NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

Combined Financial Statements as of
December 31, 2013
Together with
Accountant's Compilation Report

Bonadio & Co., LLP
Certified Public Accountants

Bonadio & Co., LLP
Certified Public Accountants

ACCOUNTANT'S COMPILATION REPORT

October 10, 2014

To the Board of Governors of
NYSARC, Inc.:

We have compiled the accompanying combined balance sheet of NYSARC, Inc. (State Office, Chapters and their affiliates) as of December 31, 2013, and the related combined statements of activities and change in net assets and cash flows for the year then ended. We have not audited or reviewed the accompanying combined financial statements and, accordingly, do not express an opinion or provide any assurance about whether the combined financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the combined financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of combined financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the combined financial statements.

Bonadio & Co., LLP

171 Sully's Trail, Suite 201
Pittsford, New York 14534
p (585) 381-1000
f (585) 381-3131

www.bonadio.com

NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

COMBINED BALANCE SHEET
DECEMBER 31, 2013
(See Accountant's Compilation Report)

ASSETS

CURRENT ASSETS:	
Cash and equivalents	$ 176,968,053
Investments	184,284,227
Current portion restricted deposits and funded reserves	1,391,442
Government receivables, net	213,598,384
Other receivables, net	16,860,401
Inventories	11,016,496
Prepaid expenses and other assets	13,510,241
Deposits	1,754,516
Total current assets	619,383,760
PROPERTY, PLANT AND EQUIPMENT:	
Land	55,276,494
Buildings and leasehold improvements	768,260,917
Furniture, fixtures, and equipment	167,636,729
Vehicles	99,529,364
Construction-in-progress	27,694,732
	1,118,398,236
Less: Accumulated depreciation	(650,292,775)
Total property, plant and equipment	468,105,461
OTHER ASSETS:	
Restricted deposits and funded reserves, net of current portion	27,726,386
Deferred charges	5,627,681
Participant funds and other noncurrent assets	16,028,381
Financing fees, net	2,894,286
Net investments in affiliates	11,784,976
Total other assets	64,061,710
	$ 1,151,550,931

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Current installments of long-term debt	$ 39,376,186
Notes payable	23,544,498
Accounts payable	47,041,688
Accrued expenses and taxes	147,788,867
Current portion of amounts due to governmental agencies	22,112,452
Current portion of deferred revenue and refundable advances	4,740,503
Other current liabilities	4,161,228
Total current liabilities	288,765,422
LONG-TERM DEBT, net of current portion	236,609,324
OTHER NONCURRENT LIABILITIES:	
Due to governmental agencies, net of current portion	3,014,165
Deferred revenue and refundable advances, net of current portion	16,023,588
Participant funds and other noncurrent liabilities	25,747,485
Total other noncurrent liabilities	44,785,238
Total liabilities	570,159,984
NET ASSETS:	
Unrestricted	560,662,281
Temporarily restricted	18,211,235
Permanently restricted	2,517,431
Total net assets	581,390,947
	$ 1,151,550,931

The accompanying notes are an integral part of these statements.

NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013
(See Accountant's Compilation Report)

UNRESTRICTED NET ASSETS:	
Revenue and support -	
Program revenue	$ 1,668,576,905
Non-program revenue	31,495,344
Fundraising	4,650,057
Other support	4,124,381
Capital additions revenue	140,966
Realized and unrealized gain on investments, net	18,100,747
Net assets released from restrictions	4,490,545
Total revenue and support	1,731,578,945
Expenses -	
Program services	1,530,418,690
Management and general	148,878,199
Fundraising	3,301,639
Other operating expenses	90,761
Total expenses	1,682,689,289
Increase in unrestricted net assets	48,889,656
TEMPORARILY RESTRICTED NET ASSETS:	
Contributions, grants, etc.	3,564,150
Interest income	316,528
Other	794,358
Net assets released from restrictions	(4,490,545)
Increase in temporarily restricted net assets	184,491
PERMANENTLY RESTRICTED NET ASSETS:	
Contributions	16,666
Other	84,585
Increase in permanently restricted net assets	101,251
CHANGE IN NET ASSETS	49,175,398
NET ASSETS - beginning of year (as originally reported)	533,957,221
PRIOR PERIOD ADJUSTMENT	(1,741,672)
NET ASSETS - beginning of year (as restated)	532,215,549
NET ASSETS - end of year	$ 581,390,947

The accompanying notes are an integral part of these statements.

NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
(See Accountant's Compilation Report)

CASH FLOW FROM OPERATING ACTIVITIES:	
Change in net assets	$ 49,175,398
Adjustments to reconcile change in net assets to net cash flow from operating activities:	
Depreciation and amortization	55,694,941
Realized and unrealized gain on investments, net	(18,100,747)
Gain on sales or dispositions of assets, net	(2,358,650)
Bad debt expense	1,326,998
Other	(13,454,783)
Changes in:	
Receivables	(1,936,812)
Inventories	3,076,208
Prepaid expenses and other assets	(5,121,008)
Deposits	(5,352)
Deferred charges	380,767
Accounts payable	(5,635,491)
Accrued expenses and taxes	(1,198,992)
Due to governmental agencies	(2,905,979)
Deferred revenue, refundable advances and other liabilities	(482,264)
Net cash flow from operating activities	58,454,234
CASH FLOW FROM INVESTING ACTIVITIES:	
Proceeds from the sale of property, plant and equipment	4,908,507
Expenditures for property, plant and equipment	(49,743,567)
Purchase of investments	(53,981,196)
Proceeds from sales of investments	58,496,386
Change in limited use reserves and deposits refunded	719,735
Other investing activities	(3,850,047)
Net cash flow from investing activities	(43,450,182)
CASH FLOW FROM FINANCING ACTIVITIES:	
Proceeds from long-term debt	18,456,782
Repayment of long-term debt	(46,301,715)
Proceeds from notes payable	91,375,244
Repayment of notes payable	(81,332,509)
Other financing activities	10,619,515
Net cash flow from financing activities	(7,182,683)
CHANGE IN CASH AND EQUIVALENTS	7,821,369
CASH AND EQUIVALENTS - beginning of year	169,146,684
CASH AND EQUIVALENTS - end of year	$ 176,968,053

The accompanying notes are an integral part of these statements.

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 2013.

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, 2013.

- **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 4.

NYSARC has financial instruments in the accompanying combined balance sheet, including cash and equivalents, certificates of deposits, 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 4).

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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2013 is approximately $8,400,000 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. 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 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 $55,000,000 for the year ended December 31, 2013.

Financing Fees

Financing fees consist of loan issuance costs associated with various mortgage closings that are being amortized on a straight-line basis over the terms of the related debt agreements. Accumulated amortization was approximately $6,000,000 at December 31, 2013. Amortization of financing fees was approximately $700,000 for the year ended December 31, 2013. Estimated amortization expense for the next five years is approximately $600,000 per year.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2013, an affiliate of the New York City Chapter had Federal and New York State net operating loss carryforwards from unrelated business activities of approximately $3,100,000 that expire at various dates through 2032. A valuation allowance has been established to offset the 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.

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. At December 31, 2013 NYSARC does not have a liability for unrecognized tax benefits. The Chapters and the State Office file informational tax returns in the U.S. federal jurisdiction and New York State. The tax years that remain subject to examination by taxing authorities are generally the previous three years.

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.

3. PRIOR PERIOD ADJUSTMENT

Three of the chapters reported changes to their beginning net assets totaling approximately $1,700,000.

4. FAIR VALUE MEASUREMENTS

The following are measured at fair value on a recurring basis at December 31, 2013:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Cash and equivalents	$ 17,687,582	$ 7,027,094	$ -	$ 24,714,676
Mutual funds	114,219,872	2,043,330	-	116,263,202
U.S. government obligations	2,499,826	2,809,271	-	5,309,097
Bonds	5,406,689	5,287,710	-	10,694,399
Stock	28,505,301	-	-	28,505,301
Investment in community foundation	-	764,935	-	764,935
Limited liability company	-	-	19,983	19,983
	$ 168,319,270	$ 17,932,340	$ 19,983	$ 186,271,593

4. FAIR VALUE MEASUREMENTS (Continued)

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, 2013.

