

NYSARC TRUSTS

**Financial Statements
as of December 31, 2009
Together with
Independent Auditors' Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

September 28, 2010

To the Trustees of
NYSARC Trusts:

We have audited the accompanying combining statement of financial position of NYSARC Trusts as of December 31, 2009, and the related combining statements of trust activities and change in trust balances and cash flows for the year then ended. These combining financial statements are the responsibility of NYSARC Trusts' management. Our responsibility is to express an opinion on these combining financial statements based on our audits. The prior-year summarized comparative information has been derived from the NYSARC Trusts' 2008 combining financial statements and, in our report dated June 8, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with accounting standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combining financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combining financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combining financial statements referred to above present fairly, in all material respects, the individual and combining financial position of NYSARC Trusts as of December 31, 2009, and their trust activities and change in trust balances and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the combining financial statements taken as a whole. The combining supplementary information included in Exhibit I to VI is presented for purposes of additional analysis and is not a required part of the combining financial statements; rather is presented for the purpose of additional analysis of the combining financial statements rather than to present the financial position, statement of trust activities and change in trust balances, and cash flows of the individual trusts. Such information has been subjected to the auditing procedures applied in the audits of the basic combining financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combining financial statements taken as a whole.

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NYSARC TRUSTS

COMBINING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2009

(With Comparative Totals for 2008)

	NYSARC Trust	Community Trusts	Third Party Agency Trust	Individual Trusts	Eliminations	Total All Trusts	
						2009	2008
ASSETS							
Cash and cash equivalents	\$ 615,980	\$ 12,015,975	\$ 529,503	\$ 170,292	\$ -	\$ 13,331,750	\$ 13,960,496
Interest and investment income receivable	12,008	31,752	55	1,350	-	45,165	81,819
Investments	4,615,027	12,842,035	-	1,513,075	-	18,970,137	10,404,548
Due from NYSARC, Inc.	-	-	-	229	-	229	1,253
Due from other trusts	-	-	105	-	(105)	-	-
Due from unrelated party	-	-	-	-	-	-	18,000
Prepaid income taxes	-	1,964	-	-	-	1,964	21,223
Total assets	<u>5,243,015</u>	<u>24,891,726</u>	<u>529,663</u>	<u>1,684,946</u>	<u>(105)</u>	<u>32,349,245</u>	<u>24,487,339</u>
LIABILITIES							
Accrued income taxes	624	-	-	481	-	1,105	-
Due to NYSARC, Inc.	15,473	9,856	-	260	-	25,589	450
Due to other trusts	-	105	-	-	(105)	-	-
Due to unrelated party	663	-	-	-	-	663	663
Due to beneficiaries	<u>4,849,492</u>	<u>23,559,803</u>	<u>529,663</u>	<u>1,684,205</u>	<u>-</u>	<u>30,623,163</u>	<u>23,127,421</u>
Total liabilities	<u>4,866,252</u>	<u>23,569,764</u>	<u>529,663</u>	<u>1,684,946</u>	<u>(105)</u>	<u>30,650,520</u>	<u>23,128,534</u>
TRUST BALANCES	<u>\$ 376,763</u>	<u>\$ 1,321,962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,698,725</u>	<u>\$ 1,358,805</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, 2009

(With Comparative Totals for 2008)

