

Independent Auditor's Reports as  
Required by Title 2 *U.S. Code of  
Federal Regulations (CFR) Part 200,  
Uniform Administrative Requirements,  
Cost Principles, and Audit  
Requirements for Federal Awards and  
Government Auditing Standards* and  
Related Information

**NYSARC, Inc.,  
New York City Chapter and Affiliates**

June 30, 2022

## Contents

	Page
Report of Independent Certified Public Accountants	3
Consolidated Financial Statements	
Consolidated statements of financial position as of June 30, 2022 and 2021	6
Consolidated statements of activities for the years ended June 30, 2022 and 2021	7
Consolidated statements of functional expenses for the years ended June 30, 2022 and 2021	9
Consolidated statements of cash flows for the years ended June 30, 2022 and 2021	11
Notes to consolidated financial statements	12
Uniform Guidance Supplementary Information	
Schedule of expenditures of federal awards for the year ended June 30, 2022	35
Notes to schedule of expenditures of federal awards for the year ended June 30, 2022	36
Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	37
Report of Independent Certified Public Accountants on Compliance for each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	39
Schedule of findings and questioned costs for the year ended June 30, 2022	
Section I - summary of auditor's results	42
Section II - financial statement findings	43
Section III - findings and questioned costs for federal awards	43

---

**GRANT THORNTON LLP**

757 Third Avenue, 9<sup>th</sup> Floor  
New York, NY 10017

**D** +1 212 599 0100

**F** +1 212 370 4520

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Board of Directors of  
NYSARC, Inc., New York City Chapter and Affiliates:

**Report on the financial statements****Opinion**

We have audited the consolidated financial statements of NYSARC, Inc., New York City Chapter and Affiliates (collectively, "AHRC"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of NYSARC, Inc., New York City Chapter and Affiliates as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for opinion**

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of AHRC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of management for the financial statements**

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about AHRC's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AHRC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AHRC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Supplementary information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* for the year ended June 30, 2022, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2022 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2022 consolidated financial statements and certain additional procedures. These additional procedures included comparing and

reconciling such information directly to the underlying accounting and other records used to prepare the 2022 consolidated financial statements or to the 2022 consolidated financial statements themselves, and other additional procedures in accordance with US GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

**Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2022, on our consideration of AHRC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of AHRC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AHRC's internal control over financial reporting and compliance.

*Grant Thornton LLP*

New York, New York  
December 6, 2022

**NYSARC, Inc., New York City Chapter and Affiliates**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

June 30,

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 21,004,651	\$ 3,541,338
Investments	39,170,872	47,288,979
Receivables, net	39,744,247	40,960,775
Prepaid expenses and other current assets	3,856,945	6,228,800
Total current assets	103,776,715	98,019,892
Restricted deposits	133,085	129,112
Real property and equipment, at cost, net of accumulated depreciation and amortization of \$103,359,228 and \$96,467,152, respectively	75,558,848	80,783,995
Right of use assets, net of amortization	107,456,165	120,118,917
Advances to and investment in affiliates	35,838	35,840
Programmatic investment	-	2,288,265
Investments - endowment	957,935	1,182,156
Debt service reserve funds	2,054,257	2,054,257
Other assets	7,212,286	8,364,279
Total assets	\$ 297,185,129	\$ 312,976,713
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Bank line of credit	\$ 690,585	\$ 9,971,273
Current portion of long-term debt	4,116,137	4,197,256
Current portion of operating lease liability	12,734,600	13,749,098
Accounts payable	7,999,545	11,925,275
Accrued expenses and other current liabilities	26,498,500	19,967,684
Accrued employee benefits	18,539,375	18,200,962
Due to government agencies	-	1,750,000
Total current liabilities	70,578,742	79,761,548
Long-term debt, net of current portion and unamortized issuance costs	44,438,490	46,289,618
Long-term accrued employee benefits, net of current portion	7,062,754	7,308,399
Long-term operating lease liability	100,733,433	111,875,440
Refundable advances	100,000	100,000
Total liabilities	222,913,419	245,335,005
Commitments and contingencies		
<b>Net assets</b>		
Without donor restrictions	71,394,920	64,557,359
With donor restrictions	2,876,790	3,084,349
Total net assets	74,271,710	67,641,708
Total liabilities and net assets	\$ 297,185,129	\$ 312,976,713

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

NYSARC, Inc., New York City Chapter and Affiliates

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support</b>			
Fees for service	\$ 218,278,665	\$ -	\$ 218,278,665
Government grants	58,680,951	-	58,680,951
Contracted services	2,624,484	-	2,624,484
Program rent fees and private pay	6,352,800	-	6,352,800
Contributions and grants	1,450,320	193,985	1,644,305
Special event revenues	759,317	223,327	982,644
Commercial real property rent	5,119,654	-	5,119,654
Dividends and interest, net	499,259	12,331	511,590
Realized and unrealized losses on investments	(6,865,569)	(186,552)	(7,052,121)
Gain on sale of building	26,185,781	-	26,185,781
Insurance reimbursements	98,724	-	98,724
Other	281,029	-	281,029
Net assets released from restrictions	450,650	(450,650)	-
	<u>313,916,065</u>	<u>(207,559)</u>	<u>313,708,506</u>
<b>Expenses</b>			
Salaries	163,318,029	-	163,318,029
Employee benefits	38,686,611	-	38,686,611
Payroll taxes	15,681,786	-	15,681,786
Office	11,467,301	-	11,467,301
Information technology	3,887,284	-	3,887,284
Occupancy costs	29,399,186	-	29,399,186
Staff travel	2,314,466	-	2,314,466
Conferences and events	195,823	-	195,823
Interest	2,253,831	-	2,253,831
Depreciation and amortization	7,730,711	-	7,730,711
Insurance	3,368,522	-	3,368,522
Professional fees	3,359,151	-	3,359,151
Clinical services	7,371,962	-	7,371,962
Program transportation, allowance and meals	11,205,161	-	11,205,161
Grant awards	21,228	-	21,228
Other	2,939,511	-	2,939,511
	<u>303,200,563</u>	<u>-</u>	<u>303,200,563</u>
Change in net assets before other item	10,715,502	(207,559)	10,507,943
<b>Other items</b>			
Impairment loss on programmatic investments (Note 6)	(3,457,338)	-	(3,457,338)
Pension related activity, other than net periodic pension costs	(420,603)	-	(420,603)
	<u>6,837,561</u>	<u>(207,559)</u>	<u>6,630,002</u>
<b>CHANGE IN NET ASSETS</b>			
Net assets - beginning of year	64,557,359	3,084,349	67,641,708
Net assets - end of year	<u>\$ 71,394,920</u>	<u>\$ 2,876,790</u>	<u>\$ 74,271,710</u>

