

**NYSARC, INC. STATE OFFICE, CHAPTERS
AND THEIR AFFILIATES**

**Combined Financial Statements as of
December 31, 2016
Together with
Accountant's Compilation Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

September 20, 2017

To the Board of Governors of
NYSARC, Inc.:

Management is responsible for the accompanying combined financial statements of NYSARC, Inc. State Office, Chapters and their Affiliates, which comprise the combined statement of financial position as of December 31, 2016, and the related combined statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the combined financial statements in accordance with accounting principles generally accepted in the United States of America.

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the combined financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

6 Wembley Court
Albany, New York 12205
p (518) 464-4080
f (518) 464-4087

www.bonadio.com

NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

COMBINED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

(See Accountant's Compilation Report)

ASSETS		LIABILITIES AND NET ASSETS	
CURRENT ASSETS:		CURRENT LIABILITIES:	
Cash and equivalents	\$ 186,405,382	Current installments of long-term debt	\$ 36,886,655
Investments	214,779,878	Notes payable	18,469,667
Current portion restricted deposits and funded reserves	857,418	Accounts payable	50,374,165
Government receivables, net	216,176,860	Accrued expenses and taxes	121,084,746
Other receivables, net	5,744,719	Current portion of amounts due to governmental agencies	15,421,064
Inventories	12,624,637	Current portion of deferred revenue and refundable advances	5,094,980
Prepaid expenses and other assets	18,912,127	Other current liabilities	<u>13,066,758</u>
Deposits	<u>2,471,464</u>		
Total current assets	<u>657,972,485</u>	Total current liabilities	<u>260,398,035</u>
PROPERTY, PLANT AND EQUIPMENT:		LONG-TERM DEBT, net, net of current portion	
Land	84,272,019		<u>180,935,007</u>
Buildings and leasehold improvements	816,582,896	OTHER NONCURRENT LIABILITIES:	
Furniture, fixtures, and equipment	175,996,418	Due to governmental agencies, net of current portion	4,022,855
Vehicles	111,947,086	Deferred revenue and refundable advances, net of current portion	21,209,162
Construction-in-progress	<u>8,038,577</u>	Participant funds and other noncurrent liabilities	<u>35,426,776</u>
	1,196,836,996	Total other noncurrent liabilities	<u>60,658,793</u>
Less: Accumulated depreciation	<u>(764,257,023)</u>	Total liabilities	<u>501,991,835</u>
Total property, plant and equipment	<u>432,579,973</u>	NET ASSETS:	
OTHER ASSETS:		Unrestricted	644,681,954
Restricted deposits and funded reserves, net of current portion	25,511,358	Temporarily restricted	21,161,308
Deferred charges	747,870	Permanently restricted	<u>2,626,496</u>
Participant funds and other noncurrent assets	30,637,442	Total net assets	<u>668,469,758</u>
Net investments in affiliates	<u>23,012,465</u>		
Total other assets	<u>79,909,135</u>		
	<u>\$ 1,170,461,593</u>		<u>\$ 1,170,461,593</u>

See accompanying notes and accountant's compilation report.

NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2016

(See Accountant's Compilation Report)

UNRESTRICTED NET ASSETS:

Revenue and support -	
Program revenue	\$ 1,743,023,931
Non-program revenue	76,586,720
Fundraising	5,971,227
Other support	9,272,575
Capital additions revenue	80,539
Realized and unrealized gain on investments, net	9,420,774
Net assets released from restrictions	<u>1,910,257</u>

Total revenue and support 1,846,266,023

Expenses -

Program services	1,619,383,411
Management and general	165,111,400
Fundraising	4,440,869
Other operating expenses	<u>276,126</u>

Total expenses 1,789,211,806

Increase in unrestricted net assets 57,054,217

TEMPORARILY RESTRICTED NET ASSETS:

Contributions, grants, etc.	1,306,159
Interest and dividend income, net	15,094
Other	166,931
Net assets released from restrictions	<u>(1,910,257)</u>

Decrease in temporarily restricted net assets (422,073)

PERMANENTLY RESTRICTED NET ASSETS:

Contributions	6,246
Other	<u>35,111</u>

Increase in permanently restricted net assets 41,357

CHANGE IN NET ASSETS 56,673,501

NET ASSETS - beginning of year 611,796,257

NET ASSETS - end of year \$ 668,469,758

See accompanying notes and accountant's compilation report.

NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

COMBINED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016

(See Accountant's Compilation Report)

CASH FLOW FROM OPERATING ACTIVITIES:

Change in net assets	\$ 56,673,501
Adjustments to reconcile change in net assets to net cash flow from operating activities:	
Depreciation and amortization	55,910,467
Realized and unrealized gain on investments, net	(9,420,774)
Gain on sales or dispositions of assets, net	(1,485,778)
Bad debt expense	5,605,570
Other	(1,507,731)
Changes in:	
Receivables	(6,147,288)
Inventories	(2,178)
Prepaid expenses and other assets	36,780
Deposits	(402,892)
Deferred charges	(30,032)
Accounts payable	(2,013,591)
Accrued expenses and taxes	(10,565,053)
Due to governmental agencies	(17,297,564)
Deferred revenue, refundable advances and other liabilities	<u>(5,847,862)</u>
Net cash flow from operating activities	<u>63,505,575</u>

CASH FLOW FROM INVESTING ACTIVITIES:

Proceeds from the sale of property, plant and equipment	2,511,117
Purchases of property, plant and equipment	(44,909,296)
Purchase of investments	(49,049,589)
Proceeds from sales of investments	51,300,878
Change in limited use reserves and deposits refunded	1,795,321
Other investing activities	<u>(17,830,678)</u>
Net cash flow from investing activities	<u>(56,182,247)</u>

CASH FLOW FROM FINANCING ACTIVITIES:

Proceeds from long-term debt	26,668,549
Repayment of long-term debt	(58,621,639)
Proceeds from notes payable	162,839,077
Repayment of notes payable	(32,873,486)
Other financing activities	<u>(107,871,390)</u>
Net cash flow from financing activities	<u>(9,858,889)</u>

CHANGE IN CASH AND EQUIVALENTS

(2,535,561)

CASH AND EQUIVALENTS - beginning of year

188,940,943

CASH AND EQUIVALENTS - end of year

\$ 186,405,382

See accompanying notes and accountant's compilation report.

NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2016

(See Accountant's Compilation Report)

1. THE ORGANIZATION

NYSARC, Inc. (NYSARC) is a membership corporation composed of 48 Community Chapters and their affiliates and 6 Developmental Center Chapters (the Chapters) located throughout New York State. NYSARC is governed by a Board of Governors that consists of at least one Governor per Chapter to a maximum of six based on NYSARC membership in the Chapter. The Chapters are unincorporated divisions of NYSARC granted geographic jurisdiction and operating authority by the Board of Governors that provide assistance to persons with intellectual and other developmental disabilities through program services, education and guardianship. NYSARC also fosters research and helps individuals and organizations working with persons with intellectual and other developmental disabilities, while disseminating information to develop a better understanding of and opportunities for persons with intellectual and other developmental disabilities.

NYSARC, Inc. State Office (State Office) is NYSARC's central office that provides oversight responsibilities, on behalf of NYSARC's Board of Governors. The State Office provides the Chapters with technical and financing assistance and advocates on their behalf with New York State funding sources and legislative bodies. The State Office receives the majority of its support from administrative charges assessed on the Chapters.

The Chapters operate programs providing services that include, but are not limited to, sheltered workshop, residential, day treatment, family support, transportation, and respite programs. Developmental Centers advocate for persons that reside or formerly resided in State institutions.

The Chapters receive their revenues primarily by providing the services outlined above through licensed programs certified by New York State Office for People With Developmental Disabilities (OPWDD), Office of Mental Health, State Education Department, and Department of Health.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination

The combined financial statements include the separate financial statements of the State Office and the Community Chapters and their affiliates. On a combined basis, the entities included in these combined financial statements are referred to as "NYSARC." The 6 Developmental Center Chapters are not included because they do not provide program services. All significant intercompany accounts and transactions between the State Office and the Chapters and between the Chapters and their affiliates have been eliminated. Substantially all of the components of NYSARC maintain their books and records on a calendar year, except for the State Office whose year end is May 31 and the New York City Chapter and its affiliates whose year end is June 30. The State Office and the New York City Chapter and its affiliates have been included in the combined financial statements utilizing their financial statements for their respective fiscal years ended in 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

Financial Reporting

NYSARC reports its activities and related net assets using the following net asset categories:

- **Unrestricted**

Unrestricted net assets include resources available for the support of NYSARC's operating activities. In addition, they include NYSARC's net investment in fixed assets and other sources designated by the Board of Governors for specific purposes.

