

NYSARC TRUSTS

**Combining Financial Statements as of
December 31, 2016
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

August 15, 2017

To the Trustees of
NYSARC Trusts:

Report on the Financial Statements

We have audited the accompanying combining financial statements of NYSARC Trusts, which comprise the combining statement of financial position as of December 31, 2016 and the related combining statements of trust activities and change in trust balances and cash flows for the year then ended, and the related notes to the combining financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combining 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 combining 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 combining 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 combining financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combining 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 combining 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 combining financial statements referred to above present fairly, in all material respects, the individual and combined financial position of NYSARC Trusts as of December 31, 2016, and their trust activities and change in trust balances and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Report on Summarized Comparative Information

We have previously audited NYSARC Trusts' 2015 combining financial statements and, in our report dated June 24, 2016 we expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited combining financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combining financial statements as a whole. The 2016 supplementary information included in Exhibits I through VI is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combining financial statements. The information has been subjected to the auditing procedures applied in the audit of the combining financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combining financial statements or to the combining financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2016 information is fairly stated in all material respects in relation to the combining financial statements as a whole.

The 2015 supplementary information included in Exhibits I through VI is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2015 combining financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combining financial statements or to the combining financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2015 supplementary information is fairly stated in all material respects in relation to the financial statements from which it has been derived.

NYSARC TRUSTS

COMBINING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

(With Comparative Totals for 2015)

	NYSARC Trust	Community Trusts	Third Party Agency Trust	Individual Trusts	Eliminations	Total All Trusts	
						2016	2015
ASSETS							
Cash and cash equivalents	\$ 195,033	\$ 23,747,191	\$ 46,575	\$ 324,671	\$ -	\$ 24,313,470	\$ 27,059,126
Interest and investment income receivable	4,065	11,473	196	307	-	16,041	55,647
Investments	6,246,664	34,969,715	1,488,364	3,116,394	-	45,821,137	40,875,209
Due from NYSARC, Inc.	-	4,121	-	-	-	4,121	4,511
Due from other trusts	-	3,003	-	-	(3,003)	-	-
Prepaid income taxes	-	338,792	3,003	20,208	-	362,003	19,881
Total assets	<u>6,445,762</u>	<u>59,074,295</u>	<u>1,538,138</u>	<u>3,461,580</u>	<u>(3,003)</u>	<u>70,516,772</u>	<u>68,014,374</u>
LIABILITIES							
Accrued income taxes	80,451	-	-	2,689	-	83,140	2,664
Due to NYSARC, Inc.	-	14,568	-	-	-	14,568	42,959
Due to other trusts	-	-	3,003	-	(3,003)	-	-
Due to beneficiaries	5,835,123	54,345,065	1,535,135	3,458,891	-	65,174,214	63,164,272
Total liabilities	<u>5,915,574</u>	<u>54,359,633</u>	<u>1,538,138</u>	<u>3,461,580</u>	<u>(3,003)</u>	<u>65,271,922</u>	<u>63,209,895</u>
TRUST BALANCES	<u>\$ 530,188</u>	<u>\$ 4,714,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,244,850</u>	<u>\$ 4,804,479</u>

The accompanying notes are an integral part of these statements.

NYSARC TRUSTS

COMBINING STATEMENT OF TRUST ACTIVITIES AND CHANGE IN TRUST BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2016

(With Comparative Totals for 2015)

	NYSARC Trust	Community Trusts	Third Party Agency Trust	Individual Trusts	Total All Trusts	
					2016	2015
ADDITIONS:						
Contributions and bequests	\$ 168,127	\$ 66,523,767	\$ 191,577	\$ 93,702	\$ 66,977,173	\$ 69,492,369
Interest and dividends	131,826	768,110	25,213	60,638	985,787	1,086,017
Net realized gain (loss) on investments	427,606	755,674	(4,877)	89,464	1,267,867	360,524
Net unrealized gain (loss) on investments	<u>(136,562)</u>	<u>754,292</u>	<u>87,895</u>	<u>58,524</u>	<u>764,149</u>	<u>(1,888,205)</u>
Total additions	<u>590,997</u>	<u>68,801,843</u>	<u>299,808</u>	<u>302,328</u>	<u>69,994,976</u>	<u>69,050,705</u>
DEDUCTIONS:						
Allocations to beneficiaries -						
Distributions for beneficiaries	6,210	-	-	-	6,210	6,916
In-kind distributions for beneficiaries	193,902	57,758,992	44,907	351,203	58,349,004	61,436,543
Management and general -						
Bank fees and administration	60,566	5,770,637	44,952	74,559	5,950,714	6,028,698
Audit and tax preparation services	1,950	356,050	1,600	-	359,600	392,111
Guardianship and recreation grants	-	2,921,032	-	-	2,921,032	1,833,416
Other grants and expenses	1,400	212,439	-	-	213,839	184,715
Income taxes	<u>80,582</u>	<u>(338,792)</u>	<u>(778)</u>	<u>3,353</u>	<u>(255,635)</u>	<u>604,317</u>
Total deductions	<u>344,610</u>	<u>66,680,358</u>	<u>90,681</u>	<u>429,115</u>	<u>67,544,764</u>	<u>70,486,716</u>
EXCESS (DEFICIT) OF ADDITIONS OVER DEDUCTIONS BEFORE (DECREASE) INCREASE IN DUE TO BENEFICIARIES	246,387	2,121,485	209,127	(126,787)	2,450,212	(1,436,011)
DECREASE (INCREASE) IN DUE TO BENEFICIARIES	<u>(113,290)</u>	<u>(1,814,211)</u>	<u>(209,127)</u>	<u>126,787</u>	<u>(2,009,841)</u>	<u>3,209,446</u>
EXCESS (DEFICIT) OF ADDITIONS OVER DEDUCTIONS	133,097	307,274	-	-	440,371	1,773,435
TRUST BALANCES - beginning of year	<u>397,091</u>	<u>4,407,388</u>	<u>-</u>	<u>-</u>	<u>4,804,479</u>	<u>3,031,044</u>
TRUST BALANCES - end of year	<u>\$ 530,188</u>	<u>\$ 4,714,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,244,850</u>	<u>\$ 4,804,479</u>