The accompanying notes are an integral part of this consolidated financial statement.

NYSARC, Inc., New York City Chapter and Affiliates

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support</b>			
Fees for service	\$ 189,107,977	\$ -	\$ 189,107,977
Government grants	67,317,512	-	67,317,512
Contracted services	2,266,755	-	2,266,755
Program rent fees and private pay	5,795,828	-	5,795,828
Contributions and grants	1,619,511	335,827	1,955,338
Special event revenues	912,614	71,773	984,387
Commercial real property rent	3,983,629	-	3,983,629
Dividends and interest, net	511,047	31,652	542,699
Realized and unrealized gains on investments	8,365,340	219,055	8,584,395
Insurance reimbursements	183,811	-	183,811
Other	367,585	-	367,585
Net assets released from restrictions	111,114	(111,114)	-
	<u>280,542,723</u>	<u>547,193</u>	<u>281,089,916</u>
Total support and revenue			
<b>Expenses</b>			
Salaries	145,534,618	-	145,534,618
Employee benefits	39,650,510	-	39,650,510
Payroll taxes	13,283,080	-	13,283,080
Office	11,218,003	-	11,218,003
Information technology	4,052,839	-	4,052,839
Occupancy costs	30,218,045	-	30,218,045
Staff travel	2,088,723	-	2,088,723
Conferences and events	237,598	-	237,598
Interest	2,068,629	-	2,068,629
Depreciation and amortization	7,523,637	-	7,523,637
Insurance	3,263,064	-	3,263,064
Professional fees	2,862,493	-	2,862,493
Clinical services	6,913,200	-	6,913,200
Program transportation, allowance and meals	5,942,592	-	5,942,592
Grant awards	7,075	-	7,075
Other	2,558,886	-	2,558,886
	<u>277,422,992</u>	<u>-</u>	<u>277,422,992</u>
Total expenses			
Change in net assets before other item	3,119,731	547,193	3,666,924
<b>Other item</b>			
Pension related activity, other than net periodic pension costs	537,353	-	537,353
	<u>3,657,084</u>	<u>547,193</u>	<u>4,204,277</u>
<b>CHANGE IN NET ASSETS</b>			
Net assets - beginning of year	60,900,275	2,537,156	63,437,431
Net assets - end of year	<u>\$ 64,557,359</u>	<u>\$ 3,084,349</u>	<u>\$ 67,641,708</u>

The accompanying notes are an integral part of this consolidated financial statement.

**NYSARC, Inc., New York City Chapter and Affiliates**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

Year ended June 30, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 148,858,436	\$ 14,162,121	\$ 297,472	\$ 163,318,029
Employee benefits	35,469,909	3,167,437	49,265	38,686,611
Payroll taxes	14,582,077	1,080,481	19,228	15,681,786
Office	9,838,690	1,530,328	98,283	11,467,301
Information technology	426,480	3,431,982	28,822	3,887,284
Occupancy costs	27,547,465	1,841,832	9,889	29,399,186
Staff travel	2,248,458	55,075	10,933	2,314,466
Conferences and events	82,283	62,797	50,743	195,823
Interest	935,243	1,318,588	-	2,253,831
Depreciation and amortization	5,611,408	2,114,319	4,984	7,730,711
Insurance	2,924,716	436,036	7,770	3,368,522
Professional fees	1,183,438	2,005,913	169,800	3,359,151
Clinical services	7,102,507	176,114	93,341	7,371,962
Program transportation, allowance and meals	11,205,161	-	-	11,205,161
Grant awards	21,228	-	-	21,228
Other	1,560,116	1,314,181	65,214	2,939,511
	<u>\$ 269,597,615</u>	<u>\$ 32,697,204</u>	<u>\$ 905,744</u>	<u>\$ 303,200,563</u>
Total expenses				

The accompanying notes are an integral part of this consolidated financial statement.

**NYSARC, Inc., New York City Chapter and Affiliates**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

Year ended June 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 132,731,808	\$ 12,587,840	\$ 214,970	\$ 145,534,618
Employee benefits	36,537,768	3,070,544	42,198	39,650,510
Payroll taxes	12,373,250	894,398	15,432	13,283,080
Office	9,612,524	1,548,391	57,088	11,218,003
Information technology	421,113	3,610,990	20,736	4,052,839
Occupancy costs	27,941,894	2,270,762	5,389	30,218,045
Staff travel	2,054,951	33,493	279	2,088,723
Conferences and events	42,394	36,872	158,332	237,598
Interest	1,001,978	1,066,651	-	2,068,629
Depreciation and amortization	5,598,294	1,920,194	5,149	7,523,637
Insurance	2,803,615	451,936	7,513	3,263,064
Professional fees	506,854	2,060,033	295,606	2,862,493
Clinical services	6,792,413	120,787	-	6,913,200
Program transportation, allowance and meals	5,942,592	-	-	5,942,592
Grant awards	7,075	-	-	7,075
Other	2,358,441	189,292	11,153	2,558,886
	<u>\$ 246,726,964</u>	<u>\$ 29,862,183</u>	<u>\$ 833,845</u>	<u>\$ 277,422,992</u>
Total expenses				

The accompanying notes are an integral part of this consolidated financial statement.