- **Temporarily Restricted**

Temporarily restricted net assets include resources that have been donated to NYSARC subject to restrictions as defined by the donor. These assets are restricted for use in various programs as of December 31, 2016.

- **Permanently Restricted**

Permanently restricted net assets have been contributed to NYSARC with the stipulation by the donor that the principal is to remain in perpetuity.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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). Level 2 inputs consist of other observable inputs other than active markets.

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. Investments are stated at fair value, based on quoted market prices or based on quoted market prices of securities with similar characteristics, as discussed in footnote 3.

NYSARC has financial instruments in the accompanying combined statement of financial position, including cash and equivalents, investments, and debt. The carrying amount for cash and equivalents and certificates of deposit approximates fair value due to the short-term nature of these instruments and is considered to be a level 1 measurement. The carrying amount of debt approximates fair value based on current rates at which the Chapters could borrow funds with similar remaining maturities and is determined to be a level 2 measurement. Investments are stated at fair value (see footnote 3).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment

Some of the Chapters have endowment funds that were established by the contributions from donors and consist entirely of permanently restricted investments, as well as endowment funds that were established by the Boards of those Chapters. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The governing board of NYSARC has interpreted the applicable provisions of New York Not-for-Profit Corporation Law to mean that the classification of appreciation on permanently restricted endowment gifts, beyond the original gift amount, follows the donor's restrictions on the use of the related income (interest and dividends).

Revenue Recognition

Program revenues are recognized at approved rates when services are rendered. These rates are primarily cost based as determined by allowable expenditures in rate-setting periods. Costs are subject to audit by third-party payers and changes, if any, are recognized in the year known. Contract sales are recognized as goods are shipped or as services are performed. Participant fees represent the participants' personal contribution towards the cost of goods and services provided by the Chapters. These charges are regulated by Federal and State law.

Cash and Equivalents

Cash and equivalents consist of bank demand deposit accounts and money market accounts which, at times, may exceed federally insured limits. NYSARC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash and equivalents.

Government and Other Receivables

NYSARC provides services that are paid for by third-party payers. Accounts for which no payments have been received for several months are considered delinquent and the account is written-off when customary collection efforts are exhausted. NYSARC records an allowance for doubtful accounts in anticipation of future write-offs. The allowance for doubtful accounts at December 31, 2016 is approximately \$8,700,000 and is based on NYSARC's past experience and a periodic review of outstanding accounts.

Investments

Substantially all investments are stated at fair value. NYSARC invests in various types of investment securities, U.S. government obligations, and corporate bonds. Investments are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and those changes could materially affect the amounts reported in the accompanying combined financial statements.

Inventories

Inventories are valued at the lower of cost, determined using the first-in, first-out method, or market.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost if purchased or the fair market value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, which range from two (2) to fifty (50) years. Depreciation expense was approximately \$56,000,000 for the year ended December 31, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Issuance Costs

Debt issuance costs consist of debt issuance costs associated with various mortgage closings that are being expensed on a straight-line basis over the terms of the related debt agreements. The deferred debt issuance costs at December 31, 2016 were netted against long-term debt on the combined statement of financial position. Interest expense related to the recognition of debt issuance costs was approximately \$500,000 for the year ended December 31, 2016.

Net Investments in Affiliates

NYSARC has recognized 100% of its equity interest in the net assets of its affiliates, which are separately incorporated entities, whose purpose is to promote and support the activities of the respective Chapters.

Income Taxes

NYSARC is a New York not-for-profit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. NYSARC has also been classified by the Internal Revenue Code as an entity that is not a private foundation. The Chapters' affiliates are exempt from income taxes under Section 501(c)(3) or 501(c)(2) of the Internal Revenue Code.

