Therapist	10,265	4,583	92,431	55,000	55,620
Medical Social Services	7,212	5,417	59,773	65,000	55,424
Contracted Medical Billing	2,648	2,500	43,200	30,000	19,487
Scheduling/Medical Records/Treatment Coordinator	9,790	3,333	90,141	40,000	78,923
TOTAL MEDICAL	**$ 69,447**	**$ 35,667**	**$ 542,619**	**$ 428,000**	**$ 426,640**
FRINGES	**$ 10,440**	**$ 10,417**	**$ 94,543**	$ 125,000	**$ 70,250**
CAPITAL COSTS					
Rent	$ 7,788	$ 4,167	$ 75,539	$ 50,000	$ 70,810
Equipment Leasing	94	104	1,259	1,250	1,114
Depreciation Expense	70	46	832	550	832
Property Insurance	213	167	2,556	2,000	1,357
TOTAL CAPITAL COSTS	**$ 8,165**	**$ 4,483**	**$ 80,186**	**$ 53,800**	**$ 74,113**
TOTAL OPERATIONS	**$ 98,086**	**$ 61,588**	**$ 813,392**	**$ 739,050**	**$ 668,543**

RAMBAM VACCINE CENTER - NYC/FEMA

STATEMENT OF ACTIVITIES

December 31, 2021

		Dec		Apr-Dec
REVENUE				
Grant Funds (Net of Program Service Fees)		196,203		1,933,779
Program Service Fees		96,720		553,880
TOTAL REVENUE	**$**	**292,923**	**$**	**2,487,659**
EXPENSES-STARTUP ONLY				
General & Administrative	$	88,234	$	638,552
Facility		15,255		137,589
Medical		108,394		966,066
Fringes		21,409		176,164
TOTAL EXPENSES OPERATING	**$**	**233,292**	**$**	**1,918,372**
Change in Net Assets Operations	**$**	**59,631**	**$**	**569,287**

Patients/Visits Comparison Medical*

	Jan-Dec 2021		Jan-Dec 2020		Increase/Decrease	
	Patients	Visits	Patients	Visits	Patients	Visits
Rambam Medical	16,085	26,095	9,443	11,032	6,642	15,063
Blanche Kahn	2,984	8,985	2,477	7,296	507	1,689
Total	19,069	35,080	11,920	18,328	7,149	16,752

APPENDIX C-IIC

HASC DIAGNOSTIC & TREATMENT CENTER, INC.

INTERIM UNAUDITED FINANCIALS FOR THE PERIOD JANUARY 1, 2022 TO MARCH 31, 2022

HASC DIAGNOSTIC & TREATMENT CENTER, INC.

STATEMENT OF FINANCIAL POSITION

ASSETS

	March 31, 2022	December 31, 2021
Current Assets		
Cash	$ 4,717,233	$ 3,369,306
Due to/from Employees	(9,705)	(8,032)
Accounts Receivable	2,643,532	2,718,728
Sec 330 Grants Receivable	12,000	12,000
Other Grants Receivable	435,250	663,288
Prepaid Expenses	30,101	30,101
Total Current Assets	**$ 7,828,411**	**$ 6,785,391**
Fixed Assets		
Medical & Dental Equipment	$ 331,381	$ 331,382
Leasehold Improvements	3,766,385	3,740,020
Machinery & Equipment	592,817	592,817
Furnitures & Fixtures	436,828	466,828
Accumulated Depreciation	**$ (2,684,365)**	**$ (2,565,433)**
Total Fixed Assets	**$ 2,443,046**	**$ 2,565,614**
Other Assets		
Security Deposits	$ 41,000	$ 41,000
Total Other Assets	**$ 41,000**	**$ 41,000**
TOTAL ASSETS	**$ 10,312,457**	**$ 9,392,005**

HASC DIAGNOSTIC & TREATMENT CENTER, INC.

STATEMENT OF FINANCIAL POSITION

LIABILITIES AND NET ASSETS

	March 31, 2022		December 31, 2021	
Current Liabilities				
Accounts Payable	$	287,850	$	385,880
Accrued Wages & Taxes		139,741		299,759
Accrued Expenses		106,491		105,333
Notes Payable HASC - Current		194,352		125,786
Due to DOH (Recoupments Wrap Adj)		189,460		0
Total Current Liabilities	**$**	**917,894**	**$**	**916,758**
Other Liabilities				
Hasc - Subvention	$	2,272,108	$	2,272,108
Notes Payable FJC		3,450,000		3,450,000
PPP Loan (pending Forgiveness Application)		502,648		502,648
Total Other Liabilities	**$**	**6,224,756**	**$**	**6,224,756**
TOTAL LIABILITIES	**$**	**7,142,650**	**$**	**7,141,514**
Net Assets				
Unrestricted Net Assets	$	3,169,807	$	2,250,491
Total Net Assets	**$**	**3,169,807**	**$**	**2,250,491**
TOTAL LIABILITIES AND NET ASSETS	**$**	**10,312,457**	**$**	**9,392,005**

HASC DIAGNOSTIC & TREATMENT CENTER, INC.

STATEMENT OF ACTIVITIES

March 31, 2022

	Period to Date Mar-22	Annual Budget Mar-22	Current Year to Date Jan-Mar 2022	Annual Budget Mar-22	Prior Year to Date Mar-21
REVENUE					
E14th St Program Service Fees	$ 283,384	$ 240,000	$ 850,157	$ 720,000	$ 714,318
Rambam Program Service Fees	623,910	466,000	1,827,356	1,398,000	1,522,012
CHIP Supplemental Revenue (Estimated)	20,000	20,000	60,000	60,000	46,376
Article 16 Program Service Fees	65,000	60,417	255,733	181,250	158,978
Sunset Park ARP Pediatrics	11,812	11,812	35,436	35,436	
Sec 330 Grants	8,000	4,000	12,000	12,000	12,000
COVID VACCINE CENTER	273,103	0	719,920	0	0
ACO Shared Savings Distrib			71,563		
Safety Net Distrib	38,693		38,693		
Other Income	25	292	625	875	0
TOTAL REVENUE	**$ 1,323,927**	**# $ 802,520**	**$ 3,871,482**	**$ 2,407,561**	**$ 2,453,684**
EXPENSES					
General & Administrative	$ 248,218	$ 118,125	$ 664,707	$ 354,375.00	$ 48,647
Facility	62,504	15,688	210,796	47,063	72,173
Medical	448,794	426,071	1,361,334	1,278,213	3,089,674
Fringes	40,279	50,000	125,624	150,000	356,331
Capital Costs	156,960	120,483	382,429	361,450	48,647
TOTAL EXPENSES OPERATING	**$ 956,754**	**$ 730,367**	**$ 2,744,890**	**$ 2,191,100**	**$ 3,615,472**
Change in Net Assets	**$ 367,172**	**$ 72,153**	**$ 1,126,592**	**$ 216,461**	**$ (1,161,788)**
Prior Period Adjustment	**$ (207,276) 1)**		**$ (207,276)**		**$ -**
Change in Net Assets adjusted	**$ 159,896**	**$ 72,153**	**$ 919,316**	**$ 216,461**	**$ (1,161,788)**

E14th St	**133,669**	**67,250**	**383,786**	**201,750**	**43,406**
Rambam	**143,773**	**14,637**	**544,086**	**43,911**	**305,955**
Article 16	**-9,057**	**-10,025**	**29,363**	**-30,075**	**-27,914**
COVID VACCINE CENTER	**52,070**		**54,476**	**0**	**0**

1) Prior period adjustment 190,000 is for adjustment to Wrap rate of $14 due to processing of our 2020 MCVR report. It affect all Wrap claims back to 10/1/20. Additionally 17,000 were claims voided by Millin for FQHC claims in 2020 billed without a E&M which should not have been billed

HASC DIAGNOSTIC & TREATMENT CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FQHC BKFHC

March 31, 2022

	Period to Date Mar-22	Annual Budget Mar-22	Current Year to Date Jan-Mar 2022	Annual Budget Mar-22	Prior Year to Date Mar-21
ADMINISTRATION					
Administrative Salaries	$ 16,589	$ 16,667	$ 50,841	$ 50,000	$ 55,194
Professional Fees	7,532	14,583	23,784	43,750	23,822
Management Fees	748	1,458	2,242	4,375	3,512
Insurance-Professional	183	167	549	500	533
Office Expenses	839	2,917	3,134	8,750	3,274
Advertising	-	1,667	735	5,000	6,575
Bad Debt Expense		2,083		6,250	
TOTAL ADMINISTRATION	**$ 25,891**	**$ 39,542**	**$ 81,285**	**$ 118,625**	**$ 92,910**
FACILITY					
Maintenance and Cleaning	3,541.67	$ 2,500	13,625	7,500	10,467
Utilities	977	1,250	3,078	3,750	2,561
Telephone	19	542	358	1,625	1,497
TOTAL FACILITY	**$ 4,538**	**$ 4,292**	**$ 17,061**	**$ 12,875**	**$ 14,525**
MEDICAL					
Physician	$ 21,567	$ 16,667	$ 59,963	$ 50,000	$ 42,145
PA	5,081	7,083	14,266	21,250	20,247
Nurse Practitioner	3,471	-		-	8,630
Nurse	7,581	3,333	9,803	10,000	14,188
Medical Assistant	2,182	5,417	22,257	16,250	2,453
Medical Supplies	2,634	2,500	7,814	7,500	61,557
Contracted Psychiatrist	22,188	29,167	77,047	87,500	20,960
Contracted Podiatrist	8,000	6,250	22,720	18,750	12,742
Contracted Medical Billing	2,500	12,000	17,000	36,000	22,057
Electronic Health Records Softw	4,167	4,167	12,500	12,500	34,612
Scheduling/Medical Records/Treatm	13,148	12,083	34,457	36,250	239,591
TOTAL MEDICAL	**$ 92,519**	**$ 98,667**	**$ 277,827**	**$ 296,000.00**	**$ 479,182**
FRINGES	**$ 9,393**	**$ 14,583**	**$ 27,013**	**$ 43,750**	**$ 21,121**
CAPITAL COSTS					
Rent	$ 16,077	$ 18,750	$ 63,293	$ 56,250	$ 61,095
Equipment Leasing	385	375	1,155	1,125	1,007
Depreciation Expense	496	125	1,487	375	1,072
Property and Liability Insurance	417	417	1,250	1,250	
TOTAL CAPITAL COSTS	**$ 17,375**	**$ 19,667**	**$ 67,185**	**$ 59,000.00**	**$ 63,174**
TOTAL OPERATIONS	**$ 149,715**	**$ 176,750**	**$ 470,371**	**$ 530,250**	**$ 670,912**

HASC DIAGNOSTIC & TREATMENT CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FQHC RAMBAM

March 31, 2022

	Period to Date Mar-22	Annual Budget Mar-22	Current Year to Date Jan-Mar 2022	Annual Budget Mar-22	Prior Year to Date Mar-21
ADMINISTRATION					
Management Salaries	$ 21,601	$ 22,917	$ 50,791	$ 68,750	$ 80,501
Other Administrative	3,530	6,250	4,796	18,750	7,393
Management Fees	22,995	625	6,825	1,875	5,179
Consulting Fees	2,275	12,500	103,533	37,500	17,734
Malpractice Insurance	269	-	808	-	787
Advertising	63,496	20,833	80,170	62,500	64,676
Office Supplies and Expenses	3,315	6,250	21,499	18,750	33,155
Bad Debt Exp					
TOTAL ADMINISTRATION	**$ 117,481**	**$ 69,375**	**$ 268,422**	**$ 208,125**	**$ 209,425**
FACILITY					
Maintenance and Security		$ 3,750	$ 10,392	$ 11,250	$ 13,093
Utilities	1,458	4,167	10,783	12,500	14,366
Telephone	1,793	2,500	5,877	7,500	6,059
TOTAL FACILITY	**$ 3,251**	**$ 10,417**	**$ 27,052**	**$ 31,250**	**$ 33,518**
MEDICAL					
Physician Medical	$ 49,192	$ 45,000	$ 128,208	$ 135,000	$ 162,913
PA Medical	39,721	45,833	107,243	137,500	31,386
Nurse Practitioner	18,844	10,417	51,519	31,250	32,372
Nurses	5,330	6,250	34,521	18,750	13,821
Patient support	989	2,917	1,236	8,750	106,777
Medical Assistant	36,203	39,583	108,411	118,750	55,426
Dentist	23,077	33,333	61,951	100,000	15,580
Dental Hygienist	6,406	5,000	19,094	15,000	5,000
Dental Assistant	2,373	6,250	6,759	18,750	5,000
Medical Supplies	15,803	29,167	71,213	87,500	15,990
Dental Supplies	2,753	7,917	14,289	23,750	15,990
Medical Billing	11,901	23,300	55,852	69,900	74,816
Electronic Health Records Software	6,250	6,250	18,750	18,750	15,000
General Office Manager		6,250		18,750	
Reception / Scheduling	19,579	12,500	51,666	37,500	70,408
QA Director		4,167		12,500	
TOTAL MEDICAL	**$ 238,421**	**$ 284,133**	**$ 730,712**	**$ 852,400**	**$ 620,479**
FRINGES	**$ 18,887**	**$ 25,000**	**$ 63,325**	**$ 75,000**	**$ 96,797**
CAPITAL COSTS		-			
Rent	$ 39,590	$ 40,000	$ 118,768	$ 120,000	$ 119,047
Interest	54,265	12,500	54,266	37,500	60,312
Depreciation Expense	39,971	41,667	119,911	125,000	126,605
Property and Liability Insurance	83	83	250	250	250
TOTAL CAPITAL COSTS	**$ 133,909**	**$ 94,250**	**$ 293,195**	**$ 282,750**	**$ 306,214**
TOTAL OPERATIONS	**$ 511,949 1)**	**$ 483,175**	**$ 1,382,706**	**$ 1,449,525**	**$ 1,266,433**

HASC DIAGNOSTIC & TREATMENT CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Article 16 Services
March 31, 2022

	Period to Date Mar-22	Annual Budget Mar-22	Current Year to Date Jan-Mar 2022	Annual Budget Mar-22	Prior Year to Date Mar-21
ADMINISTRATION					
Administrative Salaries	$ 2,342.00	$ 5,833.33	8,967	$ 17,500.00	$ 16,366
Professional Fees	2,293	833	2,718	2,500	3,855
Management Fees	227	625	682	1,875	1,058
Insurance-Professional	56	125	168	375	161
Office Expenses	488	458	1,486	1,375	1,420
Advertising	-	83	315	250	1,260
Bad Debt Expense		1,250		3,750	
TOTAL ADMINISTRATION	**$ 5,406**	**$ 9,208**	**$ 14,336**	**$ 27,625**	**$ 24,120**
FACILITY					
Maintenance and Cleaning	$ -	$ 625	2,491	$ 1,875	1,419
Utilities	326	208	1026	625	856
Telephone	6	146	17	438	333
TOTAL FACILITY	**$ 332**	**$ 979**	**$ 3,534**	**$ 2,938**	**$ 2,608**
MEDICAL					
Physician	$ 1,600	$ 2,917	$ 4,950	$ 8,750	$ 4,907
Medical Supplies	-	667	1,912	2,000	1,963
Psychologist	13,112	12,083	40,938	36,250	33,968
Speech Therapist	4,611	3,750	13,900	11,250	7,722
Occupational Therapist	6,249	2,083	11,877	6,250	5,385
Physical Therapist	12,106	6,250	35,587	18,750	21,844
Medical Social Services	7,441	5,417	22,197	16,250	11,274
Contracted Medical Billing	-	3,021	5,372	9,063	10,495
Scheduling/Medical Records/Treatment Coordinator	9,275	7,083	25,682	21,250	19,528
TOTAL MEDICAL	**$ 54,394**	**$ 43,271**	**$ 162,415**	**$ 129,813**	**$ 117,086**
FRINGES	**$ 8,249**	**$ 10,417**	**$ 24,036**	**$ 31,250**	**$ 21,610**
CAPITAL COSTS					
Rent	$ 5,359	$ 6,250	$ 21,098	$ 18,750	$ 20,461
Equipment Leasing	115	104	345	313	299
Depreciation Expense	35	46	106	138	208
Property Insurance	167	167	500	500	500
TOTAL CAPITAL COSTS	**$ 5,676**	**$ 6,567**	**$ 22,049**	**$ 19,700**	**$ 21,468**
TOTAL OPERATIONS	**$ 74,057**	**$ 70,442**	**$ 226,370**	**$ 211,325**	**$ 186,892**

RAMBAM VACCINE CENTER - NYC/FEMA

STATEMENT OF ACTIVITIES

March 31, 2022

		Mar		Jan-Mar
REVENUE				
Grant Funds (Net of Program Service Fees)		263,623		631,440
Program Service Fees		9,480		88,480
TOTAL REVENUE	**$**	**273,103**	**$**	**719,920**
EXPENSES-STARTUP ONLY				
General & Administrative	$	99,440	$	300,664
Facility		54,383		163,149
Medical		63,460		190,380
Fringes		3,750		11,250
TOTAL EXPENSES OPERATING	**$**	**221,033**	**$**	**665,443**
Change in Net Assets Operations	**$**	**52,070**	**$**	**54,476**

Patients/Visits Comparison FQHC by Service

	Mar-22		Mar-21		Increase/Decrease	
	Patients	Visits	Patients	Visits	Patients	Visits
Rambam Medical	1,430	1,902	2,046	2,262	-616	-360
Rambam Dental	555	667	482	580	73	87
Blanche Kahn	600	888	624	873	-24	15
Total	2,585	3,457	3,152	3,715	-567	-258

APPENDIX C-III

HEARTSHARE HUMAN SERVICES OF NEW YORK

INTERIM UNAUDITED FINANCIALS FOR THE PERIOD JULY 1, 2021 TO FEBRUARY 28, 2022

HEARTSHARE HUMAN SERVICES
BALANCE SHEET
FEBRUARY 28, 2022

	2/28/2022	BDO 6/30/2021
ASSETS		
CURRENT ASSETS		
CASH AND EQUIVALENTS	$4,228,418	$2,827,835
ACCOUNTS RECEIVABLE - GOV (NET OF $700,000)	$23,855,297	25,654,454
ACCOUNTS RECEIVABLE - OTHER (NET OF $1,642,986)	1,859,022	
ACCOUNTS RECEIVABLE - OTHER - DUE FROM WELLNESS	0	0
ACCOUNTS RECEIVABLE - OTHER - DUE FROM HEC	0	0
ACCOUNTS RECEIVABLE - OTHER - DUE FROM HSVS	500,000	500,000
PREPAID EXPENSES	578,704	727,041
OTHER CURRENT ASSETS	519,029	452,462
TOTAL CURRENT ASSETS	31,540,470	30,161,792
FIXED ASSETS - AT COST (NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION OF $40,189,554)	27,227,138	26,776,810
DUE FROM HEC	1,332,356	851,279
DUE FROM ST. VINCENT'S SERVICES, INC.	10,725,392	11,903,787
RIGHT-OF-USE ASSETS	64,841,810	64,841,810
OTHER NONCURRENT ASSETS	603,756	491,881
TOTAL ASSETS	$136,270,922	$135,027,359
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$5,574,855	$3,103,904
ACCRUED SALARIES AND VACATIONS PAYABLE	5,972,303	7,020,921
DEFERRED FICA EXPENSE	1,275,013	
INTERCOMPANY PAYABLE (DUE TO WELLNESS)	500,000	500,000
DUE TO GOVERNMENT AGENCIES	2,609,803	2,316,181
CURRENT PORTION OF LONG-TERM DEBT	2,721,030	2,721,030
BRIDGE LINE / WORKING CAPITAL	8,000,000	7,078,851
REFUNDABLE ADVANCES	887,321	
CURRENT PORTION OF OPERATING LEASE LIABILITIES	7,140,468	7,140,468
OTHER LIABILITIES	1,646,815	2,267,028
ALLOWANCE FOR POTENTIAL RATE ADJUSTMENTS	0	0
TOTAL CURRENT LIABILITIES	36,327,608	32,148,383
LONG-TERM LIABILITIES		
DUE TO WELLNESS	656,173	1,152,148
DEFERRED FICA EXPENSE	0	1,069,501
STIMULUS FUNDS / PPP	1,900,000	1,900,000
LONG-TERM DEBT	12,901,646	12,643,301
DUE TO GOVERNMENT AGENCIES	5,827,583	6,608,623
POST RETIREMENT BENEFIT OBLIGATION	518,610	518,610
OPERATING LEASE LIABILITIES	61,299,337	60,321,799
ALLOWANCE FOR POTENTIAL RATE ADJUSTMENTS	6,409,092	5,094,791
TOTAL LONG-TERM LIABILITIES	89,512,442	89,308,773
TOTAL LIABILITIES	125,840,050	121,457,156
NET ASSETS	10,430,872	13,570,203
TOTAL LIABILITIES AND NET ASSETS	$136,270,922	$135,027,359

HEARTSHARE
FINAL INCOME SUMMARY
07/01/21 - 02/28/22

PROGRAMS	REVENUE PASS-THROUGH	REVENUE OPERATING	EXPENSES PASS-THROUGH	EXPENSES OPERATING	DIRECT ADMIN. ALLOCATED FR. GEN.	TOTAL DIRECT EXPENSES	AMORTIZATION OF START UP, PROPERTY & EQUIPMENT	DIRECT EXPENSES LESS PROPERTY & EQUIPMENT	%	MANAGEMENT & GENERAL ALLOCATED	SURPLUS OR (DEFICIT)
SUPERVISED I.R.A.s - NON-BLENDED RATE											
CLINTON RESIDENCE		924,270		793,783	68,266	862,049	53,433	808,616	1.60%	117,946	(55,725)
BOLLMANN FAMILY RESIDENCE		1,192,272		1,132,430	97,390	1,229,821	269,805	960,016	1.90%	140,030	(177,579)
WHITE RESIDENCE		995,943		830,624	71,435	902,058	91,052	811,006	1.60%	118,295	(24,410)
DOONAN DRAKE RESIDENCE		1,264,134		1,417,905	121,941	1,539,847	338,663	1,201,184	2.38%	175,207	(450,920)
CUITE RESIDENCE		1,102,488		942,428	81,050	1,023,478	176,927	846,551	1.67%	123,480	(44,470)
FERRARO RESIDENCE		1,760,608		1,264,451	108,744	1,373,195	96,165	1,277,030	2.53%	186,270	201,143
HART RESIDENCE		955,640		736,057	63,302	799,358	30,779	768,580	1.52%	112,106	44,175
BUCKLEY RESIDENCE		1,450,602		989,708	85,116	1,074,824	41,598	1,033,226	2.04%	150,708	225,069
SHARKEY RESIDENCE		1,360,984		997,601	85,795	1,083,395	41,374	1,042,021	2.06%	151,991	125,598
GOWANUS-415 DEGRAW		0		0	0	0	0	0	0.00%	0	0
MIDWOOD - 1314 EAST 29TH STREET		1,277,308		1,299,105	111,724	1,410,829	198,072	1,212,757	2.40%	176,895	(310,416)
FLATBUSH - 627 EAST 31ST STREET		975,864		700,743	60,265	761,008	28,581	732,427	1.45%	106,833	108,022
TORRE - 54TH STREET		1,487,040		856,142	73,629	929,771	54,832	874,939	1.73%	127,620	429,648
35TH AVENUE		680,486		385,170	33,125	418,295	42,027	376,269	0.74%	54,883	207,307
SHARKEY II - CLOVERDALE BOULEVARD		680,485		596,669	51,314	647,983	34,059	613,924	1.21%	89,548	(57,046)
SHORT - COLUMBIA STREET		932,290		605,054	52,035	657,089	77,718	579,371	1.15%	84,508	190,693
ATTARDI -78TH STREET		460,708		307,903	26,480	334,383	18,634	315,749	0.62%	46,056	80,269
71-15 PARK AVENUE -3RD FLOOR		340,243		208,167	17,903	226,070	15,046	211,023	0.42%	30,780	83,393
SCIBELLI - 17-19 DONGAN		680,485		475,979	40,935	516,913	28,101	488,813	0.97%	71,299	92,273
145TH STREET		681,986		408,095	35,097	443,192	21,060	422,132	0.84%	61,573	177,221
ABATEMARCO - 85TH STREET		989,044		676,855	58,210	735,065	29,155	705,910	1.40%	102,965	151,013
SUBBIONDO - 214TH STREET		599,907		425,917	36,629	462,546	22,212	440,335	0.87%	64,228	73,133
GIANNATTASIO - BAY RIDGE AVENUE		719,846		566,982	48,761	615,743	77,080	538,663	1.07%	78,570	25,532
8224 BAY PARKWAY 1F		113,414		171,906	14,784	186,691	18,896	167,794	0.33%	24,475	(97,751)
DE SOLA - 1514 EAST 12TH STREET		937,626		689,383	59,288	748,671	112,681	635,991	1.26%	92,767	96,188
MOORE - 85 BARTLETT AVENUE		731,014		572,587	49,243	621,830	57,239	564,591	1.12%	82,352	26,832
HAGERTY RESIDENCE / 41ST STREET		797,135		661,464	56,887	718,350	89,177	629,173	1.24%	91,772	(12,988)
71-16 166TH STREET		680,492		454,469	39,085	493,554	60,158	433,395	0.86%	63,216	123,723
MDU - END PLACE		533,560		522,062	44,898	566,960	41,868	525,091	1.04%	76,591	(109,991)
TUNIE - POMPEII ROAD		680,486		700,835	60,273	761,107	60,383	700,725	1.39%	102,209	(182,831)
HEALY I - WOODHAVEN BOULEVARD 1ST FLOOR		680,486		698,510	60,073	758,582	79,614	678,969	1.34%	99,036	(177,132)
NOLAN - 1267 EAST 99TH STREET		681,152		679,667	58,452	738,119	82,028	656,091	1.30%	95,699	(152,665)
142-16 168TH STREET		459,149		361,661	31,103	392,764	51,463	341,302	0.68%	49,783	16,602
1452 EAST 66TH STREET		453,657		447,865	38,517	486,382	59,939	426,443	0.84%	62,202	(94,926)
1426 EAST 102ND STREET		481,665		348,998	30,014	379,012	59,008	320,004	0.63%	46,676	55,977
HEALY II - WOODHAVEN BOULEVARD 2ND FLOOR		453,657		316,286	27,201	343,487	48,441	295,045	0.58%	43,036	67,134
1441 EAST 92ND STREET		776,087		485,643	41,766	527,409	19,806	507,603	1.00%	74,040	174,638
84-29 153 AVE/2246 RALPH		353,303		381,482	32,808	414,290	59,404	354,886	0.70%	51,764	(112,751)
934 CARROL STREET - E1		454,955		328,914	28,287	357,201	30,743	326,457	0.65%	47,618	50,137
246 CLARKE AVENUE STATEN ISLAND		636,158		609,051	52,379	661,430	81,137	580,292	1.15%	84,642	(109,914)
150-39 120TH AVENUE		984,987		827,986	71,208	899,194	82,977	816,217	1.61%	119,055	(33,262)
83 EAST 18TH ST.#1A		258,564		276,426	23,773	300,198	16,132	284,067	0.56%	41,434	(83,069)
83 EAST 18TH ST.#2A		413,986		185,519	15,955	201,474	19,177	182,297	0.36%	26,590	185,922
83 EAST 18TH ST.#2B		348,584		241,182	20,742	261,924	18,947	242,977	0.48%	35,441	51,219
380 NEPTUNE AVE.#2C		0		(1,365)	(117)	(1,482)	(6)	(1,476)	0.00%	(215)	1,697
2601 EAST 19TH STREET		1,808,249		1,397,009	120,144	1,517,153	162,606	1,354,547	2.68%	197,577	93,519
53 DREYER AVENUE		635,884		564,888	48,581	613,469	46,843	566,626	1.12%	82,649	(60,234)
83 EAST 18TH ST. #3A		364,448		158,652	13,644	172,296	18,958	153,338	0.30%	22,366	169,785
89 CLEARMONT AVENUE		807,227		711,558	61,195	772,752	46,720	726,033	1.44%	105,900	(71,426)
CALABRESE RESIDENCE - STATEN ISLAND - AUTISM		689,513		638,838	54,941	693,779	78,380	615,399	1.22%	89,763	(94,030)
1426 EAST 102ND ST-1ST		212,726		170,181	14,636	184,817	16,812	168,005	0.33%	24,506	3,404
IRA OCCUPANCY RESERVE		0		0	0	0	0	0	0.00%	0	0
THERAPETIC DAYS RESERVE 50%		0		0	0	0	0	0	0.00%	0	0
	0	37,940,797	0	30,219,424	2,598,905	32,818,328	3,305,904	29,512,425	58.39%	4,304,736	817,733

HEARTSHARE
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PROGRAMS	REVENUE PASS-THROUGH	REVENUE OPERATING	EXPENSES PASS-THROUGH	EXPENSES OPERATING	DIRECT ADMIN. ALLOCATED FR. GEN.	TOTAL DIRECT EXPENSES	AMORTIZATION OF START UP, PROPERTY & EQUIPMENT	DIRECT EXPENSES LESS PROPERTY & EQUIPMENT	%	MANAGEMENT & GENERAL ALLOCATED	SURPLUS OR (DEFICIT)
SUPPORTIVE INDIVIDUAL RESIDENTIAL ALTERNATIVE PROGRAMS											
SUPPORTIVE APARTMENTS		1,391,637		1,255,963	102,892	1,358,854	374,496	984,358	1.95%	143,580	(110,797)
SUPPORTIVE APARTMENTS- FEGS		194,277		225,794	18,498	244,291	57,302	186,989	0.37%	27,275	(77,289)
	0	1,585,915	0	1,481,756	121,389	1,603,145	431,798	1,171,347	2.32%	170,855	(188,086)
INTERMEDIATE CARE FACILITIES											
CARUANA RESIDENCE		1,257,878		1,051,353	86,049	1,137,402	132,415	1,004,987	1.99%	146,589	(26,114)
CRAIG EATON RESIDENCE		1,243,229		852,594	69,782	922,375	130,104	792,272	1.57%	115,562	205,291
ICF OCCUPANCY RESERVE		(120,000)		0	0	0	0	0	0.00%	0	(120,000)
	0	2,381,107	0	1,903,947	155,831	2,059,778	262,519	1,797,259	3.56%	262,151	59,178
COMMUNITY HABILITATION											
FAMILY COMMUNITY HAB.		164,487		99,856	44,485	144,341	1,100	143,240	0.28%	20,893	(747)
COMMUNITY HAB - DAY		34,382		31,500	14,113	45,613	350	45,263	0.09%	6,602	(17,834)
CLP COMMUNITY HAB.		14,310		28,742	1,358	30,100	111	29,989	0.06%	4,374	(20,164)
INDIVIDUAL SUPPORTS AND SERVICES - BROOKLYN		217,808		194,775	2,498	197,273	191,836	5,438	0.01%	793	19,742
INDIVIDUAL SUPPORTS AND SERVICES - FEGS		13,137		10,344	133	10,476	8,194	2,282	0.00%	333	2,327
	0	444,124	0	365,216	62,587	427,803	201,591	226,212	0.45%	32,996	(16,675)
DAY HABILITATION											
LAVIN		1,664,191		1,820,207	111,854	1,932,061	496,295	1,435,766	2.84%	209,423	(477,293)
AIELLO		0		14,346	882	15,228	809	14,419	0.03%	2,103	(17,331)
HOFFMAN		2,011,880		2,335,190	143,500	2,478,690	805,295	1,673,395	3.31%	244,084	(710,894)
AIELLO -1 N		310,828		329,354	20,239	349,593	90,830	258,764	0.51%	37,744	(76,509)
AIELLO -1 S		280,313		376,326	23,126	399,452	111,764	287,687	0.57%	41,963	(161,101)
AIELLO -2 N		1,281,718		1,332,242	81,868	1,414,110	325,316	1,088,794	2.15%	158,813	(291,206)
DAY HAB #1 - QUEENS		1,603,084		1,101,677	67,699	1,169,377	628,134	541,243	1.07%	78,947	354,760
DAY HAB #2 - BROOKLYN		1,812,886		1,349,789	82,946	1,432,735	675,869	756,866	1.50%	110,398	269,753
DAY HAB #3 - BAY RIDGE		1,452,255		609,925	37,481	647,406	107,346	540,060	1.07%	78,774	726,075
DAY HAB #5- UNION TURNPIKE		1,648,147		1,627,329	100,001	1,727,331	797,297	930,034	1.84%	135,656	(214,840)
DAY HAB - BROOKLYN PACT		600,435		614,966	37,790	652,757	265,369	387,388	0.77%	56,505	(108,827)
DAY HAB - STATEN ISLAND PACT		235,214		267,076	16,412	283,489	118,162	165,326	0.33%	24,115	(72,390)
DAY HAB- AVENUE L		375,432		364,146	22,377	386,523	19,310	367,213	0.73%	53,562	(64,654)
DAY HAB-WITHOUT WALLS		232,470		93,836	5,766	99,602	6,449	93,153	0.18%	13,587	119,281
GROUP DAY HAB		48,777		46,491	2,857	49,348	282	49,066	0.10%	7,157	(7,728)
PRE-VOCATIONAL		93,519		110,308	6,779	117,086	452	116,635	0.23%	17,013	(40,580)
SUPPORTED EMPLOYMENT		69,680		97,661	6,001	103,663	704	102,958	0.20%	15,018	(49,001)
DAY HAB TRANSPORTATION RESERVE		(1,600,000)		0	0	0	0	0	0.00%	0	(1,600,000)
	0	12,120,829	0	12,490,871	767,580	13,258,451	4,449,684	8,808,767	17.43%	1,284,863	(2,422,485)

HEARTSHARE
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PROGRAMS	REVENUE PASS-THROUGH	REVENUE OPERATING	EXPENSES PASS-THROUGH	EXPENSES OPERATING	DIRECT ADMIN. ALLOCATED FR. GEN.	TOTAL DIRECT EXPENSES	AMORTIZATION OF START UP, PROPERTY & EQUIPMENT	DIRECT EXPENSES LESS PROPERTY & EQUIPMENT	%	MANAGEMENT & GENERAL ALLOCATED	SURPLUS OR (DEFICIT)
EDUCATIONAL											
PRESCHOOL 4410		8,558,847		8,286,832	289,552	8,576,384	926,059	7,650,325	15.13%	1,115,890	(1,133,428)
EVALUATIONS		32,491		84,238	2,943	87,181	5,991	81,190	0.16%	11,843	(66,533)
PRESCHOOL 1:1 AIDE		28,079		6,876	240	7,116	26	7,091	0.01%	1,034	19,929
TEACHER'S CERTIFICATION		0		0	0	0	0	0	0.00%	0	0
GRANT 611(21-22)		232,549		190,004	0	190,004	583	189,421	0.37%	27,629	14,915
GRANT 619(21-22)		58,611		29,137	0	29,137	89	29,048	0.06%	4,237	25,236
COUNCIL AUTISM GRANT		85,693		71,321	2,492	73,813	108	73,706	0.15%	10,751	1,129
NYC SCHOOL BUILDING RENOVATION GRANT		0		0	0	0	0	0	0.00%	0	0
	0	8,996,269	0	8,668,408	295,228	8,963,636	932,855	8,030,781	15.89%	1,171,384	(1,138,751)
RESPITE											
AIELLO RECREATION		6,567		2,706	3,529	6,235	124	6,111	0.01%	891	(560)
RESPITE RECREATION BROOKLYN		22,325		9,327	23,094	32,421	711	31,710	0.06%	4,625	(14,721)
OPTIONS		48,124		38,670	0	38,670	315	38,355	0.08%	5,595	3,859
HOLIDAY OVERNIGHT		99,908		55,090	71,862	126,952	2,493	124,459	0.25%	18,154	(45,198)
CLUB HEARTSHARE		11,058		6,243	8,144	14,387	293	14,094	0.03%	2,056	(5,384)
RESPITE RECREATION QUEENS		27,258		9,647	12,584	22,230	106	22,124	0.04%	3,227	1,801
TGIS SOCIAL CLUB		1,100		1,124	1,467	2,591	53	2,538	0.01%	370	(1,861)
BROOKLYN HOME AWAY		101,623		27,220	35,507	62,727	1,201	61,526	0.12%	8,974	29,922
PSYCHOLOGICAL EVALUATION		8,623		3,489	986	4,475	24	4,451	0.01%	649	3,498
STATEN ISLAND - AUTISM - SPA RESPITE		0		0	0	0	0	0	0.00%	0	0
	0	326,587	0	153,516	157,173	310,689	5,321	305,368	0.60%	44,542	(28,644)
FUND RAISING / INVESTMENTS		497,660		374,145	0	374,145	4,057	370,088	0.73%	53,982	69,533
SPECIAL PROJECTS											
HEATING FUND/ENERGYSHARE		135,833		138,598	0	138,598	1,800	136,798	0.27%	19,954	(22,719)
SUPPORT BROKER SERVICE		0		0	0	0	0	0	0.00%	0	0
HCBS ENVIRONMENTAL; MOD GRANTS		0		1,200	0	1,200	1,200	0	0.00%	0	(1,200)
ABILITY 360 GRANT		0		0	0	0	0	0	0.00%	0	0
DASNY GENERATOR GRANT		0		68,491	0	68,491	68,491	0	0.00%	0	(68,491)
TAFT FDN-HAST GRANT		0		0	0	0	0	0	0.00%	0	0
TAFT FDN-ARTSHARE		0		1,504	0	1,504	0	1,504	0.00%	219	(1,724)
MOTHER CABRINI HEALTH FDN		0		(2,137)	0	(2,137)	(13)	(2,123)	0.00%	(310)	2,446
DD ADMIN. RENT ACCRUAL		0		364,995	0	364,995	364,995	0	0.00%	0	(364,995)
ARTSHARE GRANT		93,333		83,971	0	83,971	133	83,838	0.17%	12,229	(2,866)
MOTHER CABRINI FDN-NURS		75,283		65,700	0	65,700	0	65,700	0.13%	9,583	(0)
MOTHER CABRINI FDN-PRES		100,000		0	0	0	0	0	0.00%	0	100,000
VESID GRANT		0		11,829	0	11,829	35	11,795	0.02%	1,720	(13,550)
	0	404,449	0	734,152	0	734,152	436,640	297,511	0.59%	43,396	(373,098)
TOTALS BEFORE RESTRICTED & PRIOR PERIOD	0	64,697,735	0	56,391,435	4,158,692	60,550,126	10,030,369	50,519,758	99.95%	7,368,904	(3,221,295)