The accompanying notes are an integral part of these statements.

NYSARC TRUSTS

COMBINING STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016 (With Comparative Totals for 2015)

	NYSARC Trust	Community Trusts	Third Party Agency Trust	Individual Trusts	Total All Trusts	
					2016	2015
CASH FLOW FROM OPERATING ACTIVITIES (TRUST ACTIVITIES):						
Excess of additions over deductions	\$ 133,097	\$ 307,274	\$ -	\$ -	\$ 440,371	\$ 1,773,435
Adjustments to reconcile excess to net cash provided by (used in) trust transactions:						
Net realized and unrealized (gain) loss on investments	(291,044)	(1,509,966)	(83,018)	(147,988)	(2,032,016)	1,527,681
Changes in:						
Interest and investment income receivable	(1,127)	37,647	1,384	1,714	39,618	(1,682)
Investments	39,592	(2,656,738)	(567,938)	271,172	(2,913,912)	(951,549)
Prepaid income taxes	-	-	(778)	(2,552)	(3,330)	(973)
Accrued income taxes	80,451	(338,792)	-	25	(258,316)	(379,764)
Due to/from NYSARC, Inc.	-	(28,001)	-	-	(28,001)	667
Due to beneficiaries	113,291	1,814,311	209,127	(126,799)	2,009,930	(3,192,926)
Net cash used in trust activities	74,260	(2,374,265)	(441,223)	(4,428)	(2,745,656)	(1,225,111)
DECREASE IN CASH AND CASH EQUIVALENTS	74,260	(2,374,265)	(441,223)	(4,428)	(2,745,656)	(1,225,111)
CASH AND CASH EQUIVALENTS - beginning of year	120,773	26,121,456	487,798	329,099	27,059,126	28,284,237
CASH AND CASH EQUIVALENTS - end of year	\$ 195,033	\$ 23,747,191	\$ 46,575	\$ 324,671	\$ 24,313,470	\$ 27,059,126
CASH PAID FOR INCOME TAXES	\$ -	\$ -	\$ -	\$ 6,996	\$ 6,996	\$ 985,034

The accompanying notes are an integral part of these statements.

NYSARC TRUSTS

NOTES TO COMBINING FINANCIAL STATEMENTS DECEMBER 31, 2016

1. THE ORGANIZATION

The NYSARC Trusts consist of four supplemental needs trust programs. The trusts are administered by NYSARC, Inc. (NYSARC), a New York not-for-profit corporation serving the needs of individuals with intellectual and other developmental disabilities and their families in New York State, with oversight provided by a Board of Trustees/Management Board. The trusts collectively referred to as the NYSARC Trusts are as follows:

The NYSARC Trust

The NYSARC Trust was established in response to the growing need and concern expressed by parents and others for safeguarding the personal well-being and financial future of individuals residing in New York State who are intellectually or otherwise developmentally disabled. The NYSARC Trust consists of the Unrestricted Fund, the Exempt Fund, and the Pooled Income Fund as follows:

- **Unrestricted Fund**

The Unrestricted Fund was formed to receive gifts and bequests for the benefit of designated beneficiaries who are developmentally disabled. The income and principal may be paid to the guardian or payee of each beneficiary to pay for the beneficiary's incidental costs, such as rent, clothing and medical expenses, as specified in each beneficiary's trust agreement. Upon the death of the beneficiary, \$10,000 of the principal (or the beneficiary's balance, if under \$10,000), increased to \$25,000 for funds established after February 2002, is paid to the Exempt Fund and any excess principal is distributed in accordance with the terms designated in the donor's gift or will.