	NYSARC Trust	Community Trusts	Third Party Agency Trust	Individual Trusts	Eliminations	Total All Trusts	
						2009	2008
ADDITIONS:							
Contributions and bequests	\$ 625,653	\$ 31,411,714	\$ 48,891	\$ 415,546	\$ -	\$ 32,501,804	\$ 26,475,360
Interest and dividends	119,772	288,482	707	25,730	-	434,691	638,162
Net realized and unrealized gain (loss) on investments	634,975	1,710,859	-	136,875	-	2,482,709	(3,060,895)
Other income	-	-	-	-	-	-	18,000
Total additions	1,380,400	33,411,055	49,598	578,151	-	35,419,204	24,070,627
DEDUCTIONS:							
Allocations to beneficiaries -							
Distributions for beneficiaries	13,289	-	-	-	-	13,289	14,625
In-kind distributions for beneficiaries	232,837	23,972,674	13,349	158,024	-	24,376,884	18,521,881
Grants to disabled individuals	-	29,593	-	-	-	29,593	56,034
Management and general -							
Bank fees and administration	35,776	2,652,677	15,190	25,861	-	2,729,504	2,053,488
Audit and tax preparation services	1,900	147,733	700	860	-	151,193	116,283
Guardianship grants	-	243,000	-	-	-	243,000	91,200
Other grants and expenses	3,923	21,003	-	-	-	24,926	50,122
Income taxes	13,992	-	-	1,161	-	15,153	15,331
Total deductions	301,717	27,066,680	29,239	185,906	-	27,583,542	20,918,964
EXCESS OF ADDITIONS OVER DEDUCTIONS BEFORE INCREASE IN DUE TO BENEFICIARIES	1,078,683	6,344,375	20,359	392,245	-	7,835,662	3,151,663
INCREASE IN DUE TO BENEFICIARIES	(1,033,079)	(6,050,059)	(20,359)	(392,245)	-	(7,495,742)	(3,106,492)
EXCESS OF ADDITIONS OVER DEDUCTIONS	45,604	294,316	-	-	-	339,920	45,171
TRUST BALANCES - beginning of year	331,159	1,027,646	-	-	-	1,358,805	1,313,634
TRUST BALANCES - end of year	\$ 376,763	\$ 1,321,962	\$ -	\$ -	\$ -	\$ 1,698,725	\$ 1,358,805

The accompanying notes are an integral part of these statements.

NYSARC TRUSTS

COMBINING STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2009

(With Comparative Totals for 2009)

	NYSARC <u>Trust</u>	Community <u>Trusts</u>	Third Party <u>Agency Trust</u>	Individual <u>Trusts</u>	<u>Total All Trusts</u>	
					<u>2009</u>	<u>2008</u>
CASH FLOW FROM OPERATING ACTIVITIES (TRUST ACTIVITIES):						
Excess of additions over deductions	\$ 45,604	\$ 294,316	\$ -	\$ -	\$ 339,920	\$ 45,171
Adjustments to reconcile excess to net cash provided (used) by trust transactions:						
Net realized and unrealized gain on investments	(634,975)	(1,710,859)	-	(136,875)	(2,482,709)	3,060,895
Changes in:						
Interest and investment income receivable	7,718	27,878	165	894	36,655	32,725
Investments	(850,057)	(4,055,138)	-	(1,177,686)	(6,082,881)	(552,590)
Prepaid income taxes	-	-	-	-	-	(21,223)
Accrued income taxes	1,752	18,023	108	481	20,364	(31,581)
Due to/from NYSARC, Inc.	16,726	33,878	-	31	50,635	(26,894)
Due to/from other trusts and funds	(2,992)	(22,699)	(108)	1,325	(24,474)	-
Due to/from unrelated party	-	18,000	-	-	18,000	(17,337)
Due to beneficiaries	1,033,080	6,050,059	20,359	392,246	7,495,744	3,106,492
Net cash provided (used) by trust activities	<u>(383,144)</u>	<u>653,458</u>	<u>20,524</u>	<u>(919,584)</u>	<u>(628,746)</u>	<u>5,595,658</u>
INCREASE IN CASH AND CASH EQUIVALENTS	(383,144)	653,458	20,524	(919,584)	(628,746)	5,595,658
CASH AND CASH EQUIVALENTS - beginning of year	<u>999,124</u>	<u>11,362,517</u>	<u>508,979</u>	<u>1,089,876</u>	<u>13,960,496</u>	<u>8,364,838</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 615,980</u>	<u>\$ 12,015,975</u>	<u>\$ 529,503</u>	<u>\$ 170,292</u>	<u>\$ 13,331,750</u>	<u>\$ 13,960,496</u>
CASH PAID FOR INCOME TAXES	<u>\$ 12,240</u>	<u>\$ (18,023)</u>	<u>\$ (108)</u>	<u>\$ 680</u>	<u>\$ (5,211)</u>	<u>\$ (68,135)</u>

The accompanying notes are an integral part of these statements.