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PROGRAMS	REVENUE PASS-THROUGH	REVENUE OPERATING	EXPENSES PASS-THROUGH	EXPENSES OPERATING	DIRECT ADMIN. ALLOCATED FR. GEN.	TOTAL DIRECT EXPENSES	AMORTIZATION OF START UP, PROPERTY & EQUIPMENT	DIRECT EXPENSES LESS PROPERTY & EQUIPMENT	%	MANAGEMENT & GENERAL ALLOCATED	SURPLUS OR (DEFICIT)
RESTRICTED											
DD RESTRICTED		47,113		27,615	0	27,615	0	27,615	0.05%	4,028	15,470
PRESCHOOL		0		0	0	0	0	0	0.00%	0	0
JASON WEINSTEIN MEMORIA		61		0	0	0	0	0	0.00%	0	61
	0	47,175	0	27,615	0	27,615	0	27,615	0.05%	4,028	15,531
PRIOR PERIOD ADJUSTMENTS											
CLINTON ()		244		0	0	0	0	0	0.00%	0	244
BOLLMANN ()		819		0	0	0	0	0	0.00%	0	819
WHITE ()		600		0	0	0	0	0	0.00%	0	600
DOONAN ()		960		0	0	0	0	0	0.00%	0	960
CUITE ()		1,142		0	0	0	0	0	0.00%	0	1,142
FERRARO ()		3,564		0	0	0	0	0	0.00%	0	3,564
HART ()		305		0	0	0	0	0	0.00%	0	305
BUCKLEY ()		912		0	0	0	0	0	0.00%	0	912
SHARKEY ()		836		0	0	0	0	0	0.00%	0	836
GOWANUS ()		10,453		0	0	0	0	0	0.00%	0	10,453
MIDWOOD ()		818		0	0	0	0	0	0.00%	0	818
FLATBUSH ()		922		0	0	0	0	0	0.00%	0	922
TORRE - 54th STREET ()		1,419		0	0	0	0	0	0.00%	0	1,419
35TH AVENUE ()		417		0	0	0	0	0	0.00%	0	417
SHARKEY II - CLOVERDALE BOULEVARD ()		452		0	0	0	0	0	0.00%	0	452
SHORT - COLUMBIA STREET ()		596		0	0	0	0	0	0.00%	0	596
ATTARDI - 78TH STREET ()		136		0	0	0	0	0	0.00%	0	136
71-15 PARK AVENUE #1 ()		208		0	0	0	0	0	0.00%	0	208
SCIBELLI - DONGAN HILLS ()		417		0	0	0	0	0	0.00%	0	417
CURATOLA - 29-41 145TH STREET ()		455		0	0	0	0	0	0.00%	0	455
ABATEMARCO - 2435 85TH STREET ()		711		0	0	0	0	0	0.00%	0	711
56-51 214 ST.-REHABILIT		457		0	0	0	0	0	0.00%	0	457
BAY RIDGE AVENUE ()		456		0	0	0	0	0	0.00%	0	456
8224 BAY PARKWAY APT. 2 ()		69		0	0	0	0	0	0.00%	0	69
1514 EAST 12TH STREET ()		666		0	0	0	0	0	0.00%	0	666
85 BARTLETT AVENUE ()		532		0	0	0	0	0	0.00%	0	532
1123 41ST STREET ()		496		0	0	0	0	0	0.00%	0	496
166TH STREET ()		5,787		0	0	0	0	0	0.00%	0	5,787
END PLACE - MDU ()		221		0	0	0	0	0	0.00%	0	221
POMPEII ROAD ()		417		0	0	0	0	0	0.00%	0	417
WOODHAVEN BOULEVARD - 1 ()		417		0	0	0	0	0	0.00%	0	417
1267 East 99th STREET ()		8,372		0	0	0	0	0	0.00%	0	8,372
142-16 168TH STREET ()		301		0	0	0	0	0	0.00%	0	301
1452 EAST 66TH STREET ()		299		0	0	0	0	0	0.00%	0	299
EAST 102ND STREET ()		324		0	0	0	0	0	0.00%	0	324
WOODHAVEN BOULEVARD - 2 ()		278		0	0	0	0	0	0.00%	0	278
144 EAST 92ND STREET ()		623		0	0	0	0	0	0.00%	0	623
2246 RALPH AVENUE - 1ST ()		251		0	0	0	0	0	0.00%	0	251
934 CARROLL STREET APT ()		323		0	0	0	0	0	0.00%	0	323
246 CLARKE AVE. S.I.		594		0	0	0	0	0	0.00%	0	594
150-39 120TH AVENUE JAM		1,212		0	0	0	0	0	0.00%	0	1,212
83 EAST 18TH ST.#1A		209		0	0	0	0	0	0.00%	0	209
83 EAST 18TH ST.#2A		355		0	0	0	0	0	0.00%	0	355
83 EAST 18TH ST.#2B		320		0	0	0	0	0	0.00%	0	320

HEARTSHARE
FINAL INCOME SUMMARY
07/01/21 - 02/28/22

PROGRAMS	REVENUE PASS-THROUGH	REVENUE OPERATING	EXPENSES PASS-THROUGH	EXPENSES OPERATING	DIRECT ADMIN. ALLOCATED FR. GEN.	TOTAL DIRECT EXPENSES	AMORTIZATION OF START UP, PROPERTY & EQUIPMENT	DIRECT EXPENSES LESS PROPERTY & EQUIPMENT	%	MANAGEMENT & GENERAL ALLOCATED	SURPLUS OR (DEFICIT)
2601 EAST 19TH STREET		38		0	0	0	0	0	0.00%	0	38
53 DREYER AVENUE		218		0	0	0	0	0	0.00%	0	218
83 EAST 18TH ST. #3A		311		0	0	0	0	0	0.00%	0	311
89 CLEARMONT AVENUE		628		0	0	0	0	0	0.00%	0	628
CALABRESE-413 CORBIN AVE		594		0	0	0	0	0	0.00%	0	594
FAMILY COMMUNITY HAB. ()		584		0	0	0	0	0	0.00%	0	584
1426 EAST 102ND ST-1ST		426		0	0	0	0	0	0.00%	0	426
COMMUNITY HAB - DAY ()		135		0	0	0	0	0	0.00%	0	135
CLP COMMUNITY HAB. ()		36		0	0	0	0	0	0.00%	0	36
SUPPORTIVE APARTMENTS ()		573		0	0	0	0	0	0.00%	0	573
SUPP. APT.- FEGS ()		(34)		0	0	0	0	0	0.00%	0	(34)
PRESCHOOL ()		0		0	0	0	0	0	0.00%	0	0
EVALUATIONS ()		1,893		0	0	0	0	0	0.00%	0	1,893
LAVIN ()		3,101		0	0	0	0	0	0.00%	0	3,101
HOFFMAN ()		4,848		0	0	0	0	0	0.00%	0	4,848
AIELLO -1 N		(1,792)		0	0	0	0	0	0.00%	0	(1,792)
AIELLO -1 S		4,123		0	0	0	0	0	0.00%	0	4,123
AIELLO -2 N		2,509		0	0	0	0	0	0.00%	0	2,509
DAY HAB #1 ()		3,134		0	0	0	0	0	0.00%	0	3,134
DAY HAB #2 ()		3,921		0	0	0	0	0	0.00%	0	3,921
DAY HAB #3 ()		3,323		0	0	0	0	0	0.00%	0	3,323
DAY HAB #5 ()		2,958		0	0	0	0	0	0.00%	0	2,958
DAY HAB. - BROOKLYN PACT ()		1,238		0	0	0	0	0	0.00%	0	1,238
DAY HAB. - STATEN ISLAND PACT ()		611		0	0	0	0	0	0.00%	0	611
DAY HAB- AVENUE L ()		672		0	0	0	0	0	0.00%	0	672
DAY HAB-WITHOUT WALLS ()		448		0	0	0	0	0	0.00%	0	448
DAY HAB - OPTS ()		1,911		0	0	0	0	0	0.00%	0	1,911
DAY HAB - PRE-VOCATIONAL ()		962		0	0	0	0	0	0.00%	0	962
SUPPORTED EMPLOYMENT AND PREVOCATIONAL SERVICES ()		274		0	0	0	0	0	0.00%	0	274
OPTIONS()		(19,791)		0	0	0	0	0	0.00%	0	(19,791)
HOLIDAY OVERNIGHT()		77		0	0	0	0	0	0.00%	0	77
CLUB HEARTSHARE()		20		0	0	0	0	0	0.00%	0	20
PARENT TRAINING ()		(99)		0	0	0	0	0	0.00%	0	(99)
HOME AWAY FROM HOME ()		471		0	0	0	0	0	0.00%	0	471
PSYCHOLOGICAL EVALUATION ()		(1,249)		0	0	0	0	0	0.00%	0	(1,249)
	0	66,433	0	0	0	0	0	0	0.00%	0	66,433
CONTRIBUTION FROM WELLNESS		0		0	0	0	0	0	0.00%	0	0
PPP LOAN FORGIVENESS REVENUE		0		0	0	0	0	0	0.00%	0	0
HEARTSHARE TOTALS	**0**	**64,811,343**	**0**	**56,419,050**	**4,158,692**	**60,577,742**	**10,030,369**	**50,547,373**	**100.00%**	**7,372,932**	**(3,139,331)**

APPENDIX C-IV

YOUNG ADULT INSTITUTE, INC.

INTERIM UNAUDITED FINANCIALS FOR THE PERIOD JULY 1, 2021 TO FEBRUARY 28, 2022

YAI Seeing beyond disability.

Statement of Activities
For the 8 month ended February 28, 2022 and 2021

Revenue and Support:	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Unaudited Net Assets Total 02/28/2022	02/28/21	$ Change	% Change
Medicaid & Medicare	102,255,652		102,255,652	97,943,916	4,311,736	4.40%
Government Contracts	15,827,150		15,827,150	12,133,079	3,694,071	30.45%
Client Fees	6,683,495		6,683,495	6,003,227	680,268	11.33%
Other Revenues	3,951,453	-	3,951,453	6,588,714	(2,637,262)	-40.03%
Contributions	509,557	184,766	694,323	632,272	62,051	9.81%
Net Assets Released from Restriction	18,768	(18,768)				
Total Revenue and Support	**129,246,075**	**165,998**	**129,412,073**	**123,301,209**	6,110,864	4.96%
Expenses:						
Salary & Fringe Benefits	97,130,560		97,130,560	92,924,131	4,206,429	4.53%
OTPS	39,221,944		39,221,944	32,607,472	6,614,472	20.29%
Total Expenses	**136,352,504**	**-**	**136,352,504**	**125,531,603**	10,820,901	8.62%
					-	
Change in Net Assets	**(7,106,429)**	**165,998**	**(6,940,431)**	**(2,230,395)**	(4,710,036)	211.18%
Beginning Balance Net Assets	28,660,419	1,447,512	30,107,931	34,597,759	(4,489,828)	-12.98%
Ending Balance Net Assets	**21,553,990**	**1,613,510**	**23,167,500**	**32,367,364**	**(9,199,864)**	-28.42%

YAI Seeing beyond disability.

Statement of Financial Position
As of February 28, 2022 and 2021

Assets:	**Unaudited 02/28/22**	**Unaudited 02/28/21**	**Variance ($)**	**Variance (%)**
Cash & Cash Equivalents	3,313,956	3,354,426	(40,470)	-1.21%
Investments	17,533,189	21,815,618	(4,282,429)	-19.63%
Accounts Receivable	28,537,059	29,020,698	(483,639)	-1.67%
Other Receivables	16,046,207	21,185,996	(5,139,789)	-24.26%
Prepaid expenses and other receivables	6,914,015	6,686,326	227,689	3.41%
ROU Asset	95,755,024		95,755,024	
Property and equipment	53,665,566	51,135,822	2,529,744	4.95%
Debt Service Reserve	3,222,968	3,103,426	119,542	3.85%
Total Assets	**224,987,985**	**136,302,313**	**88,685,672**	**65.07%**
Liabilities:				
Accounts payable and accrued expenses	8,776,884	9,786,671	(1,009,787)	-10.32%
Accrued Pension	1,824,560	1,520,422	304,137	20.00%
Accrued Salary	9,138,126	10,802,574	(1,664,449)	-15.41%
Accrued Vacation	4,520,645	4,680,612	(159,967)	-3.42%
Capital lease obligations	1,888,412	2,256,604	(368,192)	-16.32%
Deferred Rent		1,265,750	(1,265,750)	-100.00%
Due to Funding Sources	4,126,106	4,044,312	81,794	2.02%
Other Liabilities	12,678,794	8,804,318	3,874,476	44.01%
ROU Liability	98,832,353		98,832,353	
Notes and mortgages payable	60,034,606	60,773,685	(739,079)	-1.22%
Total Liabilities	**201,820,485**	**103,934,948**	**97,885,537**	**94.18%**
Net Assets				
Net assets with donor restrictions	1,613,510	1,534,927	78,583	5.12%
Net assets without donor restrictions	21,553,990	30,832,437	(9,278,447)	-30.09%
Total Net Assets	**23,167,500**	**32,367,364**	**(9,199,864)**	**-28.42%**
Total Liabilities & Net Assets	**224,987,985**	**136,302,312**	**88,685,673**	**65.07%**

APPENDIX D

CERTAIN DEFINITIONS

As used in this Official Statement, the following terms shall have the meanings set forth below:

Account shall mean any of the special trust accounts of any Fund established pursuant to the Indenture.

Accounts Receivable shall mean all of a Participant's accounts receivable derived from the use or operation of any of its properties, including its Facility.

Additional Bonds shall mean one or more Series of additional bonds issued, executed, authenticated and delivered under the Indenture.

Administration Agreement shall mean the Administration Agreement, dated as of June 1, 2022, among the Issuer, the Program Facilitator and the Participants.

Affiliate shall mean, with respect to a given Person, any other Person that directly or indirectly through one or more intermediaries Controls, is Controlled by, or is under common Control with such given Person.

Approved Facility shall mean each Facility as occupied, used and operated by a Participant substantially for the Approved Project Operations, including such other activities as may be substantially related to or substantially in support of such operations, all to be effected in accordance with such Participant's Loan Agreement.

Approved Project Operations shall have the meaning set forth in each Participant's Loan Agreement.

Assignment of Mortgage shall mean, collectively, the Assignment of Mortgage and Security Agreement (Acquisition Loan), the Assignment of Mortgage and Security Agreement (Building Loan) and the Assignment of Mortgage and Security Agreement (Indirect Loan) relating to Eden II School for Autistic Children, Inc.'s Facility, each dated as of June 1, 2022, and each from the Issuer to the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Authorized Denomination shall mean, in the case of the Series 2022 Bonds, $100,000 or any integral multiple of $5,000 in excess thereof.

Authorized Representative shall mean, (i) in the case of the Issuer, the Chairperson, Vice Chairperson, Treasurer, Assistant Treasurer, Secretary, Assistant Secretary, Executive Director, Deputy Executive Director or General Counsel or any other officer or employee of the Issuer who is authorized to perform specific acts or to discharge specific duties, (ii) in the case of the Program Facilitator, the Executive Director, Deputy Executive Director or any other officer or employee of the Program Facilitator who is authorized to perform specific acts or to discharge specific duties on behalf of the Participants, and (iii) in the case of a Participant, a person named in its Loan Agreement as an "Authorized Representative," or any other officer or employee of such Participant who is authorized to perform specific duties under its Loan Agreement or under any other Project Document and of whom another Authorized Representative of such Participant has given written notice to the Issuer and the Trustee; provided, however, that in each case for which a certification or other statement of fact or condition is required to be submitted by an Authorized

Representative to any Person pursuant to the terms of a Loan Agreement or any other Project Document, such certificate or statement shall be executed only by an Authorized Representative in a position to know or to obtain knowledge of the facts or conditions that are the subject of such certificate or statement.

Balloon Indebtedness shall mean (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 Representative of the applicable Participant delivered to 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 Representative of the applicable Participant delivered to 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 Representative of such Participant delivered to the Trustee stating that such portion shall be deemed to constitute a separate issue of Balloon Indebtedness.

Beneficial Owner shall mean, whenever used with respect to a Series 2022 Bond, the Person in whose name such Series 2022 Bond is recorded as the beneficial owner of such Series 2022 Bond by the respective systems of DTC and each of the DTC Participants. If at any time the Series 2022 Bonds are not held in the Book-Entry System, Beneficial Owner shall mean "Holder" for purposes of the Security Documents.

Bond Fund shall mean the special trust fund so designated, established pursuant to the Indenture.

Bondholder, Holder of Bonds, Holder or holder shall mean any Person who shall be the registered owner of any Bond or Bonds.

Bond Registrar shall mean the Trustee acting as registrar as provided in the Indenture.

Bond Resolution shall mean the resolution of the Issuer adopted on March 8, 2022 authorizing the Project and the issuance of the Series 2022 Bonds.

Bonds shall mean the Series 2022 Bonds and any Additional Bonds.

Bonds allocable to a Participant shall mean, with respect to each Participant and each relevant Series of Bonds at any time, such Participant's Portion of such Bonds as set forth in such Participant's Loan Agreement reduced by the aggregate principal amount of such Bonds allocable to such Participant that are no longer Outstanding at such time.

Building Loan Agreement shall mean the Building Loan Agreement, dated as of June 1, 2022, among the Issuer, Eden II School for Autistic Children, Inc. and the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Business Day shall mean any day that shall not be: (i) a Saturday, Sunday, or legal holiday; (ii) a day on which banking institutions in the City are authorized by law or executive order to close; or (iii) a day on which the New York Stock Exchange is closed.

Cede & Co. shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series 2022 Bonds.

City shall mean The City of New York, New York.

Closing Date shall mean the date of issuance and delivery of the Series 2022 Bonds.

Code shall mean the Internal Revenue Code of 1986, as amended, including the regulations thereunder. All references to Sections of the Code or regulations thereunder shall be deemed to include any such Sections or regulations as they may hereafter be renumbered in any subsequent amendments to the Code or such regulations.

Collateral Assignment of Lease shall mean, individually or collectively, (i) the Collateral Assignment of Lease, dated as of June 1, 2022, from HeartShare Human Services of New York to the Trustee, and (ii) the Collateral Assignment of Lease, dated as of June 1, 2022, from Young Adult Institute, Inc. to the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Common Elements shall have the meaning set forth in the Loan Agreement for HASC Diagnostic and Treatment Center, Inc. and HASC Center, Inc.

Completed Improvements Square Footage shall have the meaning set forth in each Loan Agreement.

Condominium shall have the meaning set forth in the Loan Agreement for HASC Diagnostic and Treatment Center, Inc. and HASC Center, Inc.

Condominium Board shall have the meaning set forth in the Loan Agreement for HASC Diagnostic and Treatment Center, Inc. and HASC Center, Inc.

Condominium Documents shall have the meaning set forth in the Loan Agreement for HASC Diagnostic and Treatment Center, Inc. and HASC Center, Inc.

Conduct Representation shall have the meaning set forth in each Loan Agreement.

Continuing Disclosure Agreement(s) shall mean, collectively or individually, any Agreement to Provide Continuing Disclosure, dated as of June 1, 2022, among a Participant, the Trustee and Municipal Capital Markets Group, Inc., as dissemination agent.

Control or Controls, including the related terms "controlled by" and "under common control with," shall mean the power to direct the management and policies of a Person (x) through the ownership, directly or indirectly, of not less than a majority of its voting securities, (y) through the right to designate or elect not less than a majority of the members of its board of directors or trustees or other Governing Body, or (z) by contract or otherwise.

Costs of Issuance shall mean issuance costs with respect to the Series 2022 Bonds described in Section 147(g) of the Code and any regulations thereunder, including but not limited to the following:

Underwriter's spread (whether realized directly or derived through the purchase of the Series 2022 Bonds at a discount below the price at which they are expected to be sold to the public); counsel fees (including bond counsel, counsel to the Underwriter, Trustee's counsel, Issuer's counsel, Participants' counsel, as well as any other specialized counsel fees incurred in connection with the borrowing); guarantee fees (other than Qualified Guarantee Fees, as defined in the Tax Regulatory Agreement); Trustee and Paying Agent fees; accountant fees and other expenses related to issuance of the Series 2022 Bonds; printing costs for the Series 2022 Bonds and for the preliminary and final offering documents relating to the Series 2022 Bonds; public approval and process costs; fees and expenses of the Issuer incurred in connection with the issuance of the Series 2022 Bonds; Blue Sky fees and expenses; and similar costs.

Costs of Issuance Account shall mean the special trust account of the Project Fund so designated, established pursuant to the Indenture.

Debt Service Reserve Fund Requirement (Tax-Exempt) shall mean, as of any particular date of computation, an amount (which amount may take the form of cash, Qualified Investments or any combination thereof) equal to the lesser of:

(i) ten percent (10%) of the Net Proceeds (as defined in the Tax Regulatory Agreement) of the Outstanding Tax-Exempt Bonds;

(ii) 100% of the greatest amount required in the then current or any future calendar year to pay the sum of the scheduled principal and interest payable on Outstanding Tax-Exempt Bonds; or

(iii) 125% of the average annual amount required in the then current or any future calendar year to pay the sum of scheduled principal and interest on Outstanding Tax-Exempt Bonds.

Debt Service Reserve Fund (Tax-Exempt) shall mean the special trust fund so designated, established pursuant to the Indenture.

Debt Service Reserve Fund Valuation Date shall mean June 15 and December 15 of each year commencing December 15, 2022.

Defaulted Interest shall mean interest on any Series 2022 Bond that is due and payable but not paid on the date due.

Defeasance Obligations shall mean Government Obligations that are not subject to redemption prior to maturity.

Determination of Taxability shall mean:

(i) (A) the adoption, promulgation or enactment of any federal statute or regulation, or any determination, decision, decree or ruling made by the Commissioner or any District Director of the Internal Revenue Service;

(B) the issuance of a public or private ruling or a technical advice memorandum by the Internal Revenue Service in which a Participant has participated or has been given the opportunity to participate, and which ruling or memorandum such Participant, in its discretion, does not contest or from which no further right of judicial review or appeal exists;

(C) a determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which a Participant has participated or has been a party, or has been given the opportunity to participate or be a party; or

(D) the admission in writing by a Participant;

in any case, to the effect that the interest payable on the Tax-Exempt Bond of a Holder or a former Holder thereof is includable in gross income for federal income tax purposes; or

(ii) the receipt by the Trustee of a written opinion of Nationally Recognized Bond Counsel to the effect that the interest payable on the Tax-Exempt Bonds is includable in gross income for federal income tax purposes or the refusal of any such counsel to render a written opinion that the interest on the Tax-Exempt Bonds is not so includable when required pursuant to a request by a Bondholder in accordance with the procedures set forth in the Indenture;

provided, however, that no such Determination of Taxability described in clauses (i)(B) or (i)(C) of this definition shall be considered to exist unless (1) the Holder or former Holder of the Tax-Exempt Bond involved in such proceeding (a) gives the applicable Participant and the Trustee prompt notice of the commencement thereof and (b) (if the applicable Participant agrees to pay all expenses in connection therewith) offers the applicable Participant the opportunity to control the defense thereof and (2) either (a) such Participant does not agree within thirty (30) days of receipt of such offer to pay such expenses and to control such defense or (b) such Participant shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which such Participant determines to be appropriate. A Bondholder shall have the right to request the Trustee to obtain a written opinion of Nationally Recognized Bond Counsel pursuant to clause (ii) above, at the expense of such Participant, upon delivery by the Bondholder to such Participant of a letter from the Bondholder's accountant stating that, in his or her reasonable opinion, interest on the Tax-Exempt Bonds is includable in the gross income of such Bondholder for federal income tax purposes and stating the reasons for such determination. No Determination of Taxability described above will result from the inclusion of interest on any Tax-Exempt Bond in the computation of minimum or indirect taxes.

Directing Party shall mean, in the event the consent, approval or direction of the Trustee or the Holders of Bonds Outstanding shall be required in connection with an action to be taken under the Indenture or under any other Security Document, the Holders of a majority in aggregate principal amount of the Bonds Outstanding voting in favor of taking a particular action.

DTC shall mean The Depository Trust Company, a limited purpose trust company organized under the laws of the State, and its successors and assigns.

DTC Participants shall mean those financial institutions for whom the Securities Depository effects book entry transfers and pledges of securities deposited with the Securities Depository, as such listing of its participants exists at the time of such reference.

Earnings Account shall mean an Earnings Account established in the Earnings Fund for the benefit of a Participant.

Earnings Fund shall mean the special trust fund so designated, established pursuant to the Indenture.

Entity shall mean any of a corporation, general partnership, limited liability company, limited liability partnership, joint stock company, trust, estate, unincorporated organization, business association, tribe, firm, joint venture, governmental authority or governmental instrumentality, but shall not include an individual.

Event of Default shall have the meaning specified in the Indenture and the Loan Agreements.

Facility shall mean, collectively, the Facility Personalty and the Facility Realty.

Facility Lease Agreement shall have the meaning assigned that term in each of the Loan Agreements of each of (i) HASC Diagnostic and Treatment Center, Inc. and HASC Center, Inc., (ii) HeartShare Human Services of New York and (iii) Young Adult Institute, Inc.

Facility Personalty shall mean, with respect to a Project, those items of machinery, equipment and other items of personalty the acquisition and/or the installation of which is to be financed or refinanced in whole or in part with the proceeds of the Series 2022 Bonds for installation or use at the related Facility Realty as part of the related Project pursuant to, and as more particularly described in the related Loan Agreement, together with all repairs, replacements, improvements, substitutions and renewals thereof or therefor, and all parts, additions and accessories incorporated therein or affixed thereto. Facility Personalty shall, in accordance with the provisions of the applicable Loan Agreement, include all property substituted for or replacing items of Facility Personalty and exclude all items of Facility Personalty so substituted for or replaced, and further exclude all items of Facility Personalty removed as provided therein.

Facility Realty shall mean, with respect to a Project, collectively, the Land and the Improvements, as defined in each Participant's Loan Agreement.

Fiscal Year of a Participant shall mean a year of 365 or 366 days, as the case may be, as specified in such Participant's Loan Agreement.

Fitch shall mean Fitch Ratings, Inc., a Delaware corporation, its successors and assigns and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee, by notice to the other Notice Parties.

Fund shall mean any special trust fund established pursuant to the Indenture.

GAAP shall mean those generally accepted accounting principles and practices that are recognized as such by the American Institute of Certified Public Accountants or by the Financial Accounting Standards Board or through other appropriate boards or committees thereof, and that are consistently applied for all periods, after the Closing Date, so as to properly reflect the financial position of a Participant, except that any accounting principle or practice required to be changed by the Financial Accounting Standards Board (or other appropriate board or committee of the said Board) in order to continue as a generally accepted accounting principle or practice may be so changed; provided, however, "GAAP" shall mean, with respect to the financial covenants of a Participant set forth in its Pledge and Security Agreement, such generally accepted accounting principles and practices that are consistently applied and in effect on the Closing Date.

Governing Body shall mean, when used with respect to any Entity, its board of directors, board of trustees or individual or group of individuals by, or under the authority of which, the powers of such Entity are exercised.

Government Obligations shall mean the following: (i) direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America; (ii) obligations of an Entity controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States of America for the timely payment thereof; or (iii) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in clauses (i) or (ii) above.

Hazardous Materials shall include any petroleum, flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 5101, et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Sections 6901, et seq.), and in the regulations adopted and publications promulgated pursuant thereto, or any other federal, state or local environmental law, ordinance, rule, or regulation.

Improvements shall have the meaning set forth in each Participant's Loan Agreement.

Indebtedness shall mean, without duplication, (i) all obligations of a 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 GAAP in effect on the Closing Date and 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, such Participant may, at its option, by a certificate of an Authorized Representative of such Participant delivered to 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 Representative of such Participant delivered to the Trustee; provided that if such index is at such time not being published a comparable index reasonably acceptable to the Majority Holders may be used.

Indemnified Parties shall mean, collectively, the Issuer, the Trustee, the Program Facilitator, the Bond Registrar and the Paying Agents, and any director, member, officer, employee, servant, agent (excluding for this purpose any Participant, which is not obligated by any Loan Agreement to indemnify its own employees, Affiliates or affiliated individuals) thereof and persons under the Issuer's control or supervision.

Indenture shall mean the Indenture of Trust, dated as of June 1, 2022, between the Issuer and the Trustee, as from time to time amended or supplemented by Supplemental Indentures in accordance with the Indenture.

Independent Accountant shall mean an independent certified public accountant or firm of independent certified public accountants selected by the applicable Participant and approved by the Issuer and the Trustee (such approvals not to be unreasonably withheld or delayed).

Independent Engineer shall mean a Person (not an employee of any of the Issuer, any Participant or any Affiliate of any thereof) registered and qualified to practice engineering or architecture under the laws of the State, selected by a Participant, and approved in writing by the Program Facilitator (which approval shall not be unreasonably withheld or delayed).

Interest Account shall mean the special trust account of the Bond Fund so designated, established pursuant to the Indenture.

Interest Payment Date shall mean, with respect to the Series 2022 Bonds, January 1 and July 1 of each year, commencing January 1, 2023.

Issuer shall mean Build NYC Resource Corporation, a local development corporation created pursuant to the Not-for-Profit Corporation Law of the State at the direction of the Mayor of the City, and its successors and assigns.

Issuer's Reserved Rights shall mean, collectively,

(i) the right of the Issuer on its own behalf to receive all Opinions of Counsel, reports, financial statements, certificates, insurance policies, binders or certificates, or other notices or communications required to be delivered to the Issuer under any Loan Agreement;

(ii) the right of the Issuer to grant or withhold any consents or approvals required of the Issuer under any Loan Agreement;

(iii) the right of the Issuer to enforce on its own behalf the obligation of the Participants under any Loan Agreement to complete the Project Work;

(iv) the right of the Issuer to enforce or otherwise exercise on its own behalf all agreements of the Participants under any Loan Agreement with respect to ensuring that each Facility shall always constitute an Approved Facility;

(v) the right of the Issuer to amend with the Participants the provisions of each applicable Loan Agreement regarding recapture of Issuer benefits without the consent of the Trustee or any Bondholder;

(vi) the right of the Issuer on its own behalf (or on behalf of the appropriate taxing authorities) to enforce, receive amounts payable under or otherwise exercise its rights under each Loan Agreement relating to, among other things, insurance, advances, employment information, certain redemptions, assignments of the related Loan Agreement and inspection of the related Facility; and

(vii) the right of the Issuer on its own behalf to declare a default with respect to any of the Issuer's Reserved Rights and exercise the remedies set forth in each Loan Agreement.

Land shall have the meaning set forth in each Participant's Loan Agreement.

Legal Requirements shall mean the Constitutions of the United States and the State and all laws, statutes, codes, acts, ordinances, resolutions, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, certificates of occupancy, directions and requirements (including zoning, land use, planning, environmental protection, air, water and land pollution, toxic wastes, hazardous wastes, solid wastes, wetlands, health, safety, equal opportunity, minimum wage, living wage, prevailing wage, sick leave, healthcare, benefits and employment practices) of all governments, departments, commissions, boards, courts, authorities, agencies, officials and officers, including those of the City, foreseen or unforeseen, ordinary or extraordinary, that are applicable now or may be applicable at any time hereafter to (i) any Participant, (ii) any Facility or any part thereof, or (iii) any use or condition of any Facility or any part thereof.

Letter of Representation and Indemnity Agreement shall mean the Letter of Representation and Indemnity Agreement, dated the Closing Date, from the Participants to the Issuer, the Trustee and the Underwriter.

Loan shall mean each loan made by the Issuer to each Participant pursuant to its Loan Agreement as described therein.

Loan Agreement shall mean, collectively or individually, any Loan Agreement, dated as of June 1, 2022, between the Issuer and a Participant, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Loan Payment Account shall mean a Loan Payment Account established in the Bond Fund for the benefit of a Participant.

Loan Payment Date shall mean the 10th day of each month (or, if any such day shall not be a Business Day, the immediately preceding Business Day), commencing August 10, 2022.

Loss Event shall mean an event which occurs at any time during the term of a Loan Agreement where the whole or part of a Facility shall be damaged or destroyed, or taken or condemned by a competent authority for any public use or purpose, or by agreement to which a Participant and those authorized to exercise such right are parties, or if the temporary use of such Facility shall be so taken by condemnation or agreement.

Majority Holders shall mean the Beneficial Owners of at least a majority in aggregate principal amount of the Bonds Outstanding, or, if the Bonds shall cease to be in book-entry form, the Holders of at least a majority in aggregate principal amount of the Bonds Outstanding.

Moody's shall mean Moody's Investors Service Inc., a Delaware corporation, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee, by notice to the other Notice Parties.

Mortgage shall mean shall mean, collectively, the Mortgage and Security Agreement (Acquisition Loan), the Mortgage and Security Agreement (Building Loan) and the Mortgage and Security Agreement (Indirect Loan), each dated as of June 1, 2022, and each from Eden II School for Autistic Children, Inc. to the Issuer and the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Mortgage Amount shall mean the amount set forth in Eden II School for Autistic Children, Inc.'s Loan Agreement.

Mortgaged Property shall mean Eden II School for Autistic Children, Inc.'s Facility and other property mortgaged under the Mortgage.

MSRB shall mean the Municipal Securities Rulemaking Board or its successor entity.

Nationally Recognized Bond Counsel shall mean Hawkins Delafield & Wood LLP or other counsel acceptable to the Issuer and the Trustee and experienced in matters relating to tax exemption of interest on bonds issued by states and their political subdivisions.

Net Proceeds shall mean, when used with respect to any insurance proceeds or condemnation award, compensation or damages, the gross amount of any such proceeds, award, compensation or damages less all expenses (including reasonable attorneys' fees and any extraordinary expenses of the Issuer or the Trustee) incurred in the collection thereof.

Non-PPA Expenses shall mean all operating and nonoperating expenses of a Participant other than PPA Expenses.

Non-PPA Facility shall mean any facility of a Participant which is, or was, not subject to the Prior Property Approval process incorporated in New York State Codes, Rules and Regulations Parts 681, 686 and 690, as amended from time to time.

Non-PPA Indebtedness shall mean any Indebtedness incurred by a Participant to finance, in whole or in part, a Non-PPA Facility. Indebtedness incurred by a Participant with respect to a facility 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 facility.

Non-PPA Revenues shall mean all operating and nonoperating revenues of a Participant other than PPA Revenues.

Notice Parties shall mean the Issuer, the Participants, the Program Facilitator, the Bond Registrar, the Paying Agents and the Trustee.

Opinion of Counsel shall mean a written opinion of counsel for the Participants or any other Person (which counsel shall be reasonably acceptable to the Issuer and the Trustee) with respect to such matters as required under any Project Document or as the Issuer or the Trustee may otherwise reasonably require, and which shall be in form and substance reasonably acceptable to the Issuer and the Trustee.

OPWDD shall mean the New York State Office for People with Developmental Disabilities and its successors or assigns.

Organizational Documents shall mean, (i) in the case of an Entity constituting a limited liability company, the articles of organization or certificate of formation, and the operating agreement of such Entity, (ii) in the case of an Entity constituting a corporation, the charter, articles of incorporation or certificate of incorporation, and the bylaws of such Entity, and (iii) in the case of an Entity constituting a general or limited partnership, the partnership agreement of such Entity.

Outstanding, when used with reference to a Participant's Portion of a Bond or Bonds, as of any particular date, shall mean such Bonds which have been issued, executed, authenticated and delivered under the Indenture, except:

(i) such Bonds cancelled by the Trustee because of payment or redemption prior to maturity or surrendered to the Trustee under the Indenture for cancellation;

(ii) any such Bond (or portion of a Bond) for the payment or redemption of which, in accordance with the Indenture, there has been separately set aside and held in the Redemption Account of the Bond Fund either:

(A) moneys, and/or

(B) Defeasance Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys,

in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the payment or Redemption Date, which payment or Redemption Date shall be specified in irrevocable instructions given to the Trustee to apply such moneys and/or Defeasance Obligations to such payment on the date so specified, provided, that, if such Bond or portion thereof is to be redeemed, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(iii) such Bonds in exchange for or in lieu of which other Bonds shall have been authenticated and delivered under the Indenture,

provided, however, that in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture or under any other Security Document, Bonds owned by a Participant or any Affiliate of a Participant shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee knows to be so owned shall be so disregarded. Bonds which have been pledged in good faith may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not a Participant or any Affiliate of a Participant.