At June 30, 2016, an affiliate of the New York City Chapter had Federal and New York State net operating loss carryforwards from unrelated business activities of approximately \$4,400,000 that expire at various dates through 2036. A valuation allowance has been established to offset the entire potential tax benefit associated with the operating loss carryforwards and all other temporary differences, as it is uncertain if the future tax benefit will be realized.

Estimates

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

Adoption of New Accounting Standard

During 2016, NYSARC adopted new Financial Accounting Standards Board update (ASU) No. 2015-03 *Simplifying the Presentation of Debt Issuance Costs*. This new standard requires the presentation of unamortized debt financing costs as a direct deduction from the face amount of the related debt issue and the classification of the related amortization as interest expense.

3. FAIR VALUE MEASUREMENTS

The following are measured at fair value on a recurring basis at December 31, 2016:

	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Cash and equivalents	\$ 4,918,213	\$ 9,555,286	\$ -	\$ 14,473,499
Mutual funds	96,712,420	6,208,764	-	102,921,204
U.S. government obligations	4,745,382	14,935,622	-	19,681,004
Bonds	8,928,932	11,810,535	-	20,739,467
Stock	55,118,807	26,855	-	55,145,662
Investment in community foundation	-	1,792,226	-	1,792,226
Limited liability company	-	-	26,816	26,816
	<u>\$ 170,423,754</u>	<u>\$ 44,329,308</u>	<u>\$ 26,816</u>	<u>\$ 214,779,878</u>

The measurement of the fair value of the investments listed above using level 1 inputs considered observable data that is based on the quoted market prices of the shares held at year-end. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, discounted cash flows or the percentage of the fair value of underlying investments and are classified as level 2. The value of the investments using level 3 inputs equals the equity balance in a limited liability company, which approximates the fair value.

The valuation methodologies described previously may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While NYSARC 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 December 31, 2016.

There were no changes in the valuation techniques during 2016.

The fair value of the level 3 investments changed as follows for the year ended December 31, 2016:

	<u>Limited Liability Company</u>
Equity balance at January 1, 2016	\$ 28,228
Share of income items	(596)
Share of other deductions	(104)
Capital contribution	-
Cash distributions	<u>(712)</u>
Equity balance at December 31, 2016	<u>\$ 26,816</u>

4. INVESTMENTS

Investments consist of the following at December 31, 2016:

Cash and equivalents	\$ 14,542,862
Mutual funds	102,921,204
U.S. government obligations	19,681,004
Bonds	20,691,833
Stock	55,123,933
Investment in Community Foundation	1,792,226
Limited liability company	<u>26,816</u>
	<u>\$ 214,779,878</u>

Interest and dividend income is included in non-program revenue in the accompanying combined statement of activities and change in net assets. Total net investment income consisted of the following for the year ended December 31, 2016:

Interest and dividends	\$ 3,753,435
Investment fees	(250,537)
Realized and unrealized gains, net	<u>9,420,774</u>
	<u>\$ 12,923,672</u>

5. ENDOWMENT

Endowment net asset composition as of December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ 4,219,419	\$ 24,934	\$ 2,585,139	\$ 6,829,492
Contributions	33,891	-	10,598	44,489
Investment income (loss), net	322,484	5,720	30,759	358,963
Appropriated for expenditure	<u>(333,680)</u>	<u>-</u>	<u>-</u>	<u>(333,680)</u>
Endowment net assets, end of year	<u>\$ 4,242,114</u>	<u>\$ 30,654</u>	<u>\$ 2,626,496</u>	<u>\$ 6,899,264</u>

Interpretation of Relevant Law

Each individual Chapter has interpreted the applicable provisions of New York Not-for-Profit Corporation Law to mean that the classification of appreciation on permanently restricted endowment gifts, beyond the original gift amount, follows the donor's restrictions on the use of the related income (interest and dividends) and income is classified as temporarily restricted, if applicable, until appropriated by the Boards for expenditure.

5. ENDOWMENT (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level required by New York Not-for-Profit Corporation Law. There were no such deficiencies as of December 31, 2016.