- **Exempt Fund**

The Exempt Fund was formed to provide funding for the administration of the Unrestricted and Pooled Income funds and NYSARC's guardianship program, which allows NYSARC to act as legal guardian for persons who are developmentally disabled. The Exempt Fund is currently funded through the provisions of the Unrestricted Fund, direct donations and income earned thereon.

- **Pooled Income Fund**

The Pooled Income Fund was formed for the purpose of permitting donors to make contributions or bequests to this fund in which the income earned thereon is used by named developmentally disabled beneficiaries until their deaths, at which time the principal reverts to NYSARC to be used at its discretion.

Community Trusts

The Community Trusts I, II, and III are self-settled supplemental needs trusts created pursuant to the federal and state laws under the Omnibus Budget Reconciliation Act of 1993 (OBRA '93). They were formed for the purpose of permitting disabled individuals as defined in Social Security Law Section 1614 (a)(3) [42USC1382c(a)(3)], to make contributions of their own income and resources in order to qualify for government benefits. The income and principal of these trusts is used to meet supplemental needs of the account beneficiaries. The funds are pooled for investment purposes and tracked as individual sub-trust accounts. The co-trustees of these trusts are NYSARC, Inc. and Key Private Bank, N.A.

1. THE ORGANIZATION (Continued)

Community Trusts (Continued)

In Community Trust I and II, upon the death of the beneficiary, the individual sub-trust account terminates and any remaining balance remains with the respective trust to further its express purpose.

In Community Trust III, upon the death of the beneficiary, the Medicaid lien is determined. If the lien is less than the balance in the beneficiary account, the lien is paid. Of the remaining funds after the lien has been paid, 25% stays with the trust to further its express purpose, and the remaining 75% goes to a subsequent beneficiary named in the Joinder Agreement at the time the account was established. If at the time of the beneficiary's death, the Medicaid lien exceeds the balance in the beneficiary sub-trust account, the full balance remains with the trust to further its express purpose.

Community Trust I is generally used for individuals depositing lump-sum cash assets of less than \$250,000. Community Trust II is generally used for individuals depositing monthly income. Community Trust III was established for individuals depositing lump sum cash assets of \$250,000 or more. Individuals complete an application for the respective trust based on their needs.

Third Party Agency Trust

The Third Party Agency Trust (TPAT) is a third party trust that was funded by a State agency on behalf of disabled individuals. The trust is not open to the public. Upon the death of the beneficiary, remaining funds in the beneficiary's account are paid to the State of New York and applied to any outstanding liens for services paid for by the State.

Individual Trusts

NYSARC Trust Services administers individual first and third party supplemental needs trusts. An individual trustee is in place for each account. NYSARC Trust Services has been appointed by the Trustee to act as administrator of the accounts. The trustee is acting in their capacity as a NYSARC executive. At December 31, 2016, there were eleven first-party and nine third-party accounts being administered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination

The combining financial statements include the accounts of the NYSARC Trusts. Significant inter-trust account transactions and balances have been eliminated in the combining financial statements.

Basis of Accounting

The financial statements of the NYSARC Trusts have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

Comparative Information

The combining financial statements include certain prior year summarized information for comparison purposes only. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the combining financial statements for the year ended December 31, 2015, from which the information was derived.

Financial Reporting

At December 31, 2016 and 2015, the trust balances of the NYSARC Trusts were all unrestricted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

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. GAAP 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). Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly, are considered level 2 measurements.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation methodology used for the Trust's assets measured at fair value, which consist of investments in U.S. Treasury notes and bonds, U.S. agency and mortgage notes and bonds, corporate obligations, fixed income mutual funds, common stocks, foreign equities, equity mutual funds, money market funds, alternative mutual funds, other mutual funds, and life insurance is to value them at quoted market prices of the investments on the last business day of the fiscal year.

Cash and Cash Equivalents

Cash and cash equivalents consists of demand deposit accounts, money market funds, and all highly liquid investments with remaining maturity of three months or less when purchased which, at times, may exceed federally insured limits. NYSARC Trusts have not experienced any losses in such accounts and believe they are not exposed to any significant credit risk with respect to cash and cash equivalents.

Investments

Investments are recorded at fair market value based on quoted market prices. The NYSARC Trusts invest in various types of investments including equity securities, U.S. and Foreign note and bond obligations and various mutual funds. These investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amount reported in the accompanying combining financial statements.

Tax Status

The Exempt Fund is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Unrestricted Fund, Pooled Income Fund, the Community Trusts I and II, and TPAT are complex trusts that are taxed on undistributed earnings. The Community Trust III is a grantor trust with income reported and taxed at the individual level whether distributed or not. Each fund of the NYSARC Trusts, Community Trusts, and TPAT must file its own tax returns with the Internal Revenue Service and New York State Department of Taxation and Finance.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. RELATED PARTY AND INTER-TRUST TRANSACTIONS

Income taxes paid by the Exempt Fund on behalf of beneficiaries in the Unrestricted Fund totaled \$117,018 in 2015. (None in 2016.)