Participants shall mean each of (i) Eden II School for Autistic Children, Inc., (ii) HASC Diagnostic and Treatment Center, Inc. and HASC Center, Inc., (iii) HeartShare Human Services of New York and (iv) Young Adult Institute, Inc., each a New York not-for-profit corporation, and its respective successors and assigns pursuant to each such Participant's Loan Agreement.

Participant's Account in the Debt Service Reserve Fund (Tax-Exempt) shall mean the applicable special trust account in the Debt Service Reserve Fund (Tax-Exempt) so designated, established pursuant to the Indenture.

Participant's Allocable Interest shall mean, with respect to any Series of Bonds at any time, a fraction, the numerator of which is equal to the aggregate principal amount of such Bonds allocable to such Participant that are then Outstanding and the denominator of which is equal to the aggregate principal amount of all Outstanding Bonds of such Series.

Participant's Debt Service Reserve Fund Requirement (Tax-Exempt) shall have the meaning set forth in each Loan Agreement.

Participant's Portion shall mean, (i) with respect to the initial aggregate principal of the Series 2022 Bonds, the aggregate principal amount set forth in the related Loan Agreement, (ii) with respect to the principal amount of the Series 2022 Bonds coming due on each principal payment date, the principal amounts set forth in the related Loan Agreement, and (iii) with respect to any fees, expenses or other amounts required to be paid or calculated under the related Loan Agreement, an amount equal to the product of (a) the total aggregate amount due or available and (b) the Participant's Allocable Interest, provided that if the amount incurred is due, in the sole judgment of the Program Facilitator, solely to the action or inaction of the applicable Participant, the Participant's Portion shall equal the entire amount incurred.

Paying Agent shall mean any paying agent for the Bonds appointed pursuant to the Indenture (and may include the Trustee) and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Indenture.

Permitted Encumbrances shall mean, with respect to each Facility, as applicable:

(i) any Underlying Facility Realty Document (and any liens permitted under any such Underlying Facility Realty Document) and any other Project Document;

(ii) liens for real estate taxes, assessments, levies and other governmental charges, the payment of which is not yet due and payable;

(iii) any mechanic's, workmen's, repairmen's, materialmen's, contractors', warehousemen's, carriers', suppliers' or vendors' lien, security interest, encumbrance or charge or right in respect thereof, placed on or with respect to the Facility or any part thereof, if payment is not yet due and payable, or if such payment is being disputed pursuant to each Loan Agreement;

(iv) utility, access and other easements and rights-of-way, restrictions and exceptions that an Authorized Representative of a Participant certifies to the Issuer and the Trustee will not materially interfere with or impair such Participant's use and enjoyment of the applicable Facility as provided in its Loan Agreement;

(v) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to property similar in character to the Facility as do not, as set forth in a certificate of an Authorized Representative of a Participant delivered to the Issuer and the Trustee, either singly or in the aggregate, render title to the Facility unmarketable or materially impair the property affected thereby for the purpose for which it was acquired or purport to impose liabilities or obligations on the Issuer;

(vi) those encumbrances enumerated in a title report with respect to a leased Facility or those exceptions to title to the Mortgaged Property enumerated in the title insurance policy delivered pursuant to each applicable Loan Agreement insuring the Trustee's mortgagee interest in the Mortgaged Property, a copy of which is on file at the designated corporate trust office of the Trustee;

(vii) liens arising by reason of good faith deposits with a Participant in connection with the tenders, leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by such Participant to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(viii) any lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable a Participant to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workmen's compensation, unemployment insurance, old age pensions or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(ix) any judgment lien against a Participant, so long as the finality of such judgment is being contested in good faith and execution thereon is stayed;

(x) any purchase money security interest in movable personal property, including equipment leases and financing;

(xi) liens on property due to rights of governmental entities or third party payors for recoupment of excess reimbursement paid;

(xii) a lien, restrictive declaration or performance mortgage with respect to the operation of the Facility arising by reason of a grant or other funding received by a Participant from the City, the State or any governmental agency or instrumentality;

(xiii) any grant of a mortgage, pledge, encumbrance or security interest in any Underlying Facility Realty Document;

(xiv) any mortgage, pledge, encumbrance or security interest in any property granted by a fee owner of a leased Facility to which any Underlying Facility Realty Document is subject and subordinate;

(xv) any lien, security interest or encumbrance in the Pledged Collateral or the Trust Estate which lien, security interest or encumbrance is subordinate to the Security Documents;

(xvi) any Prior Pledge or lien securing any security interest permitted in the related Pledge and Security Agreement; and

(xvii) any lien, security interest, encumbrances or charge which exists in favor of the Trustee or to which the Trustee shall consent in writing.

Person shall mean an individual or any Entity.

Pledge and Security Agreement shall mean, collectively or individually, any Pledge and Security Agreement, dated as of June 1, 2022, from a Participant to the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Pledged Collateral shall mean, with respect to a Participant, certain revenues and assets of such Participant, consisting of the following, whether now owned or hereafter acquired, created or arising and wherever located (1) all Pledged Revenues and any Facility Personalty; (2) all claims and causes of action arising from or otherwise related to any of the foregoing, and all rights and judgments related to any legal actions in connection with such claims or causes of action, and all cash (or evidences of cash or of rights to cash) or other property or rights thereto relating to such claims or causes of action; and (3) all proceeds (including, without limitation, insurance proceeds and condemnation awards), whether cash or non-cash, of any of the above.

Pledged Revenues shall mean all accounts, investment property income, payment intangibles, monies, receipts, earnings (inclusive of any investment income), revenues, including Public Funds, rentals, income, insurance proceeds, fees, gifts, donations, contributions, charges and other moneys received or receivable by or on behalf of a Participant, including, but without limiting the generality of the foregoing, (i) fees and charges of such Participant including fees or charges derived from the ownership or operation of its Facility, and all rights to receive any of the above, whether in the form of accounts, payment intangibles, contract rights, or other rights, and the proceeds of such rights, whether now owned or held or hereafter coming into existence; and (ii) gifts, grants, bequests, donations and contributions heretofore or hereafter made to such Participant; provided, however, that, there shall be expressly excluded from "Pledged Revenues" (y) the Unrestricted Investments Fund of such Participant and (z) Restricted Gifts. Notwithstanding the foregoing, "Pledged Revenues" shall include all income, distributions, dividends, earnings and revenues (y) derived from and deposited in the Unrestricted Investment Fund; and (z) derived from Restricted Gifts (unless otherwise prohibited by the terms of a Restricted Gift).

PPA Expenses shall mean all operating and nonoperating expenses properly incurred by a 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 shall mean any facility of a Participant which was, or will be, approved by the New York State Office For People With Developmental Disabilities pursuant to the Prior Property Approval process incorporated in New York State Codes, Rules and Regulations Parts 681, 686 and 690, as amended from time to time.

PPA Revenues shall mean revenues received by a Participant with respect to a PPA Facility intended to amortize the PPA Expenses incurred with respect to such PPA Facility.

Prime Landlord shall have the meaning set forth in the Loan Agreement for each of HeartShare Human Services of New York, HASC Diagnostic and Treatment Center, Inc. and HASC Center, Inc., and Young Adult Institute, Inc.

Principal Account shall mean the special trust account of the Bond Fund so designated, established pursuant to the Indenture.

Principals shall mean, with respect to any Entity, the most senior three officers of such Entity, any Person with a ten percent (10%) or greater ownership interest in such Entity and any Person as shall have the power to Control such Entity, and "principal" shall mean any of such Persons.

Prior Pledges shall mean, with respect to a Participant (a) any prior pledge or lien securing any security interest permitted in its Pledge and Security Agreement and/or (b) with reference to its Pledged Collateral, any liens, pledges charges, encumbrances and security interests made and given by such Participant to secure prior obligations of such Participant as described in its Pledge and Security Agreement, and any replacement of any credit facility referenced therein which does not exceed the total amount available to such Participant under such existing credit facility.

Program Facilitator shall mean InterAgency Council of Developmental Disabilities Agencies, Inc., and its successors and assigns under the Administration Agreement.

Project shall mean, individually, the Project as defined in a Participant's Loan Agreement or, collectively, all of them, as the context requires.

Project Account shall mean a Project Account established in the Project Fund for the benefit of a Participant.

Project Costs shall mean, with respect to each Project, as applicable,

(i) all costs of engineering and architectural services with respect to the Project Work, including the cost of test borings, surveys, estimates, permits, plans and specifications and for supervising demolition, construction and renovation, as well as for the performance of all other duties required by or consequent upon the proper construction of, and the making of alterations, renovations, additions and improvements in connection with, the completion of the Project Work;

(ii) all costs paid or incurred for labor, materials, services, supplies, machinery, equipment and other expenses and to contractors, suppliers, builders and materialmen in connection with the completion of the Project Work;

(iii) all costs of contract bonds and of insurance that may be required or necessary during the period of Project Work construction and renovation;

(iv) the cost of acquisition of a Facility Realty and all costs of title insurance as provided in the applicable Loan Agreement;

(v) the payment of the Costs of Issuance with respect to the Series 2022 Bonds;

(vi) all costs which the applicable Participant shall be required to pay, under the terms of any contract or contracts, for the completion of the Project Work, including any amounts required to reimburse such Participant for advances made for any item otherwise constituting a Project Cost or for any other costs incurred and for work done which are properly chargeable to the Project Work; and

(vii) all other costs and expenses relating to the completion of the Project Work or the issuance of a Series of Additional Bonds.

"Project Costs" shall not include (i) fees or commissions of real estate brokers, (ii) moving expenses, or (iii) operational costs.

Project Documents shall mean, collectively, the Administration Agreement, the Continuing Disclosure Agreement, any Underlying Facility Documents and the Security Documents.

Project Fund shall mean the special trust fund so designated, established pursuant to the Indenture.

Project Work shall mean (i) the design, construction and/or renovation of the Improvements, including the acquisition of building materials and fixtures, and (ii) the acquisition, whether by title or lease, of the Facility Personalty and any work required to install same.

Promissory Note(s) shall mean, (i) with respect to the Series 2022 Bonds, collectively or individually, the Promissory Note delivered by a Participant pursuant to its Loan Agreement with respect to such Participant's Portion of the Series 2022 Bonds substantially in the form attached to such Loan Agreement, (ii) with respect to any Series of Additional Bonds, that certain Promissory Note in substantially the form of any related exhibit to an amendment to the applicable Loan Agreement, and (iii) with respect to the Bonds, collectively, those certain Promissory Notes described in clauses (i) and (ii) above, and shall include in each case any and all amendments thereof and supplements thereto made in conformity with the related Loan Agreement and the Indenture.

Public Funds shall mean 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 the New York State Office for People with Developmental Disabilities, the New York State Office of Mental Health, the New York State Office of Addiction Services and Supports and the New York State Department of Health (and any successor or assigns with respect to each thereto), or any other division, department, office or agency of the State that is a source of Pledged Revenues of such Participant whether as PPA Revenues or Non-PPA Revenues.

Qualified Investments shall mean, to the extent permitted by applicable law, the following:

(A) 1. Cash deposits (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in (A)2 below).

2. Direct obligations of (including obligations issued or held in book entry form on the books of the Department of Treasury) the United States of America. In the event these securities are used for defeasance, they shall be non-callable and non-prepayable.

3. Obligations of the following federal agencies so long as such obligations are backed by the full faith and credit of the United States of America (in the event these securities are used for defeasance, they shall be non-callable and non-prepayable):

a. U.S. Export-Import Bank (Eximbank)

b. Rural Economic Community Development Administration

c. Federal Financing Bank

d. U.S. Maritime Administration

e. U.S. Department of Housing and Urban Development (PHAs)

f. General Services Administration

g. Small Business Administration

h. Government National Mortgage Association (GNMA)

i. Federal Housing Administration

j. Farm Credit System Financial Assistance Corporation

(B) To the extent permitted by law, the following obligations are "Qualified Investments" for all purposes other than defeasance investments in refunding escrow accounts:

1. Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: (a) Senior debt obligations rated in the highest long-term rating category by at least two nationally recognized rating agencies issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC) and (b) Senior debt obligations of the Federal Home Loan Bank System.

2. U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which either (a) have a rating on their short-term certificates of deposit on the date of purchase in the highest short-term rating category of at least two nationally recognized rating agencies, (b) are insured at all times by the Federal Deposit Insurance Corporation, or (c) are collateralized with direct obligations of the United States of America at one hundred two percent (102%) valued daily. All such certificates must mature no more than three hundred sixty (360) days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank).

3. "Prime quality" commercial paper, with a maturity of 270 days or less, of issuing corporations organized under the laws of the United States, or of any state thereof, including paper issued by banks and bank holding companies. "Prime quality" shall be as rated by Moody's within its ratings of "P-1" or "P-2" or by S&P within its ratings of "A-1" or "A-2."

4. Investments in (a) money market funds subject to SEC Rule 2a-7 and rated in the highest short-term rating category of at least two nationally recognized rating agencies, including such funds for which the Trustee or an Affiliate of the Trustee serves as investment advisor, administrator, shareholder, servicing agent and/or custodian or sub-custodian, notwithstanding that (i) the Trustee charges and collects fees and expenses from such funds for services rendered, (ii) the Trustee charges and collects fees and expenses for services rendered pursuant to the Indenture and (iii) services performed for such funds and pursuant to the Indenture may converge at any time, and (b) public sector investment pools operated pursuant to SEC Rule 2a-7 in which the Issuer's deposit shall not exceed 5% of the aggregate pool balance at any time and such pool is rated in one of the two highest short-term rating categories of at least two nationally recognized rating agencies.

5. Pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and, (a) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest long-term rating category of at least two (2) nationally recognized rating agencies; or (b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or direct obligations of the United States of America, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

6. General obligations of states with a short-term rating in one of the two (2) highest rating categories and a long-term rating in one (1) of the two (2) highest rating categories of at least two (2) nationally recognized rating agencies. In the event such obligations are variable rate obligations, the interest rate on such obligations must be reset not less frequently than annually.

7. Investment agreements with any bank, registered broker/dealer, insurance company or any other financial institution or corporation, or any subsidiary thereof, rated at least "Aa3" by Moody's or "AA-" by S&P or "AA-" by Fitch. The credit rating may be at either the parent or subsidiary level.

8. Repurchase agreements collateralized by securities described in sub-sections 1-7 above, with any registered broker/dealer subject to the Securities Protection Corporation jurisdiction or any commercial bank, if such broker/dealer or bank has an uninsured, unsecured and un-guaranteed obligation rated at the time of purchase thereof, in one of the two highest rating categories by a rating agency, provided: (i) a master repurchase agreement or specific written repurchase agreement governs the transaction, (ii) the securities are held, free and clear of liens or claims by third parties by the Trustee or an independent party acting solely as agent for the Trustee, and such agent is (A) a Federal Reserve Bank or (B) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $25,000,000, and the Trustee shall have received written confirmation from such third party that it holds such securities as agent for the Trustee, free of liens or claims by third parties, (iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. in such securities is created for the benefit of the Trustee, (iv) the repurchase agreement has a term of thirty days or less, or the

Trustee will value the collateral securities at the current market value thereof no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation, and (v) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 102%.

9. Other forms of investments provided to the Trustee by the written direction of the Directing Party.

Rebate Fund shall mean the special trust fund so designated, established pursuant to the Indenture.

Record Date shall mean, with respect to any Interest Payment Date for the Series 2022 Bonds, the close of business on the fifteenth (15^{th}) day of the month next preceding such Interest Payment Date, or, if such day is not a Business Day, the next preceding Business Day.

Redemption Account shall mean the special trust account of the Bond Fund so designated, established pursuant to the Indenture.

Redemption Date shall mean the date fixed for redemption of Bonds subject to redemption in any notice of redemption given in accordance with the terms of the Indenture.

Redemption Price shall mean, with respect to any Bond or a portion thereof, the principal amount thereof to be redeemed in whole or in part, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Indenture.

Refunding Bonds shall mean one or more Series of Additional Bonds issued pursuant to the Indenture to refund all the Outstanding Bonds or any Series of Outstanding Bonds or any part of one or more Series of Outstanding Bonds.

Related Security Documents shall mean all Security Documents other than the Indenture.

Renewal Account shall mean a Renewal Account established in the Renewal Fund for the benefit of a Participant.

Renewal Fund shall mean the Renewal Fund established by the Indenture.

Representation Letter shall mean the Blanket Issuer Letter of Representations from the Issuer to DTC.

Required Disclosure Statement shall mean that certain Required Disclosure Statement in the form attached to each Loan Agreement.

Responsible Officer shall mean, with respect to the Trustee, any officer within the corporate trust office of the Trustee, including any vice-president, any assistant vice-president, any secretary, any assistant secretary, the treasurer, any assistant treasurer or other officer of the corporate trust office of the Trustee customarily performing functions similar to those performed by any of the above designated officers, who has direct responsibility for the administration of the trust granted in the Indenture, and shall also mean, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

Restricted Gifts shall mean gifts, grants, bequests, donations and contributions made to a Participant and designated or specified by the granting authority, donor or maker thereof as being for specified purposes that would prohibit the use of such amounts for the payment of the principal of and interest on such Participant's Portion of the Series 2022 Bonds or operating expenses.

S&P shall mean S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, a Delaware limited liability company, its successors and assigns, and if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee, by notice to the other Notice Parties.

Securities Act shall mean the Securities Act of 1933, as amended, together with any rules and regulations promulgated thereunder.

Securities Depository shall mean any securities depository that is a clearing agency under federal law operating and maintaining, with its DTC Participants or otherwise, a book-entry system to record ownership of book-entry interests in the Bonds, and to effect transfers of book-entry interests in the Bonds in book-entry form, and includes and means initially DTC.

Securities Exchange Act shall mean the Securities Exchange Act of 1934, as amended, together with any rules and regulations promulgated thereunder.

Security Documents shall mean, collectively, the Loan Agreements, the Promissory Notes, the Pledge and Security Agreements, the Indenture, the Tax Regulatory Agreement, the Mortgage (as assigned pursuant to the Assignment of Mortgage), the Building Loan Agreement and the Collateral Assignments of Lease.

Series shall mean all of the Bonds designated as being of the same series authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Indenture.

Series 2022 Bonds shall mean, collectively, the Series 2022A Bonds and the Series 2022B Bonds; provided however, that the Series 2022A Bonds and the Series 2022B Bonds shall be separate Series of Bonds for purposes of the Indenture.

Series 2022A Bonds shall mean the $11,305,000 Revenue Bonds (InterAgency Council Pooled Loan Program), Series 2022A, of the Issuer issued under the Indenture.

Series 2022B Bonds shall mean the $575,000 Revenue Bonds (InterAgency Council Pooled Loan Program), Series 2022B (Taxable), of the Issuer issued under the Indenture.

Sinking Fund Installment shall mean an amount so designated and which is established for mandatory redemption on a date certain of the Bonds of any Series of Bonds pursuant to the Indenture. The portion of any such Sinking Fund Installment of a Series of Bonds remaining after the deduction of any amounts credited pursuant to the Indenture toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments of such Series of Bonds due on a future date.

Sinking Fund Installment Account shall mean the special trust account of the Bond Fund so designated, which is established pursuant to the Indenture.

State shall mean the State of New York.

Supplemental Indenture shall mean any indenture supplemental to or amendatory of the Indenture, executed and delivered by the Issuer and the Trustee in accordance with the Indenture.

Taxable Bonds shall mean the Series 2022B Bonds and any Additional Bonds which are not Tax-Exempt Bonds.

Tax-Exempt Bonds shall mean the Series 2022A Bonds and any Additional Bonds as to which, at the time of original issuance, there shall be delivered to the Issuer an opinion of Nationally Recognized Bond Counsel to the effect that the interest on such Bonds is excluded from gross income for federal income tax purposes.

Tax-Exempt Organization shall mean an Entity organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code and exempt from federal income taxes under Section 501(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

Tax Regulatory Agreement shall mean the Tax Regulatory Agreement, dated the Closing Date, from the Issuer, the Program Facilitator and each Participant to the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Total Debt Service Coverage Ratio shall mean the ratio for the applicable Fiscal Year of Total Net Revenues Available for Debt Service to Total Maximum Annual Debt Service.

Total Maximum Annual Debt Service shall mean the greatest amount required in the then current or any future Fiscal Year to pay the debt service on any outstanding Non-PPA Indebtedness of a Participant; provided, however, that any Non-PPA Indebtedness secured solely by a security interest in its Accounts Receivable in accordance with its Pledge and Security Agreement shall not be included in "Non-PPA Indebtedness" for the purposes of this definition; provided further, that the debt service for the final year of amortization of any Non-PPA 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 shall mean, for any Fiscal Year, the excess of Non-PPA Revenues, including the proceeds of business interruption insurance, over the Non-PPA Expenses accrued or paid by a 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 GAAP, (i) extraordinary items shall be excluded from Non-PPA Revenues and Non-PPA Expenses, (ii) depreciation, amortization and current interest expenses shall be excluded from Non-PPA Expenses, and (iii) if the Indebtedness to be incurred or guaranteed is with respect to the refinancing of a Project, then "current interest expenses" for purposes of clause (ii) above and its Pledge and Security Agreement shall include the bona fide loan payments made by such Participant with respect to its Facility in the Fiscal Year for which the determination is made.

Trustee shall mean The Bank of New York Mellon, New York, New York, in its capacity as trustee under the Indenture, and its successors in such capacity and their assigns hereafter appointed in the manner provided in the Indenture.

Trust Estate shall mean all property, interests, revenues, funds, contracts, rights and other security granted to the Trustee under the Security Documents.

Underlying Facility Realty Documents shall mean such documents, if any, set forth in the applicable Loan Agreement.

Underwriter shall mean Municipal Capital Markets Group, Inc., as underwriter of the Series 2022 Bonds.

Unrestricted Investments Fund shall mean one or more investment accounts maintained by a Participant with third party financial institutions or money managers comprised of monies set aside for investment and not intended for operations (which moneys are not, however, prohibited by the donor or by Legal Requirements from being applied to pay Indebtedness (including a Participant's Portion of the Series 2022 Bonds) of such Participant)

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENTS

The following is a summary of certain provisions of the Loan Agreements. The Loan Agreements differ as to provisions regarding leased or owned Facility and such other related differences with respect to each Project. Not all provisions described in this Appendix E will apply to each Participant or its respective Facility or Project. This summary does not purport to be complete, and reference is made to the Loan Agreements for the detailed provisions thereof. This summary is qualified in its entirety by such reference. Headings are not part of the Loan Agreements and are included for ease of reference only.

Agreement to Undertake Project Work. The Participant covenants and agrees to undertake and complete the Project Work in accordance with the Loan Agreement and all applicable requirements of any Underlying Facility Realty Document, including, without limitation: (i) effecting the Project Work, (ii) making, executing, acknowledging and delivering any contracts, orders, receipts, writings and instructions with any other Persons, and in general doing all things which may be requisite or proper, all for the purposes of undertaking the Project Work, (iii) paying all fees, costs and expenses incurred in the Project Work from funds made available therefor in accordance with or as contemplated by the Loan Agreement and the Indenture, and (iv) asking, demanding, suing for, levying, recovering and receiving all such sums of money, debts due and other demands whatsoever that may be due, owing and payable to the Participant under the terms of any contract, order, receipt or writing in connection with the Project Work and to enforce the provisions of any contract, agreement, obligation, bond or other performance security entered into or obtained in connection with the Project Work.

Maintenance. During the term of the Loan Agreement, the Participant will: (i) keep the Facility in good and safe operating order and condition, ordinary wear and tear excepted, (ii) occupy, use and operate the Facility, or cause the Facility to be occupied, used and operated, as the Approved Facility and in accordance any Underlying Facility Realty Document, and (iii) make or cause to be made all replacements, renewals and repairs thereto (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen) necessary to ensure that (x) the interest on the Tax-Exempt Bonds shall not cease to be excludable from gross income for federal income tax purposes, (y) the operations of the Participant at the Facility shall not be materially impaired or diminished in any way, and (z) the security for the Bonds shall not be materially impaired.

All replacements, renewals and repairs shall be similar in quality, class and value to the original work and be made and installed in compliance with all applicable Legal Requirements and all applicable requirements of any Underlying Facility Realty Document.

The Issuer shall be under no obligation to replace, service, test, adjust, erect, maintain or effect replacements, renewals or repairs of the Facility, to effect the replacement of any inadequate, obsolete, worn out or unsuitable parts of the Facility, or to furnish any utilities or services for the Facility, and the Participant agrees under the Loan Agreement to assume full responsibility therefor.

Alterations and Improvements. The Participant shall have the privilege of making such alterations of or additions to the Facility Realty ("Additional Improvements") or any part thereof from time to time as it in its discretion may determine to be desirable for its uses and purposes, provided that: (i) as a result of the Additional Improvements, the fair market value of the Facility is not reduced below its fair market value immediately before the Additional Improvements are made and the usefulness, structural integrity or operating efficiency of the Facility is not materially impaired, (ii) the Additional Improvements are effected with due diligence, in a good and workmanlike manner and in compliance with all applicable Legal Requirements and all applicable requirements of any Underlying Facility Realty Document, (iii) the

Additional Improvements are promptly and fully paid for by the Participant in accordance with the terms of the applicable contract(s) therefor, and (iv) the Additional Improvements do not change the nature of the Facility so that it would not constitute the Approved Facility.

All Additional Improvements shall constitute a part of the Facility, subject to the Loan Agreement, any Underlying Facility Realty Document and any Mortgage.

If at any time after the Operations Commencement Date (as defined in the Loan Agreement) or, if the Project Work is completed prior to the Closing Date, the Closing Date, the Participant shall make any Additional Improvements, the Participant shall notify an Authorized Representative of the Issuer of such Additional Improvements by delivering written notice thereof within thirty (30) days after the completion of the Additional Improvements.

In addition to the Facility Personalty, the Participant shall have the right to install or permit to be installed at the Facility Realty, machinery, equipment and other personal property at the Participant's own cost and expense (the "Participant's Property"). Once so installed, the Participant's Property shall not constitute part of the Facility Personalty or of the Pledged Collateral and shall not be subject to the Loan Agreement, nor constitute part of the Facility, or subject to the lien and security interest of any Mortgage or the Pledge and Security Agreement, provided that the same is not made fixtures appurtenant to the Facility Realty. The Participant shall have the right to create or permit to be created any encumbrance, lien or charge on, or conditional sale or other title retention agreement with respect to, the Participant's Property, without the consent of or notice to the Issuer or the Trustee.

Removal of Property of the Facility. The Participant shall have the right from time to time to remove from that property constituting part of the Facility any fixture constituting part of the Facility Realty or any machinery, equipment or other item of personal property constituting part of the Facility Personalty (in any such case, the "Existing Facility Property") and thereby removing such Existing Facility Property from that property constituting part of the Facility and the lien and security interest of any Mortgage or the Pledge and Security Agreement, provided, however:

(i) such Existing Facility Property is substituted or replaced by property (y) having equal or greater fair market value, operating efficiency and utility and (z) free of all mortgages, liens, charges, encumbrances, claims and security interests other than Permitted Encumbrances, or

(ii) if such Existing Facility Property is not to be substituted or replaced by other property but is instead to be sold, scrapped, traded-in or otherwise disposed of in an arms'-length bona fide transaction for consideration, the Participant shall pay to the Trustee for deposit in the Redemption Account of the Bond Fund and thereby cause a redemption of the Bonds allocable to the Participant to be effected in an amount (to the nearest integral multiple of Authorized Denomination) equal to the amounts derived from such sale or scrapping, the trade-in value credit received or the proceeds received from such other disposition; provided that no such redemption shall be required when such amount received in connection with any removal or series of removals does not exceed, in the aggregate, $25,000.

No such removal set forth in paragraph (i) or (ii) above shall be effected if (v) such removal would cause the interest on the Tax-Exempt Bonds to cease to be excludable from gross income for federal income tax purposes, (w) such removal would change the nature of the Facility as the Approved Facility, (x) such removal would materially impair the usefulness, structural integrity or operating efficiency of the Facility, (y) such removal would materially reduce the fair market value of the Facility below its fair market value immediately before such removal (except by the amount by which the Bonds are to be redeemed as provided in paragraph (ii) above), or (z) there shall exist and be continuing an Event of Default under the Loan

Agreement. Any amounts received pursuant to paragraph (ii) above in connection with any removal or series of removals, which are not in excess of $25,000, shall be retained by the Participant.

The removal from the Facility of any Existing Facility Property pursuant to the provisions of the Loan Agreement as described above shall not entitle the Participant to any abatement or reduction in the loan payments and other amounts payable by the Participant under the Loan Agreement, under the Promissory Note or under any other Project Document.

Implementation of Additional Improvements and Removals. In the event of any Additional Improvements or substitution or replacement of property pursuant to the Loan Agreement as described under the heading "Alterations and Improvements" or "Removal of Property of the Facility" above, the Participant shall deliver or cause to be delivered to the Issuer and the Trustee any necessary documents in order to subject such Additional Improvements or substitute or replacement property to the lien and security interest of any Mortgage (in each case to the extent such Additional Improvements or substitute or replacement property relates to the Mortgaged Property) and to cause all of the same to be made part of the Facility.

Loan of Proceeds. The Issuer agrees, upon the terms and conditions contained in the Loan Agreement and the Indenture, to loan to the Participant the proceeds from the sale of the Series 2022 Bonds in an amount equal to the aggregate principal amount of the Participant's Portion of the Series 2022 Bonds (the "Loan"). The Loan shall be made by depositing on the Closing Date the proceeds from the sale of the Series 2022 Bonds such amount into the applicable Accounts in the Project Fund in accordance with the Indenture. Such proceeds shall be disbursed to or on behalf of the Participant as provided in the Loan Agreement and the Indenture.

Promissory Note. The Participant's obligation to repay the Loan shall be evidenced by the Loan Agreement and the Promissory Note. On the Closing Date, the Participant shall execute and deliver the Promissory Note payable to the Issuer, and the Issuer will endorse the Promissory Note to the Trustee. The Participant acknowledges that the original principal amount payable under the Promissory Note may be more or less than the original principal amount of the Loan if the Series 2022 Bonds are sold at a discount or at a premium, respectively, and agrees that repayment of the Loan and the Promissory Note will be made in accordance with the Loan Agreement as described under the heading "Loan Payments; Pledge of the Loan Agreement and of the Promissory Note."

Loan Payments; Pledge of the Loan Agreement and of the Promissory Note. The Participant covenants to pay the Promissory Note and repay the Loan made pursuant to the Loan Agreement by making loan payments which the Issuer agrees shall be paid in immediately available funds by the Participant directly to the Trustee no later than on each Loan Payment Date (except as provided in clauses (ii), (iv) and (v) below which shall be paid on the respective due dates thereof) for deposit in the Participant's Loan Payment Account of the Bond Fund (except to the extent that amounts are on deposit in the Bond Fund and available therefor) in an amount equal to the sum of:

(i) with respect to interest due and payable on the Series 2022 Bonds, an amount equal to the quotient obtained by dividing the amount of interest on the Participant's Portion of the Series 2022 Bonds Outstanding payable on the first Interest Payment Date (after taking into account the Participant's Portion of any amount on deposit in the Interest Account of the Bond Fund, and as shall be available to pay interest on the Series 2022 Bonds on the first Interest Payment Date) by the number of Loan Payment Dates between the Closing Date and the first Interest Payment Date, and thereafter in an amount equal to one-sixth (1/6) of the amount of interest which will become due and payable on the Participant's Portion of the Series 2022 Bonds on the next succeeding Interest Payment Date (after taking into account the Participant's Portion of any amounts on deposit in the Interest Account of the Bond Fund, and as shall be available to pay interest on the Participant's Portion of the Series 2022 Bonds on such next succeeding Interest Payment Date); provided that in any event the aggregate amount so paid with respect to interest on the Participant's Portion of the Series 2022 Bonds on or before the Loan Payment Date immediately preceding an Interest Payment Date shall be an amount sufficient to pay the interest next becoming due on the Participant's Portion of the Series 2022 Bonds on such immediately succeeding Interest Payment Date;

(ii) with respect to principal due on the Series 2022 Bonds (other than such principal amount as shall become due as a mandatory Sinking Fund Installment payment), commencing on that Loan Payment Date as shall precede the first principal payment date by more than twelve (12) but less than thirteen (13) months, an amount equal to one-twelfth (1/12) of the amount of the principal of the Participant's Portion of the Bonds Outstanding becoming due (other than by reason of mandatory Sinking Fund Installments) within the next succeeding thirteen (13) month period (or, if the first principal payment date following the Closing Date shall be on a date sooner than thirteen (13) calendar months following the Closing Date, then, with respect to such first principal amount, an amount equal to the quotient obtained by dividing such principal amount by the number of Loan Payment Dates between the Closing Date and such first principal payment date), and thereafter for each principal payment date commencing on that Loan Payment Date as shall precede such principal payment date by more than twelve (12) but less than thirteen (13) months, an amount equal to one-twelfth (1/12) of the amount of the principal of the Participant's Portion of the Bonds Outstanding becoming due (other than by reason of mandatory Sinking Fund Installments) within such next succeeding thirteen (13) month period; provided that in any event the aggregate amount so paid with respect to principal on the Participant's Portion of the Series 2022 Bonds on or before the Loan Payment Date immediately preceding a principal payment date of the Series 2022 Bonds shall be an amount sufficient to pay the principal of the Participant's Portion of the Series 2022 Bonds Outstanding becoming due on such next succeeding principal payment date of the Series 2022 Bonds; provided further that in the event of the acceleration of the principal of the Participant's Portion of the Series 2022 Bonds, a loan payment in the amount of the principal amount of the Participant's Portion of the Series 2022 Bonds Outstanding (together with all interest accrued thereon to the date of payment), shall be due and payable on such date of acceleration;

(iii) with respect to Sinking Fund Installment payments due on the Participant's Portion of the Series 2022 Bonds, commencing on that Loan Payment Date as shall precede the first Sinking Fund Installment payment date by more than twelve (12) but less than thirteen (13) months, an amount equal to one-twelfth (1/12) of the amount of the Sinking Fund Installment on the Participant's Portion of the Series 2022 Bonds first becoming due within the next succeeding thirteen (13) month period (or, if the first Sinking Fund Installment payment date following the Closing Date shall be on a date sooner than thirteen (13) calendar months following the Closing Date, then, with respect to such first Sinking Fund Installment, an amount equal to the quotient obtained by dividing such Sinking Fund Installment by the number of Loan Payment Dates between the Closing Date and such first Sinking Fund Installment payment date), and thereafter for each Sinking Fund Installment payment date commencing on that Loan Payment Date as shall precede such Sinking Fund Installment payment date by more than twelve (12) but less than thirteen (13) months, an amount equal to one-twelfth (1/12) of the amount of the Sinking Fund Installment of the Participant's Portion of the Series 2022 Bonds Outstanding becoming due within such next succeeding thirteen (13) month period; provided that in any event the aggregate amount so paid with respect to Sinking Fund Installments on the Participant's Portion of the Series 2022 Bonds on or before the Loan Payment Date immediately preceding a Sinking Fund Installment payment date of the Participant's Portion of the Series 2022 Bonds shall be an amount sufficient to pay the Sinking Fund Installment of the Participant's Portion of the Series 2022 Bonds Outstanding becoming due on such next succeeding Sinking Fund Installment payment date;

(iv) on each Redemption Date, with respect to the Redemption Price (other than by Sinking Fund Installments) due and payable on the Participant's Portion of the Series 2022 Bonds, whether as an optional or mandatory redemption, an amount equal to the Redemption Price together with accrued interest on the Participant's Portion of the Series 2022 Bonds being redeemed on such Redemption Date; and

(v) upon receipt by the Participant of notice from the Trustee pursuant to the Indenture that the amount on deposit in the Participant's Account in the Debt Service Reserve Fund (Tax-Exempt) shall be less than the Participant's Debt Service Reserve Fund Requirement (Tax-Exempt) by reason of the occurrence of either of the circumstances set forth in clause (i) or (ii) below, the Participant shall pay to the Trustee, for deposit in the Participant's Account in the Debt Service Reserve Fund (Tax-Exempt) on the first day of each month, commencing on the first day of the month immediately following receipt by the Participant of notice of such deficiency, until the amount of such deficiency has been satisfied, either (i) one-twelfth (1/12) of the amount of such deficiency if such deficiency is due to a withdrawal from the Participant's Account in the Debt Service Reserve Fund (Tax-Exempt) on account of the Participant's failure to make timely payments as described in the paragraphs above under this heading or (ii) one-quarter (1/4) of the deficiency if such deficiency is due to a decrease in the value of the Qualified Investments held in the Participant's Account of the Debt Service Reserve Fund (Tax-Exempt).