NYSARC, Inc., New York City Chapter and Affiliates

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30,

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 6,630,002	\$ 4,204,277
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,631,550	7,415,459
Gain on sale of building	(26,185,781)	-
Unrealized loss (gain) on investments	7,915,835	(7,529,095)
Realized gain on investments	(863,714)	(1,055,300)
Impairment loss on programmatic investment	3,457,338	-
Amortization of deferred mortgage costs	69,327	70,568
Amortization of bond premium	(70,617)	(71,660)
Amortization of leasing commissions	908,893	108,178
Amortization of operating lease liability	506,247	1,599,730
Increase (decrease) in cash attributable to changes in operating assets and liabilities:		
Receivables from government and other agencies	1,216,528	(4,600,117)
Prepaid expenses and other current assets	2,371,855	(126,832)
Other assets	333,541	(689,364)
Accounts payable	(3,925,731)	(490,177)
Accrued expenses and other current liabilities	6,530,814	2,439,653
Accrued employee benefits	92,768	1,736,968
Due to government agencies	(1,750,000)	-
Deferred grant revenue	-	(931,119)
	<u>4,868,855</u>	<u>2,081,169</u>
Net cash provided by operating activities		
<b>Cash flows from investing activities</b>		
Purchases of investments	(5,181,321)	(12,907,400)
Proceeds from the sales of investments	6,471,531	12,715,835
Proceeds from sale of building	26,185,781	-
Addition to programmatic investment	(1,259,513)	-
Acquisition of real property and equipment	(2,406,403)	(9,976,697)
Increase in restricted deposits	(3,973)	(3,017)
	<u>23,806,102</u>	<u>(10,171,279)</u>
Net cash provided by (used in) investing activities		
<b>Cash flows from financing activities</b>		
Proceeds from bank line of credit	121,903,510	111,660,637
Repayments of bank line of credit	(131,853,510)	(104,710,637)
Repayments of long-term debt	(345,058)	(345,158)
Proceeds from long-term debt	1,639,140	3,230,657
Repayments of mortgages and bonds payable	(2,577,557)	(2,674,044)
Deferred mortgage and bond issuance costs	21,831	21,831
Distribution from debt service reserve fund	-	331,603
	<u>(11,211,644)</u>	<u>7,514,889</u>
Net cash (used in) provided by financing activities		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>17,463,313</b>	<b>(575,221)</b>
<b>Cash and cash equivalents</b>		
Beginning of year	<u>3,541,338</u>	<u>4,116,559</u>
End of year	<u>\$ 21,004,651</u>	<u>\$ 3,541,338</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for:		
Interest	<u>\$ 2,162,674</u>	<u>\$ 1,977,484</u>

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

**NYSARC, Inc., New York City Chapter and Affiliates**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2022 and 2021**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Organization***

AHRC's vision is to help create a socially just world where the power of differences is embraced, valued and celebrated. AHRC's mission is to advocate for people who are neurodiverse to lead full and equitable lives.

AHRC is one of 36 New York State county chapters of The Arc New York. The Arc New York is a membership corporation formed in 1949 for all county chapters. AHRC is governed by its own Board of Directors, which is responsible for its operations, operating under guidelines promulgated by The Arc New York.

The accompanying consolidated financial statements of NYSARC, Inc., New York City Chapter and Affiliates (collectively, "AHRC") have been prepared on the accrual basis of accounting. The accounting policies that affect the significant elements of the consolidated financial statements are summarized below.

***Principles of Consolidation***

The consolidated financial statements include the accounts of NYSARC, Inc., New York City Chapter and the following entities:

- Superior Direct Care, Inc. ("Superior") provides temporary well-trained, highly qualified, non-licensed direct care staff to agencies within the five boroughs of New York City.
- AHRC Home Care Services, Inc. ("Home Care") provides high quality preventive, supportive and restorative home health care service to qualified individuals located in New York.
- AHRC Development, Inc. ("Development") is a U.S. Department of Housing and Urban Development ("HUD") financed entity, which operates a 12-unit residential project for the elderly and/or handicapped persons of low income where no adequate housing exists for such persons.
- AHRC NYC Guardianship Fund, Inc. (the "Fund") was established as a not-for-profit corporation to solicit, receive, hold, invest, and disburse funds for guardianship services, benefiting persons who are neurodiverse, served by NYSARC, Inc., New York City Chapter. The Fund acknowledges that there are many unique expenses faced by individuals who are wards, stand-by wards or in process to be wards, which cannot be met by traditional funding streams available to people who are neurodiverse.
- AHRC NYC New Projects, Inc. ("New Projects") acquires, owns, leases, sells, mortgages and maintains property that provides housing for the people supported by NYSARC, Inc., New York City Chapter within the New York City area.
- AHRC NYC Properties, Inc. ("Properties") provides housing for the people of NYSARC, Inc., New York City Chapter within the New York City area. Properties owns 44 residential sites where people who are neurodiverse reside.
- AHRC NYC Foundation, Inc. (the "Foundation") was formed for the purpose of raising funds for the exclusive benefit for people who are neurodiverse in New York City and to supplement the programs and activities available from state funds for such persons.

All material intercompany transactions and account balances have been eliminated in preparing the accompanying consolidated financial statements.

**NYSARC, Inc., New York City Chapter and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

Each member of AHRC is committed to promoting a culture that embraces:

- Committing wholeheartedly to the mission of the agency;
- Responding to all members of the AHRC community with courtesy, kindness and open and honest communication;
- Making decisions based on fairness, honesty, morality and ethical principles;
- Respecting and appreciating the differences found among people who are neurodiverse, their families and our colleagues; and
- Providing an environment in which distinction and merit are affirmed, celebrated and enhanced.