NYSARC TRUSTS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009

1. THE ORGANIZATION

The NYSARC Trusts consist of five supplemental needs trust programs. The trusts are managed 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 Funds 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 trustees of these trusts are NYSARC, Inc. and JP Morgan Chase Bank.

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 the respective 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 established in 2006 and 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

During 2008, NYSARC Trust Services expanded into the area of administration of 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. The trustee is responsible to the NYSARC Trust management board. At December 31, 2009, there were three first-party and two 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.

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the combining financial statements for the year ended December 31, 2008, from which the information was derived.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Reporting

At December 31, 2009 and 2008, the trust balances of the NYSARC Trusts were all unrestricted.

Financial Instruments Measured at Fair Value

Accounting Standards Codification (ASC) Section 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and 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 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 and equity mutual funds 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 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 investment securities. Investment securities 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109, Accounting for Income Taxes*. FIN 48 is now known as ASC Section 740. This interpretation addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. For tax-exempt entities, their tax-exempt status itself is deemed to be an uncertainty, since events could potentially occur to jeopardize their tax-exempt status. ASC Section 740 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. The Trust adopted the provisions of ASC Section 740 on January 1, 2009 and there was no impact on the Trust's financial statements. At the date of adoption and as of December 31, 2009, the Trust does not have a liability for unrecognized tax benefits. The Trust files informational tax returns in the U.S. federal jurisdiction and New York State. The Trust is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2006.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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

The NYSARC Trusts are administered by NYSARC. The amount due to NYSARC in the NYSARC Trusts of \$15,473 at December 31, 2009 represents the annual payment for guardianship services and costs relating to a guardianship conference.

The balance due to NYSARC of \$9,856 in the Community Trusts includes costs relating to a guardian conference and a reimbursement of fees charged.

The balance due from other trusts and funds in the Third Party Agency Trust of \$105 at December 31, 2009 represents the amount due from Community Trust I for the over collection of income taxes from beneficiaries.

The balance due from NYSARC of \$229 in the Individual Trusts at December 31, 2009 consists of an overpayment of fees.

In 2009 and 2008, \$10,000 was transferred from the Unrestricted Fund to the Exempt Fund in accordance with the terms of the trust agreements and in 2009 and 2008, \$12,240 and \$29,799, respectively, was paid for income taxes by the Exempt Fund on behalf of beneficiaries in the Unrestricted Fund.

In 2009 and 2008, \$38,247 and \$55,071, respectively, was transferred to the Community Trust I Remainder Account from Community Trust I deceased beneficiary sub-trust accounts.

In 2009 and 2008, \$507,865 and \$323,944 respectively, was transferred to the Community Trust II Remainder Account from Community Trust II deceased beneficiary sub-trust accounts.

3. RELATED PARTY AND INTER-TRUST TRANSACTIONS (Continued)

In 2009 and 2008, the Community Trust I Remainder Account received an income tax refund of \$18,023 and paid income taxes of \$38,123, respectively, on behalf of Community Trust I beneficiaries.

In 2009 and 2008, the Community Trust I Remainder Account received an income tax refund of \$108 and paid income taxes of \$213, respectively, on behalf of TPAT beneficiaries.