In the event the Participant should fail to make or cause to be made any of the payments required under the foregoing provisions described under this heading, the item or installment not so paid shall continue as an obligation of the Participant until the amount not so paid shall have been fully paid.

The Participant has the option to make advance loan payments for deposit in the Bond Fund to effect the retirement, defeasance or redemption of the Bonds allocable to the Participant in whole or in part, all in accordance with the terms of the Indenture; provided, however, that no partial redemption of the Bonds allocable to the Participant may be effected through advance loan payments under the Loan Agreement if there shall exist and be continuing an Event of Default. The Participant shall exercise its option to make such advance loan payments by delivering a written notice of an Authorized Representative of the Participant to the Trustee in accordance with the Indenture, with a copy to the Issuer, setting forth (i) the amount of the advance loan payment, (ii) the principal amount of the Bonds allocable to the Participant requested to be redeemed with such advance loan payment (which principal amount shall be in such minimum amount or integral Authorized Denomination as shall be permitted in the Indenture), and (iii) the date on which such principal amount of the Bonds allocable to the Participant are to be redeemed (which date shall be not earlier than forty-five (45) days after the date of such notice). In the event the Participant shall exercise its option to make advance loan payments to effect the redemption in whole of the Bonds allocable to the Participant, and such redemption is expressly permitted under the Indenture as a result of the damage, destruction or condemnation of the Facility, or changes in law, or executive or judicial action, the Participant shall further deliver to the Issuer and the Trustee a certificate of an Authorized Representative of the Participant stating that, as a result of the occurrence of the event giving rise to such redemption, the Participant has discontinued, or at the earliest practicable date will discontinue, its operation of the Facility for its intended purposes. Such advance loan payment shall be paid to the Trustee in legal tender, for deposit in the Participant's Loan Payment Account on or before the Redemption Date and shall be an amount which, when added to the amounts on deposit in the Participant's Loan Payment Account and available therefor, and in the Participant's Account in the Debt Service Reserve Fund (Tax-Exempt) and available therefor, will be sufficient to pay the Redemption Price of the Bonds allocable to the Participant to be redeemed, together with interest to accrue to the Redemption Date and all expenses of the Issuer, the Trustee, the Bond Registrar and the Paying Agents in connection with such redemption. In the event the Bonds allocable to the Participant are to be redeemed in whole or otherwise retired, the Participant shall further pay on or before such Redemption Date, in legal tender, to the Issuer, the Trustee, the Bond Registrar and the Paying Agent all fees and expenses owed such party or any other party entitled thereto under the Loan Agreement or the Indenture together with (x) all other amounts due and payable under the Loan Agreement and the other Security Documents, and (y) any amounts required to be rebated to the federal government pursuant to the Indenture or the Tax Regulatory Agreement.

At its option, to be exercised on or before the forty-fifth (45th) day next preceding the date any Bonds of a Series are to be redeemed from mandatory Sinking Fund Installments, the Participant may deliver to the Trustee Bonds of such Series which are subject to mandatory Sinking Fund Installment redemption in an aggregate principal amount not in excess of the principal amount of the Participant's Portion of the Bonds of such Series to be so redeemed on such date. Each such Bond so delivered shall be credited by the Trustee at one hundred percent (100%) of the principal amount thereof against the obligation of the Issuer on such Sinking Fund Installment payment date and any excess over such Participant's Portion of the Sinking Fund Installment shall be credited against the Participant's Portion of future Sinking Fund Installments in direct chronological order, and the principal amount of the Participant's Portion of the Bonds to be redeemed by operation of the mandatory Sinking Fund Installments shall be accordingly reduced.

In the event Defaulted Interest shall become due on any Series 2022 Bond, the Participant shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on such Series 2022 Bond and the date of the proposed payment (which date shall be such as will enable the Trustee to comply with the Indenture), and shall deposit with the Trustee at the time of such notice an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment.

No further loan payments need be made to the Issuer on account of the Bonds allocable to the Participant when and so long as the aggregate amount of cash and/or Defeasance Obligations on deposit in the Participant's Loan Payment Account and the Participant's Account in the Debt Service Reserve Fund (Tax-Exempt) is sufficient to satisfy and discharge the obligations of the Issuer under the Indenture and pay the Bonds as provided in the Indenture.

Any amounts remaining in the Participant's Earnings Account, the Rebate Fund allocated to the Participant's Portion of the Bonds, the Participant's Loan Payment Account, the Participant's Account in the Debt Service Reserve Fund (Tax-Exempt), the Participant's Project Account or the Participant's Renewal Account after payment in full of (w) the Bonds allocable to the Participant (in accordance with the Indenture), (x) the fees, charges and expenses of the Issuer, the Trustee, the Bond Registrar and the Paying Agents in accordance with the Indenture, (y) all amounts required to be rebated to the federal government pursuant to the Tax Regulatory Agreement or the Indenture, and (z) all amounts required to be paid under any Project Document, shall have been so paid, shall belong to and be paid to the Participant by the Trustee as overpayment of the loan payments.

In the event that the Participant fails to make any loan payment required under the Loan Agreement as described under this heading, the installment so in default shall continue as an obligation of the Participant until the amount in default shall have been fully paid.

Notwithstanding anything in the foregoing to the contrary, if the amount on deposit and available in the Bond Fund is not sufficient to pay the principal of, Sinking Fund Installments for, redemption premium, if any, and interest on the Bonds allocable to the Participant when due (whether at maturity or by redemption or acceleration or otherwise as provided in the Indenture), the Participant shall forthwith pay the amount of such deficiency in immediately available funds to the Trustee for deposit in the Bond Fund.

Notwithstanding anything in the foregoing to the contrary, if the amount on deposit and available in the Participant's Loan Payment Account on the twenty-eighth day prior to a payment date with respect to the Bonds is not sufficient to pay the principal of, Sinking Fund Installments for, redemption premium, if any, and interest on the Bonds allocable to the Participant when due (whether at maturity or by redemption or acceleration or otherwise as provided in the Indenture), the Participant shall forthwith pay the amount of such deficiency in immediately available funds to the Trustee for deposit in the Participant's Loan Payment Account and such payment shall constitute Loan Payments under the Loan Agreement as described under this heading. The Participant shall have no obligation to satisfy any deficiency in any Loan Payment Account held by the Trustee other than the Participant's Loan Payment Account.

Loan Payments and Other Payments Payable Absolutely Net. The obligation of the Participant to pay the loan payments and other payments under the Loan Agreement and under the Promissory Note shall be absolutely net to the Issuer and to the Trustee without any abatement, recoupment, diminution, reduction, deduction, counterclaim, set-off or offset whatsoever, so that the Loan Agreement and the Promissory Note shall yield, net, to the Issuer and to the Trustee, the loan payments and other payments provided for in the Loan Agreement, and all costs, expenses and charges of any kind and nature relating to the Facility, arising or becoming due and payable under the Loan Agreement, shall be paid by the Participant and the Indemnified Parties shall be indemnified by the Participant for, and the Participant shall hold the Indemnified Parties harmless from, any such costs, expenses and charges.

Nature of Participant's Obligation Unconditional. The Participant's obligation under the Loan Agreement and under the Promissory Note to pay the loan payments and all other payments provided for in the Loan Agreement and in the Promissory Note shall be absolute, unconditional and a general obligation of the Participant, irrespective of any defense or any rights of set-off, recoupment or counterclaim or deduction and without any rights of suspension, deferment, diminution or reduction it might otherwise have against the Issuer, the Trustee or the Holder of any Bond and the obligation of the Participant shall arise whether or not the Project Work has been completed as provided in the Loan Agreement and whether or not any provider of a credit facility or liquidity facility or swap arrangement with respect to the Bonds shall be honoring its obligations thereunder. The Participant will not suspend or discontinue any such payment or terminate the Loan Agreement (other than such termination as is provided for under the Loan Agreement), or suspend the performance or observance of any covenant or agreement required on the part of the Participant under the Loan Agreement, for any cause whatsoever, and the Participant waives all rights now or hereafter conferred by statute or otherwise to quit, terminate, cancel or surrender the Loan Agreement or any obligation of the Participant under the Loan Agreement except as provided in the Loan Agreement or to any abatement, suspension, deferment, diminution or reduction in the loan payments or other payments under the Loan Agreement or under the Promissory Note.

Advances by the Issuer or the Trustee. In the event the Participant fails to make any payment or to perform or to observe any obligation required of it under the Loan Agreement, under the Promissory Note or under any other Security Document, the Issuer or the Trustee, after first notifying the Participant in writing of any such failure on its part (except that no prior notification of the Participant shall be required in the event of an emergency condition that, in the reasonable judgment of the Issuer or the Trustee, necessitates immediate action), may (but shall not be obligated to), and without waiver of any of the rights of the Issuer or the Trustee under the Loan Agreement or any other Security Document to which the Issuer or the Trustee is a party, make such payment or otherwise cure any failure by the Participant to perform and to observe its other obligations thereunder. All amounts so advanced therefor by the Issuer or the Trustee shall become an additional obligation of the Participant to the Issuer or the Trustee, as the case may be, which amounts, together with interest thereon at the rate of twelve percent (12%) per annum, compounded daily, from the date advanced, the Participant will pay upon demand therefor by the Issuer or the Trustee, as applicable. Any remedy vested in the Issuer or the Trustee in the Loan Agreement or in any other Security Document for the collection of the loan payments or other payments or other amounts due under the Loan Agreement, under the Promissory Note or under any other Security Document shall also be available to the Issuer or the Trustee for the collection of all such amounts so advanced. No advance shall be made by the Trustee except as specified in the Indenture.

Damage, Destruction and Condemnation. In the event a Loss Event: (i) the Issuer shall have no obligation to rebuild, replace, repair or restore the Facility or to advance funds therefor, there shall be no abatement, postponement or reduction in the loan payments or other amounts payable by the Participant under the Loan Agreement or the Promissory Note or any other Security Document to which it is a party, and the Participant waives, to the extent permitted by law, any provisions of law which would permit the Participant to terminate the Loan Agreement, the Promissory Note or any other Security Document, or eliminate or reduce its payments under the Loan Agreement, under the Promissory Note or under any other Security Document, and (iii) the Participant will promptly give written notice of such Loss Event to the Issuer and the Trustee, generally describing the nature and extent thereof.

Loss Proceeds. The Issuer, the Trustee and the Participant shall cooperate and consult with each other in all matters pertaining to the settlement, compromise, arbitration or adjustment of any claim or demand on account of any Loss Event, and the settlement, compromise, arbitration or adjustment of any such claim or demand shall, as between the Issuer and the Participant, be subject to the written approval of the Participant and the Trustee (such approvals not to be unreasonably withheld).

The Net Proceeds with respect to the Facility shall be paid to the Trustee and deposited in the Participant's Renewal Account (except as provided in any Mortgage in respect of property insurance proceeds that are less than a threshold amount and subject to the terms of any Underlying Facility Realty Document). Pending the disbursement or transfer thereof, the Net Proceeds in the Participant's Renewal Account shall be applied, and may be invested, as provided in the Indenture. The Participant shall be entitled to the Net Proceeds of any insurance proceeds or condemnation award, compensation or damages attributable to the Participant's Property.

Election to Rebuild or Terminate. In the event a Loss Event shall occur, the Participant shall either (subject to the terms of any Underlying Facility Realty Document):

(i) at its own cost and expense (except to the extent paid from the Net Proceeds), within one (1) year of the Loss Event, promptly and diligently rebuild, replace, repair or restore the Facility to substantially its condition immediately prior to the Loss Event, or to a condition of at least equivalent value, operating efficiency and function, regardless of whether or not the Net Proceeds derived from the Loss Event shall be sufficient to pay the cost thereof, and the Participant shall not by reason of payment of any such excess costs be entitled to any reimbursement from the Issuer, the Trustee or any Bondholder, nor shall the loan payments or other amounts payable by the Participant under the Loan Agreement or the Promissory Note or any other Security Document be abated, postponed or reduced, or

(ii) if, to the extent and upon the conditions permitted to do so under the Indenture, exercise its option to terminate the Loan Agreement and cause the Bonds allocable to the Participant to be redeemed in whole;

provided that if all or substantially all of the Facility shall be taken or condemned, or if the taking or condemnation renders the Facility unsuitable for use by the Participant as contemplated by the Loan Agreement, the Participant shall exercise its option to terminate the Loan Agreement.

Not later than ninety (90) days after the occurrence of a Loss Event, the Participant shall advise the Issuer and the Trustee in writing of the action to be taken by the Participant under the Loan Agreement as described under this heading, a failure to so timely notify being deemed an election in favor of subparagraph (ii) above to be exercised in accordance with the provisions of subparagraph (ii) above.

If the Participant shall elect to or shall otherwise be required to rebuild, replace, repair or restore the Facility as set forth in subparagraph (i) above, the Trustee shall disburse the Net Proceeds from the Participant's Renewal Account in the manner set forth in the Indenture to pay or reimburse the Participant, at the election of the Participant, either as such work progresses or upon the completion thereof, provided, however, the amounts so disbursed by the Trustee to the Participant shall not exceed the actual cost of such work. If the Participant shall exercise its option in subparagraph (ii) above, the amount of the Net Proceeds so recovered shall be transferred from the Participant's Renewal Account and deposited in the Participant's Loan Payment Account, and the Participant shall thereupon pay to the Trustee for deposit in the Participant's Loan Payment Account an amount which, when added to any amounts then in the Bond Fund attributable to the Participant and available for that purpose, and on deposit in the Participant's Account in the Debt Service Reserve Fund (Tax-Exempt), shall be sufficient to retire and redeem the Bonds allocable to the Participant in whole at the earliest possible date (including, without limitation, principal and interest to the maturity or Redemption Date and redemption premium, if any), and shall pay the expenses of redemption, the fees and expenses of the Issuer, the Trustee, the Bond Registrar and the Paying Agents, together with all other amounts due by the Participant under the Indenture, under the Loan Agreement and under each other Security Document to which it is a party, as well as any amounts required to be rebated to the federal government pursuant to the Indenture or the Tax Regulatory Agreement and such amount so deposited shall be applied, together with such other available amounts in the Bond Fund, if applicable, to such redemption or retirement of the Bonds allocable to the Participant on said Redemption Date or maturity date.

With respect to the Facility subject to any Underlying Facility Realty Document, it is acknowledged and agreed by the Issuer and the Participant that the determination to rebuild, replace, repair or restore the Facility may reside solely within the control of the Prime Landlord or the Condominium Board, and the Prime Landlord or the Condominium Board may elect, in lieu of the Participant, not to rebuild, replace, repair or restore the Facility as set forth in subparagraph (i) above. If the Participant shall not otherwise rebuild, replace, repair or restore the Facility, the Participant shall exercise its option under subparagraph (ii) above.

Effect of Election to Build. All rebuilding, replacements, repairs or restorations of the Facility in respect of or occasioned by a Loss Event shall: (i) automatically be deemed a part of the Facility under the Loan Agreement and, with respect to Mortgaged Property, shall be subject to the lien and security interest of any Mortgage, (ii) be effected only if the Participant shall deliver to the Issuer and the Trustee a certificate from an Authorized Representative of the Participant acceptable to the Issuer and the Trustee to the effect that such rebuilding, replacement, repair or restoration shall not change the nature of the Facility as the Approved Facility, (iii) be effected with due diligence in a good and workmanlike manner, in compliance with all applicable Legal Requirements and all applicable requirements of any Underlying Facility Realty Document and be promptly and fully paid for by the Participant in accordance with the terms of the applicable contract(s) therefor, (iv) restore the Facility to substantially its condition immediately prior to the Loss Event, or to a condition of at least equivalent value, operating efficiency and function, and to a state and condition that will permit the Participant to use and operate the Facility as the Approved Facility, (v) be effected only if the Participant shall have complied with the insurance requirements set forth in the Loan Agreement, (vi) be preceded by the furnishing by the Participant to the Trustee of a labor and materials payment bond, or other security, satisfactory to the Trustee, and (vii) if the estimated cost of such rebuilding, replacement, repair or restoration is in excess of $250,000, be effected under the supervision of an Independent Engineer.

Issuance of Additional Bonds. Under the provisions of and subject to the conditions set forth in the Indenture, the Issuer is authorized to enter into a Supplemental Indenture and issue one or more Series of Additional Bonds on a parity with the Series 2022 Bonds for the purpose of (w) completing the Project Work, (x) providing funds in excess of the Net Proceeds of insurance or eminent domain to repair, relocate, replace, rebuild or restore the Facility in the event of damage, destruction or taking by eminent domain, (y) providing extensions, additions or improvements to the Facility, or (z) refunding Outstanding Bonds. If the Participant is not in default under the Loan Agreement or under any other Project Document, the Issuer will consider the issuance of a Series of Additional Bonds in a principal amount as is specified in a written request in accordance with the applicable provisions set forth in the Indenture.

Pledge and Assignment to Trustee. As security for the payment of the Participant's Portion of the Bonds and the obligations of the Participant under the Security Documents: (a) the Participant shall, pursuant to any Mortgage, grant to the Issuer and the Trustee, for the benefit of the Bondholders, a mortgage lien on and security interest in its fee interest, if any, in the Mortgaged Property; (b) the Issuer shall assign its right, title and interest in any Mortgage to the Trustee pursuant to any Assignment of Mortgage; and (c) the Issuer shall pledge and assign to the Trustee, for the benefit of the Bondholders, pursuant to the Indenture all of the Issuer's right, title and interest in the Promissory Note and all of the Issuer's right, title and interest in the Loan Agreement (except for the Issuer's Reserved Rights), including all loan payments under the Loan Agreement and under the Promissory Note, and in furtherance of such pledge, the Issuer will unconditionally assign such loan payments to the Trustee for deposit in the Bond Fund in accordance with the Indenture.

Environmental Matters. The Participant shall not cause or permit the Facility or any part thereof to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Materials, except in compliance with all applicable Legal Requirements, nor shall the Participant cause or permit, as a result of any intentional or unintentional act or omission on the part of the Participant or any occupant or user of the Facility, a release of Hazardous Materials onto the Facility or onto any other property.

The Participant shall comply with, and require and enforce compliance by, all occupants and users of the Facility with all applicable Legal Requirements pertaining to Hazardous Materials, whenever and by whomever triggered, and shall obtain and comply with, and ensure that all occupants and users of the Facility obtain and comply with, any and all approvals, registrations or permits required thereunder.

The Participant shall conduct and complete all investigations, studies, sampling, and testing, and all remedial, removal and other actions necessary to clean up and remove all Hazardous Materials, on, from, or affecting the Facility in accordance with all applicable Legal Requirements.

In the event any Mortgage or any mortgage on the Facility is foreclosed, or a deed in lieu of foreclosure is tendered, or the Loan Agreement is terminated as provided therein, the Participant shall deliver the Facility so that the conditions of the Mortgaged Property with respect to any and all Hazardous Materials shall conform with all applicable Legal Requirements affecting the Facility.

Assignment of the Loan Agreement or Lease of Facility. The Participant shall not at any time, except as permitted by the Loan Agreement as described under the heading "Restrictions on Dissolution and Merger" below, assign or transfer the Loan Agreement without the prior written consents of the Issuer (which consent may be withheld by the Issuer in its absolute discretion) and the Trustee (at the direction of the Directing Party); provided further, that the following conditions must be satisfied on or prior to the date the Issuer and the Trustee consent to any such assignment or transfer:

(i) the Participant shall have delivered to the Issuer and the Trustee a certificate of an Authorized Representative to the effect that the transfer or assignment to the assignee or transferee (the "New Participant") shall not cause the Facility to cease being the Approved Facility;

(ii) the New Participant shall be liable to the Issuer for the payment of all loan and other payments and for the full performance of all of the terms, covenants and conditions of the Loan Agreement and of any other Project Document to which it shall be a party;

(iii) the New Participant shall have assumed in writing (and shall have executed and delivered to the Issuer and the Trustee such document and have agreed to keep and perform) all of the terms of the Loan Agreement and each other Project Document on the part of the New Participant to be kept and performed, shall be subject to service of process in the State, and, if a corporation, shall be qualified to do business in the State;

(iv) the New Participant shall be a not-for-profit corporation or a limited liability company constituting a Tax-Exempt Organization;

(v) such assignment or transfer shall not violate any provision of the Loan Agreement or any other Project Document;

(vi) an Opinion of Counsel shall have been delivered and addressed to the Issuer and the Trustee, to the effect that, (x) such assignment or transfer shall constitute the legally valid, binding and enforceable obligation of the New Participant and shall not legally impair in any respect the obligations of the New Participant for the payment of all loan payments nor for the full performance of all of the terms, covenants and conditions of the Loan Agreement, of the Promissory Note or of any other Project Document to which the New Participant shall be a party, nor impair or limit in any respect the obligations of any other obligor under any other Project Document, and (y) the Loan Agreement and each of the other Project Documents to which the New Participant is a party constitute the legally valid, binding and enforceable obligation of the New Participant;

(vii) the New Participant shall have delivered to the Issuer the Required Disclosure Statement in form and substance satisfactory to the Issuer;

(viii) each such assignment shall contain such other provisions as the Issuer or the Trustee may reasonably require; and

(ix) an opinion of Nationally Recognized Bond Counsel shall have been delivered and addressed to the Issuer and the Trustee, to the effect that such assignment or transfer shall not affect the exclusion of the interest on any Tax-Exempt Bonds then Outstanding from gross income for federal income tax purposes.

The Participant shall furnish or cause to be furnished to the Issuer and the Trustee a copy of any such assignment or transfer in substantially final form at least thirty (30) days prior to the date of execution thereof.

The Participant shall not at any time lease all or substantially all of the Facility, without the prior written consents of the Issuer and the Trustee (which consents may be withheld by the Issuer or the Trustee in their absolute discretion); nor shall the Participant lease part (i.e., not constituting substantially all) of the Facility without the prior written consents of the Issuer and the Trustee (which consents shall, in such case, not be unreasonably withheld and, in the case of the Issuer, such consent to be requested by the Participant of the Issuer in the form prescribed by the Issuer, and such consent of the Issuer to take into consideration the Issuer's policies as in effect from time to time); provided further, that the following conditions must be satisfied on or prior to the date the Issuer and the Trustee consent to any such letting:

(i) the Participant shall have delivered to the Issuer and the Trustee a certificate of an Authorized Representative to the effect that the lease shall not cause the Facility to cease being the Approved Facility;

(ii) the Participant shall remain primarily liable to the Issuer for the payment of all loan and other payments and for the full performance of all of the terms, covenants and conditions of the Loan Agreement and of the Promissory Note and of any other Project Document to which it shall be a party;

(iii) any lessee in whole or substantially in whole of the Facility shall have assumed in writing (and shall have executed and delivered to the Issuer and the Trustee such document) and have agreed to keep and perform all of the terms of the Loan Agreement and each other Project Document on the part of the Participant to be kept and performed, shall be jointly and severally liable with the Participant for the performance thereof, shall be subject to service of process in the State, and, if a corporation, shall be qualified to do business in the State;

(iv) any lessee shall utilize the Facility as the Approved Facility and shall constitute a Tax-Exempt Organization;

(v) such lease shall not violate any provision of the Loan Agreement or any other Project Document;

(vi) with respect to any letting in part of the Facility, no more than an aggregate of twenty percent (20%) of the Completed Improvements Square Footage shall be leased by the Participant;

(vii) an Opinion of Counsel shall have been delivered and addressed to the Issuer and the Trustee, to the effect that such lease shall constitute the legally valid, binding and enforceable obligation of the lessee and shall not legally impair in any respect the obligations of the Participant for the payment of all loan or other payments nor for the full performance of all of the terms, covenants and conditions of the Loan Agreement, of the Promissory Note or of any other Project Document to which the Participant shall be a party, nor impair or limit in any respect the obligations of any other obligor under any other Project Document;

(viii) such lease shall in no way diminish or impair the obligation of the Participant to carry the insurance required under any Mortgage or the Loan Agreement and the Participant shall furnish written evidence satisfactory to the Issuer and the Trustee that such insurance coverage shall in no manner be diminished or impaired by reason of such assignment, transfer or lease;

(ix) any such lessee shall have delivered to the Issuer the Required Disclosure Statement in form and substance satisfactory to the Issuer;

(x) each such lease shall contain such other provisions as the Issuer or the Trustee may reasonably require; and

(xi) an opinion of Nationally Recognized Bond Counsel shall have been delivered and addressed to the Issuer and the Trustee, to the effect that such lease shall not affect the exclusion of the interest on any Tax-Exempt Bonds then Outstanding from gross income for federal income tax purposes.

The Participant shall furnish or cause to be furnished to the Issuer and the Trustee a copy of any such lease in substantially final form at least thirty (30) days prior to the date of execution thereof.

Notwithstanding anything in the Loan Agreement to the contrary, the Facility may be occupied by individuals invited by the Participant for the purpose of operating the Facility as the Approved Facility without the consent of the Issuer or the Trustee.

Retention of Title to or of Interest in Facility; Grant of Easements; Release of Portions of Facility. The Participant shall not sell, assign, encumber (other than Permitted Encumbrances), convey or otherwise dispose of its fee title to or interest in the Facility, including the Improvements, or any part of the Facility or interest therein, except as set forth in in the Loan Agreement, without (i) the prior written consents of the Issuer and of the Trustee (at the direction of the Directing Party) and (ii) the Participant delivering to the Trustee and the Issuer an opinion of Nationally Recognized Bond Counsel to the effect that such action pursuant to the Loan Agreement as described under this heading will not affect the exclusion of the interest on any Tax-Exempt Bonds then Outstanding from gross income for federal income taxes. Any purported disposition without such consents and opinion shall be void.

The Participant may, with the prior written consents of the Issuer and the Trustee (such consents not to be unreasonably withheld or delayed), so long as there exists no Event of Default under the Loan Agreement, grant such rights-of-way or easements over, across, or under, the Facility Realty, or grant such permits or licenses in respect to the use thereof, free from the lien and security interest of any Mortgage, as shall be necessary or convenient in the opinion of the Participant for the operation or use of the Facility, or required by any utility company for its utility business, provided that, in each case, such rights-of-way, easements, permits or licenses shall not adversely affect the use or operation of the Facility as the Approved Facility, and provided, further, that any consideration received by the Participant from the granting of said rights-of-way, easements, permits or licenses shall be paid to the Trustee and deposited in the Redemption Account of the Bond Fund and applied to the redemption of the Bonds allocable to the Participant. The Issuer agrees, at the sole cost and expense of the Participant, to execute and deliver, and to cause and direct the Trustee to execute and deliver, any and all instruments necessary or appropriate to confirm and grant any such right-of-way or easement or any such permit or license and to release the same from the lien and security interest of any Mortgage.

So long as there exists no Event of Default under the Loan Agreement, and the Participant delivers to the Trustee and the Issuer an opinion of Nationally Recognized Bond Counsel to the effect that the following action will not affect the exclusion of the interest on any Tax-Exempt Bonds then Outstanding from gross income for federal income tax purposes, the Participant may from time to time request in writing to the Issuer and the Trustee the release of and removal from the property comprising the Facility under the Loan Agreement and the lien and security interest of any Mortgage, of any unimproved part of the Land (on which none of the Improvements, including the buildings, structures, major appurtenances, fixtures or other property comprising the Facility Realty, is situated); provided that such release and removal will not adversely affect the use or operation of the Facility as the Approved Facility. Upon any such request by the Participant, the Issuer shall, at the sole cost and expense of the Participant, cause and direct the Trustee to execute and deliver any and all instruments necessary or appropriate to so release and remove such unimproved Land from the property comprising the Facility under the Loan Agreement and the lien and security interest of any Mortgage, subject to the following:

(i) any liens, easements, encumbrances and reservations to which title to said property was subject on the Closing Date;

(ii) any liens, easements and encumbrances created at the request of the Participant or to the creation or suffering of which the Participant consented;

(iii) any liens and encumbrances or reservations resulting from the failure of the Participant to perform or observe any of the agreements on its respective part contained in the Loan Agreement or any other Project Document;

(iv) Permitted Encumbrances (other than the lien of any Mortgage); and

(v) any liens for taxes or assessments not then delinquent;

provided, however, that no such release shall be effected unless the following conditions have been satisfied:

(1) the Trustee shall have received a certificate of an Independent Engineer, dated not more than sixty (60) days prior to the date of the release, stating that, in the opinion of the person signing such certificate, the unimproved Land and the release thereof so proposed to be made is not needed for the operation of the remaining Facility, will not adversely affect the use or operation of the Facility as the Approved Facility and will not destroy the means of ingress thereto and egress therefrom;

(2) the Trustee shall have received an amount of cash for deposit in the Redemption Account of the Bond Fund (to be applied to the redemption of the Participant's Portion of the Bonds) equal to the greatest of (A) the original cost of the unimproved Land so released, such allocable cost to be determined by the appraisal of an independent real estate brokerage firm of recognized standing within the City, (B) the fair market value of such unimproved Land, such value to be determined by the appraisal of an independent real estate brokerage firm of recognized standing within the City, and (C) if such unimproved Land is released in connection with its sale, the amount received by the Participant upon such sale; and

(3) the Facility Realty as shall remain subject to any Mortgage shall not constitute a portion of a tax lot.

No conveyance or release effected under the provisions in the Loan Agreement as described under this heading shall entitle the Participant to any abatement or diminution of the loan payments or any other payments required to be made by the Participant under the Loan Agreement or any other Project Document to which it shall be a party.

Discharge of Liens. If any lien, encumbrance or charge is filed or asserted (including any lien for the performance of any labor or services or the furnishing of materials), or any judgment, decree, order, levy or process of any court or governmental body is entered, made or issued or any claim (such liens, encumbrances, charges, judgments, decrees, orders, levies, processes and claims being herein collectively called "Liens"), whether or not valid, is made against the Trust Estate, the Facility or any part thereof or the interest therein of the Participant or against any of the loan payments or other amounts payable under the Loan Agreement, the Promissory Note or any of the other Security Documents, or the interest of the Issuer or the Participant in any Security Document, other than Liens for Impositions not yet payable, Permitted Encumbrances, or Liens being contested as permitted by the Loan Agreement as described in the paragraph below, the Participant forthwith upon receipt of notice of the filing, assertion, entry or issuance of such Lien (regardless of the source of such notice) shall give written notice thereof to the Issuer and the Trustee and take all action (including the payment of money and/or the securing of a bond with respect to any such Lien) at its own cost and expense as may be necessary or appropriate to obtain the discharge in full of such Lien and to remove or nullify the basis therefor. Nothing contained in the Loan Agreement shall be construed as constituting the express or implied consent to or permission of the Issuer for the performance of any labor or services or the furnishing of any materials that would give rise to any Lien not permitted under the Loan Agreement as described under this paragraph.

The Participant may at its sole cost and expense contest (after prior written notice to the Issuer and the Trustee), by appropriate action conducted in good faith and with due diligence, the amount or validity or application, in whole or in part, of any Lien, if: (i) such proceeding shall suspend the execution or enforcement of such Lien against the Trust Estate, the Facility or any part thereof or interest therein, or against any of the loan payments or other amounts payable under the Loan Agreement, the Promissory Note or any of the other Project Documents to which it is a party or the interest of the Issuer or the Participant in any such Project Document, (ii) neither the Facility nor any part thereof or interest therein, the Trust Estate or any portion thereof, the loan payments or other amounts payable under the Loan Agreement, the Promissory Note or any of the other Security Documents or the interest of the Issuer or the Participant in any Security Document would be in any danger of being sold, forfeited or lost, (iii) none of the Participant, the Issuer or the Trustee would be in any danger of any civil or any criminal liability, other than normal accrual of interest, for failure to comply therewith, and (iv) the Participant shall have furnished such security, if any, as may be required in such proceedings or as may be reasonably requested by the Issuer or the Trustee to protect the security intended to be offered by the Security Documents.

No Further Encumbrances Permitted. The Participant shall not create, permit or suffer to exist any mortgage, encumbrance, lien, security interest, claim or charge against (i) the Facility or any part thereof, or the interest of the Participant in the Facility, except for Permitted Encumbrances, or (ii) the Trust Estate or any portion thereof, the loan payments or other amounts payable under the Loan Agreement, the Promissory Note or any of the other Security Documents or the interest of the Issuer or the Participant in any Security Document. The Participant covenants that it shall take or cause to be taken all action, including all filing and recording, as may be necessary to ensure that there are no mortgage liens on, or security interests in, the Facility (other than Permitted Encumbrances) prior to the mortgage liens thereon, and security interests therein, granted by any Mortgage.

Taxes, Assessments and Charges. The Participant shall pay when the same shall become due all taxes and assessments, general and specific, if any, levied and assessed upon or against the Trust Estate, the Facility Realty or any part thereof, or interest of the Participant in the Facility, or against any of the loan payments or other payments or other amounts payable under the Loan Agreement, the Promissory Note or any of the other Project Documents to which it is a party, or the interest of the Issuer or the Participant in any Project Document, and all water and sewer charges, special district charges, assessments and other governmental charges and impositions whatsoever, foreseen or unforeseen, ordinary or extraordinary, under any present or future law, and charges for public or private utilities or other charges incurred in the occupancy, use, operation, maintenance or upkeep of the Facility Realty, all of which are herein called "Impositions." The Participant may pay any Imposition in installments if so payable by law, whether or not interest accrues on the unpaid balance.

In the event the Facility Realty is exempt from Impositions solely due to the Issuer's involvement with the Project and the Facility Realty, the Participant shall pay all Impositions to the appropriate taxing authorities equivalent to the Impositions that would have been imposed on the Facility Realty as if the Issuer had no involvement with the Project and the Facility Realty.

The Participant may at its sole cost and expense contest (after prior written notice to the Issuer and the Trustee), by appropriate action conducted in good faith and with due diligence, the amount or validity or application, in whole or in part, of any Imposition, if: (i) such proceeding shall suspend the execution or enforcement of such Imposition against the Trust Estate, the Facility or any part thereof, or interest of the Participant in the Facility, or against any of the loan payments or other amounts payable under the Loan Agreement, the Promissory Note or any of the other Project Documents, or the interest of the Issuer or the Participant in any Project Document, (ii) none of the Trust Estate, the Facility or any part thereof or interest of the Participant in the Facility, or any of the loan payments or other amounts payable under the Loan Agreement, the Promissory Note or any of the other Project Documents, or the interest of the Issuer or the Participant in any Project Document, would be in any danger of being sold, forfeited or lost, (iii) none of the Participant, the Issuer or the Trustee would be in any danger of any civil or any criminal liability, other than normal accrual of interest, for failure to comply therewith, and the Participant shall have furnished such security, if any, as may be required in such proceedings or as may be reasonably requested by the Issuer or the Trustee to protect the security intended to be offered by the Security Documents.

Compliance with Legal Requirements. The Participant shall not occupy, use or operate the Facility, or allow the Facility or any part thereof to be occupied, used or operated, for any unlawful purpose or in violation of any certificate of occupancy affecting the Facility or for any use which may constitute a nuisance, public or private, or make void or voidable any insurance then in force with respect thereto.

At its sole cost and expense, the Participant shall promptly observe and comply with all applicable Legal Requirements (including, without limitation, as applicable, the Fair Wages for New Yorkers Act, the Prevailing Wage Building Services Law, and the Earned Sick Time Act, constituting Chapter 8 of Title 20 of the New York City Administrative Code), whether foreseen or unforeseen, ordinary or extraordinary, that shall now or at any time hereafter be binding upon or applicable to the Participant, the Facility, any occupant, user or operator of the Facility or any portion thereof, and will observe and comply with all conditions, requirements, and schedules necessary to preserve and extend all rights, licenses, permits (including zoning variances, special exception and non-conforming uses), privileges, franchises and concessions. The Participant will not, without the prior written consent of the Issuer (which consent shall not be unreasonably withheld or delayed) and the Trustee (at the direction of the Directing Party), initiate, join in or consent to any private restrictive covenant, zoning ordinance or other public or private restrictions limiting or defining the uses that may be made of the Facility or any part thereof.

The Participant may at its sole cost and expense contest in good faith the validity, existence or applicability of any of the matters described in the paragraph above if (i) such contest shall not result in the Trust Estate, the Facility or any part thereof or interest of the Participant in the Facility, or any of the loan payments or other amounts payable under the Loan Agreement, the Promissory Note or any of the other Project Documents, or the interest of the Issuer or the Participant in any Project Document, being in any danger of being sold, forfeited or lost, (ii) such contest shall not result in the Participant, the Issuer or the Trustee being in any danger of any civil or any criminal liability for failure to comply therewith, and (iii) the Participant shall have furnished such security, if any, as may be reasonably requested by the Issuer or the Trustee to protect the security intended to be offered by the Security Documents for failure to comply therewith.

The Participant expressly covenants and agrees to comply, or cause compliance, with each and every provision of Parts 635, 681, 686 and 690 of Chapter XIV of Title 14 of the New York State Codes, Rules and Regulations as they may pertain to services and programs of the Participant located at the Facility which are funded by OPWDD, as such provisions may be amended or renumbered from time to time, to the same extent and effect as if the provisions thereof were fully set forth in the Loan Agreement and made a part of the Loan Agreement. In the event of a conflict between the provisions of the Loan Agreement and such regulatory provisions, the provisions of the Loan Agreement shall be controlling.