These principles direct, design and govern the operation of all AHRC services and supports, including but not limited to, those in the areas of: education; residential options; day services; training and employment; camping and recreation; clinical services; in-home care; family support; advocacy; information and referral. For the years ended June 30, 2022 and 2021, program service expenses were 90% and 89% respectively, of total expenses.

***Pandemic Considerations***

In March 2020, the World Health Organization declared COVID-19, the disease caused by a novel coronavirus, a pandemic. The pandemic has had a broad and significant impact on commerce and financial markets in the United States and around the world. AHRC is closely monitoring cash flows, working capital and liquidity and is actively working to minimize the impact of these declines. The extent of the impact of the pandemic on AHRC's operational and financial performance will depend on certain developments, including the duration and severity of the outbreak and its impact on the timely collection of receivables, federal and state funding, employees and vendors, all of which at present, cannot be determined. Accordingly, the extent to which the pandemic may impact AHRC's financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements do not include any adjustments relating to the effects of this pandemic.

***Basis of Presentation Net Assets***

Net assets and related revenues and support are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, the net assets of AHRC and changes therein are classified and reported as follows:

**Net Assets without Donor Restrictions**

Represent net assets which are not restricted by donors. Net assets without donor restrictions are funds that are fully available, at the discretion of the Board of Directors and management, for AHRC to utilize for carrying on AHRC's general mission in any of its programs or supporting services. Net assets without donor restrictions may be designated for specific purposes by AHRC's Board of Directors or may be limited by legal requirements or contractual agreements with outside parties.

**NYSARC, Inc., New York City Chapter and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

Net Assets with Donor Restrictions

Net assets whose use is limited by donor-imposed stipulations that either expire with the passage of time or are for expenditure on a specific program or in a specific geographic location or time period. These donor-imposed stipulations can be fulfilled and removed by the actions of AHRC pursuant to those stipulations. In addition, net assets with donor restrictions also include net assets whereby the respective donors have stipulated that the corpus contributed be invested and/or maintained in perpetuity. Income earned from these investments is available for expenditure according to restrictions, if any, imposed by donors.

AHRC's net assets with donor restrictions as of June 30, 2022 and 2021 consist of \$1,450,000 of funds restricted for AHRC's camp and recreation programs, \$957,935 and \$1,182,156, respectively, of endowment funds, inclusive of accumulated unspent earnings on the endowment, and \$468,855 and \$452,193, respectively, of funds restricted for use in other programs. Net assets released from restrictions for the years ended June 30, 2022 and 2021 consist of appropriations from AHRC's endowment amounting to \$450,650 and \$111,114, respectively.

***Contributions, Grants and Bequests***

Contributions, grants and bequests, including unconditional promises to give (pledges), are recognized as revenue in the period received or pledged. AHRC follows guidance which requires organizations to determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. If the agreement (or a referenced document) includes both, the recipient is not entitled to the transferred assets (or a future transfer of assets) until it has overcome the barriers in the agreement.

Contributions received are recorded as support with or without donor restrictions depending on the existence and/or nature of donor restrictions, if any. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. However, the receipt of any restricted contributions whose restrictions expire, or are otherwise satisfied within the period of receipt, are reported as revenue without donor restrictions in the consolidated statement of activities.

***Functional Allocation of Expenses***

The costs of providing AHRC's programs are presented in the consolidated statements of activities and functional expenses. Management and general expenses include executive and financial administration, human resources and information services. Fundraising expenses relate to salaries and benefits, special events and conferences, and leadership professional development events.

***Investments***

Investments consist of common stocks, mutual funds, U.S. government bonds and mortgage-backed obligations, and corporate bonds and are stated at fair value. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Generally, the fair value of investments is determined by reference to quoted market prices as of the reporting date.

Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of these securities, it is at least reasonable that changes in market conditions in the near-term could materially affect the value of the investments reported in the accompanying consolidated financial statements.

**NYSARC, Inc., New York City Chapter and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

AHRC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). In determining the specific investment strategy, AHRC and its investment advisors focus heavily on the purpose of the investment portfolio. Other considerations include spending and investment goals, range of investment alternatives, liquidity constraints, number of investments, risk and diversification. Portfolios must be appropriate in order to be sustainable for the long-term. When adopting AHRC's approach, basic economic drivers are considered as well as three fundamental economic groupings of scenarios: growth, inflation and deflation.

***Receivables, Net of Allowances***

Receivables from government and other agencies are periodically evaluated for collectability. Changes in the estimated collectability of receivables are recorded in the consolidated statement of activities in the period in which the estimate is revised.

Tenant accounts receivable consist of base rents for commercial tenants and their proportionate share of building expenses. Tenant accounts receivable are periodically evaluated for collectability based on past credit history with tenants and their current financial position. Changes in the estimated collectability of tenant accounts receivable are recorded in the change in net assets for the period in which the estimate is revised. Tenant accounts receivable that are deemed uncollectible are offset against the allowance for uncollectible accounts.

Pledges receivable are expected to be collected within one year and are recorded at net realizable value. Pledges receivable are periodically evaluated for collectability. Changes in the estimated collectability of the receivables are recorded in the consolidated statement of activities in the period in which the estimate is revised.

***Depreciation and Amortization***

Depreciation and amortization is provided on the straight-line basis to amortize the cost of the respective assets over their estimated useful lives (or, in the case of leasehold improvements, the lease term, if shorter) as follows:

Equipment	3-15 years
Building and leasehold improvements	2-25 years
Vehicles	4 years
Computer software	3-10 years

Additions and betterments are capitalized, whereas cost of maintenance and repairs are charged to expense as incurred.

***Leasing Commissions***

Leasing commissions consist of certain fees incurred to initiate and renew tenant leases and are amortized on a straight-line basis over the terms of the related leases. For the years ended June 30, 2022 and 2021, amortization expense related to leasing commissions totaled \$99,161 and \$108,178, respectively, and is included in depreciation and amortization expenses in the accompanying consolidated statements of activities and functional expenses.