There were no changes in the valuation techniques during 2013.

The fair value of the level 3 investments changed as follows for the year ended December 31, 2013:

	Limited Liability Company
Equity balance at January 1, 2013	$ 29,819
Share of income items	224
Share of other deductions	(100)
Capital contribution	96
Cash distributions	(10,056)
Equity balance at December 31, 2013	$ 19,983

5. INVESTMENTS

Investments consist of the following at December 31, 2013:

Cash and equivalents	$ 24,714,676
Mutual funds	116,263,202
U.S. government obligations	5,309,097
Bonds	10,694,399
Stock	28,505,301
Investment in Community Foundation	764,935
Limited liability company	19,983
	186,271,593
Less: Restricted deposits	(1,987,366)
	$ 184,284,227

5. INVESTMENTS (Continued)

Net investment income is included in non-program revenue in the accompanying combined statement of activities and change in net assets and consisted of the following for the year ended December 31, 2013:

Interest and dividends	$ 3,430,775
Realized and unrealized gains, net	18,100,747
	$ 21,531,522

Investment fees of approximately $300,000 are recorded as an expense in the accompanying combined statement of activities and change in net assets.

6. ENDOWMENT

Endowment net asset composition as of December 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	$ 3,986,585	$ 12,771	$ 2,416,180	$ 6,415,536
Contributions	127,708	-	16,666	144,374
Investment income	584,919	12,762	84,585	682,266
Appropriated for expenditure	(235,417)	(6)	-	(235,423)
Endowment net assets, end of year	$ 4,463,795	$ 25,527	$ 2,517,431	$ 7,006,753

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.

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, 2013.

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.

7. 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 2.00% to 8.87%, maturing at various dates through 2039, collateralized by specific real property, accounts receivable and revenues related to the real property.	$ 176,390,452
Mortgages due to United States Department of Housing and Urban Development, payable in monthly installments, including interest ranging from 8.50% to 9.25%, maturing at various dates through 2032, collateralized by specific real property.	3,861,152
Mortgages due to various banks and other lending institutions, payable in monthly and semi-annual installments including interest ranging from 0% to 10.75%, maturing at various dates through 2032, collateralized by specific real property.	74,258,056
Other term loans due to various banks and other lending institutions, payable in monthly installments, including interest ranging from 1.00% to 10.49%, maturing at various dates through 2023, collateralized by equipment, vehicles and other specific assets.	21,475,850
	$ 275,985,510

Maturities of long-term debt are as follows:

2014	$ 39,376,186
2015	36,083,754
2016	30,051,660
2017	25,470,199
2018	20,467,079
Thereafter	124,536,632
	$ 275,985,510

7. FINANCING ARRANGEMENTS (Continued)

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 $187,000,000 of which approximately $28,900,000 is outstanding at December 31, 2013. A total of $5,600,000 of the outstanding balance is included with long-term debt, because it will be converted to a term note.

Debt Covenants

In connection with its financing arrangements, NYSARC and the Chapters are subject to various debt covenants. As of December 31, 2013, NYSARC and the Chapters were in compliance with these covenants.

8. SUPPLEMENTAL CASH FLOW INFORMATION

Interest paid during 2013 under the terms of all financing arrangements and interest expense for the year ended December 31, 2013 was approximately $ 13,600,000.

9. OPERATING LEASES

NYSARC leases vehicles, equipment and facilities under noncancellable lease agreements. Rent expense under these leases was approximately $38,900,000 during 2013. Future minimum rental payments under these lease agreements are as follows:

2014	$ 30,348,120
2015	24,899,688
2016	19,755,779
2017	15,602,329
2018	11,809,495
Thereafter	40,409,747
	$ 142,825,158

10. 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 $26,700,000 for the year ended December 31, 2013.

11. 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 $200,000 for the year ended December 31, 2013.

12. 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.

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, 2013, DASNY has not issued such a Certificate to OPWDD.

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 10, 2014, which is the date the combined financial statements were issued.