Income taxes paid by the Community Trust I remainder fund on behalf of the beneficiaries in the Third Party Agency Trust totaled \$1,751 in 2015. (None in 2016.)

In 2016 and 2015, \$603,434 and \$730,472, respectively, was transferred to the Community Trust I Remainder Account from Community Trust I deceased beneficiary sub-trust accounts.

In 2016 and 2015, \$2,391,983 and \$3,040,868 respectively, was transferred to the Community Trust II Remainder Account from Community Trust II deceased beneficiary sub-trust accounts.

In 2016 and 2015, \$68,032 and \$6,761 was transferred to the Exempt Fund from the Unrestricted Fund.

In 2016 and 2015, \$5,832,724 and \$6,019,095, respectively, was paid to NYSARC, Inc. for administrative services and management of the Trusts.

4. FAIR VALUE MEASUREMENTS

The following sets forth by level, within the fair value hierarchy, the Trusts' assets at fair value measured on a recurring basis at December 31, 2016 and 2015:

	<u>Level 1</u> <u>Inputs</u>	<u>Level 2</u> <u>Inputs</u>	<u>Level 3</u> <u>Inputs</u>	<u>Total</u>
December 31, 2016				
Money market funds	\$24,313,470	\$ -	\$ -	\$24,313,470
U.S. Treasury notes and bonds	138,182	-	-	138,182
U.S. agency and mortgage notes and bonds	-	225,594	-	225,594
Corporate obligations	-	340,832	-	340,832
Foreign obligations	199,548	51,372	-	250,920
Fixed income mutual funds	8,536,289	-	-	8,536,289
Common stock	86,627	-	-	86,627
Foreign equities	8,084,178	-	-	8,084,178
Equity mutual funds	24,206,700	-	-	24,206,700
Alternative mutual funds	3,288,370	-	-	3,288,370
Other mutual funds	658,278	-	-	658,278
Life insurance	-	5,167	-	5,167
	<u>\$69,511,642</u>	<u>\$ 622,965</u>	<u>\$ -</u>	<u>\$70,134,607</u>

4. FAIR VALUE MEASUREMENTS (Continued)

	<u>Level 1</u> <u>Inputs</u>	<u>Level 2</u> <u>Inputs</u>	<u>Level 3</u> <u>Inputs</u>	<u>Total</u>
December 31, 2015				
Money market funds	\$27,059,126	\$ -	\$ -	\$27,059,126
U.S. Treasury notes and and bonds	1,400,361	-	-	1,400,361
U.S. agency and mortgage notes and bonds	-	596,496	-	596,496
Corporate obligations	-	487,603	-	487,603
Foreign obligations	238,837	83,179	-	322,016
Fixed income mutual funds	6,991,754	-	-	6,991,754
Common stock	2,545,193	-	-	2,545,193
Foreign equities	7,472,932	-	-	7,472,932
Equity mutual funds	16,666,451	-	-	16,666,451
Alternative mutual funds	1,190,805	-	-	1,190,805
Other mutual funds	3,196,429	-	-	3,196,429
Life insurance	-	5,169	-	5,169
	<u>\$66,761,888</u>	<u>\$1,172,447</u>	<u>\$ -</u>	<u>\$67,934,335</u>

Level 2 investments include various U.S. agency notes and mortgage notes and bonds, corporate bonds, foreign corporate bonds, and two life insurance policies that do not have quoted market prices; therefore, they are valued using quoted prices of similar securities with similar characteristics. In addition, the valuation of bonds is calculated at the present value of the bond's future interest payments and the bond's value upon maturity.

Investments are measured and valued on a recurring basis. There were no changes to the valuation techniques during 2016 or 2015. The Trust recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. During 2015, corporate bonds were transferred from Level 1 to Level 2. Management determined this was a more appropriate classification based on whether or not these investments could be priced daily in active markets. There were no transfers between levels during 2016.

5. INVESTMENTS

Investments consist of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
NYSARC Trust:		
<u>Unrestricted Fund</u>		
Fixed income:		
Mutual funds	\$ 1,646,982	\$ 1,682,628
Foreign obligations	<u>97,354</u>	<u>93,854</u>
	<u>1,744,336</u>	<u>1,776,482</u>
Equities:		
Common stocks	86,627	768,433
Foreign equities	1,009,214	1,008,077
Mutual funds	<u>2,649,492</u>	<u>1,650,225</u>
	<u>3,745,333</u>	<u>3,426,735</u>
Other:		
Alternative mutual funds	335,461	144,463
Other mutual funds	<u>-</u>	<u>419,150</u>
	<u>335,461</u>	<u>563,613</u>
	<u>\$ 5,825,130</u>	<u>\$ 5,766,830</u>
<u>Exempt Fund</u>		
Fixed income:		
Mutual funds	\$ 60,940	\$ 38,314
Foreign obligation	<u>2,870</u>	<u>2,767</u>
	<u>63,810</u>	<u>41,081</u>
Equities:		
Foreign equities	63,562	24,177
Mutual funds	<u>196,953</u>	<u>67,359</u>
	<u>260,515</u>	<u>91,536</u>
Other:		
Alternative mutual funds	17,708	4,190
Other mutual funds	<u>-</u>	<u>11,535</u>
	<u>17,708</u>	<u>15,725</u>
	<u>\$ 342,033</u>	<u>\$ 148,342</u>