**NYSARC, Inc., New York City Chapter and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

***Deferred Mortgage and Bond Costs***

Deferred mortgage costs are amortized on the straight-line method over the lives of the related mortgages, which range from 2 to 19 years. The amortization is removed as the obligations come due or are extinguished through refinancing. Deferred mortgage and bond costs are reflected as deductions from the face amount of the debt (see Note 9). Amortization of these deferred costs is included within interest expense.

***Deferred Rent***

Included in prepaid expenses and other assets is \$2,331,357 and \$3,364,860 at June 30, 2022 and 2021, respectively, of net deferred rental income representing the difference between actual rent payments received and the income recognized using the straight-line method.

***Estimates***

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant estimates made relate to the realizability of receivables from government and other agencies, useful lives assigned to fixed assets, realizability of programmatic investments, and actuarial assumptions used in the calculation of accrued employee benefits. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

AHRC considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

AHRC maintains its cash balances with financial institutions located in northeastern United States. At various times throughout the years ended June 30, 2022 and 2021, AHRC maintained cash balances in excess of the Federal Deposit Insurance Corporation insured limits. AHRC has not experienced nor does it anticipate any losses with respect to such accounts.

***Unrelated Business Income Taxes***

Tenant rental revenues, net of building operating expenses from the Lower Manhattan office building acquired in 2005, are considered to be unrelated trade or business income and are therefore subject to federal and state income taxes (see Note 14).

***Debt Service Reserve Funds***

The debt service reserve funds were established from the proceeds of the Dormitory Authority of the State of New York and Facilities Development Corporation mortgage closings. These funds are restricted as security for future disbursements for mortgage principal and interest.

***Restricted Deposits***

Restricted deposits are funds whose use is restricted by outside agencies or persons as contrasted with funds over which Development has complete control or discretion. The restrictions on such funds are described as follows:

**NYSARC, Inc., New York City Chapter and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

Replacement Reserve - Reserve established under the mortgage agreement for replacement of property, plant and equipment. Distributions may be made from the reserve only upon approval by HUD.

Residual Receipts Reserve - Surplus cash maintained by Development to meet requirements established by HUD. Distributions may be made from the reserve only upon approval by HUD. HUD approved various distributions during the year from this account for certain operating expenses incurred and to be applied against certain cash receipts due from HUD for tenant assistance payments.

***Pending Accounting Pronouncements***

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. In response to concerns about structural risks of interbank offered rates (IBORs), and, particularly, the risk of cessation of the London Interbank Offered Rate (LIBOR), regulators in several jurisdictions around the world have undertaken reference rate reform initiatives to identify alternative reference rates that are more observable or transaction based and less susceptible to manipulation. The amendments in this update provide optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The amendments in this update are effective for AHRC upon issuance and may be applied through the fiscal year ended June 30, 2022, and is applicable to all contracts and hedging relationships that reference LIBOR or any other reference rate expected to be discontinued. AHRC has amended and is in the process of amending certain of its lending agreements to replace discontinued reference rates with a reference rate consistent with the requirements of this update.

**NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

AHRC regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. AHRC has various sources of liquidity at its disposal, including cash and cash equivalents, receivables, investments, and drawings on lines of credit.

**NYSARC, Inc., New York City Chapter and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

The following table presents the total financial assets held by AHRC as of June 30, 2022 and 2021 that could be readily made available within one year of the consolidated statement of financial position date to meet general expenditures:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 21,004,651	\$ 3,541,338
Receivables, net	39,744,247	40,960,775
Investments	<u>39,170,872</u>	<u>47,288,979</u>
 Total financial assets	 99,919,770	 91,791,092
Less:		
Amounts subject to the satisfaction of donor-imposed restrictions	(957,935)	(1,902,193)
Receivable related to education program	<u>(1,158,127)</u>	<u>(942,593)</u>
 Total financial assets available, before minimum liquidity requirements	 <u>97,803,708</u>	 <u>88,946,306</u>
 Minimum liquidity requirement	 <u>(10,000,000)</u>	 <u>(10,000,000)</u>
 Total financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 87,803,708</u>	 <u>\$ 78,946,306</u>

In addition to financial assets available to meet general expenditures over the next 12 months, AHRC operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. To manage liquidity, AHRC maintains two lines of credit totaling \$33,000,000 that can be drawn upon as needed during the year to manage cash flow. Amounts borrowed against the lines of credit are repaid as soon as possible to minimize interest expense. 100% of AHRC's investment portfolio consists of highly liquid investments.

The \$10,000,000 liquidity requirement is a financial covenant stipulated in the line of credit agreements.

**NOTE 3 - INVESTMENTS**

AHRC follows guidance with respect to accounting and reporting for the fair value of its financial assets and liabilities. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure and report fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between participants on the measurement date. Fair value requires an organization to determine the unit of account, the mechanism of a hypothetical transfer, and the appropriate market for the asset or liability being measured.

The guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities' own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure and report fair value.

**NYSARC, Inc., New York City Chapter and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

The following describes the hierarchy of inputs used to measure and report fair value and the primary valuation methodologies used by AHRC for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 - Quoted prices in active markets that AHRC has the ability to access for identical assets and liabilities for which significant observable inputs exist. Market price data is generally obtained from exchange or dealer markets as of the reporting date. AHRC does not adjust the quoted price for such assets and liabilities. Investments included in Level 1 may include certain equity and fixed income securities, registered mutual funds and exchange-traded funds;
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the respective asset or liability. This includes use of model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Inputs are obtained from various sources, including market participants, dealers and brokers; and
- Level 3 - Unobservable inputs, as they trade infrequently or not at all, that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while AHRC 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 estimate of fair value at the reporting date.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. Inputs are used in applying the various valuation techniques and broadly refer to the assumptions market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors. AHRC considers observable data to be that market data which is readily available and reliable and provided by independent sources. The categorization of a financial instrument within the hierarchy is therefore based upon the pricing transparency of the instrument and does not necessarily correspond to AHRC's perceived risk of that investment.