4. FAIR VALUE MEASUREMENTS

The following sets forth by level, within the fair value hierarchy, the Trusts' assets at fair value as of December 31 2009 and 2008:

	-----December 31, 2009-----			
	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Investments:				
U.S. Treasury notes and bonds	\$ 512,773	\$ -	\$ -	\$ 512,773
U.S. agency and mortgage notes and bonds	-	2,426,720	-	2,426,720
Corporate obligations	1,016,846	-	-	1,016,846
Foreign obligations	48,636	-	-	48,636
Fixed income mutual funds	3,520,450	-	-	3,520,450
Common stocks	1,286,549	-	-	1,286,549
Foreign equities	4,000,197	-	-	4,000,197
Equity mutual funds	<u>6,157,966</u>	<u>-</u>	<u>-</u>	<u>6,157,966</u>
	<u>\$16,543,417</u>	<u>\$ 2,426,720</u>	<u>\$ -</u>	<u>\$ 18,970,137</u>
	-----December 31, 2008-----			
	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Investments:				
U.S. Treasury notes and bonds	\$ 818,763	\$ -	\$ -	\$ 818,763
U.S. agency and mortgage notes and bonds	-	2,184,661	-	2,184,661
Corporate obligations	2,053,059	-	-	2,053,059
Fixed income mutual funds	1,187,417	-	-	1,187,417
Common Stock	954,610	-	-	954,610
Foreign equities	1,629,531	-	-	1,629,531
Equity mutual funds	<u>1,576,507</u>	<u>-</u>	<u>-</u>	<u>1,576,507</u>
	<u>\$ 8,219,887</u>	<u>\$ 2,184,661</u>	<u>\$ -</u>	<u>\$ 10,404,548</u>

4. FAIR VALUE MEASUREMENTS (Continued)

Level 2 assets include various U.S. agency notes and mortgage notes and bonds that do not have quoted market prices; therefore they are valued using quoted prices of similar securities with similar characteristics.

There were no changes to the valuation techniques during 2009 or 2008.

5. INVESTMENTS

Investments consist of the following:

	<u>2009</u>	<u>2008</u>
NYSARC Trust:		
<u>Unrestricted Fund</u>		
Fixed income:		
U.S. Government obligations	\$ 551,213	\$ 973,495
Mutual funds	1,319,369	601,691
Corporate obligations	<u>103,577</u>	<u>334,578</u>
	<u>1,974,159</u>	<u>1,909,764</u>
Equities:		
Common stocks	379,987	320,437
Foreign equities	792,037	318,662
Mutual funds	<u>1,121,746</u>	<u>386,317</u>
	<u>2,293,770</u>	<u>1,025,416</u>
	<u>\$ 4,267,929</u>	<u>\$ 2,935,180</u>
<u>Exempt Fund</u>		
Fixed income:		
Mutual funds	<u>\$ 103,661</u>	<u>\$ 57,922</u>
	<u>103,661</u>	<u>57,922</u>
Equities:		
Common stocks	-	8,417
Foreign equities	62,998	53,000
Mutual funds	<u>105,893</u>	<u>27,553</u>
	<u>168,891</u>	<u>88,970</u>
	<u>\$ 272,552</u>	<u>\$ 146,892</u>

5. INVESTMENTS (Continued)

	<u>2009</u>	<u>2008</u>
NYSARC Trust: (Continued)		
<u>Pooled Income Fund</u>		
Fixed income:		
U.S. Government obligations	\$ -	\$ 20,102
Mutual funds	<u>74,546</u>	<u>27,821</u>
	<u>\$ 74,546</u>	<u>\$ 47,923</u>
<u>Total NYSARC Trusts</u>		
Fixed income:		
U.S. Government obligations	\$ 551,213	\$ 993,597
Mutual funds	1,497,576	687,434
Corporate obligations	<u>103,577</u>	<u>334,578</u>
	2,152,366	2,015,609
Equities:		
Common stocks	379,987	328,854
Foreign equities	855,035	371,662
Mutual funds	<u>1,227,639</u>	<u>413,870</u>
	<u>2,462,661</u>	<u>1,114,386</u>
	<u>\$ 4,615,027</u>	<u>\$ 3,129,995</u>
Community Trusts:		
<u>Community Trust I</u>		
Fixed income:		
U.S. Government obligations	\$ 2,355,351	\$ 1,957,670
Mutual funds	1,117,971	230,796
Corporate obligations	797,041	1,718,481
Foreign obligations	<u>48,636</u>	<u>-</u>
	<u>4,318,999</u>	<u>3,906,947</u>
Equities:		
Common stocks	896,704	616,115
Foreign equities	2,671,473	1,013,322
Mutual funds	<u>4,046,391</u>	<u>988,014</u>
	<u>7,614,568</u>	<u>2,617,451</u>
	<u>\$ 11,933,567</u>	<u>\$ 6,524,398</u>