Operation as Approved Facility. The Participant will not take any action, or suffer or permit any action, if such action would cause the Facility not to be the Approved Facility. The Participant will not fail to take any action, or suffer or permit the failure to take any action, if such failure would cause the Facility not to be the Approved Facility. The Participant will permit the Trustee and its duly authorized agents, at all reasonable times upon written notice to enter upon the Facility and to examine and inspect the Facility and exercise its rights under the Loan Agreement, under the Indenture and under the other Security Documents with respect to the Facility. The Participant will further permit the Issuer, or its duly authorized agent, upon reasonable notice, at all reasonable times, to enter the Facility, but solely for the purpose of assuring that the Participant is operating the Facility, or is causing the Facility to be operated, as the Approved Facility consistent with the Approved Project Operations and with the corporate purposes of the Issuer.

Restrictions on Dissolution and Merger. The Participant covenants and agrees that at all times during the term of the Loan Agreement, it will (i) maintain its existence as a not-for-profit corporation constituting a Tax-Exempt Organization, (ii) continue to be subject to service of process in the State, (iii) continue to be organized under the laws of, or qualified to do business in, the State, (iv) not liquidate, wind up or dissolve or otherwise dispose of all or substantially all of its property, business or assets ("Transfer") remaining after the Closing Date, except as provided in the Loan Agreement as described under the second paragraph under this heading, (v) not consolidate with or merge into another Entity or permit one or more

Entities to consolidate with or merge into it ("Merge" or "Merger"), except as provided in the Loan Agreement as described under the third paragraph under this heading, and (vi) not change or permit the change of any Principal of the Participant, or a change in the relative Control of the Participant of any of the existing Principals, except in each case as provided in the Loan Agreement as described under the third paragraph under this heading.

Notwithstanding the provisions described above, the Participant may Merge or participate in a Transfer if the following conditions are satisfied on or prior to the Merger or Transfer, as applicable: (i) when the Participant is the surviving, resulting or transferee Entity, (1) the Participant shall have a net worth (as determined by an Independent Accountant in accordance with GAAP) at least equal to that of the Participant immediately prior to such Merger or Transfer, (2) the Participant shall continue to be a Tax-Exempt Organization, (3) the Participant shall deliver to the Issuer and the Trustee an opinion of Nationally Recognized Bond Counsel to the effect that such action will not cause the interest on the Tax-Exempt Bonds to become includable in gross income for federal income tax purposes, and (4) the Participant shall deliver to the Issuer a Required Disclosure Statement with respect to itself as surviving Entity in form and substance satisfactory to the Issuer; or (ii) when the Participant is not the surviving, resulting or transferee Entity (the "Successor Participant"), (1) the predecessor Participant (the "Predecessor Participant") shall not have been in default under the Loan Agreement or under any other Project Document, (2) the Successor Participant shall be a Tax-Exempt Organization and shall be solvent and subject to service of process in the State and organized under the laws of the State, or under the laws of any other state of the United States and duly qualified to do business in the State, (3) the Successor Participant shall have assumed in writing all of the obligations of the Predecessor Participant contained in the Loan Agreement and in all other Project Documents to which the Predecessor Participant shall have been a party, (4) the Successor Participant shall have delivered to the Issuer a Required Disclosure Statement in form and substance acceptable to the Issuer acting in its sole discretion, (5) each Principal of the Successor Participant shall have delivered to the Issuer a Required Disclosure Statement in form and substance acceptable to the Issuer acting in its sole discretion, (6) the Successor Participant shall have delivered to the Issuer and the Trustee, in form and substance acceptable to the Issuer and the Trustee, an Opinion of Counsel to the effect that (y) the Loan Agreement and all other Project Documents to which the Predecessor Participant shall be a party constitute the legal, valid and binding obligations of the Successor Participant and each is enforceable in accordance with their respective terms to the same extent as it was enforceable against the Predecessor Participant, and (z) such action does not legally impair the security for the Holders of the Bonds afforded by the Security Documents, (7) the Successor Participant shall have delivered to the Issuer and the Trustee, in form and substance acceptable to the Issuer and the Trustee, an opinion of an Independent Accountant to the effect that the Successor Participant has a net worth (as determined in accordance with GAAP) after the Merger or Transfer at least equal to that of the Predecessor Participant immediately prior to such Merger or Transfer, and (8) the Successor Participant delivers to the Issuer and the Trustee an opinion of Nationally Recognized Bond Counsel to the effect that such action will not cause the interest on the Tax-Exempt Bonds to become includable in gross income for federal income tax purposes.

Preservation of Exempt Status. The Participant agrees that it shall: (a) not perform any acts, enter into any agreements, carry on or permit to be carried on at the Facility, or permit the Facility to be used in or for any trade or business, which shall adversely affect the basis for its exemption under Section 501 of the Code; (b) not use more than three percent (3%) of the proceeds of the Participant's Portion of the Tax-Exempt Bonds or permit the same to be used, directly or indirectly, in any trade or business that constitutes an unrelated trade or business as defined in Section 513(a) of the Code or in any trade or business carried on by any Person or Persons who are not governmental units or Tax-Exempt Organizations; (c) not directly or indirectly use the proceeds of the Tax-Exempt Bonds to make or finance loans to Persons other than governmental units or Tax-Exempt Organizations, provided that no loan shall be made to another Tax-Exempt Organization unless such organization is using the funds for a purpose that is not an unrelated trade or business for the Participant; (d) not take any action or permit any circumstances within its control to arise or continue, if such action or circumstances, or its expectation on the Closing Date, would cause the Tax-Exempt Bonds to be "arbitrage bonds" under the Code or cause the interest paid by the Issuer on the Tax-Exempt Bonds to be subject to federal income tax in the hands of the Holders thereof; and (e) use its best efforts to maintain the tax-exempt status of the Tax-Exempt Bonds.

Securities Law Status. The Participant covenants that: (a) the Facility shall be operated (y) exclusively for civic or charitable purposes and (z) not for pecuniary profit, all within the meaning, respectively, of the Securities Act and of the Securities Exchange Act, (b) no part of the net earnings of the Participant shall inure to the benefit of any person, private stockholder or individual, all within the meaning, respectively, of the Securities Act and of the Securities Exchange Act, and (c) it shall not perform any act nor enter into any agreement which shall change such status as set forth in this paragraph.

Further Assurances. The Participant will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered such further acts, instruments, conveyances, transfers and assurances, including Uniform Commercial Code financing statements, at the sole cost and expense of the Participant, as the Issuer or the Trustee deems reasonably necessary or advisable for the implementation, effectuation, correction, confirmation or perfection of the Loan Agreement and any rights of the Issuer or the Trustee under the Loan Agreement, under the Indenture or under any other Security Document.

Tax Regulatory Agreement. The Participant shall comply with all of the terms, provisions and conditions set forth in the Tax Regulatory Agreement, including, without limitation, the making of any payments and filings required thereunder. Promptly following receipt of notice from the Trustee as provided in the Indenture that the amount on deposit in the Rebate Fund is less than the Rebate Amount, the Participant shall deliver the amount necessary to make up such deficiency to the Trustee for deposit in the Rebate Fund. The Participant agrees to pay all costs of compliance with the Tax Regulatory Agreement and costs of the Issuer relating to any examination or audit of the Bonds by the Internal Revenue Service (including fees and disbursements of lawyers and other consultants).

Compliance with the Indenture. The Participant will comply with the provisions of the Indenture with respect to the Participant. The Trustee shall have the power, authority, rights and protections provided in the Indenture. The Participant will use its best efforts to cause there to be obtained for the Issuer any documents or opinions of counsel required of the Issuer under the Indenture.

Reporting Information for the Trustee. The Participant shall furnish or cause to be furnished to the Trustee: (i) as soon as available and in any event within one hundred eighty (180) days after the close of each Fiscal Year, a copy of the annual audited consolidated financial statements of the Participant and its subsidiaries, including consolidating balance sheets as at the end of each such Fiscal Year, and the related statements of income, balances, earnings, retained earnings and changes in financial position for each such Fiscal Year, as audited by the Participant's Independent Accountant and prepared in accordance with GAAP and certified by an Authorized Representative of the Participant; and (ii) a copy of any notice given to Bondholders, the MSRB or the Securities and Exchange Commission pursuant to Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission or to the Trustee, promptly after the same is so given.

The Participant shall deliver to the Trustee with each delivery of annual financial statements required by clause (i) in the paragraph above: (i) a certificate of an Authorized Representative of the Participant: (1) as to whether or not, as of the close of such preceding Fiscal Year, and at all times during such Fiscal Year, the Participant was in compliance with all the provisions which relate to the Participant in the Loan Agreement (including any material budget variations) and in any other Project Document to which it shall be a party, and (2) as to whether or not a Determination of Taxability has occurred, and (3) if such Authorized Representative shall have obtained knowledge of any default in such compliance or notice of such default or Determination of Taxability, he shall disclose in such certificate such default or defaults or notice thereof and the nature thereof, whether or not the same shall constitute an Event of Default under the Loan Agreement, and any action proposed to be taken by the Participant with respect thereto, and (ii) a certificate of an Authorized Representative of the Participant that the insurance it maintains complies with the provisions of the Loan Agreement and of any Mortgage, that such insurance has been in full force and effect at all times during the preceding Fiscal Year, and that duplicate copies of all policies or certificates thereof have been filed with the Issuer and the Trustee and are in full force and effect.

In addition, upon twenty (20) days prior request by the Trustee, the Participant will execute, acknowledge and deliver to the Issuer and the Trustee a certificate of an Authorized Representative of the Participant either stating that to the knowledge of such Authorized Representative after due inquiry no default or breach exists under the Loan Agreement or specifying each such default or breach of which such Authorized Representative has knowledge. In addition, the certificate shall be accompanied by a letter from the Participant's counsel or the Participant's insurance carrier's counsel that summarizes any pending litigation against the Participant that may have a material adverse effect on its financial condition or its ability to operate one or more programs related to the Facility.

The Participant shall immediately notify the Trustee and the Underwriter of the occurrence of any Event of Default or any event which with notice and/or lapse of time would constitute an Event of Default under any Project Document. Any notice required to be given pursuant to the Loan Agreement as described under this heading shall be signed by an Authorized Representative of the Participant and set forth a description of the default and the steps, if any, being taken to cure said default. If no steps have been taken, the Participant shall state this fact on the notice.

Facility Lease Agreement. The Participant represents and warrants that it has delivered to the Issuer and the Trustee on the Closing Date a true, correct and complete copy of each of the Facility Lease Agreement. The Participant covenants and agrees that it shall not enter into an amendment, supplement or modification to the Facility Lease Agreement which would adversely affect the interests of the Issuer, the Trustee or the Bondholders. Promptly following the execution of any amendment, supplement or modification to the Facility Lease Agreement, the Participant shall furnish copies thereof to the Issuer and the Trustee.

The Participant agrees to observe and comply with all of its payment obligations and all of its material obligations, covenants and agreements set forth in the Facility Lease Agreement and further agrees to promptly transmit to the Issuer and the Trustee copies of any termination or default notice it shall receive from, or deliver to, the Prime Landlord under the Facility Lease Agreement.

The Loan Agreement is and shall be subject and subordinate in all respects to the Facility Lease Agreement, including all approved modifications and amendments thereto, and to all matters to which the Facility Lease Agreement is subject to and subordinate.

The Participant shall not claim any conflict or inconsistency with (y) the Facility Lease Agreement as a defense to any obligation under the Loan Agreement, or (z) the Loan Agreement as a defense to any obligation under the Facility Lease Agreement.

No event of default under the Facility Lease Agreement has occurred and is continuing.

The parties to the Loan Agreement acknowledge that the Participant does not have complete control over the Facility under various circumstances. With respect to the covenants relating to any Legal Requirements and the Facility in the Loan Agreement, the Participant need not so comply with such covenants with respect to any Legal Requirements (i) if the Participant has no right under the Facility Lease Agreement to compel the Prime Landlord to comply or cause compliance with such Legal Requirement;

(ii) if the Prime Landlord is required, or the Participant reasonably believes the Prime Landlord is required, under the terms of the Facility Lease Agreement to comply with such Legal Requirement, so long as the Participant is promptly and vigorously exercising good faith diligent efforts to enforce such compliance; or (iii) if such non-compliance is the result of any action or failure to act on the part of the Prime Landlord (which action or failure to act is not a breach of any obligation of the Prime Landlord to the Participant under the Facility Lease Agreement or of any agent, contractor, officer, director, employee or servant of the Prime Landlord or of any other tenant of the Prime Landlord unrelated to the Participant).

Obligations under and Covenants with Respect to the Condominium Documents and Common Elements. The Participant covenants and agrees that it shall (i) not enter into, consent, permit or approve an amendment, supplement or modification to, or termination of, any Condominium Documents which would (x) adversely affect the Issuer, without the prior written consent of the Issuer, or (y) adversely affect the security for the Bonds, without the prior written consent of the Trustee, and (ii) pay all costs, fees, charges and expenses required of it when due under any of the Condominium Documents.

The parties to the Loan Agreement acknowledge that the Participant does not have complete control over the Common Elements under various circumstances. With respect to the covenants relating to the Common Elements or any Legal Requirements in the Loan Agreement, the Participant need not so comply with such covenants with respect to the Common Elements or any Legal Requirements insofar as (i) the Participant has no right under the Condominium Documents to compel the Condominium Board to comply or cause compliance with such covenants; (ii) when the Condominium Board is required, or the Participant reasonably believes the Condominium Board is required, under the terms of the Condominium Documents to comply with any such covenant, so long as the Participant is promptly and vigorously exercising good faith diligent efforts to enforce such compliance; or (iii) any such non-compliance is the result of any action or failure to act on the part of the Condominium Board (which action or failure to act is not a breach of any obligation of the Condominium Board to the Participant under the Condominium Documents) or of any agent, contractor, officer, director, employee or servant of the Condominium Board.

The Participant shall not vote in favor of or present any resolution that could or would materially adversely affect the obligations of the Participant or the Condominium with respect to the Facility under any material third-party agreements, including all labor and employment agreements or the condition of the Facility, without the prior written consents of the Issuer and the Trustee, which consents shall not be unreasonably withheld, conditioned or delayed.

The Loan Agreement is and shall be subject and subordinate in all respects to the Condominium Documents, including all approved modifications and amendments thereto, and to all matters to which the Condominium Documents are subject to and subordinate.

Events of Default. Any one or more of the following events shall constitute an "Event of Default" under the Loan Agreement:

(a) Failure of the Participant to pay any loan payment that has become due and payable by the terms of the Loan Agreement as described in the first and fifth paragraphs under the heading "Loan Payment; Pledge of Loan Agreement and of the Promissory Note" above which results in an Event of Default under the Indenture;

(b) Failure of the Participant to pay any amount (except as set forth in clause (a) above) that has become due and payable or to observe and perform any covenant, condition or agreement on its part to be performed under the Loan Agreement, including covenants regarding the Facility, certain reporting requirements, payment of taxes, insurance, indemnity, payment of fees and expenses, assignment of the Loan Agreement, lease of the Facility, liens and encumbrances, and continuance of such failure for more than thirty (30) days after written notice of such failure has been given to the Participant specifying the nature of such failure by the Issuer or the Trustee or the Holders of more than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding;

(c) Failure of the Participant to observe and perform any covenant, condition or agreement under the Loan Agreement on its part to be performed (except as set forth in clause (a) or (b) above) and (i) continuance of such failure for more than thirty (30) days after written notice of such failure has been given to the Participant specifying the nature of same by the Issuer or the Trustee or the Holders of more than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding, or (ii) if by reason of the nature of such failure the same can be remedied, but not within the said thirty (30) days, the Participant fails to commence and thereafter proceed with reasonable diligence after receipt of said notice to cure such failure or fails to continue with reasonable diligence its efforts to cure such failure or fails to cure such failure within sixty (60) days of delivery of said notice;

(d) The Participant shall (i) apply for or consent to the appointment of or the taking of possession by a receiver, liquidator, custodian or trustee of itself or of all or a substantial part of its property, (ii) admit in writing its inability, or be generally unable, to pay its debts as such debts generally become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), (v) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, (vi) fail to controvert in a timely or appropriate manner or acquiesce in writing to, any petition filed against itself in an involuntary case under the Federal Bankruptcy Code, (vii) take any action for the purpose of effecting any of the foregoing, or (viii) be adjudicated a bankrupt or insolvent by any court;

(e) A proceeding or case shall be commenced, without the application or consent of the Participant, in any court of competent jurisdiction, seeking, (i) liquidation, reorganization, dissolution, winding-up or composition or adjustment of debts, (ii) the appointment of a trustee, receiver, liquidator, custodian or the like of the Participant or of all or any substantial part of its assets, or (iii) similar relief under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of ninety (90) days; or any order for relief against the Participant shall be entered in an involuntary case under such Bankruptcy Code; the terms "dissolution" or "liquidation" of the Participant as used above shall not be construed to prohibit any action otherwise permitted by the Loan Agreement as described under the heading "Restrictions on Dissolution and Merger" above;

(f) Any representation or warranty made by the Participant (i) in the application and related materials submitted to the Issuer or the initial purchaser(s) of the Bonds for approval of the Project or its financing, or (ii) in the Loan Agreement or in any other Project Document, or (iii) in the Letter of Representation and Indemnity Agreement, or (iv) in the Tax Regulatory Agreement, or (v) by or on behalf of the Participant or any other Person in any Required Disclosure Statement, or (vi) in any report, certificate, financial statement or other instrument furnished pursuant to the Loan Agreement or any of the foregoing, shall in any case prove to be false, misleading or incorrect in any material respect as of the date made;

(g) The commencement of proceedings to appoint a receiver or to foreclose any mortgage lien on or security interest in the Facility including any Mortgage;

(h) An "Event of Default" under the Indenture or under any other Security Document shall occur and be continuing;

(i) The occurrence of an LW Event of Default (as defined in the Loan Agreement);

(j) Failure of the Participant to pay the amount required of it under the Loan Agreement as described under the heading "Loan Payments; Pledge of Loan Agreement and of the Promissory Note" above regarding depositing funds in the Participant's Account in the Debt Service Reserve Fund (Tax-Exempt) when required thereunder; or

(k) Violation by the Participant of any applicable provisions of regulations or the covenants set forth in the Loan Agreement as described in the last paragraph under the heading "Compliance with Legal Requirements" above or , if applicable, shall fail to continue to operate the Facility as a certified program for the developmentally disabled or others with special needs in accordance with a valid operating certificate duly issued by OPWDD, and the Participant, subsequent to 15 days after written notice shall have been given to the Participant by OPWDD requiring the same to be remedied, fails to remedy such violation or such failure to operate such certified program.

Remedies on Default. Whenever any Event of Default referred to in the Loan Agreement as described in the heading above shall have occurred and be continuing, the Issuer, or the Trustee where so provided, may, take any one or more of the following remedial steps:

(i) The Trustee (at the direction of the Holders of over twenty-five percent (25%) of the Bonds Outstanding), as and to the extent provided in the Indenture, may cause all principal installments of loan payments payable under the Loan Agreement as described under the heading "Loan Payments; Pledge of the Loan Agreement and of the Promissory Note" above until the Bonds are no longer Outstanding to be immediately due and payable, whereupon the same, together with the accrued interest thereon, shall become immediately due and payable; provided, however, that upon the occurrence of an Event of Default under clause (d) or (e) under the heading "Events of Default" above, all principal installments of loan payments payable under the heading "Loan Payments; Pledge of the Loan Agreement and of the Promissory Note" above until the Bonds are no longer Outstanding, together with the accrued interest thereon, shall immediately become due and payable without any declaration, notice or other action of the Issuer, the Trustee, the Holders of the Bonds or any other Person being a condition to such acceleration;

(ii) The Issuer or the Trustee (at the direction of the Directing Party) may take whatever action at law or in equity as may appear necessary or desirable to collect the loan payments then due and thereafter to become due, or to enforce performance or observance of any obligations, agreements or covenants of the Participant under the Loan Agreement;

(iii) The Trustee (at the direction of the Directing Party) may take any action permitted under the Indenture with respect to an Event of Default thereunder; and

(iv) With respect to any Facility regulated by OPWDD, the Issuer or the Trustee (at the direction of the Directing Party) may request OPWDD, in accordance with applicable statutes and regulations, to enter such Facility, or replace the Participant with another operator, subject to the Loan Agreement as described under the first and second paragraphs under the heading "Assignment of the Loan Agreement or Lease of Facility" above, take possession without judicial action of all real property contained in such Facility and all personal property located in or on or used in connection with such Facility, including furnishings and equipment thereon, and cause to be operated thereon a certified program for the developmentally disabled or other person with special needs within such Facility in accordance with a valid operating certificate duly issued by OPWDD. In such event, OPWDD or any assignee will be required to make the payments owed by the Participant under the Loan Agreement with respect to the Series 2022 Bonds as they become due and owing.

Upon the occurrence of a default with respect to any of the Issuer's Reserved Rights, the Issuer, without the consent of the Trustee or any other Person, may proceed to enforce the Issuer's Reserved Rights by (i) bringing an action for damages, injunction or specific performance, and/or (ii) taking whatever action at law or in equity as may appear necessary or desirable to collect payment of amounts due by the Participant under the Issuer's Reserved Rights or to enforce the performance or observance of any obligations, covenants or agreements of the Participant under the Issuer's Reserved Rights.

No action taken pursuant to the Loan Agreement as described under this heading or by operation of law or otherwise shall, except as expressly provided in the Loan Agreement, relieve the Participant from the Participant's obligations under the Loan Agreement, all of which shall survive any such action.

The Participant shall never be liable for, and no Fund or Account (or portion thereof) created for the benefit of the Participant under the Indenture shall be used to cure, an Event of Default thereunder (other than an Event of Default of the Participant) and no amounts realized pursuant to the grant of the security interest under any Mortgage or to any other Security Document to which the Participant is a party shall be used to cure an Event of Default under the Loan Agreement or thereunder (other than an Event of Default of the Participant).

Bankruptcy Proceedings. In case proceedings shall be pending for the bankruptcy or for the reorganization of the Participant under the federal bankruptcy laws or any other applicable law, or in case a receiver or trustee (other than the Trustee under the Indenture) shall have been appointed for the property of the Participant or in the case of any other similar judicial proceedings relative to the Participant or the creditors or property of the Participant, then the Trustee shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to the Loan Agreement and the Promissory Note, irrespective of whether the principal of the Bonds (and the loan payments payable pursuant to the Promissory Note and the Loan Agreement as described under the heading "Loan Payment; Pledge of Loan Agreement and of the Promissory Note" above) shall have been accelerated by declaration or otherwise, and irrespective of whether the Trustee shall have made any demand for payment under the Loan Agreement or thereunder, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee allowed in such judicial proceedings relative to the Participant, the creditors or property of the Participant, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute such amounts as provided in the Indenture after the deduction of its charges and expenses. Any receiver, assignee or trustee in bankruptcy or reorganization is authorized under the Loan Agreement to make such payments to the Trustee, and to pay to the Trustee any amount due it for compensation and expenses, including expenses and fees of counsel incurred by it up to the date of such distribution.

Remedies Cumulative. The rights and remedies of the Issuer or the Trustee under the Loan Agreement shall be cumulative and shall not exclude any other rights and remedies of the Issuer or the Trustee allowed by law with respect to any default under the Loan Agreement. Failure by the Issuer or the Trustee to insist upon the strict performance of any of the covenants and agreements set forth in the Loan Agreement or to exercise any rights or remedies upon default by the Participant under the Loan Agreement shall not be considered or taken as a waiver or relinquishment for the future of the right to insist upon and to enforce by mandatory injunction, specific performance or other appropriate legal remedy the strict compliance by the Participant with all of the covenants and conditions of the Loan Agreement, or of the rights to exercise any such rights or remedies, if such default by the Participant be continued or repeated.

No Additional Waiver Implied by One Waiver. In the event any covenant or agreement contained in the Loan Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the Loan Agreement. No waiver shall be binding unless it is in writing and signed by the party making such waiver. No course of dealing between the Issuer and/or the Trustee and the Participant or any delay or omission on the part of the Issuer and/or the Trustee in exercising any rights under the Loan Agreement or under the Indenture or under any other Security Document shall operate as a waiver. To the extent permitted by applicable law, the Participant waives the benefit and advantage of, and covenants not to assert against the Issuer or the Trustee, any valuation, inquisition, stay, appraisement, extension or redemption laws now existing or which may hereafter exist.

Effect on Discontinuance of Proceedings. In case any proceeding taken by the Issuer or the Trustee under the Indenture or the Loan Agreement or under any other Security Document on account of any Event of Default under the Loan Agreement or thereunder shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Issuer or the Trustee, then, and in every such case, the Issuer, the Trustee and the Holders of the Bonds shall be restored, respectively, to their former positions and rights under the Loan Agreement and thereunder, and all rights, remedies, powers and duties of the Issuer and the Trustee shall continue as in effect prior to the commencement of such proceedings.

Certain Continuing Representations. If at any time during the term of the Loan Agreement, any Conduct Representation made by the Participant would, if made on any date while Bonds are Outstanding and deemed made as of such date, be false, misleading or incorrect in any material respect, then, the Participant shall be deemed to be in default under the Loan Agreement unless the Issuer shall, upon written request by the Participant, either waive such default in writing or consent in writing to an exception to such representation or warranty so that such representation or warranty shall no longer be false, misleading or incorrect in a material respect. Upon the occurrence of any such default, the Issuer shall have the right to require the redemption of the Bonds in accordance with the Loan Agreement as described in the first paragraph under the heading "Mandatory Redemption of Bonds as Directed by the Issuer" below.

Termination of the Loan Agreement. The Participant shall have the option to cause the redemption or defeasance in whole of all of the Bonds allocable to the Participant in accordance with the terms set forth in the Indenture.

After full payment of the Bonds allocable to the Participant or provision for the payment in full thereof having been made in accordance with the Indenture, but not later than the receipt by the Participant of ten (10) days prior written notice from the Issuer directing termination of the Loan Agreement, the Participant shall terminate the Loan Agreement by giving the Issuer notice in writing of such termination and thereupon such termination shall forthwith become effective, subject, however, to (x) the delivery of those documents referred to in the Loan Agreement, and (y) the survival of those obligations of the Participant set forth in in the Loan Agreement.

Issuance of Additional Bonds. If a Series of Additional Bonds is to be issued pursuant to the Indenture, the Issuer and the Participant shall enter into an amendment to the Loan Agreement, and the Participant shall execute and deliver a new Promissory Note, in each case providing, among other things, for the payment by the Participant of such additional loan payments as are necessary in order to amortize in full the principal of and interest on such Series of Additional Bonds and any other costs in connection therewith.

Any such completion, repair, relocation, replacement, rebuilding, restoration, additions, extensions or improvements shall become a part of the Facility and shall be included under the Loan Agreement to the same extent as if originally included under the Loan Agreement.

Determination of Taxability. If any Holder of Tax-Exempt Bonds receives from the Internal Revenue Service a notice of assessment and demand for payment with respect to interest on any Tax-Exempt Bond, an appeal may be taken by such Holder at the option of either such Holder or the Participant. If such appeal is taken at the option of the Participant (exercised in accordance with the procedures set forth in the definition of "Determination of Taxability"), all expenses of the appeal including reasonable counsel fees shall be paid by the Participant, and the Participant shall control the procedures and terms relating to such appeal, and such Holder and the Participant shall cooperate and consult with each other in all matters pertaining to any such appeal which the Participant has elected to take, except that no Holder of Tax-Exempt Bonds shall be required to disclose or furnish any non-publicly disclosed information, including without limitation, financial information and tax returns. Before the taking of any appeal which the Participant has elected to take, however, the Bondholder shall have the right to require the Participant to pay the tax assessed and conduct the appeal as a contest for reimbursement.

The obligations of the Participant to make the payments provided for in the Loan Agreement as described under this heading shall be absolute and unconditional, and the failure of the Issuer, the Trustee or any other Person to execute or deliver or cause to be delivered any documents or to take any action required under the Loan Agreement or otherwise shall not relieve the Participant of its obligation under the Loan Agreement as described under this heading.

<u>Mandatory Redemption of Bonds as Directed by the Issuer</u>. Upon the determination by the Issuer that (i) the Participant is operating the Facility or any portion thereof, or is allowing the Facility or any portion thereof to be operated, not for the Approved Project Operations in accordance with the Loan Agreement and the failure of the Participant within thirty (30) days of the receipt by the Participant of written notice of such noncompliance from the Issuer to cure such noncompliance together with a copy of such resolution (a copy of which notice shall be sent to the Trustee), (ii) the Participant, any Principal of the Participant or any Person that directly or indirectly Controls, is Controlled by or is under common Control with the Participant has committed a material violation of a material Legal Requirement and the failure of the Participant within thirty (30) days of the receipt by the Participant of written notice of such determination from the Issuer to cure such material violation (which cure, in the case of a Principal who shall have committed the material violation of a material Legal Requirement, may be effected by the removal of such Principal), (iii) as set forth in the Loan Agreement as described under the heading "Certain Continuing Representations" above, any Conduct Representation is false, misleading or incorrect in any material respect at any date, as if made on such date, or (iv) a Required Disclosure Statement delivered to the Issuer under any Project Document is not acceptable to the Issuer acting in its sole discretion, the Participant covenants and agrees that it shall, no later than ten (10) days following the termination of such thirty (30) day period, pay to the Trustee advance loan payments in immediately available funds in an amount sufficient to redeem the Bonds allocable to the Participant in whole at the Redemption Price of 100% of the aggregate principal amount of the Outstanding Bonds together with interest accrued thereon to the Redemption Date. The Issuer shall give prior written notice of the meeting at which the Board of Directors of the Issuer are to consider such resolution to the Participant and the Trustee, which notice shall be no less than fifteen (15) days prior to such meeting.

In the event the Participant fails to obtain or maintain the liability insurance with respect to the Facility required under the Loan Agreement, and the Participant shall fail to cure such circumstance within ten (10) days of the receipt by the Participant of written notice of such noncompliance from the Issuer and a demand by the Issuer on the Participant to cure such noncompliance, upon notice or waiver of notice as provided in the Indenture, the Participant shall pay to the Trustee advance loan payments in immediately available funds in an amount sufficient to redeem the Bonds Outstanding in whole at the Redemption Price of one hundred percent (100%) of the unpaid principal amount of the Bonds, together with interest accrued thereon to the Redemption Date.

<u>Mandatory Redemption of Bonds as a Result of the Participant's Loss of Interest in the Facility</u>. In the event the Facility Lease Agreement shall terminate or expire, or any mortgage on the Facility shall foreclose, with the effect of the Participant no longer having a leasehold interest in the Facility, the Participant shall deliver immediately to the Issuer and the Trustee a certificate of an Authorized

Representative of the Participant stating such occurrence and shall cause the redemption of the Participant's Portion of the Series 2022 Bonds Outstanding in whole pursuant to the Indenture.

Mandatory Redemption As a Result of Project Gifts or Grants. If, prior to completion of the construction or renovation of a component of the Project Work, the Participant receives any gift or grant required by the terms thereof to be used to pay any item which is a cost of such component of the Project Work, the Participant shall apply such gift or grant to completion of the construction or renovation of such component of the Project Work. In the event that the amount of such gift or grant is in excess of the amount necessary to complete such component of the Project Work, and if proceeds of the Participant's Portion of the Tax-Exempt Bonds (i) have been expended on such component of the Project Work more than eighteen (18) months prior to the receipt of such gift or grant, or (ii) (A) have been expended on such component of the Project Work not more than eighteen (18) months prior to the receipt of such gift or grant and (B) the aggregate amount of Project Costs not otherwise provided for is less than the amount of the Participant's Portion of the Tax-Exempt Bond proceeds expended on such component of the Project Work, the Participant shall cause the Trustee to effect a redemption of the Participant's Portion of the Tax-Exempt Bonds in a principal amount equal to such excess only to the extent to which proceeds of the Participant's Portion of the Tax-Exempt Bonds were expended for such component.

If, after completion of the construction or renovation of a component of the Project Work, the Participant receives any gift or grant which prior to such completion it reasonably expected to receive and which is required by the terms thereof to be used to pay any item which is a cost of such component of the Project Work, and if proceeds of the Participant's Portion of the Tax-Exempt Bonds (i) have been expended on such component of the Project Work more than eighteen (18) months prior to the earlier of the date on which the Participant's Portion of the Tax-Exempt Bond proceeds were expended thereon or the placed in service date of such component, or (ii) (A) have been expended on such component of the Project Work not more than eighteen (18) months prior to the earlier of the date on which the Participant's Portion of the Tax-Exempt Bond proceeds were expended thereon or the placed in service date of such component and (B) the aggregate amount of Project Costs not otherwise provided for is less than the amount of the Participant's Portion of the Tax-Exempt Bond proceeds expended on such component of the Project Work, the Participant shall, to the extent not inconsistent with the terms of such gift or grant, deposit an amount equal to such gift or grant with the Trustee for deposit into the Redemption Account of the Bond Fund and cause the Trustee to effect a redemption of the Participant's Portion of the Tax-Exempt Bonds in a principal amount equal to such gift or grant, but only to the extent to which proceeds of the Participant's Portion of the Tax-Exempt Bonds were expended for such component.

The Participant shall, prior to directing the redemption of any Tax-Exempt Bonds in accordance with the Loan Agreement as described under this heading, consult with Nationally Recognized Bond Counsel for advice as to a manner of selection of Tax-Exempt Bonds for redemption that will not affect the exclusion of interest on any Tax-Exempt Bonds then Outstanding from gross income for federal income tax purposes.

Right to Cure Issuer Defaults. The Issuer grants pursuant to the Loan Agreement the Participant full authority for the account of the Issuer to perform any covenant or obligation the non-performance of which is alleged to constitute a default in any notice received by the Participant, in the name and stead of the Issuer, with full power of substitution.

Prohibition on the Purchase of Bonds. Neither the Participant nor any related person thereto shall purchase any Bonds for its own account during the term of the Loan Agreement, whether by direct negotiation through a broker or dealer, or by making a tender offer to the Holders thereof, or otherwise.

Investment of Funds. Any moneys held as part of the Rebate Fund, the Participant's Earnings Account, the Participant's Project Account, the Bond Fund, the Participant's Account in the Debt Service Reserve Fund (Tax-Exempt) or the Participant's Renewal Account or in any special fund provided for in the Loan Agreement or in the Indenture to be invested in the same manner as in any said Fund or Account shall, at the written request of an Authorized Representative of the Participant or of the Program Facilitator on behalf of the Participant, be invested and reinvested by the Trustee as provided in the Indenture (but subject to the provisions of the Tax Regulatory Agreement). None of the Issuer, the Trustee or any of their members, directors, officers, agents, servants or employees shall be liable for any depreciation in the value of any such investments or for any loss arising therefrom. Interest and profit derived from such investments shall be credited and applied as provided in the Indenture, and any loss resulting from such investments shall be similarly charged.

Force Majeure. In case by reason of *force majeure* either party to the Loan Agreement shall be rendered unable wholly or in part to carry out its obligations under the Loan Agreement, then except as otherwise expressly provided in the Loan Agreement, if such party shall give notice and full particulars of such *force majeure* in writing to the other party within a reasonable time after occurrence of the event or cause relied on, the obligations of the party giving such notice (other than (i) the obligations of the Participant to make the loan payments or other payments required under the terms of the Loan Agreement, or (ii) the obligations of the Participant to comply with the provisions of the Loan Agreement regarding insurance, indemnity or recapture of certain Issuer benefits, if applicable, so far as they are affected by such *force majeure*, shall be suspended during the continuance of the inability then claimed, which shall include a reasonable time for the removal of the effect thereof, but for no longer period, and such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "*force majeure*" shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, orders of any kind of the Government of the United States or of the State or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrest, restraining of government and people, war, terrorism, civil disturbances, explosions, partial or entire failure of utilities, shortages of labor, material, supplies or transportation, or any other act or event so long as such act or event is not reasonably foreseeable and is not reasonably within the control of the party claiming such inability. Notwithstanding anything to the contrary in the Loan Agreement, in no event shall the Participant's financial condition or inability to obtain financing constitute a *force majeure*. It is understood and agreed that the requirements that any *force majeure* shall be reasonably beyond the control of the party and shall be remedied with all reasonable dispatch shall be deemed to be satisfied in the event of a strike or other industrial disturbance even though existing or impending strikes or other industrial disturbances could have been settled by the party claiming a *force majeure* under the Loan Agreement by acceding to the demands of the opposing person or persons.

The Participant shall promptly notify the Issuer and the Trustee upon the occurrence of each *force majeure*, describing such *force majeure* and its effects in reasonable detail. The Participant shall also promptly notify the Issuer and the Trustee upon the termination of each such *force majeure*. The information set forth in any such notice shall not be binding upon the Issuer or the Trustee, and the Issuer or the Trustee shall be entitled to dispute the existence of any *force majeure* and any of the contentions contained in any such notice received from the Participant.

Amendments. The Loan Agreement may be amended only with the concurring written consent of the Trustee given in accordance with the provisions of the Indenture, except in connection with any amendment relating to recapture of certain Issuer benefits, if applicable, and only by a written instrument executed by the parties to the Loan Agreement.