**NYSARC, Inc., New York City Chapter and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

Investments (current and long-term) as of June 30, 2022 and 2021 are summarized as follows:

	2022		
	Level 1	Level 2	Total
U.S. government bonds and U.S. government mortgage-backed obligations	\$ -	\$ 6,882,891	\$ 6,882,891
Mutual funds	20,146,769	-	20,146,769
Common stocks	6,119,689	-	6,119,689
Corporate bonds	-	6,979,458	6,979,458
	<u>\$ 26,266,458</u>	<u>\$ 13,862,349</u>	
Investments - current portion			<u>(39,170,872)</u>
Investments - long-term portion (endowment)			<u>\$ 957,935</u>
	2021		
	Level 1	Level 2	Total
U.S. government bonds and U.S. government mortgage-backed obligations	\$ -	\$ 11,799,349	\$ 11,799,349
Mutual funds	25,797,432	-	25,797,432
Common stocks	7,280,518	-	7,280,518
Corporate bonds	-	3,593,836	3,593,836
	<u>\$ 33,077,950</u>	<u>\$ 15,393,185</u>	
Investments - current portion			<u>(47,288,979)</u>
Investments - long-term portion (endowment)			<u>\$ 1,182,156</u>

For the years ended June 30, 2022 and 2021, AHRC recognized net dividend and interest income of \$686,458 and \$542,699, respectively, realized gains of \$863,714 and \$1,055,300, respectively, and unrealized (losses) gains of \$(7,915,835) and \$7,529,095, respectively. For the years ended June 30, 2022 and 2021, dividend and interest income are shown net of investment management fees of \$174,868 and \$156,912, respectively.

**NYSARC, Inc., New York City Chapter and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

**NOTE 4 - RECEIVABLES, NET**

Receivables, net of allowances and liabilities for recoupment, as of June 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
New York State Medicaid	\$ 17,829,109	\$ 19,086,919
New York State Office for People with Developmental Disabilities (OPWDD)	2,143,265	1,763,434
New York City Department of Education	4,222,735	6,740,964
New York State Industries for the Disabled	9,387,731	10,266,291
Other government agencies	6,996,357	3,807,327
Other receivables	<u>3,537,186</u>	<u>4,792,021</u>
	<u>44,116,383</u>	<u>46,456,956</u>
Less:		
Allowance for doubtful accounts	(2,318,622)	(2,125,158)
Liabilities for recoupment	<u>(2,053,514)</u>	<u>(3,371,023)</u>
 Total	 <u>\$ 39,744,247</u>	 <u>\$ 40,960,775</u>

Receivables are pledged as collateral for various obligations of AHRC (see Notes 8 and 9).

Liabilities for recoupments are advances from the government that are paid back through reductions in remittances.

**NOTE 5 - REAL PROPERTY AND EQUIPMENT, NET**

Property and equipment, net, as of June 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Buildings and leasehold improvements	\$ 126,740,350	\$ 122,786,139
Equipment	16,337,859	15,541,206
Computer software	9,265,617	9,068,228
Vehicles	116,778	116,778
Work-in-progress	<u>14,372,829</u>	<u>16,354,153</u>
	<u>166,833,433</u>	<u>163,866,504</u>
Less: Accumulated depreciation and amortization	(103,359,228)	(96,467,152)
Land	<u>12,084,643</u>	<u>13,384,643</u>
 Total	 <u>\$ 75,558,848</u>	 <u>\$ 80,783,995</u>

Real property is pledged as collateral for the mortgages and bonds payable (See Note 9).

**NYSARC, Inc., New York City Chapter and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

As of June 30, 2022 and 2021, work-in-progress consists primarily of costs incurred associated with the development of an industry-specific electronic health record software.

Depreciation amounted to \$7,631,550 and \$7,415,459 for the years ended June 30, 2022 and 2021, respectively. Included in building and leasehold improvements is interest expense of approximately \$1,707,000, incurred while the 83 Maiden Lane, New York, New York building was being renovated, which has been capitalized.

**NOTE 6 - PROGRAMMATIC INVESTMENT**

Programmatic investments by their nature meet two distinct criteria: (1) its primary purpose is to further the tax-exempt objectives of the organization; and (2) the production of income or appreciation of the investment is not a significant purpose for making the investment.

As of June 30, 2022 and 2021, AHRC has advanced funds totaling \$10,000,000 and \$8,740,487, respectively, in a managed-care organization (the "MCO"). In March 2022, AHRC fulfilled its \$10 million funding obligation to the MCO by investing an additional \$1,259,513. The MCO, together with four other chapters of The Arc New York in the New York City metropolitan area, provide a broad range of support and services for people who are neurodiverse, in transition from a fee for service program model to a capitated, comprehensive care management model. The MCO consists of Partners Health Plan, Inc. ("PHP"), a New York not-for-profit corporation, the operating entity which will serve as a health management organization ("HMO") for payment of claims for the support and services delivered to people with intellectual and developmental disabilities in the geographic regions of each chapter. PHP is a licensed HMO under Article 44 of the New York State Public Health Law. The sole member organization of the MCO, Partners Health Services, Inc. ("PHSI"), is the obligor for repayment of the investment until such time that the MCO becomes operational. AHRC is represented by two Board positions in the MCO for which it will have a 2/9 voting authority. Enrollments began on April 1, 2016.

Each fiscal year, AHRC conducts a valuation of its programmatic investment in PHP. The standard of value used is fair value, which is defined in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurements and Disclosures, 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.

During fiscal year 2022, AHRC conducted a valuation of its investment, which determined that the net book value of the investment was unlikely to be recoverable, and as a result recognized a write-down of \$3,457,338, which has been reflected as a component of other items on the accompanying 2022 consolidated statement of activities. The PHP balance as of June 30, 2022 and 2021 is \$0 and \$2,197,825 respectively.