5. INVESTMENTS (Continued)

	<u>2009</u>	<u>2008</u>
Community Trusts: (Continued)		
<u>Community Trust III</u>		
Fixed income:		
U.S. Government obligations	\$ 32,929	\$ 52,157
Mutual funds	<u>299,853</u>	<u>168,983</u>
	<u>332,782</u>	<u>221,140</u>
Equities:		
Common stocks	9,858	9,641
Foreign equities	217,401	146,237
Mutual funds	<u>348,427</u>	<u>174,623</u>
	<u>575,686</u>	<u>330,501</u>
	<u>\$ 908,468</u>	<u>\$ 551,641</u>
<u>Total Community Trusts</u>		
Fixed income:		
U.S. Government obligations	\$ 2,388,280	\$ 2,009,827
Mutual funds	1,417,824	399,779
Corporate obligations	797,041	1,718,481
Foreign obligations	<u>48,636</u>	<u>-</u>
	<u>4,651,781</u>	<u>4,128,087</u>
Equities:		
Common stocks	906,562	625,756
Foreign equities	2,888,874	1,159,559
Mutual funds	<u>4,394,818</u>	<u>1,162,637</u>
	<u>8,190,254</u>	<u>2,947,952</u>
	<u>\$ 12,842,035</u>	<u>\$ 7,076,039</u>
<u>Individual Trusts</u>		
Fixed Income:		
Mutual funds	<u>\$ 721,278</u>	<u>\$ 100,204</u>
	<u>721,278</u>	<u>100,204</u>
Equities:		
Foreign Equities	\$ 256,288	\$ 98,310
Mutual Funds	<u>535,509</u>	<u>-</u>
	<u>791,797</u>	<u>98,310</u>
	<u>\$ 1,513,075</u>	<u>\$ 198,514</u>
	<u>\$ 18,970,137</u>	<u>\$ 10,404,548</u>

6. GRANTS

Beginning in 2004, the Community Trusts' management board implemented a grant program to help meet the needs of individuals with disabilities. This program awards grants, with a maximum of \$500 per recipient, to qualified individuals. There were \$36,468 and \$67,240 in grants awarded and \$29,593 and \$56,034 in grants paid during 2009 and 2008, respectively. Approximately \$24,471 and \$26,452 of grants were outstanding at December 31, 2009 and 2008, respectively, but were not recorded as a payable because conditions for payments had not been met.

In 2009 and 2008, the management board of the Community Trusts voted to distribute, and paid, \$243,000 and \$91,200, respectively, from the Remainder Accounts, to NYSARC Chapters to offset costs of operating the unfunded Guardianship Programs.

7. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 28, 2010, which is the date the financial statements were available to be issued.

NYSARC TRUSTS**NYSARC TRUST COMBINING STATEMENT OF FINANCIAL POSITION****DECEMBER 31, 2009**

(With Comparative Totals for 2009)