Return Objectives, Risk Parameters, Spending Policy and Strategies Employed for Achieving Objectives

Each individual Chapter of NYSARC, which has an endowment fund, has established its own investment policy for endowment funds. These investment policies may include the establishment of a risk return objective, risk parameters, a spending policy or a strategy for achieving long-term rate objectives.

6. FINANCING ARRANGEMENTS

Long-Term Debt

Mortgages and other financing arrangements with state and local government agencies including, but not limited to, the Medical Care Facilities Finance Agency, Local Industrial Development Agencies, New York State Urban Development Corporation, and the New York State Dormitory Authority, payable in monthly and semi-annual installments, including interest ranging from 1.25% to 7.82%, maturing at various dates through August 2041, collateralized by specific real property, accounts receivable and revenues related to the real property. \$ 135,194,724

Mortgages due to United States Department of Housing and Urban Development, payable in monthly installments, including interest ranging from 8.38% to 9.25%, maturing at various dates through 2032, collateralized by specific real property. 2,955,615

Mortgages due to various banks and other lending institutions, payable in monthly and semi-annual installments including interest ranging from 1.03% to 10.75%, maturing at various dates through 2040, collateralized by specific real property. 48,472,957

Other term loans due to various banks and other lending institutions, payable in monthly installments, including interest ranging from 0.00% to 10.49%, maturing at various dates through 2023, collateralized by equipment, vehicles and other specific assets. 33,558,230

220,181,526

Less unamortized debt issuance cost (2,359,864)

Long term debt, net \$ 217,821,662

6. FINANCING ARRANGEMENTS (Continued)

Maturities of long-term debt are as follows:

2017	\$ 36,886,655
2018	33,318,917
2019	25,594,394
2020	20,814,758
2021	15,134,500
Thereafter	<u>88,432,302</u>
	<u>\$ 220,181,526</u>

Notes Payable

NYSARC has agreements with various banks for lines-of-credit. Interest on the lines-of-credit range from less than prime rate to prime plus 1.5%. The lines are secured by receivables and other assets. The total potential borrowing under these lines-of-credit is approximately \$190,000,000 of which approximately \$19,400,000 is outstanding at December 31, 2016. A total of \$105,000 of the outstanding balance is included with long-term debt, because it will be or has been converted to term notes.

Debt Covenants

In connection with its financing arrangements, NYSARC and the Chapters are subject to various debt covenants. As of December 31, 2016, NYSARC and the Chapters were in compliance with these covenants.

7. SUPPLEMENTAL CASH FLOW INFORMATION

Interest paid during 2016 under the terms of all financing arrangements and interest expense for the year ended December 31, 2016 was approximately \$9,400,000.

8. OPERATING LEASES

NYSARC leases vehicles, equipment and facilities under various lease agreements. Rent expense related to non-cancellable leases was approximately \$40,500,000 during 2016. Future minimum rental payments under these lease agreements are as follows:

2017	\$ 32,989,038
2018	26,947,390
2019	20,866,978
2020	14,573,733
2021	10,280,455
Thereafter	<u>52,089,435</u>
	<u>\$ 157,747,029</u>

9. RETIREMENT PLANS

NYSARC has adopted numerous retirement plans covering its employees. These plans include defined contribution, defined benefit and tax-deferred annuity plans. Total pension expense incurred by the State Office and the Chapters was approximately \$27,600,000 for the year ended December 31, 2016.

The following information sets forth the funded status of the Defined Benefit Plans and amounts recognized in the NYSARC financial statements at December 31, 2016:

Projected benefit obligation	\$(31,018,941)
Fair value of plan assets	<u>20,178,132</u>
Funded status	<u>\$(10,840,809)</u>
Employer contributions	\$ 221,121
Benefits paid	\$ 748,489

As of December 31, 2016, the following amounts were recognized in the combined statement of financial position and included with participant funds and other noncurrent liabilities:

As a current liability	\$ -
As a non-current liability	<u>10,840,809</u>
	<u>\$ 10,840,809</u>

Amounts recognized in the combined statement of activities and change in net assets, included in non-program revenue, consists of the following:

Net periodic benefit cost/expense	\$ 442,199
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Significant actuarial assumptions used in the pension valuations are as follows:

Discount rates ranged from	3.94% - 4.01%
Projected rate of increase in compensation levels	N/A
Expected long-term rate of return on plan assets ranged from	7.00% - 7.50%

Fair value of the plan assets are as follows as of December 31, 2016:

	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Money market funds	\$ 728,725	\$ -	\$ -	\$ 728,725
Mutual funds	17,013,493	-	-	17,013,493
Exchange traded funds	1,165,349	-	-	1,165,349
Corporate bonds	-	216,567	-	216,567
Government obligations	<u>1,053,998</u>	<u>-</u>	<u>-</u>	<u>1,053,998</u>
	<u>\$ 19,961,565</u>	<u>\$ 216,567</u>	<u>\$ -</u>	<u>\$ 20,178,132</u>

Estimated future benefit payments are expected as follows:

2017	\$ 1,237,000
2018	\$ 1,219,000
2019	\$ 1,250,000
2020	\$ 1,282,000
2021	\$ 1,383,000
Succeeding five years	\$ 7,775,000

10. POSTEMPLOYMENT BENEFIT PLANS

NYSARC has several postemployment benefit plans. The total post employment benefit expense incurred by the State Office and the Chapters was approximately \$236,000 for the year ended December 31, 2016.

11. COMMITMENTS AND CONTINGENCIES

Service providers that are funded by Medicaid and OPWDD have become the subject of increased scrutiny with respect to reimbursements they have received for service provision. Specific areas often reviewed by Medicaid and OPWDD auditors include appropriate billing practices, technical regulatory compliance, etc. The stated purpose for these reviews is to recover inappropriate reimbursements. The Chapters are subject to these reviews and rate adjustments that may have an effect on the revenues and net asset balances of the Chapters. Management of the Chapters does not expect these adjustments, if any, to have a material effect on these or their individual financial statements.

Some of the Chapters are involved in lawsuits related to employment issues and injuries sustained on Chapter program properties. All such lawsuits appear to be adequately covered by insurance; however, the amount of awards and judgments cannot be determined at this time.

NYSARC by virtue of its corporate structure and relationship to the Chapters, holds title as nominee to various Chapter assets and is directly obligated under certain of the related Chapter mortgage agreements and, accordingly, NYSARC, including the State Office, could be contingently liable in the event of default. Additionally, many of the Chapters have established holding companies, which hold title to property. Some of these affiliates, but not all, have related mortgage and lease obligations to which NYSARC could also be contingently liable in the event of default on those mortgages.

Several Chapters are or have been participants in self-insurance trusts (Trusts) with other unrelated not-for-profit organizations that provide workers' compensation benefits. Under the terms of the Trusts, the Chapters make annual contributions to the Trusts based on reported wages paid to the employees, using a rate-based formula. Based on actual claim experience, the Chapters could receive refunds or be assessed additional amounts related to workers' compensation premiums. Under the Trust agreements, each participating organization has joint and several liability for Trust obligations.

Several Chapters have entered into contracts and committed resources to the acquisition of property for program services. This is part of the on-going program development in which the Chapters are engaged.

11. COMMITMENTS AND CONTINGENCIES (Continued)

Several Chapters are participants in the Dormitory Authority of the State of New York (DASNY) bond program. Prior to the 2009A series bonds, security for the tax-exempt bonds was the pledged revenue of the participating Chapters and for individual loans in excess of \$3 million a mortgage on the financed property was given. For the 2009A and subsequent bond series, in addition to pledging revenues, participating Chapters were required to mortgage all real property associated with the financed projects. Pledged revenues consist of all public funds, payable to NYSARC and its participating Chapters, by the federal government, receipts, revenues, income, gifts, grants, assistance, bequests, and other monies; whether now owned or to be received in the future while these bonds are outstanding; excluding any gifts, grants, or bequests received subject to restrictions upon the use that is inconsistent with the pledging of said amounts as collateral.

Furthermore, on behalf of the participating Chapters, NYSARC has entered into an agreement with DASNY to permit DASNY to execute a certificate of Medicaid receipts intercept with OPWDD in the event of default on the bonds. As of December 31, 2016, DASNY has not issued such a certificate to OPWDD.

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 20, 2017, which is the date the combined financial statements were issued.