5. INVESTMENTS (Continued)

	<u>2016</u>	<u>2015</u>
NYSARC Trust (Continued):		
<u>Pooled Income Fund</u>		
Fixed income:		
Mutual funds	\$ <u>75,097</u>	\$ <u>72,785</u>
Other:		
Other mutual funds	<u>4,404</u>	<u>7,255</u>
	<u>\$ 79,501</u>	<u>\$ 80,040</u>
 <u>Total NYSARC Trust</u>		
Fixed income:		
Mutual funds	\$ 1,783,019	\$ 1,793,727
Foreign obligations	<u>100,224</u>	<u>96,621</u>
	<u>1,883,243</u>	<u>1,890,348</u>
Equities:		
Common stocks	86,627	768,433
Foreign equities	1,072,776	1,032,254
Mutual funds	<u>2,846,445</u>	<u>1,717,584</u>
	<u>4,005,848</u>	<u>3,518,271</u>
Other:		
Alternative mutual funds	353,169	148,653
Other mutual funds	<u>4,404</u>	<u>437,940</u>
	<u>357,573</u>	<u>586,593</u>
	<u>\$ 6,246,664</u>	<u>\$ 5,995,212</u>
 Community Trusts:		
<u>Community Trust I</u>		
Fixed income:		
U.S. Government obligations	\$ 363,775	\$ 1,996,857
Mutual funds	5,432,422	3,951,481
Corporate obligations	340,832	487,603
Foreign obligations	<u>51,371</u>	<u>83,179</u>
	<u>6,188,400</u>	<u>6,519,120</u>
Equities:		
Common stocks	-	1,776,760
Foreign equities	5,895,887	5,153,581
Mutual funds	<u>17,679,782</u>	<u>12,175,917</u>
	<u>23,575,669</u>	<u>19,106,258</u>

5. INVESTMENTS (Continued)

Community Trusts: (Continued)

	<u>2016</u>	<u>2015</u>
Other:		
Alternative mutual funds	2,623,318	899,565
Other mutual funds	<u>653,221</u>	<u>2,440,306</u>
	<u>3,276,539</u>	<u>3,399,871</u>
	<u>\$ 33,040,608</u>	<u>\$ 28,865,249</u>

Community Trust II

Fixed income:		
Mutual funds	<u>\$ 20,711</u>	<u>\$ -</u>
Equities:		
Foreign equities	47,039	17,980
Mutual funds	<u>183,773</u>	<u>134,349</u>
	<u>230,812</u>	<u>152,329</u>
Other:		
Alternative mutual funds	<u>\$ 9,821</u>	<u>\$ -</u>
	<u>\$ 261,344</u>	<u>\$ 152,329</u>

Community Trust III

Fixed income:		
Mutual funds	\$ 316,412	\$ 370,642
Foreign obligations	<u>32,767</u>	<u>42,654</u>
	<u>349,179</u>	<u>413,296</u>
Equities:		
Foreign equities	283,588	323,325
Mutual funds	943,753	819,349
Life insurance	<u>5,167</u>	<u>5,169</u>
	<u>1,232,508</u>	<u>1,147,843</u>
Other:		
Alternative mutual funds	86,076	28,305
Other mutual funds	<u>-</u>	<u>95,989</u>
	<u>86,076</u>	<u>124,294</u>
	<u>\$ 1,667,763</u>	<u>\$ 1,685,433</u>

5. INVESTMENTS (Continued)

Community Trusts: (Continued)

Total Community Trusts

	<u>2016</u>	<u>2015</u>
Fixed income:		
U.S. Government obligations	\$ 363,775	\$ 1,996,857
Mutual funds	5,769,545	4,322,123
Corporate obligations	340,833	487,603
Foreign obligations	<u>84,138</u>	<u>125,833</u>
	<u>6,558,291</u>	<u>6,932,416</u>
Equities:		
Common stocks	-	1,776,760
Foreign equities	6,226,514	5,494,886
Mutual funds	18,807,308	13,129,615
Life insurance	<u>5,167</u>	<u>5,169</u>
	<u>25,038,989</u>	<u>20,406,430</u>
Other:		
Alternative mutual funds	2,719,215	927,870
Other mutual funds	<u>653,220</u>	<u>2,536,295</u>
	<u>3,372,435</u>	<u>3,464,165</u>
	<u>\$ 34,969,715</u>	<u>\$ 30,803,011</u>
Third Party Agency Trust:		
Fixed Income:		
Mutual funds	<u>\$ 287,593</u>	<u>\$ 83,253</u>
Equities:		
Foreign equities	252,694	396,665
Mutual funds	<u>918,083</u>	<u>357,490</u>
	<u>1,170,777</u>	<u>754,155</u>
Other:		
Alternative mutual funds	<u>\$ 29,994</u>	<u>\$ -</u>
	<u>\$ 1,488,364</u>	<u>\$ 837,408</u>