	Unrestricted Fund	Exempt Fund	Pooled Income Fund	Eliminations	Total NYSARC Trust	
					2009	2008
ASSETS						
Cash and cash equivalents	\$ 583,489	\$ 28,392	\$ 4,099	\$ -	\$ 615,980	\$ 999,124
Interest and investment income receivable	11,776	71	161	-	12,008	19,726
Investments	4,267,929	272,552	74,546	-	4,615,027	3,129,995
Due from NYSARC, Inc.	-	-	-	-	-	1,253
Due from other trusts	-	13,444	-	(13,444)	-	9,700
Prepaid income taxes	-	-	-	-	-	1,128
Total assets	<u>4,863,194</u>	<u>314,459</u>	<u>78,806</u>	<u>(13,444)</u>	<u>5,243,015</u>	<u>4,160,926</u>
LIABILITIES						
Accrued income taxes	624	-	-	-	624	-
Due to NYSARC, Inc.	-	15,473	-	-	15,473	-
Due to other trusts	13,444	-	-	(13,444)	-	12,692
Due to unrelated party	-	663	-	-	663	663
Due to beneficiaries	<u>4,849,126</u>	<u>-</u>	<u>366</u>	<u>-</u>	<u>4,849,492</u>	<u>3,816,412</u>
Total liabilities	<u>4,863,194</u>	<u>16,136</u>	<u>366</u>	<u>(13,444)</u>	<u>4,866,252</u>	<u>3,829,767</u>
TRUST BALANCES	<u>\$ -</u>	<u>\$ 298,323</u>	<u>\$ 78,440</u>	<u>\$ -</u>	<u>\$ 376,763</u>	<u>\$ 331,159</u>

The accompanying notes are an integral part of these exhibits.

NYSARC TRUSTS**COMMUNITY TRUSTS COMBINING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009**

(With Comparative Totals for 2008)

	Community Trust I	Community Trust II	Community Trust III	Eliminations	Total Community Trusts	
					2009	2008
ASSETS						
Cash and cash equivalents	\$ 1,509,602	\$ 10,419,414	\$ 86,959	\$ -	\$ 12,015,975	\$ 11,362,517
Interest and investment income receivable	29,613	983	1,156	-	31,752	59,629
Investments	11,933,567	-	908,468	-	12,842,035	7,076,039
Due from other trusts	-	-	-	-	-	12,695
Due from unrelated party	-	-	-	-	-	18,000
Prepaid income taxes	1,964	-	-	-	1,964	19,987
Total assets	<u>13,474,746</u>	<u>10,420,397</u>	<u>996,583</u>	<u>-</u>	<u>24,891,726</u>	<u>18,548,867</u>
LIABILITIES						
Accrued income taxes	-	-	-	-	-	-
Due to NYSARC, Inc.	-	9,856	-	-	9,856	450
Due to other trusts	105	-	-	-	105	11,025
Due to beneficiaries	<u>13,226,515</u>	<u>9,336,705</u>	<u>996,583</u>	<u>-</u>	<u>23,559,803</u>	<u>17,509,746</u>
Total liabilities	<u>13,226,620</u>	<u>9,346,561</u>	<u>996,583</u>	<u>-</u>	<u>23,569,764</u>	<u>17,521,221</u>
TRUST BALANCES	<u>\$ 248,126</u>	<u>\$ 1,073,836</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,321,962</u>	<u>\$ 1,027,646</u>

The accompanying notes are an integral part of these exhibits.

NYSARC TRUSTS

NYSARC TRUST COMBINING STATEMENT OF TRUST ACTIVITIES AND CHANGE IN TRUST BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2009
(With Comparative Totals for 2008)