**NOTE 7 - ENDOWMENT**

AHRC's endowment consists of funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

On September 17, 2010, New York State enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). NYPMIFA contains provisions that govern charitable institutions' appropriation and use, among other things, of donor-restricted endowment funds. NYPMIFA updated certain provisions of prior endowment management law that had become outdated. Most significantly, under prior law, charitable institutions were required to maintain the "historic dollar value" of endowment funds, meaning that

**NYSARC, Inc., New York City Chapter and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

institutions could appropriate only a prudent portion of a fund if the value of the fund was greater than the dollar value of the donor's contribution(s) to the fund (i.e., the "historic dollar value"), and the appropriation would not take the fund below that amount, or a prudent portion only of the income from the fund, if the value of the fund was less than the historic dollar value.

Under NYPMIFA, a detailed prudence standard governs appropriation from endowment funds, and there is no longer a requirement to maintain historic dollar value. Prudent appropriation from an endowment fund whose value is less than its historic dollar value is permitted. In particular, NYPMIFA provides that, unless a donor expresses a contrary intention in a gift instrument, a charitable institution may appropriate as much of an endowment fund as it "determines is prudent for the uses, benefits, purposes and duration for which the fund is established," without regard for historic dollar value. As with prior law, NYPMIFA retains the requirement that in making any decision to appropriate, "the institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances." It further provides a new requirement that the institution "shall consider, if relevant" the following eight factors in deciding whether or not to appropriate from an endowment:

- The duration and preservation of its endowment fund;
- The purposes of the institution and its endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appreciation of endowment investments;
- Other resources of the institution;
- Alternatives to expenditure of the endowment fund; and
- The investment policy of the institution.

AHRC's spending policy rate is designed to stabilize annual spending levels and to preserve the real value of its investment portfolio over time. To preserve the portfolio's long-term value, AHRC makes available to be spent each fiscal year 5% of each fund's allocable portions of the portfolio's average fair value, net of fees and taxes (if any), as of June 30 of each of the preceding three years. This spending policy is consistent with AHRC's objectives to utilize earnings to support programs while preserving capital and ensuring future endowment growth.

Endowment funds are invested with investment managers charged with meeting or exceeding the representative index, universe or blended market index and universe that most closely corresponds to the investment manager's style of investment management. The investment strategy emphasizes long-term appreciation of the assets and consistency of total portfolio returns to support general operations while ensuring endowment preservation of capital.

Consistent with endowment accounting for not-for-profit organizations, for funds subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act, AHRC classifies as net assets with donor restrictions (a) the original value of gifts donated to its permanent endowment, (b) the original value of subsequent gifts to its permanent endowment, (c) the net realizable value of future payments to permanent endowment net assets in accordance with the donor's gift instrument (outstanding endowment pledges, net of applicable discount), and (d) accumulations, including appreciation, gains and income, to its permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

**NYSARC, Inc., New York City Chapter and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

For financial reporting purposes, donor-restricted endowment fund appreciation, gains and income are classified as net assets with donor restrictions (accumulated gains) until such amounts are appropriated for expenditure by AHRC in a manner consistent with the standard of prudence prescribed by law. Upon appropriation, appreciation and earnings are reclassified to net assets without donor restrictions.

AHRC's endowment consists of the following as of June 30, 2022 and 2021:

	Net Assets Without Donor Restrictions	2022		Total	Total
		Accumulated Gains	Amounts Held in Perpetuity		
Donor-restricted	\$ -	\$ 457,420	\$ 500,515	\$ 957,935	\$ 957,935
Board-designated	707,673	-	-	-	707,673
<b>Total</b>	<b>\$ 707,673</b>	<b>\$ 457,420</b>	<b>\$ 500,515</b>	<b>\$ 957,935</b>	<b>\$ 1,665,608</b>
	Net Assets Without Donor Restrictions	2021		Total	Total
		Accumulated Gains	Amounts Held in Perpetuity		
Donor-restricted	\$ -	\$ 681,641	\$ 500,515	\$ 1,182,156	\$ 1,182,156
Board-designated	1,011,346	-	-	-	1,011,346
<b>Total</b>	<b>\$ 1,011,346</b>	<b>\$ 681,641</b>	<b>\$ 500,515</b>	<b>\$ 1,182,156</b>	<b>\$ 2,193,502</b>

AHRC's endowment had the following changes for the year ended June 30, 2022:

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions		Total	Total
		Accumulated Gains	Amounts Held in Perpetuity		
Endowment fund, June 30, 2021	\$ 1,011,346	\$ 681,641	\$ 500,515	\$ 1,182,156	\$ 2,193,502
Investment loss	(303,673)	(174,221)	-	(174,221)	(477,894)
Appropriation of endowment assets for expenditures	-	(50,000)	-	(50,000)	(50,000)
<b>Endowment fund, June 30, 2022</b>	<b>\$ 707,673</b>	<b>\$ 457,420</b>	<b>\$ 500,515</b>	<b>\$ 957,935</b>	<b>\$ 1,665,608</b>

**NYSARC, Inc., New York City Chapter and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

AHRC's endowment had the following changes for the year ended June 30, 2021:

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions			Total
		Accumulated Gains	Amounts Held in Perpetuity	Total	
Endowment fund, June 30, 2020	\$ 665,682	\$ 486,692	\$ 500,515	\$ 987,207	\$ 1,652,889
Investment return	345,664	244,949	-	244,949	590,613
Appropriation of endowment assets for expenditures	-	(50,000)	-	(50,000)	(50,000)
Endowment fund, June 30, 2021	<u>\$ 1,011,346</u>	<u>\$ 681,641</u>	<u>\$ 500,515</u>	<u>\$ 1,182,156</u>	<u>\$ 2,193,502</u>

**NOTE 8 - LINES OF CREDIT**

Under a line of credit with a bank, AHRC may borrow an amount not to exceed \$30,000,000. The line of credit provides short-term financing for working capital needs and contains a sublimit of \$5,550,000 for individual term loans for financing of leasehold renovation capital projects. The amount outstanding under this line of credit as of June 30, 2022 and 2021 amounted to \$0 and \$9,971,273, respectively. There was no amount outstanding under the sublimit as of June 30, 2022. Under the line of credit, expiring May 31, 2024, the terms for borrowing are at a rate equal to, at AHRC's option, either (i) the greater of Bloomberg Short-Term Bank Yield ("BSBY") daily floating rate or the Index Floor plus (ii) 145 basis points (1.45%). The Index Floor means 0%. The unused commitment fee is 5 basis points (0.05%).