5. INVESTMENTS (Continued)

Fixed Income:		
Mutual funds	\$ 696,132	\$ 792,651
Foreign obligations	<u>66,556</u>	<u>99,562</u>
	<u>762,688</u>	<u>892,213</u>
Equities:		
Foreign equities	534,194	549,127
Mutual funds	<u>1,634,865</u>	<u>1,461,762</u>
	<u>2,167,059</u>	<u>2,010,889</u>
Other:		
Alternative mutual funds	181,589	114,282
Other mutual funds	<u>5,058</u>	<u>222,194</u>
	<u>186,647</u>	<u>336,476</u>
	<u>\$ 3,116,394</u>	<u>\$ 3,239,578</u>
Total investments	<u>\$ 45,821,137</u>	<u>\$ 40,875,209</u>

6. GRANTS

In 2008, the Community Trusts' management board implemented a grant program to help support the cost incurred by the Chapters in operating the unfunded Guardianship programs. In 2016 and 2015, the management board voted to award and distribute \$2,283,532 and \$1,425,416, respectively, from the Remainder Funds.

In 2010, the Community Trusts' management board implemented a grant program to help support the costs incurred by the Chapters in operating unfunded recreation programs. In 2016 and 2015, the Board voted to award and distribute \$637,500 and \$408,000, respectively, from the Remainder Funds.

7. SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 15, 2017, which is the date the financial statements were available to be issued.

NYSARC TRUSTS

Exhibit I

NYSARC TRUST COMBINING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

(With Comparative Totals for 2015)

	Unrestricted Fund	Exempt Fund	Pooled Income Fund	Eliminations	Total NYSARC Trust	
					2016	2015
ASSETS						
Cash and cash equivalents	\$ 158,708	\$ 34,269	\$ 2,056	\$ -	\$ 195,033	\$ 120,773
Interest and investment income receivable	4,000	34	31	-	4,065	2,938
Investments	5,825,130	342,033	79,501	-	6,246,664	5,995,212
Due from other trusts	-	75,041	-	(75,041)	-	-
Total assets	<u>5,987,838</u>	<u>451,377</u>	<u>81,588</u>	<u>(75,041)</u>	<u>6,445,762</u>	<u>6,118,923</u>
LIABILITIES						
Accrued income taxes	80,451	-	-	-	80,451	-
Due to other trusts	75,041	-	-	(75,041)	-	-
Due to beneficiaries	<u>5,832,346</u>	<u>-</u>	<u>2,777</u>	<u>-</u>	<u>5,835,123</u>	<u>5,721,832</u>
Total liabilities	<u>5,987,838</u>	<u>-</u>	<u>2,777</u>	<u>(75,041)</u>	<u>5,915,574</u>	<u>5,721,832</u>
TRUST BALANCES	<u>\$ -</u>	<u>\$ 451,377</u>	<u>\$ 78,811</u>	<u>\$ -</u>	<u>\$ 530,188</u>	<u>\$ 397,091</u>

The accompanying notes are an integral part of these exhibits.

NYSARC TRUSTS

Exhibit II

COMMUNITY TRUSTS COMBINING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

(With Comparative Totals for 2015)

	Community <u>Trust I</u>	Community <u>Trust II</u>	Community <u>Trust III</u>	<u>Eliminations</u>	<u>Total Community Trusts</u>	
					<u>2016</u>	<u>2015</u>
ASSETS						
Cash and cash equivalents	\$ 942,030	\$ 22,752,261	\$ 52,900	\$ -	\$ 23,747,191	\$ 26,121,456
Interest and investment income receivable	8,266	3,018	189	-	11,473	49,117
Investments	33,040,608	261,344	1,667,763	-	34,969,715	30,803,011
Due from NYSARC, Inc.	4,121	-	-	-	4,121	4,511
Due from other trusts	3,003	1,051	-	(1,051)	3,003	3,003
Prepaid income taxes	338,792	-	-	-	338,792	-
Total assets	<u>34,336,820</u>	<u>23,017,674</u>	<u>1,720,852</u>	<u>(1,051)</u>	<u>59,074,295</u>	<u>56,981,098</u>
LIABILITIES						
Due to NYSARC, Inc.	14,568	-	-	-	14,568	42,959
Due to other trusts	1,051	-	-	(1,051)	-	-
Due to beneficiaries	32,192,850	20,431,363	1,720,852	-	54,345,065	52,530,751
Total liabilities	<u>32,208,469</u>	<u>20,431,363</u>	<u>1,720,852</u>	<u>(1,051)</u>	<u>54,359,633</u>	<u>52,573,710</u>
TRUST BALANCES	<u>\$ 2,128,351</u>	<u>\$ 2,586,311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,714,662</u>	<u>\$ 4,407,388</u>

The accompanying notes are an integral part of these exhibits.