Third Party Beneficiaries. The Issuer and the Participant agree that the Loan Agreement is executed in part to induce the purchase by others of the Bonds and for the further securing of the Participant's Portion of the Bonds, and accordingly all covenants and agreements on the part of the Issuer and the Participant as set forth in the Loan Agreement are declared to be for the benefit of the Holders from time to time of the Bonds and may be enforced as provided in the Indenture on behalf of the Bondholders by the Trustee.

Nothing in the Loan Agreement expressed or implied is intended or shall be construed to confer upon, or to give to, any Person, other than the Issuer, the Trustee, the Bond Registrar, the Participant, the Paying Agents and the Holders of the Bonds any right, remedy or claim under or by reason of the Loan Agreement or any covenant, condition or stipulation thereof. All the covenants, stipulations, promises and agreements contained in the Loan Agreement by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Trustee, the Bond Registrar, the Participant, the Paying Agents and the Holders of the Bonds.

Recourse Under the Loan Agreement. All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Loan Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Issuer, and not of any member, director, officer, employee or agent of the Issuer or any natural person executing the Loan Agreement on behalf of the Issuer in such person's individual capacity, and no recourse shall be had for any reason whatsoever under the Loan Agreement against any member, director, officer, employee or agent of the Issuer or any natural person executing the Loan Agreement on behalf of the Issuer. No recourse shall be had for the payment of the principal of, redemption premium, if any, Sinking Fund Installments for, or interest on the Bonds or for any claim based thereon or under the Loan Agreement against any member, director, officer, employee or agent of the Issuer or any natural person executing the Bonds. In addition, in the performance of the agreements of the Issuer contained in the Loan Agreement, any obligation the Issuer may incur for the payment of money shall not subject the Issuer to any pecuniary or other liability or create a debt of the State or the City, and neither the State nor the City shall be liable on any obligation so incurred and any such obligation shall be payable solely out of amounts payable to the Issuer by the Participant under the Loan Agreement and under the Promissory Note.

Consents of the Trustee. Except as expressly provided to the contrary in the Loan Agreement, all provisions in the Loan Agreement regarding consents, directions, approvals or requests by the Trustee shall, for so long as any Bonds shall be Outstanding, be upon the written direction of the Directing Party.

APPENDIX F

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. This summary does not purport to be complete, and reference is made to the Indenture for the detailed provisions thereof. This summary is qualified in its entirety by such reference. Headings are not part of the Indenture and are included for ease of reference only.

Additional Bonds. So long as the applicable Promissory Note, the applicable Loan Agreement and the other applicable Security Documents are each in effect, one or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for the purpose of (i) completing one or more of any Participant's Project, (ii) providing funds in excess of Net Proceeds to repair, relocate, replace, rebuild or restore one or more of any Facility in the event of damage, destruction or taking by eminent domain, (iii) providing extensions, additions or improvements to one or more of any Facility, the purpose of which shall be for an Approved Project Operation, or (iv) refunding Outstanding Bonds. Such Additional Bonds shall be payable from the loan payments, receipts and revenues of the applicable Loan Agreement to be amended. Prior to the issuance of a Series of Additional Bonds and the execution of a Supplemental Indenture in connection therewith, (i) the Issuer and the applicable Participant shall enter into an amendment to the applicable Loan Agreement, and the applicable Participant shall execute a new Promissory Note, which shall provide, among other things, that the loan payments payable by such Participant under its Loan Agreement and the aggregate amount to be paid under its Promissory Note shall be increased and computed so as to amortize in full the principal of and interest on such Additional Bonds and any other costs in connection therewith. In addition, the applicable Participant and the Issuer shall enter into an amendment to each Security Document to which they are a party with the Trustee which shall provide that the amounts secured thereunder be increased accordingly so as to secure such Series of Additional Bonds.

Each such Series of Additional Bonds shall be deposited with the Trustee and thereupon shall be authenticated by the Trustee. Upon payment to the Trustee of the proceeds of sale of such Series of Additional Bonds, they shall be made available by the Trustee for pick-up by the order of the purchaser or purchasers thereof, but only upon receipt by the Trustee of:

(i) a copy of the resolution, duly certified by the Secretary, Assistant Secretary, Executive Director, Deputy Executive Director or General Counsel of the Issuer, authorizing, issuing and awarding the Series of Additional Bonds to the purchaser or purchasers thereof and providing the terms thereof and authorizing the execution of any Supplemental Indenture and any amendments of or supplements to the applicable Loan Agreement and any other Security Document to which the Issuer shall be a party;

(ii) original executed counterparts of the Supplemental Indenture, the new Promissory Note and an amendment of or supplement to each applicable Loan Agreement expressly providing that, to the extent applicable, for all purposes of the Supplemental Indenture, such new Promissory Note, such Loan Agreement, the Pledge and Security Agreement and the Mortgage, if applicable, the Facility referred to therein and the premises related or subject thereto shall include the buildings, structures, improvements, machinery, equipment or other facilities being financed, and the Bonds referred to therein shall mean and include the Series of Additional Bonds being issued as well as the Series 2022 Bonds and any Series of Additional Bonds theretofore issued;

(iii) a written opinion by Nationally Recognized Bond Counsel, to the effect that the issuance of the Series of Additional Bonds and the execution thereof have been duly authorized and that all conditions precedent to the delivery thereof have been fulfilled and that the issuance of the Series of

Additional Bonds will not cause the interest on any Series of Tax-Exempt Bonds Outstanding to become includable in gross income for federal income tax purposes;

(iv) except in the case of a Series of Refunding Bonds (defined below) refunding all Outstanding Bonds, a certificate of an Authorized Representative of each applicable Participant to the effect that each Security Document to which it is a party continues in full force and effect and that there is no Event of Default nor any event which upon notice or lapse of time or both would become an Event of Default;

(v) an original, executed counterpart of the new Promissory Note and the amendment to each Security Document;

(vi) a written order to the Trustee executed by an Authorized Representative of the Issuer to authenticate and make available for pick-up the Series of Additional Bonds to the purchaser or purchasers therein identified upon payment to the Trustee of the purchase price therein specified, plus accrued interest, if any;

(vii) an amount of money for deposit in the Debt Service Reserve Fund (Tax-Exempt) such that the aggregate amount on deposit in such Fund shall be at least equal to the Debt Service Reserve Requirement (Tax-Exempt) after giving effect to the issuance of such Series of Additional Bonds; and

(viii) evidence satisfactory to the Trustee that the additional Indebtedness of the applicable Participants incurred in connection with the issuance of the Additional Bonds complies with the additional indebtedness requirements of the Pledge and Security Agreement.

Upon the request of a Participant, one or more Series of Additional Bonds may be authenticated and made available for pick-up upon original issuance to refund ("Refunding Bonds") all Outstanding Bonds or any Series of Outstanding Bonds or any part of one or more Series of Outstanding Bonds. Bonds of a Series of Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Indenture and of the resolution authorizing said Series of Refunding Bonds. In the case of the refunding under the Indenture as described under this heading of less than all Bonds Outstanding of any Series or of any maturity within such Series, the Trustee shall proceed to select such Bonds in accordance with the Indenture.

A Series of Refunding Bonds may be authenticated and made available for pick-up only upon receipt by the Trustee (in addition to the receipt by it of the documents required by the Indenture as described above, as may be applicable) of: (A) Irrevocable instructions from the Issuer to the Trustee, satisfactory to it, to give due notice of redemption pursuant to the Indenture to the Holders of all the Outstanding Bonds to be refunded prior to maturity on the Redemption Date specified in such instructions; and (B) Either: (i) moneys in an amount sufficient to effect payment at maturity or upon redemption at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or Redemption Date, which moneys shall be held by the Trustee or any Paying Agent in a separate account irrevocably in trust for and assigned to the respective Holders of the Outstanding Bonds being refunded, or (ii) Defeasance Obligations in such principal amounts, having such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of the Indenture as described under the heading "Defeasance" below , and any moneys required pursuant to said provisions (with respect to all Outstanding Bonds or any part of one or more Series of Outstanding Bonds being refunded), which Defeasance Obligations and moneys shall be held in trust and used only as provided in the Indenture as described under the heading "Defeasance" below.

The applicable Participant shall furnish to the Trustee and the Issuer at the time of delivery of the Series of Refunding Bonds a certificate of an independent certified public accountant stating that the Trustee and/or the Paying Agent (and/or any escrow agent as shall be appointed in connection therewith) hold in trust the moneys or such Defeasance Obligations and moneys required to effect such payment at maturity or earlier redemption.

Each Series of Additional Bonds issued pursuant to the Indenture as described under this heading shall be equally and ratably secured under the Indenture with the Series 2022 Bonds and all other Series of Additional Bonds, if any, issued pursuant to the Indenture, without preference, priority or distinction of any Bond over any other Bonds except as expressly provided in or permitted by the Indenture (including, without limitation, the exception that the Debt Service Reserve Fund (Tax-Exempt) shall only secure the Tax-Exempt Bonds).

No Series of Additional Bonds shall be issued unless the Promissory Note, the Loan Agreement, the Mortgage, if applicable, and the other Security Documents of the applicable Participants are in effect and, at the time of issuance, there is no Event of Default nor any event which upon notice or lapse of time or both would become an Event of Default.

Payments Due on Saturdays, Sundays and Holidays. In any case where any payment date of principal, Sinking Fund Installment and/or interest on the Bonds, or the Redemption Date of any Bonds, shall be a day other than a Business Day, then payment of such principal, Sinking Fund Installment and/or interest or the Redemption Price, if applicable, need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the principal, Sinking Fund Installment and/or Interest Payment Date or the Redemption Date, as the case may be, except that interest shall continue to accrue on any unpaid principal.

Creation of Funds and Accounts. The following special trust Funds and Accounts are established under the Indenture, as applicable:

(1) Project Fund consisting of (a) a Costs of Issuance Account; and (b) a separate Project Account for each Participant; (2) Bond Fund consisting of (a) a Principal Account; (b) an Interest Account; (c) a Redemption Account; (d) a Sinking Fund Installment Account; and (e) a separate Loan Payment Account for each Participant; (3) Renewal Fund consisting of a separate Account for each Participant; (4) Earnings Fund consisting of a separate Account for each Participant; (5) Rebate Fund; and (6) Debt Service Reserve Fund (Tax-Exempt) consisting of a separate Account for each Participant.

All of the Funds and Accounts created under the Indenture shall be held by the Trustee. All moneys required to be deposited with or paid to the Trustee for the credit of any Fund or Account under any provision of the Indenture and all investments made therewith shall be held by the Trustee in trust and applied only in accordance with the provisions of the Indenture, and while held by the Trustee shall constitute part of the Trust Estate (subject to the granting clauses of the Indenture), other than the Rebate Fund, and be subject to the lien of under the Indenture.

Project Fund. There shall be deposited in the applicable Accounts of the Project Fund any and all amounts required to be deposited therein pursuant to the provisions as described under the headings "Earnings Fund" and "Rebate Fund" below or otherwise required to be deposited therein pursuant to any Loan Agreement or the Indenture.

The Trustee shall apply the amounts on deposit in each Project Account of the Project Fund to the payment or reimbursement, to the extent the same have been paid by or on behalf of the applicable Participant or the Issuer, of Project Costs (including interest on the Bonds during the period of Project construction and renovation) to the extent requisitioned under the Indenture as described in the paragraph below.

The Trustee is authorized to disburse from each Participant's Project Account of the Project Fund the amount required for the payment of Project Costs related to such Participant's Project and is directed to issue its checks (or, at the direction of the Participant, make wire transfers) for each disbursement from such Participant's Project Account, upon a requisition submitted to the Trustee and signed by an Authorized Representative of such Participant; provided, however, that in connection with those Projects not completed and not operating on the Closing Date, the Trustee shall retain in such Participant's Project Account an amount equal to the greater of (a) $60,000 or (b) the lesser of (i) one percent (1%) of the original amount deposited in such Project Account allocated separately to such incomplete Project with respect to a Facility as certified to the Trustee by such Participant or its counsel or (ii) $500,000, until an Authorized Representative of such Participant (i) shall have delivered the completion certificate and other documents required by the applicable Loan Agreement for such Facility and (ii) shall submit a requisition as set forth in the Indenture for the release of the final payment of Project Costs related to such Facility.

The Trustee shall keep and maintain adequate records pertaining to the Project Fund and all disbursements therefrom and shall furnish copies of same to the Issuer, the Program Facilitator or the Participant to which such disbursements relate upon reasonable written request.

The Trustee shall on written request furnish within a reasonable time period a written statement of disbursements from each Project Account of the Project Fund, enumerating, among other things, item, cost, amount disbursed, date of disbursement and the person to whom payment was made, together with copies of all bills, invoices or other evidences submitted to the Trustee for such disbursement, to the Issuer, the Program Facilitator and the Participant to which such disbursements relate.

The completion of a Participant's Project shall be evidenced as set forth in such Participant's Loan Agreement including the filing of the certificate of the Authorized Representative of such Participant referred to therein. Upon the filing of such certificate, the balance in such Participant's Project Account in excess of the amount, if any, stated in such certificate for the payment of any remaining part of the costs of such Participant's Project, shall, after making any transfer to the Rebate Fund as directed pursuant to the Tax Regulatory Agreement and the Indenture as described under the heading "Rebate Fund," be deposited by the Trustee in the Redemption Account of the Bond Fund to be applied to the extent sufficient to effect the redemption of Bonds allocable to such Participant. Upon payment of all the costs and expenses incident to the completion of such Participant's Project, any balance of such remaining amount in such Participant's Project Account, together with any amount on deposit in the Participant's Account in the Earnings Fund derived from transfers made thereto from the Project Fund, shall, after making any such transfer to the Rebate Fund, and after depositing in the Participant's Account in the Debt Service Reserve Fund (Tax-Exempt) an amount equal to any deficiency therein, be deposited in the Redemption Account of the Bond Fund to be applied to the extent sufficient to effect the redemption of Bonds allocable to such Participant at the earliest practicable date or, if the amount is not an Authorized Denomination, then to such Participant's Loan Payment Account. The Trustee shall promptly notify such Participant of any amounts so deposited in the Redemption Account of the Bond Fund pursuant to this paragraph.

In the event a Participant shall be required to or shall elect to cause the Bonds allocable to such Participant to be redeemed in whole pursuant to such Participant's Loan Agreement, the balance in such Participant's Project Account, together with the balance in the Participant's Account in the Debt Service Reserve Fund (Tax-Exempt) and the balance in the Participant's Account in the Earnings Fund (in excess of any amount the Trustee is directed to transfer to the Rebate Fund pursuant to the Tax Regulatory Agreement and the Indenture as described under the heading "Rebate Fund"), shall be deposited in the Redemption Account of the Bond Fund. In the event the unpaid principal amount of the Bonds allocable to a Participant shall be accelerated upon the occurrence of an Event of Default under the Indenture caused by such Participant, the balance in such Participant's Project Account, together with the balance in the Participant's Account in the Debt Service Reserve Fund (Tax-Exempt) and in the Participant's Account in the Earnings Fund (in excess of any amount the Trustee is directed to transfer to the Rebate Fund pursuant to the Tax Regulatory Agreement and the Indenture as described under the heading "Rebate Fund"), shall be deposited in the Bond Fund as provided in the Indenture as described under the heading "Application of Revenues and Other Moneys After Default."

Except as provided in the Indenture as described under the heading "Earnings Fund" below, all earnings on amounts held in a Participant's Project Account shall be transferred by the Trustee and deposited in the Participant's Account in the Earnings Fund. Any transfers by the Trustee of amounts to the Rebate Fund shall first be drawn by the Trustee from the Participant's Account in the Earnings Fund prior to drawing any amounts from the Participant's Project Account in the Project Fund.

The Trustee shall apply the amounts on deposit in the Costs of Issuance Account of the Project Fund to the payment of Costs of Issuance incurred in connection with the issuance of Bonds; provided that Costs of Issuance paid from the Costs of Issuance Account shall not include any Costs of Issuance which are unique to a particular Participant. Costs of Issuance which are unique to a particular Participant shall be paid from such Participant's Project Account.

<u>Renewal Fund</u>. The Net Proceeds resulting from any Loss Event with respect to a Participant's Facility, together with any other amounts so required to be deposited therein under such Participant's Loan Agreement or such Participant's Mortgage, shall be deposited in such Participant's Account in the Renewal Fund (except as otherwise provided in such Mortgage).

In the event the Bonds allocable to a Participant shall be subject to redemption in whole or in part (either by reason of such Loss Event or otherwise) pursuant to the terms thereof or the Indenture, and such Participant shall have so directed the Trustee in writing within ninety (90) days of the occurrence of such Loss Event, the Trustee shall, after making any transfer to the Rebate Fund as directed pursuant to the Tax Regulatory Agreement and the Indenture as described under the heading "Rebate Fund," transfer the amounts deposited in such Participant's Account in the Renewal Fund to the Redemption Account of the Bond Fund to be applied to the extent sufficient to effect the redemption of Bonds allocable to such Participant at the earliest practicable date as provided in the Indenture.

If, on the other hand, (A) such Bonds shall not be subject to optional redemption in whole or in part (whether by reason of such Loss Event or otherwise), or (B) such Bonds shall be subject to optional redemption in whole or in part (whether by reason of such Loss Event or otherwise) and such Participant shall have failed to take action to effect such redemption, or (C) such Participant shall have notified the Trustee of its intent to rebuild, replace, repair and restore its Facility, the Trustee shall apply the amounts on deposit in such Participant's Account in the Renewal Fund, after making any transfer to the Rebate Fund as directed pursuant to the Tax Regulatory Agreement and the Indenture as described under the heading "Rebate Fund," to such rebuilding, replacement, repair and restoration.

If an Event of Default shall exist at the time of the receipt by the Trustee of the Net Proceeds in the Renewal Fund, the Trustee shall promptly request the written direction of the Majority Holders affected by such Event of Default, and shall thereupon apply such Net Proceeds, after making any transfer to the Rebate Fund as directed pursuant to the Tax Regulatory Agreement and the Indenture as described under the heading "Rebate Fund," to the rebuilding, replacement, repair and restoration of the applicable Facility, or for deposit in the Redemption Account of the Bond Fund as directed by the Majority Holders affected by such Event of Default (or, if no such direction shall be received within ninety (90) days after request therefor by the Trustee shall have been made, for deposit in the Redemption Account of the Bond Fund to be applied to the extent sufficient to effect the redemption of Bonds allocable to such Participant at the earliest applicable date as provided in the Indenture).

The Trustee is authorized to apply the amounts in a Participant's Account in the Renewal Fund to the payment (or reimbursement to the extent the same have been paid by or on behalf of such Participant or the Issuer) of the costs required for the rebuilding, replacement, repair and restoration of such Participant's Facility upon written instructions from such Participant. The Trustee is further authorized and directed to issue its checks for each disbursement from a Participant's Account in the Renewal Fund upon a requisition submitted to the Trustee and signed by an Authorized Representative of such Participant.

All earnings on amounts on deposit in a Participant's Account in the Renewal Fund shall be transferred by the Trustee and deposited in such Participant's Account in the Earnings Fund. Any transfers by the Trustee of amounts to the Rebate Fund shall first be drawn by the Trustee from a Participant's Account in the Earnings Fund prior to drawing any amounts from such Participant's Account in the Renewal Fund.

Any surplus remaining in a Participant's Account in the Renewal Fund after the completion of the rebuilding, replacement, repair and restoration of such Participant's Facility shall, after making any transfer to the Rebate Fund as directed pursuant to the Tax Regulatory Agreement and the Indenture as described under the heading "Rebate Fund," and after depositing in such Participant's Account in the Debt Service Reserve Fund (Tax-Exempt) an amount equal to any deficiency therein, be transferred by the Trustee to the Redemption Account of the Bond Fund to be applied to the extent sufficient to effect the redemption of Bonds allocable to such Participant at the earliest practicable date as provided in the Indenture.

Bond Fund. The Trustee shall promptly deposit the following receipts into the designated Account of the Bond Fund:

(a) The interest accruing on any Series of Bonds from the date of original issuance thereof to the date of delivery, if any, which shall be credited to the Interest Account of the Bond Fund and applied to the payment of interest on such Series of Bonds.

(b) Excess or remaining amounts in an Account in the Project Fund required by the Indenture as described under the heading "Project Fund" to be deposited (i) in the Redemption Account of the Bond Fund, which shall be kept segregated from any other moneys within such Account, or (ii) in the Bond Fund.

(c) Amounts in an Account in the Renewal Fund required by the Indenture as described under the heading "Renewal Fund" to be deposited to the Redemption Account of the Bond Fund.

(d) Loan payments received by the Trustee pursuant to any Loan Agreement, which shall be deposited in the applicable Participant's Loan Payment Account.

(e) Advance loan payments received by the Trustee pursuant to any Loan Agreement, which shall be deposited in and credited to the Redemption Account of the Bond Fund.

(f) Any amounts transferred from a Participant's Account in the Earnings Fund pursuant to the Indenture as described in the third paragraph under the heading "Earnings Fund," which shall be deposited in and credited to such Participant's Loan Payment Account of the Bond Fund.

(g) Any amounts transferred from a Participant's Account in the Debt Service Reserve Fund (Tax-Exempt) pursuant to the Indenture as described under the heading "Debt Service Reserve Fund (Tax-Exempt), which shall be deposited in and credited to the Interest Account, the Principal Account, the

Sinking Fund Installment Account or the Redemption Account, as the case may be, of the Bond Fund, and applied only to the payment of the Tax-Exempt Bonds allocable to such Participant.

(h) The excess amounts referred to in the Indenture as described in the fourth paragraph under the heading "Application of Bond Fund Moneys," which shall be deposited in and credited to the Loan Payment Account of the applicable Participant.

(i) Any amounts transferred from the Redemption Account pursuant to the Indenture as described in the seventh paragraph under the heading "Application of Bond Fund Moneys," which shall be deposited to the Loan Payment Account of the Participant to which such amounts are attributable.

(j) All other receipts when and if required by any Loan Agreement or by the Indenture or by any other Security Document to be paid into the Bond Fund, which shall be credited (except as provided in the Indenture as described under the heading "Application of Revenues and Other Moneys After Default") to the Redemption Account of the Bond Fund.

Application of Bond Fund Moneys. The Trustee shall (i) on each Interest Payment Date pay or cause to be paid out of the Interest Account in the Bond Fund the interest due on the Bonds, and (ii) further pay out of the Interest Account of the Bond Fund any amounts required for the payment of accrued interest upon redemption (including any mandatory Sinking Fund Installment redemption) of Bonds.

The Trustee shall on each principal payment date on the Bonds pay or cause to be paid to the respective Paying Agents therefor out of the Principal Account of the Bond Fund, the principal amount, if any, due on the Bonds (other than such as shall be due by mandatory Sinking Fund Installment redemption), upon the presentation and surrender of the requisite Bonds.

There shall be paid from the Sinking Fund Installment Account of the Bond Fund to the Paying Agents on each Sinking Fund Installment payment date in immediately available funds the amounts required for the Sinking Fund Installment due and payable with respect to Bonds which are to be redeemed from Sinking Fund Installments on such date (accrued interest on such Bonds being payable from the Interest Account of the Bond Fund). Such amounts shall be applied by the Paying Agents to the payment of such Sinking Fund Installment when due. The Trustee shall call for redemption, in the manner provided in the Indenture, Bonds for which Sinking Fund Installments are applicable in a principal amount equal to the Sinking Fund Installment then due with respect to such Bonds. Such call for redemption shall be made even though at the time of mailing of the notice of such redemption sufficient moneys therefor shall not have been deposited in the Bond Fund.

Amounts in the Redemption Account of the Bond Fund shall be applied, at the written direction of a Participant, as promptly as practicable, to the purchase of Bonds allocable to such Participant at prices not exceeding the Redemption Price thereof applicable on the earliest date upon which such Bonds are next subject to optional redemption, plus accrued interest to the Redemption Date. Any amount in the Redemption Account not so applied to the redemption of Bonds allocable to such Participant by forty-five (45) days prior to the next date on which such Bonds are so redeemable shall be applied to the redemption of such Bonds on such Redemption Date. Any amounts deposited in the Redemption Account and not applied within twelve (12) months of their date of deposit to the redemption of Bonds allocable to such Participant (except if held in accordance with the Indenture as described under the heading "Defeasance") shall be transferred to the Loan Payment Account of the applicable Participant. Upon the redemption of any Bonds, an amount equal to the principal of such Bonds so redeemed shall be credited against the next ensuing and future Sinking Fund Installments for such Bonds in chronological order of the due dates of such Sinking Fund Installments until the full principal amount of such Bonds so redeemed shall have been so credited. The portion of any such Sinking Fund Installment remaining after the deduction of such amounts so credited shall constitute and be deemed to be the amount of such Sinking Fund Installment for the purposes of any calculation thereof under the Indenture. The Bonds to be redeemed shall be selected by the Trustee in the manner provided in the Indenture. Amounts in the Redemption Account to be applied to the redemption of Bonds shall be paid to the respective Paying Agents on or before the Redemption Date and applied by them on such Redemption Date to the payment of the Redemption Price of the Bonds being redeemed plus interest on such Bonds accrued to the Redemption Date.

The Issuer shall receive a credit in respect of Sinking Fund Installments for any Bonds which are subject to mandatory Sinking Fund Installment redemption and which are delivered by the Issuer or a Participant to the Trustee on or before the forty-fifth (45th day next preceding any Sinking Fund Installment payment date and for any Bonds which prior to said date have been redeemed (otherwise than through the operation of the Sinking Fund Installment Account) and cancelled by the Trustee and not theretofore applied as a credit against any Sinking Fund Installment (whether pursuant to the Indenture as described in the fourth paragraph under this the heading or otherwise). Each Bond so delivered, cancelled or previously redeemed shall be credited by the Trustee at one hundred percent (100%) of the principal amount thereof against the obligation of the Issuer on such Sinking Fund Installment payment date with respect to Bonds of such Series and maturity and the principal amount of such Bonds to be redeemed by operation of the Sinking Fund Installment Account on the due date of such Sinking Fund Installment shall be reduced accordingly, and any excess over such principal amount shall be credited on future Sinking Fund Installments in direct chronological order, and the principal amount of Bonds to be redeemed by application of Sinking Fund Installment payments shall be accordingly reduced.

The Participants shall on or before the forty-fifth (45th) day next preceding each Sinking Fund Installment payment date furnish the Trustee with the certificate of an Authorized Representative of the Participants indicating whether or not and to what extent the provisions of the Indenture as described under this heading are to be availed of with respect to such Sinking Fund Installment payment, stating, in the case of the credit provided for, that such credit has not theretofore been applied against any Sinking Fund Installment and confirming that immediately available cash funds for the balance of the next succeeding prescribed Sinking Fund Installment payment will be paid on or prior to the next succeeding Sinking Fund Installment payment date.

Moneys in the Redemption Account of the Bond Fund which are not set aside or deposited for the redemption or purchase of Bonds shall be transferred by the Trustee to the Loan Payment Account of the Participant to which such amounts are attributable.

The Trustee shall on the Business Day before (1) each Interest Payment Date transfer from each Participant's Loan Payment Account to the Interest Account an amount equal to the interest due and payable on the Bonds allocable to such Participant and (2) each Interest Payment Date which is also a principal payment date or Sinking Fund Installment payment date transfer from each Participant's Loan Payment Account to the Principal Account or the Sinking Fund Installment Account, as applicable, an amount equal to such principal or Sinking Fund Installment due and payable on the Bonds allocable to such Participant.

<u>Debt Service Reserve Fund (Tax-Exempt)</u>. If on any Interest Payment Date or Redemption Date on the Tax-Exempt Bonds the amount in the Interest Account of the Bond Fund available to pay interest on the Tax-Exempt Bonds (after taking into account amounts available to be transferred to the Interest Account from the Project Fund) shall be less than the amount of interest then due and payable on the Tax-Exempt Bonds, or if on any principal payment date on the Tax-Exempt Bonds the amount in the Principal Account available to pay principal on the Tax–Exempt Bonds shall be less than the amount of principal of the Tax-Exempt Bonds then due and payable, or if on any Sinking Fund Installment payment date for the Tax-Exempt Bonds the amount in the Sinking Fund Installment Account of the Bond Fund available to pay Sinking Fund Installments on the Tax-Exempt Bonds shall be less than the amount of the Sinking Fund

Installment then due and payable on the Tax-Exempt Bonds, in each case, after giving effect to all payments received by the Trustee in immediately available funds by 10:00 a.m. (New York City time) on such date from or on behalf of the Participants or the Issuer on account of such interest, principal or Sinking Fund Installment on the Tax-Exempt Bonds, the Trustee forthwith shall transfer moneys from the applicable Account in the Debt Service Reserve Fund (Tax-Exempt) allocable to the Participant to which such deficiency shall relate, first, to such Interest Account, second to such Principal Account, and third, to such Sinking Fund Installment Account, all to the extent necessary to make good any such deficiency; provided, however, any such moneys so transferred from an Account in the Debt Service Reserve Fund (Tax-Exempt) shall only be applied to payment of the Tax-Exempt Bonds.

The Trustee shall give to each Participant on or prior to each Loan Payment Date on which the Participant is obligated pursuant to the Loan Agreement to pay to the Trustee amounts in respect of (i) principal or Redemption Price of, any Sinking Fund Installment for, or any interest on, any Bonds or (ii) any deficiency in such Participant's Account in the Debt Service Reserve Fund (Tax-Exempt), telephonic notice (to be promptly confirmed in writing) specifying (y) the amounts to become due and payable by such Participant to the Trustee on such date in respect of each of the principal or Redemption Price of, Sinking Fund Installment for, and interest on any Bonds and any such deficiency in such Participant's Account in the Debt Service Reserve Fund (Tax-Exempt), and (z) the amounts then available in any of the Funds or Accounts held by the Trustee under the Indenture for the payment of any such amount. The failure of the Trustee to deliver such notice or any defect in such notice shall not relieve the Issuer from any of its obligations under the Indenture or any Participant from any of its obligations under any of the Security Documents.

Whenever the amount on deposit in a Participant's Account in the Debt Service Reserve Fund (Tax-Exempt), together with the amount in such Participant's Loan Payment Account, is sufficient to pay in full all Outstanding Tax-Exempt Bonds allocable to such Participant, the amount on deposit in such Participant's Account in the Debt Service Reserve Fund (Tax-Exempt) shall be transferred to such Participant's Loan Payment Account, provided, however, that the amounts so transferred from such Account shall only be applied to the payment of the Tax-Exempt Bonds.

Earnings Fund. All investment income or earnings on amounts held in a Participant's Project Account in the Project Fund, a Participant's Account in the Debt Service Reserve Fund (Tax-Exempt), a Participant's Account in the Renewal Fund or any other special Fund or Account created for the benefit of a Participant (other than the Rebate Fund or the Bond Fund) shall be deposited upon receipt by the Trustee into such Participant's Account in the Earnings Fund. The Trustee shall keep separate account of all amounts deposited in each Account of the Earnings Fund and by journal entry indicate the Fund and Account, as applicable, source of the income or earnings.

On the first Business Day following each Computation Period (as defined in the Tax Regulatory Agreement), and following the receipt by the Trustee of a certificate of written direction from an Authorized Representative of the Program Facilitator delivered by the Program Facilitator to the Trustee pursuant to the Tax Regulatory Agreement, including certifying that the Yield (as defined in the Tax Regulatory Agreement) on the Nonpurpose Investments (as defined in the Tax Regulatory Agreement) does not exceed the Yield on the Tax-Exempt Bonds, the Trustee shall withdraw from the related Participant's Account in the Earnings Fund that amount, if any, and deposit to the Rebate Fund an amount such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated as of the last day of the Computation Period. In the event of any deficiency, the balance required shall be provided by the applicable Participant pursuant to the Tax Regulatory Agreement. Computations of the amounts on deposit in each Fund and of the Rebate Amount shall be furnished to the Trustee by an Authorized Representative of the Program Facilitator delivered by the Program Facilitator on behalf of the applicable Participant in accordance with the Tax Regulatory Agreement.

The foregoing notwithstanding, the Trustee shall not be required to transfer amounts from the Earnings Fund to the Rebate Fund (and shall instead apply such amounts in the Earnings Fund as provided in the immediately following sentence), if an Authorized Representative of the Program Facilitator on behalf of a Participant shall deliver to the Trustee evidence to the effect that (x) the applicable requirements of a spending exception to rebate has been satisfied as of the relevant semiannual period as set forth in the Tax Regulatory Agreement, (y) the proceeds of the Bonds allocable to a Participant have been invested in obligations the interest on which is not included in gross income for federal income tax purposes under Section 103 of the Code or (z) the proceeds of the Bonds allocable to a Participant have been invested in obligations the Yield on which (calculated as set forth in the Tax Regulatory Agreement) does not exceed the Yield on such Bonds (calculated as set forth in the Tax Regulatory Agreement). Any amounts remaining in such Participant's Account of the Earnings Fund following such transfers to the Rebate Fund required by the Indenture as described under this heading shall be deposited in such Participant's Project Account of the Project Fund until the completion of its Project as provided in such Participant's Loan Agreement, and thereafter to such Participant's Loan Payment Account of the Bond Fund.

Rebate Fund. The Rebate Fund and the amounts deposited therein shall not be subject to a security interest, pledge, assignment, lien or charge in favor of the Trustee, any Bondholder or any other Person.

The Trustee, upon the receipt of a certification of the Rebate Amount (as defined in the Tax Regulatory Agreement) from an Authorized Representative of the Program Facilitator on behalf of a Participant pursuant to the Tax Regulatory Agreement including certifying that the Yield (as defined in the Tax Regulatory Agreement) on the Nonpurpose Investments (as defined in the Tax Regulatory Agreement) does not exceed the Yield on the Tax-Exempt Bonds, shall deposit in the Rebate Fund within sixty (60) days following each Computation Date (as defined in the Tax Regulatory Agreement), that amount from the named Participant's Account in the Earnings Fund, to the extent available, as shall be so specified in such certificate of written direction, which shall be an amount such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated as of such Computation Date. If there has been delivered to the Trustee a certification of the Rebate Amount in conjunction with the completion of such Participant's Project pursuant to such Participant's Loan Agreement or the restoration of such Participant's Facility pursuant to the Indenture as described under the heading "Renewal Fund," at any time during a Bond Year (as defined in the Tax Regulatory Agreement), the Trustee shall at the written direction of an Authorized Representative of the Program Facilitator deposit in the Rebate Fund such amount so specified in such certification as required in order that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated at the completion of such Participant's Project or the restoration of such Participant's Facility as aforesaid. The amount deposited in the Rebate Fund pursuant to the previous sentences shall be withdrawn from the named Participant's Account in the Earnings Fund. If the amount on deposit in the Rebate Fund following such deposit is less than the Rebate Amount, the Trustee shall promptly deliver a notice stating the amount of such deficiency to the applicable Participant and the Program Facilitator. It is provided in each Loan Agreement that promptly upon receipt of such notice, the Participant shall deliver the amount necessary to make up such deficiency to the Trustee for deposit in the Rebate Fund.

If within sixty (60) days following any Computation Date, the amount on deposit in the Rebate Fund exceeds the Rebate Amount, the Trustee, upon the receipt of written instructions from an Authorized Representative of the Program Facilitator, shall withdraw such excess amount and deposit it in each applicable Participant's Project Account the amount of such excess equal to the Participant's Portion thereof of such Participant (as such amount is so set forth in such written instructions from the Program Facilitator) until the completion of a Participant's Project as provided in such Participant's Loan Agreement, or, after the completion of the Project, deposit in each Participant's Loan Payment Account the amount of such excess equal to the Participant's Portion thereof of such Participant as such amount is so set forth in such written instructions from the Program Facilitator.

The Trustee, upon the receipt of written instructions from an Authorized Representative of the Program Facilitator, shall pay to the United States, out of amounts in the Rebate Fund, (i) not less frequently than once each five (5) years after the Closing Date, an amount such that, together with prior amounts paid to the United States, the total paid to the United States is equal to 90% of the Rebate Amount with respect to the Tax-Exempt Bonds as of the date of such payment and (ii) notwithstanding the provisions of the Indenture as described under the heading "Defeasance," not later than thirty (30) days after the date on which all Tax-Exempt Bonds have been paid in full, 100% of the Rebate Amount as of the date of payment.

Transfer to Rebate Fund. The Trustee shall have no obligation under the Indenture to transfer any amounts to the Rebate Fund unless the Trustee shall have received written instructions from an Authorized Representative of the Program Facilitator to make such transfer.