	Unrestricted Fund	Exempt Fund	Pooled Income Fund	Eliminations	Total NYSARC Trust	
					2009	2008
ADDITIONS:						
Contributions and bequests	\$ 625,653	\$ 10,000	\$ -	\$ (10,000)	\$ 625,653	\$ 449,783
Interest and dividends	110,227	6,654	2,891	-	119,772	150,558
Net realized and unrealized gain (loss) on investments	588,065	43,077	3,833	-	634,975	(852,239)
Total additions	1,323,945	59,731	6,724	(10,000)	1,380,400	(251,898)
DEDUCTIONS:						
Allocations to beneficiaries -						
Distributions for beneficiaries	10,299	-	2,990	-	13,289	14,625
In-kind distributions for beneficiaries	242,837	-	-	(10,000)	232,837	147,337
Management and general -						
Bank fees and administration	21,191	14,220	365	-	35,776	37,525
Other grants and expenses	-	3,923	-	-	3,923	1,449
Audit and tax preparation services	1,400	-	500	-	1,900	1,548
Income taxes	13,992	-	-	-	13,992	13,366
Total deductions	289,719	18,143	3,855	(10,000)	301,717	215,850
EXCESS (DEFICIT) OF ADDITIONS OVER DEDUCTIONS						
BEFORE INCREASE (DECREASE) IN DUE TO BENEFICIARIES	1,034,226	41,588	2,869	-	1,078,683	(467,748)
(INCREASE) DECREASE IN DUE TO BENEFICIARIES	(1,034,226)	-	1,147	-	(1,033,079)	401,911
EXCESS (DEFICIT) OF ADDITIONS OVER DEDUCTIONS	-	41,588	4,016	-	45,604	(65,837)
TRUST BALANCES - beginning of year	-	256,735	74,424	-	331,159	396,996
TRUST BALANCES - end of year	\$ -	\$ 298,323	\$ 78,440	\$ -	\$ 376,763	\$ 331,159

The accompanying notes are an integral part of these exhibits.

NYSARC TRUSTS

COMMUNITY TRUSTS COMBINING STATEMENT OF TRUST ACTIVITIES AND CHANGE IN TRUST BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2009
(With Comparative Totals for 2008)

	Community Trust I	Community Trust II	Community Trust III	Eliminations	Total Community Trusts	
					2009	2008
ADDITIONS:						
Contributions and bequests	\$ 3,661,986	\$ 27,665,721	\$ 84,007	\$ -	\$ 31,411,714	\$ 24,510,810
Interest and dividends	256,141	12,037	20,304	-	288,482	473,948
Net realized and unrealized gain (loss) on investments	1,549,546	-	161,313	-	1,710,859	(2,210,348)
Other income	-	-	-	-	-	18,000
Total additions	5,467,673	27,677,758	265,624	-	33,411,055	22,792,410
DEDUCTIONS:						
Allocations to beneficiaries -						
Distributions for beneficiaries	-	-	-	-	-	-
In-kind distributions for beneficiaries	1,391,478	22,318,703	262,493	-	23,972,674	18,345,197
Grants to disabled individuals	10,204	19,389	-	-	29,593	56,034
Management and general -						
Bank fees and administration	216,902	2,425,191	10,584	-	2,652,677	1,997,819
Guardianship grants	-	243,000	-	-	243,000	91,200
Other grants and expenses	11,422	9,581	-	-	21,003	48,673
Audit and tax preparation services	12,560	134,093	1,080	-	147,733	114,285
Income taxes	-	-	-	-	-	1,968
Total deductions	1,642,566	25,149,957	274,157	-	27,066,680	20,655,176
EXCESS (DEFICIT) OF ADDITIONS OVER DEDUCTIONS						
BEFORE INCREASE (DECREASE) IN DUE TO BENEFICIARIES	3,825,107	2,527,801	(8,533)	-	6,344,375	2,137,234
(INCREASE) DECREASE IN DUE TO BENEFICIARIES	(3,764,623)	(2,293,969)	8,533	-	(6,050,059)	(2,026,226)
EXCESS OF ADDITIONS OVER DEDUCTIONS	60,484	233,832	-	-	294,316	111,008
TRUST BALANCES - beginning of year	187,642	840,004	-	-	1,027,646	916,638
TRUST BALANCES - end of year	\$ 248,126	\$ 1,073,836	\$ -	\$ -	\$ 1,321,962	\$ 1,027,646

The accompanying notes are an integral part of these exhibits.