NYSARC TRUSTS

Exhibit III

**NYSARC TRUST COMBINING STATEMENT OF TRUST ACTIVITIES AND CHANGE IN TRUST BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016
(With Comparative Totals for 2015)**

	Unrestricted Fund	Exempt Fund	Pooled Income Fund	Eliminations	Total NYSARC Trust	
					2016	2015
ADDITIONS:						
Contributions and bequests	\$ 105,337	\$ 62,790	\$ -	\$ -	\$ 168,127	\$ 64,035
Transfer of deceased funds	-	68,032	-	(68,032)	-	-
Interest and dividends	124,020	5,566	2,240	-	131,826	137,305
Net realized gain (loss) on investments	425,722	2,714	(830)	-	427,606	(1,594)
Net unrealized gain (loss) on investments	(147,751)	10,609	580	-	(136,562)	(243,419)
Total additions	507,328	149,711	1,990	(68,032)	590,997	(43,673)
DEDUCTIONS:						
Allocations to beneficiaries -						
Distributions for beneficiaries	6,210	-	-	-	6,210	6,916
In-kind distributions for beneficiaries	193,902	-	-	-	193,902	171,903
Transfer of deceased funds	68,032	-	-	(68,032)	-	-
Management and general -						
Bank fees and administration	44,985	14,964	617	-	60,566	57,759
Other grants and expenses	-	1,400	-	-	1,400	1,510
Audit and tax preparation services	1,425	-	525	-	1,950	2,026
Income taxes	80,452	-	130	-	80,582	93,836
Total deductions	395,006	16,364	1,272	(68,032)	344,610	333,950
EXCESS (DEFICIT) OF ADDITIONS OVER DEDUCTIONS BEFORE INCREASE (DECREASE) IN DUE TO BENEFICIARIES	112,322	133,347	718	-	246,387	(377,623)
INCREASE (DECREASE) IN DUE TO BENEFICIARIES	(112,322)	-	(968)	-	(113,290)	361,836
EXCESS (DEFICIT) OF ADDITIONS OVER DEDUCTIONS	-	133,347	(250)	-	133,097	(15,787)
TRUST BALANCES - beginning of year	-	318,030	79,061	-	397,091	412,878
TRUST BALANCES - end of year	\$ -	\$ 451,377	\$ 78,811	\$ -	\$ 530,188	\$ 397,091

The accompanying notes are an integral part of these exhibits.

NYSARC TRUSTS

Exhibit IV

**COMMUNITY TRUSTS COMBINING STATEMENT OF TRUST ACTIVITIES AND CHANGE IN TRUST BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016**
(With Comparative Totals for 2015)

	Community Trust I	Community Trust II	Community Trust III	Eliminations	Total Community Trusts	
					2016	2015
ADDITIONS:						
Contributions and bequests	\$ 5,834,989	\$ 60,382,863	\$ 305,915	\$ -	\$ 66,523,767	\$ 69,244,156
Interest and dividends	633,988	102,653	31,469	-	768,110	843,743
Net realized gain on investments	655,398	64,358	35,918	-	755,674	227,842
Net unrealized gain (loss) on investments	<u>702,900</u>	<u>(7,082)</u>	<u>58,474</u>	-	<u>754,292</u>	<u>(1,335,574)</u>
Total additions	<u>7,827,275</u>	<u>60,542,792</u>	<u>431,776</u>	-	<u>68,801,843</u>	<u>68,980,167</u>
DEDUCTIONS:						
Allocations to beneficiaries -						
In-kind distributions for beneficiaries	4,119,077	53,146,497	493,418	-	57,758,992	60,731,743
Management and general -						
Bank fees and administration	681,549	5,062,922	26,166	-	5,770,637	5,848,611
Guardianship and recreation grants	-	2,921,032	-	-	2,921,032	1,833,416
Other grants and expenses	46,022	166,417	-	-	212,439	183,205
Audit and tax preparation services	28,041	323,209	4,800	-	356,050	387,735
Income taxes	<u>(338,792)</u>	<u>-</u>	<u>-</u>	-	<u>(338,792)</u>	<u>506,044</u>
Total deductions	<u>4,535,897</u>	<u>61,620,077</u>	<u>524,384</u>	-	<u>66,680,358</u>	<u>69,490,754</u>
EXCESS (DEFICIT) OF ADDITIONS OVER DEDUCTIONS BEFORE INCREASE (DECREASE) IN DUE TO BENEFICIARIES	3,291,378	(1,077,285)	(92,608)	-	2,121,485	(510,587)
INCREASE (DECREASE) IN DUE TO BENEFICIARIES	<u>(2,340,816)</u>	<u>433,997</u>	<u>92,608</u>	-	<u>(1,814,211)</u>	<u>2,299,809</u>
EXCESS (DEFICIT) OF ADDITIONS OVER DEDUCTIONS	950,562	(643,288)	-	-	307,274	1,789,222
TRUST BALANCES - beginning of year	<u>1,177,789</u>	<u>3,229,599</u>	<u>-</u>	-	<u>4,407,388</u>	<u>2,618,166</u>
TRUST BALANCES - end of year	<u>\$ 2,128,351</u>	<u>\$ 2,586,311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,714,662</u>	<u>\$ 4,407,388</u>