Investment of Funds and Accounts. Amounts in any Fund or Account established under the Indenture may, if and to the extent then permitted by law, be invested only in Qualified Investments, provided that the weighted average maturity of investments in the Debt Service Reserve Fund (Tax-Exempt) may not exceed ten (10) years at any time unless such Qualified Investment shall mature or be subject to redemption by the holder of such Qualified Investment, without penalty, not later than the date when the amounts will be needed by the Trustee to pay debt service payments on the Bonds on any Interest Payment Date. Any investment authorized in the Indenture is subject to the condition that no portion of the proceeds derived from the sale of the Bonds shall be used, directly or indirectly, in such manner as to cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code. In particular, unexpended Bond proceeds transferred from the Project Fund (or from the Earnings Fund with respect to amounts deposited therein from the Project Fund) to the Redemption Account of the Bond Fund pursuant to the Indenture as described in the sixth paragraph under the heading "Project Fund" may not be invested at a Yield (as defined in the Tax Regulatory Agreement) which is greater than the Yield on the applicable Series of Tax-Exempt Bonds. Such investments shall be made by the Trustee only at the specific written request of an Authorized Representative of the Program Facilitator; and if such investment is to be in one or more certificates of deposit, investment agreements or guaranteed investment contracts, then such written request shall include written assurance to the effect that such investment complies with the Tax Regulatory Agreement. Any investment under the Indenture shall be made in accordance with the Tax Regulatory Agreement, and an Authorized Representative of the Program Facilitator shall so certify to the Trustee with each such investment direction as referred to below. Such investments shall mature in such amounts and at such times as may be necessary to provide funds when needed to make payments from the applicable Fund or Account. Net income or gain received and collected from such investments shall be credited and losses charged to (i) the Rebate Fund with respect to the investment of amounts held in the Rebate Fund, (ii) the Bond Fund with respect to the investment of amounts held in the Bond Fund, and (iii) the related Participant's Account in the Earnings Fund with respect to the investment of amounts held in any other Fund or Account.

At the written request of an Authorized Representative of a Participant or an Authorized Representative of the Program Facilitator no sooner than ten (10) days prior to each Loan Payment Date under the Loan Agreement, the Trustee shall notify such Participant and the Program Facilitator of the amount of such net investment income or gain received and collected subsequent to the last such loan payment and the amount then available in the various Accounts of the Bond Fund, the Earnings Fund and the Debt Service Reserve Fund (Tax-Exempt).

Upon the written direction of an Authorized Representative of the Program Facilitator, the Trustee shall sell at the best price reasonably obtainable by it, or present for redemption or exchange, any obligations in which moneys shall have been invested to the extent necessary to provide cash in the respective Funds or Accounts, to make any payments required to be made therefrom, or to facilitate the transfers of moneys or securities between various Funds and Accounts as may be required from time to time pursuant to the provisions of the Indenture. The Trustee shall not be liable for losses, incurred as a result of actions taken in good faith in accordance with the Indenture as described under this heading. As soon as practicable after any such sale, redemption or exchange, the Trustee shall give notice thereof to the Issuer and the Program Facilitator.

In the case of a Participant's Account in the Debt Service Reserve Fund (Tax-Exempt), a "surplus" means the amount by which the amount on deposit therein is in excess of the related Participant's Debt Service Reserve Fund Requirement (Tax-Exempt). On each Debt Service Reserve Fund Valuation Date and upon any withdrawal from a Participant's Account in the Debt Service Reserve Fund (Tax-Exempt), the Trustee shall determine the amount on deposit in the Accounts in the Debt Service Reserve Fund (Tax-Exempt). If on any such date a deficiency in any such Account exists, the Trustee shall notify the Issuer and the related Participant of such deficiency and that such deficiency must be replenished by such Participant as required by its Loan Agreement. If a surplus exists, the Trustee shall notify the Issuer and the Program Facilitator thereof and, subject to the requirements of the Tax Regulatory Agreement, shall, upon written instructions of the Program Facilitator, transfer an amount of such surplus to such Participant's Project Account of the Project Fund until the completion of such Participant's Project as provided in its Loan Agreement and thereafter to such Participant's Loan Payment Account in the Bond Fund.

Neither the Trustee nor the Issuer shall be liable for any loss, fee, tax or other charge arising from, or any depreciation in the value of any obligations in which moneys of the Funds and Accounts shall be invested in accordance with the Indenture or in connection with any liquidation of an investment under the Indenture. The investments authorized by the Indenture as described under this heading shall at all times be subject to the provisions of applicable law, as amended from time to time.

In computing the amount in any Fund or Account, obligations purchased as an investment of moneys therein shall be valued at fair market value as determined by the Trustee one month prior to each Interest Payment Date.

The fair market value of Qualified Investments shall be determined as follows:

(i) as to investments the bid and asked prices of which are published on a regular basis in *The Wall Street Journal* (or, if not there, then in *The New York Times*), the average bid and asked prices for such investments so published on or most recently prior to such time of determination;

(ii) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times, the average bid price at such nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or as quoted in the Interactive Data Service; and

(iii) as to certificates of deposit and bankers acceptances and other investments, the face amount thereof, plus accrued interest.

If more than one provision of this definition of "fair market value" shall apply at any time to any particular investment, the fair market value thereof at such time shall be determined in accordance with the provision establishing the lowest value for such investment.

Although the Issuer, the Program Facilitator and the Participants recognize that they may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Issuer, the Program Facilitator and the Participants agree that broker confirmations of investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered by the Trustee.

Application of Moneys in Certain Funds for Retirement of Bonds. Notwithstanding any other provisions of the Indenture, if on any Interest Payment Date or Redemption Date the amounts held in the Funds established under the Indenture (other than the Earnings Fund and the Rebate Fund) are sufficient to pay one hundred percent (100%) of the principal or Redemption Price of all Outstanding Bonds and the interest accruing on such Bonds to the next date on which such Bonds are redeemable or payable, as the case may be, whichever is earlier, the Trustee shall so notify the Issuer and the Program Facilitator. Upon receipt of written instructions from an Authorized Representative of the Program Facilitator directing such redemption or payment, the Trustee shall proceed to redeem all such Outstanding Bonds in the manner provided for redemption of such Bonds by the Indenture.

Payment to the Participants from the Funds. After payment in full of the Bonds or Bonds allocable to a Participant (in accordance with the Indenture as described under the heading "Defeasance") and the payment of all fees, charges and expenses of the Issuer, the Trustee, the Bond Registrar, the Paying Agents and the Program Facilitator and all other amounts required to be paid under the Indenture and under each of the other Security Documents, and the payment of any amounts which the Trustee is directed to rebate to the federal government pursuant to the Indenture and the Tax Regulatory Agreement, all amounts remaining in any Fund or Account allocated to a Participant shall be paid to the applicable Participant upon the expiration or sooner or later termination of the term of its Loan Agreement as provided in each Loan Agreement.

Non-presentment of Bonds. In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity, or at the Redemption Date, or otherwise, together with interest to the date on which principal is due, and funds sufficient to pay any such Bond shall have been made available to the Trustee for the benefit of the Holder or Holders thereof, all liability of the Issuer to the Holder thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to pay such funds to the Person entitled thereto or if the Person is not known to the Trustee, to hold such funds, without liability for interest thereon, for the benefit of the Holder of such Bond, who shall thereafter be restricted exclusively to such funds, for any claim of whatever nature on his part under the Indenture or on, or with respect to, such Bond. Such amounts so held shall, pending payment to the Holder of such Bond, (y) be subject to any rebate requirement as set forth in the Tax Regulatory Agreement or the Indenture, and (z) shall be uninvested, or, if invested, invested or re-invested only in Government Obligations maturing within thirty (30) days. Funds remaining with the Trustee as above and unclaimed for the earlier of two (2) years or one month less than the applicable statutory escheat period shall be paid to the applicable Participant. After the payment of such unclaimed moneys to the applicable Participant, the Holder of such Bond shall thereafter look only to the applicable Participant for the payment thereof, and all obligations of the Trustee or such Paying Agent with respect to such moneys shall thereupon cease.

Payment of Redeemed Bonds. Notice having been given in the manner provided in the Indenture, the Bonds or portions thereof so called for redemption shall become due and payable on the Redemption Dates so designated at the Redemption Price, plus interest accrued and unpaid to the Redemption Date. If, on the Redemption Date, moneys for the redemption of all the Bonds or portions thereof to be redeemed, together with interest to the Redemption Date, shall be held by the Paying Agents so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the Redemption Date, (i) interest on the Bonds or portions thereof so called for redemption shall cease to accrue and become payable, (ii) the Bonds or portions thereof so called for redemption shall cease to be entitled to any lien, benefit or security under the Indenture, and (iii) the Holders of the Bonds or portions thereof so called for redemption shall have no rights in respect thereof, except to receive payment of the Redemption Price together with interest accrued to the Redemption Date. If said moneys shall not be so available on the Redemption Date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Payment of the Redemption Price plus interest accrued to the Redemption Date shall be made to or upon the order of the registered owner only upon presentation of such Bonds for cancellation and exchange as provided in the Indenture; provided, however, that any Holder of at least $1,000,000 in aggregate principal amount of Bonds may, by written request to the Trustee no later than five (5) days prior to the Redemption Date, direct that payments of Redemption Price and accrued interest to the Redemption Date be made by wire transfer as soon as practicable after tender of the Bonds in federal funds at such wire transfer address as the owner shall specify to the Trustee in such written request.

No Partial Redemption After Default. Anything in the Indenture to the contrary notwithstanding, if there shall have occurred and be continuing an Event of Default under the Indenture as described under clause (i) or (ii) under the heading "Events of Default; Acceleration of Due Date" but no "Event of Default" shall exist under any Related Security Document, there shall be no redemption of less than all of the Bonds Outstanding. If there shall have occurred and be continuing an Event of Default described in under the Indenture as described under clause (iv) under the heading "Events of Default; Acceleration of Due Date," the Participant giving rise to such Event of Default may only initiate redemption of all Outstanding Bonds allocable to such Participant or a redemption of less than all Outstanding Bonds allocable to such Participant if such partial redemption shall cure such Event of Default.

Payment of Principal and Interest. The Issuer covenants that it will from the sources contemplated in the Indenture promptly pay or cause to be paid the interest, principal of, and Sinking Fund Installments for, the Bonds, and the Redemption Price, if any, together with interest accrued thereon to the Redemption Date, at the place, on the dates and in the manner provided in the Indenture and in the Bonds according to the true intent and meaning thereof.

Performance of Covenants; Authority. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture, in any and every Bond executed, authenticated and delivered under the Indenture and in all proceedings pertaining thereto. The Issuer covenants that it is duly authorized under the Constitution and laws of the State, including particularly its Organizational Documents, to issue the Bonds authorized by the Indenture and to execute the Indenture, to make the Loan to each Participant pursuant to each Loan Agreement and the Promissory Notes, to assign the Loan Agreements and the Promissory Notes, to execute and deliver the Assignment of Mortgage and to pledge the loan payments, revenues and receipts pledged by the Indenture in the manner and to the extent therein set forth; that all action on its part for the issuance of the Bonds and the execution and delivery of the Indenture has been duly and effectively taken; and that the Bonds in the hands of the Holders thereof are and will be the valid and enforceable special limited revenue obligations of the Issuer according to the import thereof.

Loan Agreements. An executed copy of each Loan Agreement will be on file in the office of the Issuer and in the designated corporate trust office of the Trustee. Reference is made to the Loan Agreement for a detailed statement of the respective terms and conditions thereof and for a statement of the rights and obligations of the parties thereunder. All covenants and obligations of a Participant under its Loan Agreement shall be enforceable either by the Issuer or by the Trustee, to whom, in its own name or in the name of the Issuer, is granted by the Indenture the right, to the extent provided therefor in the Indenture as described under this heading and subject to the provisions of the Indenture as described under the heading "Indemnity of Trustee," to enforce all rights of the Issuer and all obligations of a Participant under its Loan Agreement, whether or not the Issuer is enforcing such rights and obligations. The Trustee shall take such action in respect of any matter as is provided to be taken by it in a Loan Agreement upon compliance or noncompliance by the signatory Participant and the Issuer with the provisions of such Loan Agreement relating to the same.

Creation of Liens; Indebtedness. It is the intention of the Issuer and the Trustee that any Mortgage is and will continue to be a mortgage lien upon the Mortgaged Property (subject only to Permitted Encumbrances). The Issuer shall not create or suffer to be created, or incur or issue any evidences of indebtedness secured by, any lien or charge upon or pledge of the Trust Estate, except the lien, charge and pledge created by the Indenture and the other Security Documents.

Ownership; Instruments of Further Assurance. The Trustee on behalf of the Participants, subject to the provisions of the Indenture and only upon the written direction of any Bondholder, shall defend the interest of the Participants to each Facility and the Pledged Collateral and every part thereof for the benefit of the Holders of the Bonds, to the extent permitted by law, against the claims and demands of all Persons whomsoever. The Issuer covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such Supplemental Indentures and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Trustee all and singular the property described in the Indenture and in the remainder of the Trust Estate, subject to the liens, pledge and security interests of the Indenture and of the other Security Documents and the loan payments, revenues and receipts pledged by the Indenture to the payment of the principal or Redemption Price, if any, of, Sinking Fund Installments for, and interest on the Bonds. Any and all property hereafter acquired which is of the kind or nature in the Indenture provided to be and become subject to the lien, pledge and security interest under the Indenture (other than the Participant's Property as defined in the Loan Agreement) and of the other Security Documents shall ipso facto, and without any further conveyance, assignment or act on the part of the Issuer or the Trustee, become and be subject to the lien, pledge and security interest of the Indenture and the Mortgage as fully and completely as though specifically described in the Indenture and therein, but nothing in this sentence contained shall be deemed to modify or change the obligations of the Issuer heretofore made by the Indenture as described under this heading.

Issuer Tax Covenant. The Issuer covenants that it shall not take any action within its control, nor refrain from taking any action reasonably requested by the Participants or the Trustee, that would cause the interest on the Tax-Exempt Bonds to become includable in gross income for federal income tax purposes; provided, however, the breach of this covenant shall not result in any pecuniary liability of the Issuer and the only remedy to which the Issuer shall be subject shall be specific performance.

Events of Default; Acceleration of Due Date. Each of the following events constitutes an "Event of Default" under the Indenture:

(i) Failure in the payment of the interest on any Bond when the same shall become due and payable;

(ii) Failure in the payment of the principal or Redemption Price, if applicable, or Sinking Fund Installments, of any Bonds, when the same shall become due and payable, whether at the stated maturity thereof or upon proceedings for redemption thereof or otherwise, or interest accrued thereon to the Redemption Date after notice of redemption therefor or otherwise;

(iii) Failure of the Issuer to observe or perform any covenant, condition or agreement in the Bonds or under the Indenture on its part to be performed (except as set forth in clause (i) or (ii) above) and (A) continuance of such failure for more than thirty (30) days after written notice of such failure has been given to the Issuer and the Participants specifying the nature of same from the Trustee or the Holders of more than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding, or (B) if by reason of the nature of such failure the same can be remedied, but not within the said thirty (30) days, the Issuer or the Participants fail to commence and thereafter, proceed with reasonable diligence after receipt of said notice to cure such failure or fails to continue with reasonable diligence its efforts to cure such failure or fails to cure such failure within sixty (60) days of delivery of said notice; or

(iv) The occurrence of an "Event of Default" under any Loan Agreement or any other Security Document.

The Event of Default described in clause (iv) of under this heading shall only constitute an Event of Default with respect to the Bonds allocable to the Participant(s) that caused such Event of Default. Upon the occurrence of such an Event of Default, the Trustee shall identify the Bonds affected thereby in the same manner as the Trustee would select Bonds in connection with a partial redemption pursuant to the Indenture.

Upon the happening and continuance of any Event of Default under clause (iv) above, unless the principal of the Bonds shall have already become due and payable, either the Trustee (by notice in writing to the Issuer and the Participants) or the Holders of over twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding (by notice in writing to the Issuer, the applicable Participants and the Trustee), may declare the principal or Redemption Price, if any, of Bonds then Outstanding in an aggregate principal amount equal to the portion of Bonds allocable to the Participant(s) that caused such Event of Default, and the interest accrued thereon, to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything in the Indenture or in any of the Bonds contained to the contrary notwithstanding.

If an Event of Default occurs under a Loan Agreement as a result of a Participant seeking relief, or a proceeding or case shall be commenced, without the application or consent of a Participant, in any court of competent jurisdiction under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, the unpaid principal of all the Bonds allocable to the Participant which is a party to such Loan Agreement (and all principal installments of loan payments under such Loan Agreement) and the interest accrued thereon shall be due and payable immediately without the necessity of any declaration or other action by the Trustee or any other Person.

The right of the Trustee or of the Holders of over twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding to make any such declaration as aforesaid, however, is subject to the condition that if, at any time before such declaration, (i) all overdue installments of principal of and interest on all of the Bonds which shall have matured by their terms and the unpaid Redemption Price of the Bonds or principal portions thereof to be redeemed has been paid by or for the account of the Issuer, (ii) all other Events of Default have been otherwise remedied, (iii) the reasonable and proper charges, expenses and liabilities of the Trustee shall either be paid by or for the account of the Issuer or provision satisfactory to the Trustee shall be made for such payment, and the Facility shall not have been sold or otherwise encumbered, (iv) all defaults have been otherwise remedied as provided in the Indenture, and (v) the Majority Holders shall have waived in writing any such Event of Default, then and in every such case any such default and its consequences shall ipso facto be deemed to be annulled, but no such annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon

Pursuant to each Loan Agreement, the Issuer has granted to the signatory Participant full authority for the account of the Issuer to perform any covenant or obligation the non-performance of which is alleged in any notice received by such Participant to constitute a default under the Indenture, in the name and stead of the Issuer with full power to do any and all things and acts to the same extent that the Issuer could do and perform any such things and acts with power of substitution. The Trustee agrees to accept such performance by a Participant as performance by the Issuer.

Enforcement of Remedies. Upon the occurrence and continuance of any Event of Default, then and in every case the Trustee may proceed, and upon the written request of the Holders of over twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding, shall proceed, to protect and enforce its rights and the rights of the Bondholders under the Bonds, the Loan Agreement, the Indenture and under any other Security Document forthwith by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, whether for the specific performance of any covenant or agreement contained in the Indenture or in any other Security Document or in aid of the execution of any power granted in the Indenture or in any other Security Document or for the enforcement of any legal or equitable rights or remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights or to perform any of its duties under the Indenture or under any other Security Document. In addition to any rights or remedies available to the Trustee under the Indenture or elsewhere, upon the occurrence and continuance of an Event of Default the Trustee may take such action, without notice or demand, as it deems advisable.

In the enforcement of any right or remedy under the Indenture, under any other Security Document, the Trustee shall be entitled to sue for, enforce payment on and receive any or all amounts then or during any default becoming, and any time remaining, due from the Issuer, for principal, interest, Sinking Fund Installments, Redemption Price, or otherwise, under any of the provisions of the Indenture, of any other Security Document or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses of collection and of all proceedings under the Indenture, under any such other Security Document and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce judgment or decree against the Issuer, but solely as provided in the Indenture and in the Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from the moneys in the Bond Fund and other moneys available therefor to the extent provided in the Indenture) in any manner provided by law, the moneys adjudged or decreed to be payable. The Trustee shall file proof of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Bondholders allowed in any judicial proceedings relative to a Participant or the Issuer or their creditors or property.

Regardless of the occurrence of an Event of Default, the Trustee, if requested in writing by the Holders of over twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, and furnished with reasonable security and indemnity, shall institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture or under any other Security Document by any acts which may be unlawful or in violation of the Indenture or of such other Security Document or of any resolution authorizing any Bonds, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Bondholders; provided, that such request shall not be otherwise than in accordance with the provisions of law and of the Indenture and shall not be unduly prejudicial to the interests of the Holders of the Bonds not making such request.

Application of Revenues and Other Moneys After Default. With respect to Events of Default described in clauses (i), (ii) or (iii) under the heading "Events of Default; Acceleration of Due Date" above, all moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture or under any other Security Document shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances (including legal fees and expenses) incurred or made by the Trustee, and after making any required deposits to the Rebate Fund in accordance with the Tax Regulatory Agreement, be deposited in the Bond Fund, and all moneys so deposited and available for payment of the Bonds shall be applied, subject to the compensation of the Trustee, Bond Registrar and Paying Agent provisions of the Indenture, as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First – To the payment to the Persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege; and

Second – To the payment to the Persons entitled thereto of the unpaid principal or Redemption Price, if any, of any of the Bonds or principal installments which shall have become due (other than Bonds or principal installments called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest on such Bonds, at the rate or rates expressed thereon, from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full Bonds or principal installments due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the Persons entitled thereto without any discrimination or privilege.

(2) If the principal of all the Bonds shall have become or have been declared due and payable, to the payment to the Bondholders of the principal and interest (at the rate or rates expressed in the Bonds) then due and unpaid upon the Bonds and, if applicable, to the Redemption Price of the Bonds without preference or priority of principal over interest or of interest over principal, Sinking Fund Installments, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

With respect to an Event of Default described in clause (iv) under the heading "Events of Default; Acceleration of Due Date" above, all moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture or under any other Security Document shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances (including legal fees and expenses) incurred or made by the Trustee, and after making any required deposits to the Rebate Fund in accordance with the Tax Regulatory Agreement, be deposited in the Loan Payment Account established for the Participant causing such Event of Default and all moneys so deposited and available for payment of the Bonds identified pursuant to the Indenture as described under the heading "Events of Default; Acceleration of Due Date" above shall be applied, subject to the compensation of the Trustee, Bond Registrar and Paying Agent provisions of the Indenture, as follows:

(1) Unless the principal of all of such Bonds shall have become or have been declared due and payable,

First – To the payment to the Persons entitled thereto of all installments of interest then due on such Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege; and

Second – To the payment to the Persons entitled thereto of the unpaid principal or Redemption Price, if any, of any of such Bonds or principal installments which shall have become due (other than Bonds or principal installments called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest on such Bonds, at the rate or rates expressed thereon, from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full Bonds or principal installments due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the Persons entitled thereto without any discrimination or privilege.

(2) If the principal of all such Bonds shall have become or have been declared due and payable, to the payment to the Bondholders of the principal and interest (at the rate or rates expressed in such Bonds) then due and unpaid upon such Bonds and if applicable to the Redemption Price of such Bonds without preference or priority of principal over interest or of interest over principal, Sinking Fund Installments, or of any installment of interest over any other installment of interest, or of any such Bond 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.

If the principal of all such Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of the Indenture, the moneys shall be applied in accordance with the provisions of subparagraph (1) or (2) under the first paragraph under this heading which shall be applicable in the event that the principal of all such Bonds shall later become due and payable.

Whenever moneys are to be applied pursuant to the provisions of the Indenture as described under this heading, such moneys shall be applied at such times, and from time to time, as the Trustee 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. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it 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 dates shall cease to accrue; provided, however, that if the principal or Redemption Price of the Bonds Outstanding, together with accrued interest thereon, shall have been declared to be due and payable pursuant to the Indenture as described under the heading "Events of Default; Acceleration of Due Date" above, such date of declaration shall be the date from which interest shall cease to accrue. The Trustee shall give such written notice to all Bondholders as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Actions by Trustee; Consents of the Trustee. All rights of actions under the Indenture, under any other Security Document or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds, and any recovery of judgment shall, subject to the provisions of the Indenture as described under the heading "Application of Revenues and Other Moneys After Default," be for the equal benefit of the Holders of the Outstanding Bonds.

Except as expressly provided to the contrary in the Indenture, all provisions in the Indenture regarding consents, directions, approvals or requests by the Trustee shall, for so long as any Bonds shall be Outstanding, be upon the written direction of the Directing Party.

Majority Holders Control Proceedings. Anything in the Indenture to the contrary notwithstanding, the Majority Holders shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture; provided, however, that in connection with an "Event of Default" under any Loan Agreement or any other Security Document, only the Holders of a majority in aggregate principal amount of the Bonds affected thereby, as identified in accordance with the Indenture may direct the remedial proceedings pursuant to the Indenture as described in this paragraph.

Individual Bondholder Action Restricted. No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity (i) with respect to the Bonds, the Indenture or any other Security Document, (ii) for the enforcement of any provisions of the Bonds, the Indenture or any other Security Document, (iii) for the execution of any trust under the Indenture or (iv) for any remedy under the Bonds, the Indenture or any other Security Document, unless such Holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default as provided in the Indenture, and the Holders of over twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity either to exercise the powers granted in the Bonds, the Indenture or any other Security Document or by the laws of the State or to institute such action, suit or proceeding in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of sixty (60) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his, its or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Bonds or the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and, subject to the provisions of the Indenture as described under the heading "Application of Revenues and Other Moneys After Default," be for the equal benefit of all Holders of the Outstanding Bonds.

Nothing in the Indenture, in any other Security Document or in the Bonds contained shall affect or impair the right of any Bondholder to payment of the principal or Redemption Price, if applicable, of, Sinking Fund Installments for, and interest on any Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal or Redemption Price, if applicable, of, Sinking Fund Installments for, and interest on each of the Bonds to the respective Holders thereof at the time, place, from the source and in the manner in the Indenture and in said Bonds expressed.

Effect of Discontinuance of Proceedings. In case any proceedings taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case, the Participants, the Issuer, the Trustee and the Bondholders affected thereby shall be restored, respectively, to their former positions and rights under the Indenture, and all rights, remedies, powers and duties of the Trustee shall continue as in effect prior to the commencement of such proceedings.

Remedies Not Exclusive. No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute.

Delay or Omission. No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power arising upon any default shall impair any right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Bondholders.

Notice of Default. The Trustee shall promptly mail to the Issuer, the registered Holders of Bonds, the Participants and the Program Facilitator, by first class mail, postage prepaid, written notice of the occurrence of any Event of Default. The Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail any notice required by the Indenture as described in this paragraph.

Waivers of Default. The Trustee shall waive any default under the Indenture and its consequences and rescind any declaration of acceleration only upon the written request of the Directing Party; provided, however, that there shall not be waived without the consent of the Holders of all the Bonds Outstanding and affected thereby (a) any default in the payment of the principal of any Outstanding Bonds at the date specified therein or (b) any default in the payment when due of the interest on any such Bonds, unless, prior to such waiver, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds on overdue installments of interest in respect of which such default shall have occurred, and all arrears of payment of principal when due, as the case may be, and all expenses of the Trustee in connection with such default shall have been paid or provided for, and in case of any such waiver or rescission or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Participants, the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Separation of Liability. No amounts in any Fund or Account (or portion thereof) created for the benefit of a Participant under the Indenture and no amounts realized pursuant to the grant of the security interest under such Participant's Loan Agreement or to the grant of any lien or security interest in any other Security Document to which such Participant is a party, shall be used to cure an Event of Default under the Indenture (other than an Event of Default of or caused by such Participant).

Issuer Approval of Certain Nonforeclosure Remedies. Notwithstanding any provision under the Indenture or of any other Security Document, no remedy or other action (whether exercised by the Trustee, the Majority Holders or the Holders of the Bonds), shall have the effect of (x) continuing the exemption from the mortgage recording tax of any Mortgage upon the substitution of other indebtedness to be secured by the Mortgage (a "Mortgage Restructuring"), (y) amending or terminating any Mortgage (a "Mortgage Action") or (z) substituting for any Participant, a new Entity to either be a counterparty to the Issuer under the Loan Agreement or as a user or lessee of all or a portion of the applicable Facility (a "Substitution Action"), unless, (i) in the case of clause (x) or (z) described above, a reasonable description of such Mortgage Restructuring and/or Substitution Action shall have been set forth in a writing delivered to the Issuer by the applicable Participant, a new Entity to either be a counterparty to the Issuer under the applicable Loan Agreement or as a user or lessee of all or a portion of the applicable Facility (a "Substitution Action"), unless, (i) in the case of clause (x) or (z) described above, a reasonable description of such Mortgage Restructuring and/or Substitution Action shall have been set forth in a writing delivered to the Issuer by the applicable Participant, together with a request for approval, and the Mortgage Restructuring and/or Substitution Action shall be approved in writing by the Issuer, such approval not to be unreasonably withheld or delayed (and which approval may, in the sole discretion of the Issuer, be subject to action by the Issuer's Board of Directors); (ii) in the case of clause (y) described above, the Issuer is provided with thirty (30) days' advance written notice by the applicable Participant prior to the effective date of such Mortgage Action, and (iii) in each case, there shall be delivered by the applicable Participant to the Issuer and the Trustee an opinion of Nationally Recognized Bond Counsel, if required, to the effect that such Mortgage Restructuring, Mortgage Action and/or Substitution Action shall not cause the interest on any

Outstanding Bonds to become subject to federal income taxation by reason of any of such Mortgage Restructuring, Mortgage Action and/or Substitution Action. For the avoidance of doubt, no Issuer consent is required by the Indenture for (i) the entry into a forbearance agreement by the Trustee, (ii) the exercise by the Trustee of any remedies under, or enforcement of, the Mortgage, including the commencement of a foreclosure action, (iii) the granting of a waiver of a default or Event of Default to the extent permitted under the Indenture or the Mortgage, by the Trustee, or (iv) the appointment of a receiver for the applicable Participant or for any collateral securing the Bonds.

Indemnity of Trustee. The Trustee shall be under no obligation to institute any suit, or to take any remedial or legal action under the Indenture or under or pursuant to any other Security Document or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts created by the Indenture or in the enforcement of any rights and powers or fulfillment of any extraordinary duties under the Indenture, or under any other Security Document, until it shall be indemnified to its satisfaction against any and all reasonable compensation for services, costs and expenses, outlays, and counsel fees and other disbursements, and against all liability not due to its willful misconduct or gross negligence.

Resignation or Removal of Trustee. The Trustee may resign and thereby become discharged from the trusts created under the Indenture for any reason by giving written notice by first class mail, postage prepaid, to the Issuer, the Program Facilitator, the Participants and the Holders of all Bonds not less than sixty (60) days before such resignation is to take effect, but such resignation shall not take effect until the appointment and acceptance thereof of a successor Trustee pursuant to the Indenture as described under the heading "Successor Trustee."

The Trustee may be removed at any time by an instrument or concurrent instruments in writing filed with the Trustee and signed by the Issuer or the Majority Holders or their attorneys-in-fact duly authorized. Such removal shall become effective either upon the appointment and acceptance of such appointment by a successor Trustee or at the date specified in the instrument of removal. The Trustee shall promptly give notice of such filing to the Issuer, the Program Facilitator and the Participants. No removal shall take effect until the appointment and acceptance thereof of a successor Trustee pursuant to the Indenture as described under the heading "Successor Trustee."

If the Trustee shall resign or shall be removed, such Trustee must transfer and assign to the successor Trustee, not later than the date of the acceptance by the successor Trustee of its appointment as such, or thirty (30) days from the date specified in the instrument of removal or resignation, if any, whichever shall last occur, (i) all amounts (including all investments thereof) held in any Fund or Account under the Indenture, together with a full accounting thereof, (ii) all records, files, correspondence, registration books, Bond inventory, all information relating to the Indenture and to Bond payment status (i.e., outstanding principal balances, principal payment and interest payment schedules, Sinking Fund Installment schedules, pending notices of redemption, payments made and to whom, delinquent payments, default or delinquency notices, deficiencies in any Fund or Account balance, etc.) and all such other information (in whatever form) relating to all Funds and Accounts in the possession of the Trustee being removed or resigning, and (iii) all Security Documents and other documents or agreements, including, without limitation, all Uniform Commercial Code Financing Statements, all insurance policies or certificates, letters of credit or other instruments provided to the Trustee being removed or resigning (clauses (i), (ii) and (iii), together with the Trust Estate, being collectively referred to as the "Trust Corpus").

Successor Trustee. If at any time the Trustee shall be dissolved or otherwise become incapable of acting or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator thereof, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, the position of Trustee shall thereupon become vacant. If the position of Trustee shall become vacant for any of the foregoing reasons or for any other reason or if the Trustee shall resign, the Participants shall cooperate with the Issuer and the Issuer shall appoint a successor Trustee and shall use its best efforts to obtain acceptance of such trust by the successor Trustee within sixty (60) days from such vacancy or notice of resignation. Within twenty (20) days after such appointment and acceptance, the Issuer shall notify in writing the Participants, the Program Facilitator and the Holders of all Bonds.

In the event of any such vacancy or resignation and if a successor Trustee shall not have been appointed within sixty (60) days of such vacancy or notice of resignation, the Majority Holders, by an instrument or concurrent instruments in writing, signed by such Bondholders or their attorneys-in-fact thereunto duly authorized and filed with the Issuer, may appoint a successor Trustee which shall, immediately upon its acceptance of such trusts, and without further act, supersede the predecessor Trustee. If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of the Indenture as described under this heading, within ninety (90) days of such vacancy or notice of resignation, the Holder of any Bond then Outstanding, the Issuer or any retiring Trustee or any Participant may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Any successor Trustee appointed under the Indenture as described under this heading shall be a national banking association or a bank or trust company duly organized under the laws of any state of the United States authorized to exercise corporate trust powers under the laws of the State and authorized by law and its charter to perform all the duties imposed upon it by the Indenture and each other Security Document. At the time of its appointment, any successor Trustee shall (i) have a capital stock and surplus aggregating not less than $100,000,000, and (ii) have an investment grade rating of at least "Baa3" or "P-3."

Any predecessor Trustee shall transfer to any successor Trustee appointed under the Indenture as described under this heading as a result of a vacancy in the position the Trust Corpus by a date not later than thirty (30) days from the date of the acceptance by the successor Trustee of its appointment as such. Where no vacancy in the position of the Trustee has occurred, the transfer of the Trust Corpus shall take effect in accordance with the provisions of the Indenture as described under the heading "Resignation or Removal of Trustee."

Every successor Trustee shall execute, acknowledge and deliver to its predecessor, and also to the Issuer, an instrument in writing accepting such appointment, and thereupon such successor Trustee, without any further act, deed, or conveyance, shall become fully vested with all moneys, estates, properties, rights, immunities, powers and trusts, and subject to all the duties and obligations, of its predecessor, with like effect as if originally named as such Trustee; but such predecessor shall, nevertheless, on the written request of its successor or of the Issuer, and upon payment of the compensation, expenses, charges and other disbursements of such predecessor which are due and payable pursuant to the compensation of Trustee, Bond Registrar and Paying Agency provisions of the Indenture, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, immunities, powers and trusts of such predecessor and the Trust Corpus and every predecessor Trustee shall deliver all properties and moneys, together with a full accounting thereof, held by it under the Indenture to its successor. Should any instrument in writing from the Issuer be required by any successor Trustee for more fully and certainly vesting in such Trustee the estates, properties, rights, immunities, powers and trusts vested or intended to be vested in the predecessor Trustee, any such instrument in writing shall, on request, be executed, acknowledged and delivered by the Issuer. Any successor Trustee shall promptly notify the other Notice Parties of its appointment as Trustee.

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a national banking association or a bank or trust company duly organized under the laws of any state of the United States and shall be authorized by law and its charter to perform all the duties imposed upon it by the Indenture and each other Security Document, shall be the successor to such Trustee without the execution or filing of any paper or the performance of any further act.

Defeasance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal or Redemption Price, if applicable, of, Sinking Fund Installments for, interest and all other amounts due or to become due thereon or in respect thereof, at the times and in the manner stipulated therein and in the Indenture, and all fees and expenses and other amounts due and payable under the Indenture and each Loan Agreement, and any other amounts required to be rebated to the federal government pursuant to the Tax Regulatory Agreement or the Indenture, shall be paid in full, then the pledge of any loan payments, revenues or receipts from or in connection with the Security Documents or the Facility under the Indenture and the estates and rights granted by the Indenture, and all covenants, agreements and other obligations of the Issuer to the Bondholders under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied and the Bonds shall thereupon cease to be entitled to any lien, benefit or security under the Indenture, except as to moneys or securities held by the Trustee or the Paying Agents as provided below in this paragraph. At the time of such cessation, termination, discharge and satisfaction, (1) the Trustee shall cancel and discharge the lien of the Indenture, of the Mortgage and of the Collateral Assignment of Lease, as applicable, and execute and deliver to the appropriate Participants all such instruments as may be appropriate to satisfy such liens, and to evidence such discharge and satisfaction, and (2) the Trustee and the Paying Agents shall pay over or deliver to the Participants or on their order all moneys or securities held by them pursuant to the Indenture which are not required (i) for the payment of the principal or Redemption Price of, if applicable, Sinking Fund Installments for, or interest on Bonds not theretofore surrendered for such payment or redemption, (ii) for the payment of all such other amounts due or to become due under the Security Documents, or (iii) for the payment of any amounts the Trustee has been directed to pay to the federal government under the Tax Regulatory Agreement or the Indenture. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Outstanding Bonds of a particular Series, or of a particular maturity or particular Bonds within a maturity of a particular Series, the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under the Indenture, and all covenants, agreements and obligations of the Issuer to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

With respect to a partial defeasance, whether in whole or in part of the Bonds allocable to a Participant, if the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Bonds allocable to a Participant the principal or Redemption Price, if applicable, of, interest and all other amounts due or to become due thereon or in respect thereof, at the times and in the manner stipulated therein and in the Indenture, and all applicable fees and expenses and other applicable amounts due and payable under the Indenture, such applicable portion of such Participant's Loan Agreement and any other amounts required to be rebated to the federal government pursuant to the Tax Regulatory Agreement or the Indenture, shall be paid in full, then the pledge of any loan payments, revenues or receipts from or in connection with the Security Documents or such Participant's Facility under the Indenture and the estates and rights granted by the Indenture, and all covenants, agreements and other obligations of the Issuer to such Bondholders under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied and such Bonds allocable to such Participant shall thereupon cease to be entitled to any lien, benefit or security under the Indenture, except as to moneys or securities held by the Trustee or the Paying Agents as provided below in this paragraph. At the time of such cessation, termination, discharge and satisfaction, (1) the Trustee shall release or cancel and discharge the applicable portion of the lien of such

Participant’s Mortgage and any Collateral Assignment of Lease, as applicable, and execute and deliver to such Participant all such instruments as may be appropriate to satisfy such liens, including the termination of financing statements, and to evidence such discharge and satisfaction, and (2) the Trustee and the Paying Agents shall pay over or deliver to the Issuer or such Participant in accordance with such Participant’s Loan Agreement, or on its order, all moneys or securities held by them pursuant to the Indenture which are not required (i) for the payment of principal or Redemption Price, if applicable, of, Sinking Fund Installments for, or interest on such Bonds not theretofore surrendered for such payment or redemption, (ii) for the payment of all such other amounts due or to become due under the Security Documents, or (iii) for the payments of any amounts the Trustee has been directed to pay to the federal government under the Tax Regulatory Agreement or the Indenture.