NYSARC TRUSTS
NYSARC TRUST COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
 (With Comparative Totals for 2008)

	Unrestricted Fund	Exempt Fund	Pooled Income Fund	Total NYSARC Trust	
				2009	2008
CASH FLOW FROM OPERATING ACTIVITIES (TRUST ACTIVITIES):					
Excess (deficit) of additions over deductions	\$ -	\$ 41,588	\$ 4,016	\$ 45,604	\$ (65,837)
Adjustments to reconcile excess (deficit) to net cash provided (used) by trust transactions:					
Net realized and unrealized gain on investments	(588,065)	(43,077)	(3,833)	(634,975)	852,239
Changes in:					
Interest and investment income receivable	7,462	(64)	320	7,718	6,986
Investments	(744,684)	(82,583)	(22,790)	(850,057)	191,227
Prepaid income taxes	-	-	-	-	(1,128)
Accrued income taxes	1,752	-	-	1,752	(15,305)
Due to/from NYSARC, Inc.	-	16,726	-	16,726	(15,603)
Due to/from other trusts and funds	(13,487)	10,495	-	(2,992)	2,992
Due to/from unrelated party	-	-	-	-	663
Due to beneficiaries	1,034,226	-	(1,146)	1,033,080	(401,911)
Net cash provided (used) by trust activities	<u>(302,796)</u>	<u>(56,915)</u>	<u>(23,433)</u>	<u>(383,144)</u>	<u>554,323</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(302,796)	(56,915)	(23,433)	(383,144)	554,323
CASH AND CASH EQUIVALENTS - beginning of year	<u>886,285</u>	<u>85,307</u>	<u>27,532</u>	<u>999,124</u>	<u>444,801</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 583,489</u>	<u>\$ 28,392</u>	<u>\$ 4,099</u>	<u>\$ 615,980</u>	<u>\$ 999,124</u>
CASH PAID FOR INCOME TAXES	<u>\$ 12,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,240</u>	<u>\$ (29,799)</u>

The accompanying notes are an integral part of these exhibits.

NYSARC TRUSTS
COMMUNITY TRUSTS COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
 (With Comparative Totals for 2008)

	Community Trust I	Community Trust II	Community Trust III	Total Community Trusts	
				2009	2008
CASH FLOW FROM OPERATING ACTIVITIES (TRUST ACTIVITIES):					
Excess of additions over deductions	\$ 60,484	\$ 233,832	\$ -	\$ 294,316	\$ 111,008
Adjustments to reconcile excess to net cash provided (used) by trust transactions:					
Net realized and unrealized gain on investments	(1,549,546)	-	(161,313)	(1,710,859)	2,210,348
Changes in:					
Interest and investment income receivable	25,313	2,351	214	27,878	27,101
Investments	(3,859,623)	-	(195,515)	(4,055,138)	(546,995)
Prepaid income taxes	-	-	-	-	(19,987)
Accrued income taxes	18,023	-	-	18,023	(16,168)
Due to/from NYSARC, Inc.	24,472	9,406	-	33,878	(11,291)
Due to/from other trusts and funds	(9,595)	(13,104)	-	(22,699)	(1,567)
Due to/from unrelated party	-	18,000	-	18,000	(18,000)
Due to beneficiaries	3,764,621	2,293,969	(8,531)	6,050,059	2,026,226
Net cash provided (used) by trust activities	<u>(1,525,851)</u>	<u>2,544,454</u>	<u>(365,145)</u>	<u>653,458</u>	<u>3,760,675</u>
INCREASE IN CASH AND CASH EQUIVALENTS	(1,525,851)	2,544,454	(365,145)	653,458	3,760,675
CASH AND CASH EQUIVALENTS - beginning of year	<u>3,035,453</u>	<u>7,874,960</u>	<u>452,104</u>	<u>11,362,517</u>	<u>7,601,842</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 1,509,602</u>	<u>\$ 10,419,414</u>	<u>\$ 86,959</u>	<u>\$ 12,015,975</u>	<u>\$ 11,362,517</u>
CASH PAID FOR INCOME TAXES	<u>\$ (18,023)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (18,023)</u>	<u>\$ (38,123)</u>

The accompanying notes are an integral part of these exhibits.