The accompanying notes are an integral part of these exhibits.

NYSARC TRUSTS

Exhibit V

**NYSARC TRUST COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**
(With Comparative Totals for 2015)

	Unrestricted Fund	Exempt Fund	Pooled Income Fund	Total NYSARC Trust	
				2016	2015
CASH FLOW FROM OPERATING ACTIVITIES (TRUST ACTIVITIES):					
Excess (deficit) of additions over deductions	\$ -	\$ 133,347	\$ (250)	\$ 133,097	\$ (15,787)
Adjustments to reconcile deficit to net cash provided by (used in) trust transactions:					
Net realized and unrealized (gain) loss on investments	(277,971)	(13,323)	250	(291,044)	245,013
Changes in:					
Interest and investment income receivable	(1,320)	209	(16)	(1,127)	1,046
Investments	219,671	(180,368)	289	39,592	(282,388)
Accrued income taxes	80,451	-	-	80,451	(23,182)
Due to/from other trusts and funds	(18,795)	18,795	-	-	-
Due to beneficiaries	<u>112,323</u>	<u>-</u>	<u>968</u>	<u>113,291</u>	<u>(361,836)</u>
Net cash provided (used) by trust activities	<u>114,359</u>	<u>(41,340)</u>	<u>1,241</u>	<u>74,260</u>	<u>(437,134)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	114,359	(41,340)	1,241	74,260	(437,134)
CASH AND CASH EQUIVALENTS - beginning of year	<u>44,349</u>	<u>75,609</u>	<u>815</u>	<u>120,773</u>	<u>557,907</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 158,708</u>	<u>\$ 34,269</u>	<u>\$ 2,056</u>	<u>\$ 195,033</u>	<u>\$ 120,773</u>
CASH PAID FOR INCOME TAXES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,018</u>

The accompanying notes are an integral part of these exhibits.

NYSARC TRUSTS

Exhibit VI

**COMMUNITY TRUSTS COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**
(With Comparative Totals for 2015)

	Community <u>Trust I</u>	Community <u>Trust II</u>	Community <u>Trust III</u>	<u>Total Community Trusts</u>	
				<u>2016</u>	<u>2015</u>
CASH FLOW FROM OPERATING ACTIVITIES (TRUST ACTIVITIES):					
Excess (deficit) of additions over deductions	\$ 950,562	\$ (643,288)	\$ -	\$ 307,274	\$ 1,789,222
Adjustments to reconcile excess to net cash provided by (used in) trust transactions:					
Net realized and unrealized (gain) loss on investments	(1,358,298)	(57,276)	(94,392)	(1,509,966)	1,107,732
Changes in:					
Interest and investment income receivable	37,727	(1,281)	1,201	37,647	(4,115)
Investments	(2,717,061)	(51,739)	112,062	(2,656,738)	(1,148,100)
Prepaid income taxes	(338,792)	-	-	(338,792)	(350,168)
Due to/from NYSARC, Inc.	(5,621)	(22,380)	-	(28,001)	667
Due to/from other trusts and funds	(719)	719	-	-	1,032
Due to beneficiaries	<u>2,340,920</u>	<u>(433,998)</u>	<u>(92,611)</u>	<u>1,814,311</u>	<u>(2,283,289)</u>
Net cash provided (used) by trust activities	<u>(1,091,282)</u>	<u>(1,209,243)</u>	<u>(73,740)</u>	<u>(2,374,265)</u>	<u>(887,019)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(1,091,282)	(1,209,243)	(73,740)	(2,374,265)	(887,019)
CASH AND CASH EQUIVALENTS - beginning of year	<u>2,033,312</u>	<u>23,961,504</u>	<u>126,640</u>	<u>26,121,456</u>	<u>27,008,475</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 942,030</u>	<u>\$ 22,752,261</u>	<u>\$ 52,900</u>	<u>\$ 23,747,191</u>	<u>\$ 26,121,456</u>
CASH PAID FOR INCOME TAXES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 856,212</u>

The accompanying notes are an integral part of these exhibits.