Bonds (whether in whole or in part of Bonds allocable to a Participant) or interest installments for the payment or redemption of which moneys (or Defeasance Obligations which shall not be subject to call or redemption or prepayment prior to maturity and the full and timely payment of the principal of and interest on which when due, together with the moneys, if any, set aside at the same time, will provide funds sufficient for such payment or redemption) shall then be set aside and held in trust by the Trustee or Paying Agents, whether at or prior to the maturity or the Redemption Date of such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in the Indenture as described under the first paragraph under this heading, if (i) in case any such Bonds are to be redeemed prior to the maturity thereof, all action necessary to redeem such Bonds shall have been taken and notice of such redemption shall have been duly given or provision satisfactory under the requirements of the Indenture to the Trustee shall have been made for the giving of such notice, and (ii) if the maturity or Redemption Date of any such Bond shall not then have arrived, (y) provision shall have been made by deposit with the Trustee or other methods satisfactory to the Trustee for the payment to the Holders of any such Bonds of the full amount to which they would be entitled by way of principal or Redemption Price, Sinking Fund Installments and interest and all other amounts then due under the Security Documents to the date of such maturity or redemption, and (z) provision satisfactory to the Trustee shall have been made for the mailing of a notice to the Holders of such Bonds that such moneys are so available for such payment on such maturity or Redemption Date.

Supplemental Indentures Without Bondholders’ Consent. The Issuer and the Trustee may, from time to time and at any time, enter into Supplemental Indentures, without the consent of the Bondholders, for any of the following purposes:

(i) To cure any formal defect, omission or ambiguity in the Indenture or in any description of property subject to the lien of the Indenture, if such action is not materially adverse to the interests of the Bondholders. The Issuer and the Trustee may request an Opinion of Counsel with respect to any of the foregoing matters.

(ii) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Indenture as theretofore in effect.

(iii) To add to the covenants and agreements of the Issuer in the Indenture other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Indenture as theretofore in effect.

(iv) To add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Indenture as theretofore in effect.

(v) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture, of the properties of any Facility, or revenues or other income from or in connection with any Facility or of any other moneys, securities or funds, or to subject to the lien or pledge of the Indenture additional revenues, properties or collateral.

(vi) To modify or amend such provisions of the Indenture as shall, in the opinion of Nationally Recognized Bond Counsel, be necessary to assure that the interest on the Tax-Exempt Bonds not be includable in gross income for federal income tax purposes.

(vii) To effect any other change in the Indenture which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Bondholders.

(viii) To modify or amend the Indenture to effect and reflect a partial redemption or partial defeasance of the Bonds.

(ix) To modify or amend the Indenture to effect the issuance of Additional Bonds.

(x) To modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit the qualification of under the Indenture and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to the Indenture or any Supplemental Indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute.

Before the Issuer and the Trustee shall enter into any Supplemental Indenture pursuant to the Indenture as described under this heading (except for the purpose set forth in subparagraph (viii) above), there shall have been filed with the Trustee an opinion of Nationally Recognized Bond Counsel addressed to the Issuer and the Trustee stating that such Supplemental Indenture is authorized or permitted by the Indenture and complies with its terms, and that upon execution it will be valid and binding upon the Issuer in accordance with its terms.

<u>Supplemental Indentures With Bondholders' Consent</u>. Subject to the terms and provisions contained in the Indenture, the Majority Holders affected thereby and then Outstanding shall have the right from time to time to consent to and approve the entering into by the Issuer and the Trustee of any Supplemental Indenture as shall be deemed necessary or desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture. Nothing in the Indenture contained shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal or Redemption Price, if applicable, of, Sinking Fund Installments for, or interest on any Outstanding Bonds, a change in the terms of redemption or maturity of the principal of or the interest on any Outstanding Bonds, or a reduction in the principal amount of or the Redemption Price of any Outstanding Bond or the rate of interest thereon, or any extension of the time of payment thereof, without the consent of the Holder of such Bond, (ii) the creation of a lien upon or pledge of the Trust Estate other than the liens or pledges created by the Indenture and the other Security Documents, except as provided in the Indenture with respect to Additional Bonds, (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, (iv) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indenture, or (v) a modification, amendment or deletion with respect to any of the terms set forth in this paragraph, without, in the case of items (ii) through and including (v) of this paragraph, the written consent of one hundred percent (100%) of the Holders of the Outstanding Bonds.

If at any time the Issuer shall determine to enter into any Supplemental Indenture for any of the purposes of the Indenture as described under this heading, it shall cause notice of the proposed Supplemental Indenture to be mailed, postage prepaid, to all Bondholders. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture, as summarized by a Participant and shall state that a copy thereof is on file at the offices of the Trustee for inspection by all Bondholders.

Within one year after the date of such notice, the Issuer and the Trustee may enter into such Supplemental Indenture in substantially the form described in such notice only if there shall have first been filed with the Trustee (i) the written consents of the Majority Holders affected thereby or the Holders of not less than 100% in aggregate principal amount of the Bonds then Outstanding, as the case may be, and (ii) an opinion of Nationally Recognized Bond Counsel addressed to the Issuer and the Trustee stating that such Supplemental Indenture (A) is authorized or permitted by the Indenture and complies with its terms, and that upon execution it will be valid and binding upon the Issuer in accordance with its terms and (B) will not cause the interest on any Series of Tax-Exempt Bonds to become includable in gross income for federal income tax purposes. Each valid consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given. A certificate or certificates by the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Indenture shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates. Any such consent shall be binding upon the Holder of the Bonds giving such consent and upon any subsequent Holder of such Bonds 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 the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee prior to the execution of such Supplemental Indenture.

If the Holders of not less than the percentage of Bonds required by the Indenture as described under this heading shall have consented to and approved the execution thereof as therein provided, no Holder of any Bond shall have any right to object to the execution of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Issuer from executing the same or from taking any action pursuant to the provisions thereof.

Upon the execution of any Supplemental Indenture pursuant to the provisions of the Indenture as described under this heading, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Issuer, the Trustee and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments.

Rights of Participants. Anything in the Indenture to the contrary notwithstanding, any Supplemental Indenture entered into pursuant to the Indenture which materially and adversely affects any rights, powers and authority of a Participant under its Loan Agreement or requires a revision of such Loan Agreement shall not become effective unless and until such Participant shall have given its written consent to such Supplemental Indenture signed by an Authorized Representative of such Participant.

Amendments of Related Security Documents Not Requiring Consent of Bondholders. The Issuer and the Trustee may, without the consent of or notice to the Bondholders, consent (if required) to any amendment, change or modification of any of the Related Security Documents for any of the following purposes: (i) to cure any ambiguity, inconsistency, formal defect or omission therein; (ii) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may be lawfully granted or conferred; (iii) to subject thereto additional revenues, properties or collateral; (iv) to evidence the succession of a successor Trustee or to evidence the appointment of a separate or co-Trustee or the succession of a successor separate or co-Trustee; (v) to make any change required in connection with a permitted amendment to a Related Security Document or a permitted Supplemental Indenture, including, but not limited to, a change to any Related Security Document to effect and reflect a partial redemption or partial defeasance of the Bonds; (vi) to provide for changes to the applicable Loan Agreement relating to the recapture of Issuer benefits; and (vii) to make any other change that, in the judgment of the Trustee (which, in exercising such judgment, may conclusively rely, and shall be protected in relying, in good faith, upon an Opinion of Counsel or an opinion or report of engineers, accountants or other experts) does not materially adversely affect the Bondholders. The Trustee shall have no liability to any Bondholder or any other Person for any action taken by it in good faith pursuant to the Indenture as described under this heading. Before the Issuer or the Trustee shall enter into or consent to any amendment, change or modification to any of the Related Security Documents, there shall be filed with the Trustee an opinion of Nationally Recognized Bond Counsel addressed to the Issuer and the Trustee to the effect that such amendment, change or modification will not cause the interest on any of the Tax-Exempt Bonds to cease to be excluded from gross income for federal income tax purposes under the Code.

Amendments of Related Security Documents Requiring Consent of Bondholders. Except as provided in the Indenture as described under the heading above, the Issuer and the Trustee shall not consent to any amendment, change or modification of any of the Related Security Documents, without mailing of notice and the written approval or consent of the Majority Holders affected thereby given and procured as in the Indenture as described under the heading "Supplemental Indentures With Bondholders' Consent;" provided, however, there shall be no amendment, change or modification to (i) the obligation of a Participant to make loan payments with respect to the Bonds under its Loan Agreement or its Promissory Note or (ii) the Tax Regulatory Agreement, without the delivery of an opinion of Nationally Recognized Bond Counsel addressed to the Issuer and the Trustee to the effect that such amendment, change, modification, reduction or postponement will not cause the interest on any Series of Tax-Exempt Bonds to become includable in gross income for federal income tax purposes. If at any time a Participant shall request the consent of the Trustee to any such proposed amendment, change or modification, the Trustee shall cause notice of such proposed amendment, change or modification to be mailed in the same manner as is provided in the Indenture with respect to Supplemental Indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification, as summarized by such Participant, and shall state that copies of the instrument embodying the same are on file at the principal office of the Trustee for inspection by all Bondholders. The Trustee may, but shall not be obligated to, enter into any such amendment, change or modification to a Related Security Document which affects the Trustee's own rights, duties or immunities under such Related Security Document or otherwise. Before the Trustee shall enter into or consent to any amendment, change or modification to any of the Related Security Documents, there shall be filed with the Trustee an opinion of Nationally Recognized Bond Counsel addressed to the Issuer and the Trustee to the effect that such amendment, change or modification will not cause the interest on any of the Tax-Exempt Bonds to cease to be excluded from gross income for federal income tax purposes under the Code.

No Pecuniary Liability of Issuer or Members; No Debt of the State or the City. Every agreement, covenant and obligation of the Issuer under the Indenture is predicated upon the condition that any obligation for the payment of money incurred by the Issuer shall not create a debt of the State or the City and neither the State nor the City shall be liable on any obligation so incurred, and the Bonds shall not be payable out of any funds of the Issuer other than those pledged therefor but shall be a limited revenue obligation of the Issuer payable by the Issuer solely from the loan payments, revenues and receipts pledged to the payment thereof in the manner and to the extent in the Indenture specified and nothing in the Bonds, in the Loan Agreement, in the Indenture or in any other Security Document shall be considered as pledging any other funds or assets of the Issuer. The Issuer shall not be required under the Indenture or the Loan Agreement or any other Security Document to expend any of its funds other than (i) the proceeds of the Bonds, (ii) the loan payments, revenues and receipts and other moneys pledged to the payment of the Bonds, (iii) any income or gains therefrom, and (iv) the Net Proceeds with respect to any Facility. No provision, covenant or agreement contained in the Indenture or in the Bonds or any obligations therein imposed upon the Issuer or the breach thereof, shall constitute or give rise to or impose upon the Issuer a pecuniary liability or a charge upon its general credit.

All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Indenture shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, director, officer, employee or agent of the Issuer in his individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price, if any, of, Sinking Fund Installments for, or interest on the Bonds or for any claim based thereon or under the Indenture against any member, director, officer, employee or agent of the Issuer or any natural person executing the Bonds. None of the Bonds, the interest thereon, the Sinking Fund Installments therefor, or the Redemption Price thereof shall ever constitute a debt of the State or of the City and neither the State nor the City shall be liable on any obligation so incurred, and the Bonds shall not be payable out of any funds of the Issuer other than those pledged therefor.

APPENDIX G

FORM OF APPROVING OPINION OF BOND COUNSEL

Upon delivery of the Series 2022 Bonds, Bond Counsel to the Issuer proposes to issue its approving opinion in substantially the following form:

Hawkins Delafield & Wood LLP

June __, 2022

Build NYC Resource Corporation
New York, New York

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of the Revenue Bonds (InterAgency Council Pooled Loan Program), Series 2022A in the aggregate principal amount of $11,305,000 (the "Series 2022A Bonds"), and the Revenue Bonds (InterAgency Council Pooled Loan Program), Series 2022B (Taxable) in the aggregate principal amount of $575,000 (the "Series 2022B Bonds;" together with the Series 2022A Bonds, the "Series 2022 Bonds") of Build NYC Resource Corporation, a local development corporation organized pursuant to the Not-for-Profit Corporation Law of the State of New York (the "NFP Corporation Law") at the direction of the Mayor of The City of New York (the "Issuer").

The Series 2022 Bonds are issued under and pursuant to an Indenture of Trust, dated as of June 1, 2022 (the "Indenture"), between the Issuer and The Bank of New York Mellon, as trustee (the "Trustee"), and a resolution of the Issuer adopted on March 8, 2022 authorizing the Series 2022 Bonds.

The Series 2022 Bonds are dated the date hereof and are issuable as fully registered bonds. The Series 2022 Bonds shall mature and shall bear interest at the respective fixed rates payable on January 1 and July 1 of each year commencing January 1, 2023, all as set forth in the Indenture. The Series 2022 Bonds are subject to optional and mandatory redemption prior to maturity, including from mandatory sinking installments, in the manner and upon the terms and conditions set forth in the Indenture.

The Series 2022 Bonds are being issued for the purpose of financing and/or refinancing a portion of the cost of the acquisition, renovation, equipping and furnishing, as applicable, of four certain facilities (each a "Facility;" collectively, the "Facilities") within The City of New York for five not-for-profit corporations organized and existing under the laws of the State of New York, i.e., (i) Eden II School for Autistic Children, Inc. ("Eden"), (ii) HASC Diagnostic and Treatment Center, Inc. ("HDTC"), (iii) HASC Center, Inc. ("HASC"), (iv) HeartShare Human Services of New York ("HeartShare"), and (v) Young Adult Institute, Inc. ("YAI") (each a "Participant;" collectively, the "Participants"), all for the provision of services to individuals with intellectual and/or developmental disabilities (each a "Project;" collectively, the "Projects").

The Issuer and each Participant have entered into a separate Loan Agreement, dated as of June 1, 2022, each between the Issuer and such Participant (each a "Loan Agreement;" collectively, the "Loan Agreements"), except that HDTC and HASC have jointly entered into one Loan Agreement with the Issuer and are considered one Participant under their Loan Agreement. The Loan Agreements provide for, among other things, the financing and/or refinancing of the applicable Project and the loan of the proceeds of the related portion of the Series 2022 Bonds to such Participant. Each Loan Agreement requires that each Participant pay, as loan payments thereunder, its allocable portion of amounts due under the Series 2022 Bonds. The obligation of each Participant to repay its loan is evidenced by a certain Promissory Note, each dated the date hereof, each from a Participant to the Issuer and each endorsed by the Issuer to the Trustee (collectively, the "Promissory Notes"), except that HDTC and HASC have jointly issued one Promissory Note to the Issuer and endorsed by the Issuer to the Trustee.

The payment of each Participant's allocable portion of the Series 2022 Bonds is separately secured by a lien and a security interest in its Pledged Collateral (as defined in its Pledge and Security Agreement hereinafter defined) pursuant to a separate Pledge and Security Agreement, each dated as of June 1, 2022, from each Participant to the Trustee (each a "Pledge and Security Agreement;" collectively, the "Pledge and Security Agreements"). The payment of Eden's allocable portion of the Series 2022 Bonds is secured by mortgage liens on and security interests in Eden's fee interest in its Facility and the other Mortgaged Property (as defined in the Mortgages hereinafter defined) pursuant to a Mortgage and Security Agreement (Acquisition Loan), a Mortgage and Security Agreement (Building Loan) and a Mortgage and Security Agreement (Indirect Loan), each dated as of June 1, 2022, each from Eden to the Trustee and the Issuer (collectively, the "Mortgages"). Pursuant to an Assignment of Mortgage and Security Agreement (Acquisition Loan), an Assignment of Mortgage and Security Agreement (Building Loan) and an Assignment of Mortgage and Security Agreement (Indirect Loan), each dated as of June 1, 2022, each from the Issuer to the Trustee (collectively, the "Assignments of Mortgages"), the Issuer has assigned to the Trustee all of the Issuer's right, title and interest in and to the Mortgages. The payment of HeartShare's allocable portion of the Series 2022 Bonds is secured by HeartShare's assignment of its right, title and interest (but not its obligations) as tenant in its Facility Lease Agreement (as defined in HeartShare's Loan Agreement) to the Trustee pursuant to a Collateral Assignment of Lease, dated as of June 1, 2022 (the "HeartShare Collateral Assignment of Lease"). The payment of YAI's allocable portion of the Series 2022 Bonds is secured by YAI's assignment of its right, title and interest (but not its obligations) as tenant in its Facility Lease Agreement (as defined in YAI's Loan Agreement) to the Trustee pursuant to a Collateral Assignment of Lease, dated as of June 1, 2022 (the "YAI Collateral Assignment of Lease;" together with the HeartShare Collateral Assignment of Lease, the "Collateral Assignments of Lease").

It is provided in the Indenture that, upon complying with certain prescribed conditions, the Issuer may issue additional bonds from time to time on the terms and conditions and for the purposes stated in the Indenture, and said additional bonds, if issued, will be equally and ratably secured under the Indenture with the Outstanding (as defined in the Indenture) Series 2022 Bonds.

We are of the opinion that:

1. The Issuer is duly organized and validly existing under the NFP Corporation Law and has the right and power thereunder to enter into the Indenture, and the Indenture has been duly authorized, executed and delivered by the Issuer, is in full force and effect, and is valid and binding upon the Issuer and enforceable against the Issuer in accordance with its terms.

2. The Issuer has the right and power under the NFP Corporation Law to enter into each Loan Agreement, and each Loan Agreement has been duly authorized, executed and delivered by the Issuer, is in full force and effect, and constitutes a valid and binding agreement of the Issuer enforceable against the Issuer in accordance with its respective terms.

3. The Issuer has the right and power under the NFP Corporation Law to enter into each Assignment of Mortgage, and each Assignment of Mortgage has been duly authorized, executed and delivered by the Issuer, is in full force and effect, and constitutes a valid and binding agreement of the Issuer enforceable against the Issuer in accordance with its respective terms.

4. The Series 2022 Bonds have been duly authorized and issued by the Issuer in accordance with law and in accordance with the Indenture and are the valid and binding special limited revenue obligations of the Issuer, payable solely from the loan payments, revenues and receipts derived from the Loan Agreements and the Promissory Notes and pledged under the Indenture. The payment of each Participant's allocable portion of the Series 2022 Bonds is separately secured by a lien and a security interest in its Pledged Collateral pursuant to its Pledge and Security Agreement. The payment by Eden of its allocable portion of the Series 2022 Bonds is secured by mortgage liens on and security interests in the Mortgaged Property pursuant to the Mortgages. The payment by HeartShare of its allocable portion of the Series 2022 Bonds is secured by HeartShare's assignment of its right, title and interest (but not its obligations) as tenant in its Facility Lease Agreement to the Trustee pursuant to the HeartShare Collateral Assignment of Lease. The payment by YAI of its allocable portion of the Series 2022 Bonds is secured by YAI's assignment of its right, title and interest (but not its obligations) as tenant in its Facility Lease Agreement to the Trustee pursuant to the YAI Collateral Assignment of Lease. The Series 2022 Bonds are enforceable in accordance with their terms and the terms of the Indenture and are entitled to the benefit of the Indenture. All conditions precedent to the delivery of the Series 2022 Bonds under the Indenture have been fulfilled.

5. Under existing statutes and court decisions, and assuming continuing compliance with certain tax covenants described below, (i) interest on the Series 2022A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2022A Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. To the extent that any Series 2022A Bond has original issue discount (a "Discount Bond"), original issue discount that has accrued and is properly allocable to the owners of the Discounts Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on such Series 2022A Bonds.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2022A Bonds in order that, for federal income tax purposes, interest on the Series 2022A Bonds be not included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Series 2022A Bonds, restrictions on the investment of proceeds of the Series 2022A Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2022A Bonds to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Series 2022A Bonds, the Participants, the InterAgency Council of Developmental Disabilities Agencies, Inc., as program facilitator (the "Program Facilitator"), the Issuer and the Trustee have executed a Tax Regulatory Agreement, dated the date hereof (the "Tax Regulatory Agreement"), containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Regulatory Agreement, the Issuer and the Participants covenant that they will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that interest paid on the Series 2022A Bonds will, for federal income tax purposes, be excluded from gross income.

6. Under existing statutes, the interest on the Series 2022A 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.

In rendering the opinions in paragraphs 5 and 6 above, we have (i) relied upon and assumed the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact, contained in the Issuer Tax Certification delivered on the date hereof by the Issuer and in the Tax Regulatory Agreement with respect to the use of proceeds of the Series 2022A Bonds and the investment of certain funds, and other matters affecting the exclusion of interest on the Series 2022A Bonds from gross income for federal income tax purposes under Section 103 of the Code, (ii) relied upon the opinion of Cullen and Dykman LLP, counsel to the Participants, dated the date hereof, regarding, among other matters, the current qualifications of the Participants as organizations described in Section 501(c)(3) of the Code, and (iii) relied upon and assumed compliance by the Issuer, the Participants and the Program Facilitator with procedures and ongoing covenants set forth in the Tax Regulatory Agreement and with the ongoing tax covenants set forth in the Indenture and the Loan Agreements. We note that the opinion of counsel to the Participants is subject to a number of qualifications and limitations. Each of the Participants has covenanted that it will do nothing to impair its status as a tax-exempt organization, and that it will comply with the requirements of the Code and any applicable regulations throughout the term of the Series 2022A Bonds. Failure of any of the Participants to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of the status of each of the Participants as an organization described in Section 501(c)(3) of the Code or to use the assets being financed and/or refinanced with the proceeds of the Series 2022A Bonds in activities of any of the Participants that do not constitute unrelated trades or businesses within the meaning of Section 513 of the Code may result in interest on the Series 2022A Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Series 2022A Bonds.

Further, under the Code, failure to comply with such procedures and covenants may cause the interest on the Series 2022A Bonds to be included in gross income for federal income tax purposes, retroactive to the date of issuance of the Series 2022A Bonds, irrespective of the date on which such noncompliance occurs or is ascertained. Compliance with certain of such requirements may necessitate that persons not within the control of the Issuer or of any of the Participants take or refrain from taking certain actions.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Series 2022A Bonds, or the ownership or disposition thereof, except as stated in paragraphs 5 and 6 above. We render our opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Series 2022A Bonds.

The foregoing opinions are qualified only to the extent that the enforceability of the Series 2022 Bonds, the Indenture, the Tax Regulatory Agreement, the Promissory Notes, the Loan Agreements, the Pledge and Security Agreements, the Mortgages, the Assignments of Mortgages and the Collateral Assignments of Lease may be limited by bankruptcy, moratorium or insolvency or other laws affecting creditors' rights generally and are subject to general rules of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

In rendering this opinion, we have assumed the due recording of the Mortgages and the Assignments of Mortgages and the due filing and sufficiency of financing statements under the New York State Uniform Commercial Code.

In rendering this opinion, we have relied as to matters of title of Eden to the real property constituting a part of the Mortgaged Property under the Mortgages on the mortgagee title insurance policy issued by Old Republic National Title Insurance Company insuring the Issuer's and the Trustee's mortgagee interest under the Mortgages in the real property constituting a part of the Mortgaged Property, dated the date hereof.

In rendering this opinion with respect to the due authorization, execution and delivery of (i) the Loan Agreements, the Promissory Notes, the Pledge and Security Agreements and the Tax Regulatory Agreement by the Participants and the enforceability of each of the same against the Participants, (ii) the Mortgages by Eden and the enforceability of the same against Eden, (iii) the HeartShare Collateral Assignment of Lease by HeartShare and the enforceability of the same against HeartShare, and (iv) the YAI Collateral Assignment of Lease by YAI and the enforceability of the same against YAI, we have relied upon the opinion of Cullen and Dykman LLP, counsel to the Participants, dated the date hereof.

In rendering this opinion, with respect to the due authorization, execution and delivery of the Indenture, the Pledge and Security Agreements and the Tax Regulatory Agreement by the Trustee, and the enforceability of each of the same against the Trustee as its legal, valid and binding obligation, we have relied upon the opinion of Paparone Law PLLC, counsel to the Trustee, dated the date hereof.

In rendering this opinion, we have assumed the due authorization, execution and delivery of the Tax Regulatory Agreement by the Program Facilitator, and the enforceability of the same against the Program Facilitator.

Attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to any of the Participants (or any affiliate of any Participant) other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to any purchaser or purchasers of the Series 2022A Bonds or of the Series 2022B Bonds.

In rendering this opinion, we express no opinion as to the necessity for obtaining any licenses, permits or other approvals relating to any Facility or the operation of any Facility, or the application or effect of any environmental laws, ordinances, rules, regulations or other requirements of any governmental authority with respect to any Facility or the transactions contemplated under the Indenture.

The foregoing opinions are further subject, however, to the qualification that we express no opinion as to matters relating to the rights in, title to or sufficiency of the description of any property or collateral described in the Security Documents (as defined in the Indenture) or the creation, perfection or relative priority of any lien or security interest created with respect to such property or collateral thereunder.

We have examined a Series 2022A Bond in fully registered form numbered AR-1 and a Series 2022B Bond in fully registered form numbered BR-1 and, in our opinion, the forms of each of said Series 2022 Bonds and their execution are regular and proper.

We undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering materials relating to the Series 2022 Bonds and express herein no opinion relating thereto.

This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances, or any changes in law or in interpretations thereof, that may hereafter arise or occur, or for any other reason.

Very truly yours,

APPENDIX H

FORM OF CONTINUING DISCLOSURE AGREEMENT

AGREEMENT TO PROVIDE CONTINUING DISCLOSURE

BUILD NYC RESOURCE CORPORATION
REVENUE BONDS
(INTERAGENCY COUNCIL POOLED LOAN PROGRAM)
$11,306,000 SERIES 2022A AND
$575,000 SERIES 2022B (TAXABLE)

PARTICIPANT: ____________________

This **AGREEMENT TO PROVIDE CONTINUING DISCLOSURE** (the "Disclosure Agreement"), dated as of June 1, 2022 is executed and delivered by the Participant identified above (the "Obligated Person"), The Bank of New York Mellon, as Trustee (the "Trustee"), and Municipal Capital Markets Group, Inc., as the Disclosure Dissemination Agent (the "Disclosure Dissemination Agent") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) issued by Build NYC Resource Corporation (the "Issuer") 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 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"). The Disclosure Dissemination Agent is not obligated hereunder to provide any advice or recommendation to the Obligated Person or anyone on the Obligated Person's behalf regarding the "issuance of municipal securities" or any "municipal financial product" as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Indenture (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 Municipal Capital Markets Group, Inc., 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.

"Indenture" means the Indenture of Trust pursuant to which the Bonds were issued, dated as of June 1, 2022, between the Issuer and the Trustee, as from time to time amended or supplemented by Supplemental Indentures in accordance with Article XI of the Indenture.

"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 Build NYC Resource Corporation, 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 the Participant identified above and 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 Obligated Person in connection with the Bonds, as listed on Exhibit A.

"Program Facilitator" means the InterAgency Council of Developmental Disabilities Agencies, Inc.

"Trustee" means The Bank of New York Mellon 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 [June 30, 2022][December 31, 2022] 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.

(f) The Obligated Person may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, the Trustee and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

Each Annual Report shall contain:

(a) Annual Financial Information with respect to the Obligated Person which shall contain the information set forth in Exhibit D hereto, together with a narrative explanation as may be necessary to avoid misunderstanding regarding the presentation of such Annual Financial Information concerning the Obligated Person; and

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles ("GAAP") or alternate accounting principles as described in the Official Statement will be included in the Annual Report. If Audited Financial Statements are not available, the Obligated Person shall be in compliance under this Disclosure Agreement if unaudited financial statements, prepared in accordance with GAAP or alternate accounting principles as described in the Official Statement, are included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Obligated Person is an "obligated person" (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or are available from the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Obligated Person will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information shall include an explanation, in narrative form, of such modifications.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices and determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

7. Modifications to rights of the security holders, if material;

8. Bond calls, if material;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds, if material;

11. Rating changes;

12. Tender offers;

13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

    Note to subsection (a)(13) of this Section 4: For the purposes of the event described in subsection (a)(13) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

14. The consummation of a merger, consolidation or acquisition involving the Obligated Person, or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

15. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

16. Incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material; and

17. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

The Obligated Person shall, in a timely manner not in excess of ten business days after its occurrence, notify the Trustee, the Program Facilitator and the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Upon actual knowledge of the occurrence of a Notice Event, the Trustee shall promptly notify the Obligated Person and also shall notify the Disclosure Dissemination Agent in writing of the occurrence of such Notice Event. Each such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the desired text of the disclosure, the written authorization for the Disclosure Dissemination Agent to disseminate such information, and identify the desired date for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Obligated Person or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Obligated Person or the Disclosure Representative, such notified party will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Obligated Person determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Obligated Person desires to make, contain the written authorization of the Obligated Person for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed as prescribed in subsection (a) or as prescribed in subsection (b) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the MSRB, in accordance with Section 2(e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers.

Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference in the Annual Reports, Audited Financial Statements, Notice Event notices and Voluntary Event Disclosure, the Obligated Person shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations.

The Obligated Person acknowledges and understands that other state and federal laws, including but not limited to the United States Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the United States Securities Exchange Act of 1934, as amended, may apply to the Obligated Person, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Obligated Person acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Obligated Person may instruct the Disclosure Dissemination Agent to file Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Obligated Person desires to make and identify the date the Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Obligated Person as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Obligated Person may instruct the Disclosure Dissemination Agent to file Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the desired text of the disclosure, contain the written authorization for the Disclosure Dissemination Agent to disseminate such information, if applicable, and identify the desired date for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Obligated Person as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that the Obligated Person is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or to file any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Person from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Section 7, or including any other information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement. If the Obligated Person chooses to include any information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement or to file Voluntary Event Disclosure or Voluntary Financial Disclosure, the Obligated Person shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Voluntary Financial Disclosure, Voluntary Event Disclosure, Failure to File Event Notice or Notice Event notice.

SECTION 8. Termination of Reporting Obligation.

The obligations of the Obligated Person and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Obligated Person is no longer an Obligated Person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent.

The Obligated Person hereby appoints Municipal Capital Markets Group, Inc. as 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 Municipal Capital Markets Group, Inc.'s services as Disclosure Dissemination Agent, whether by notice of the Obligated Person or Municipal Capital Markets Group, Inc., the Obligated Person agrees to appoint a successor Disclosure Dissemination Agent or, alternatively, agrees to assume all responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Obligated Person shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Obligated Person.

SECTION 10. Remedies in Event of Default.

In the event of a failure of the Obligated Person or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Obligated Person has provided such information to the Disclosure Dissemination Agent as provided in this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information, or any other information, disclosures or notices provided to it by the Obligated Person and shall not be deemed to be acting in any fiduciary capacity for the Obligated Person, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Obligated Person's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine or liability for failing to determine whether the Obligated Person has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Obligated Person at all times.

THE OBLIGATED PERSON AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT AND THE TRUSTEE AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITY WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LOSSES, EXPENSES AND LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AND THE TRUSTEE'S (AND ITS OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS') NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Obligated Person under this Section shall survive the resignation or removal of the Disclosure Dissemination Agent and the defeasance, redemption or payment in full of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and it shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by the Obligated Person.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format through the EMMA System and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. 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, with respect to the Trustee only, those notices required under Section 4 hereof) and shall have no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures (other than, with respect to the Trustee only, those notices required under Section 4 hereof). The Issuer (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 Indenture for matters arising thereunder. In no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action. The parties' only recourse against the Trustee shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Trustee's obligation under this Disclosure Agreement.

SECTION 13. Amendment; Waiver.

Notwithstanding any other provision of this Disclosure Agreement, the Obligated Person, the Trustee and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to each of the Obligated Person, the Trustee and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided none of the Obligated Person, the Trustee or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Obligated Person, the Trustee and the Disclosure Dissemination Agent shall have the right to amend this Disclosure Agreement for any of the following purposes:

(i) to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time;

(ii) to add or change a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(iii) to evidence the succession of another person to the Obligated Person or the Trustee and the assumption by any such successor of the covenants of the Obligated Person or the Trustee hereunder;

(iv) to add to the covenants of the Obligated Person or the Disclosure Dissemination Agent for the benefit of the Holders, or to surrender any right or power herein conferred upon the Obligated Person or the Disclosure Dissemination Agent; and

(v) for any purpose for which, and subject to the conditions pursuant to which, amendments may be made under the Rule, as amended or modified from time to time, or any formal authoritative interpretations thereof by the Securities and Exchange Commission.

SECTION 14. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the Obligated Person, the Trustee, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Governing Law.

This Disclosure Agreement shall be governed by the laws of the State of New York (without regard to its conflicts of laws provisions).

SECTION 16. Counterparts.

This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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.

MUNICIPAL CAPITAL MARKETS GROUP, INC.,
as Disclosure Dissemination Agent

By:____
Name:_____________________________________
Title:______________________________________

_______________,
as 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:	Build NYC Resource Corporation
Obligated Person(s):	_________________
Name of Bond Issue:	Revenue Bonds (InterAgency Council Pooled Loan Program) Series 2022A and Series 2022B (Taxable)
Date of Issuance:	_________ __, 2022
Date of Official Statement:	_________ __, 2022

Maturity	CUSIP No.

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Build NYC Resource Corporation
Obligated Person(s):	_______________.
Name of Bond Issue:	Revenue Bonds (Revenue Bonds (InterAgency Council Pooled Loan Program) Series 2022A and Series 2022B (Taxable)
Date of Issuance:	_________ __, 2022
CUSIP Numbers:	_________________

NOTICE IS HEREBY GIVEN that the Obligated Person has not provided an Annual Report with respect to the above-named Bonds as required by the Agreement to Provide Continuing Disclosure, dated as of June 1, 2022, by and among the Obligated Person, The Bank of New York Mellon, as Trustee, and Municipal Capital Markets Group, Inc., 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: ____________

Municipal Capital Markets Group, Inc., as
Disclosure Dissemination Agent, on behalf of the
Obligated Person

By: ________________________________

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).

Name of Issuer: Build NYC Resource Corporation
Obligated Person: _______________

Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

____

Number of pages attached: _____

Description of Notice Events (Check One):

1.______"Principal and interest payment delinquencies;"
2.______"Non-Payment related defaults, if material;"
3.______"Unscheduled draws on debt service reserves reflecting financial difficulties;"
4.______"Unscheduled draws on credit enhancements reflecting financial difficulties;"
5.______"Substitution of credit or liquidity providers, or their failure to perform;"
6.______"Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7.______"Modifications to rights of securities holders, if material;"
8.______"Bond calls, if material;"
9.______"Defeasances;"
10._____"Release, substitution, or sale of property securing repayment of the securities, if material;"
11._____"Rating changes;"
12._____"Tender offers;"
13._____"Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14._____"Merger, consolidation, or acquisition of the obligated person, if material;" and
15._____"Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"
16.____ "Incurrence of a Financial Obligation of the obligated person, if material;"
17.____ "Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the obligated person reflecting financial difficulties."

____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the obligated person or its agent to distribute this information publicly:

Signature:

____

Name: ______________________________ Title: ______________________________

Date:

EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Agreement to Provide Continuing Disclosure dated as of June 1, 2022 by and among the Obligated Person, the Trustee and Municipal Capital Markets Group, Inc.

Name of Issuer: Build NYC Resource Corporation
Obligated Person: _______________

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: ____________________________________

Date:

EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB, pursuant to the Agreement to Provide Continuing Disclosure dated as of June 1, 2022 by and among the Obligated Person, the Trustee and Municipal Capital Markets Group, Inc.

Name of Issuer: Build NYC Resource Corporation
Obligated Person: ____________

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: ______________________________

Date:

EXHIBIT D

FORM OF ANNUAL FINANCIAL INFORMATION

Name of Issuer:	Build NYC Resource Corporation
Obligated Person(s):	____________
Name of Bond Issue:	Revenue Bonds (InterAgency Council Pooled Loan Program) Series 2022A and Series 2022B (Taxable)
Date of Issuance:	______________ __, 2022
Date of Official Statement:	______________ __, 2022
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	
[list other sources]	

Debt Service Coverage.

Calculated in accordance with the requirements of the Pledge and Security Agreement, dated as of June 1, 2022, from the Obligated Person to The Bank of New York Mellon, as Trustee, 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