Borrowings under the line are in the form of individual loans and are collateralized by accounts receivable. Under a line of credit with a bank, expiring May 31, 2024, AHRC New Projects may borrow an amount up to \$3,000,000. The amount outstanding under the line of credit as of June 30, 2022 and 2021 is \$690,585 and \$0, respectively. The terms for borrowing are at a rate equal to, at AHRC's option, either (i) the greater of Bloomberg Short-Term Bank Yield ("BSBY") daily floating rate or the Index Floor plus (ii) 145 basis points (1.45%). The Index Floor means 0%. The unused commitment fee is 5 basis points (0.05%).

NYSARC, Inc., New York City Chapter and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

**NOTE 9 - LONG-TERM DEBT**

Long-term debt at June 30, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
Term loan - Bank of America, one term loan with principal payable in 24 equal monthly installments of \$67,447 and a maturity date of October 1, 2023. The interest rate is 3.41% at June 30, 2022. Accounts receivables of AHRC are pledged as collateral for this obligation in addition to real property.	\$ 8,661,842	\$ 6,838,695
Term loan - Bank of America, one term loan with principal payable in 42 equal monthly installments of \$25,000 and a maturity date of December 1, 2024. The interest rate is one-month LIBOR plus 1.75% (2.81% and 2.25% at June 30, 2022 and 2021, respectively). Accounts receivables of AHRC are pledged as collateral for this obligation in addition to real property.	750,000	1,050,000
Mortgages payable - Loan from U.S. Department of Housing and Urban Development, due through December 1, 2024, payable in monthly installments of \$4,968, including interest at the rate of 9.25% per annum and collateralized by land and building (see Note 5).	132,602	177,660
Bonds payable - Dormitory Authority of the State of New York ("DASNY"), 22 bonds payable, with principal and interest payable monthly, interest rates ranging from 1.075% to 5.70% due through July 2045. Final payment will be made by application of the debt service reserve fund, which was withheld as a deposit from the bond closings. Bonds are collateralized by real property (See Note 5). Under certain conditions, bondholders obtain the right to intercept certain accounts receivable, but that right is subordinate to a prior pledge held by Bank of America.	<u>39,855,235</u>	<u>43,356,729</u>
	49,399,679	51,423,084
Less: Current maturities	(4,116,137)	(4,197,256)
Less: Unamortized deferred mortgage and bond costs	<u>(845,052)</u>	<u>(936,210)</u>
Total	<u>\$ 44,438,490</u>	<u>\$ 46,289,618</u>

**NYSARC, Inc., New York City Chapter and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

The approximate annual maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	
2023	\$ 4,116,000
2024	11,614,000
2025	3,378,000
2026	3,218,000
2027	3,163,000
Thereafter	<u>23,910,000</u>
Total	<u>\$ 49,399,000</u>

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

***Guarantees***

NYSARC, Inc., New York City Chapter, New Projects and Properties guarantee the lines of credit and mortgage obligations of each respective entity.

***Contingencies***

AHRC has been named as a defendant in legal actions involving alleged claims which seek damages in unstated amounts. It is the opinion of AHRC, based on a review of the aforementioned claims by defense attorneys, that insurance coverage is adequate and that the final disposition of such claims will not have a material adverse effect on AHRC's financial position, changes in net assets or liquidity.

**NOTE 11 - MANY HEALTH**

Effective January 1, 2022, AHRC became a member of MANY Health ("MANY"), which is a risk pool for the employee health benefits of AHRC and three other chapters. Under MANY, a portion of AHRC's health benefit costs are self-funded and a portion are pooled with those of the other MANY members. MANY has contracted with Empire Blue Cross Blue Shield as a third-party administrator to adjudicate and process claims. To safeguard against catastrophic claims, MANY purchases stop-loss coverage from a third-party insurance carrier that occurs after \$250,000 in claims per member. MANY bills AHRC a premium equivalent rate to cover the self-funded and pooled portions of the health benefit costs, administrative costs, and stop-loss coverage, which AHRC recognizes as a component of employee benefits expense over the related benefit period.

**NOTE 12 - EMPLOYEE BENEFIT PLANS**

***Defined Contribution Retirement Plans***

AHRC has two defined contribution plans (one plan for unionized employees and one plan for non-unionized employees) established under Section 403(b) of the Internal Revenue Code ("IRC"). Eligible AHRC employees can defer a portion of their salaries up to the federal limit. Eligible employees may elect to contribute to the plan and AHRC will then match at rates varying between 1.0% and 4.0% of eligible compensation depending upon the employee's contribution and length of service. In addition, AHRC can elect to make an annual contribution equal to 1% of an eligible participant's base pay.

**NYSARC, Inc., New York City Chapter and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

Contributions to the plans by AHRC for the years ended June 30, 2022 and 2021 totaled \$2,803,123 and \$2,627,773, respectively.

AHRC has a defined contribution plan under Section 401(a) of the Internal Revenue Code for the benefit of hourly employees included in the plan sponsor's H.I.R.E. program. Covered employees work under direct labor contracts with governmental agencies. The requirements necessary for an employee to become eligible to participate in the plan differ based on the contract with the respective governmental agency.

Contributions to the plan are made by AHRC in accordance with the terms specified by the participant's individual contract with the respective governmental agency. Contributions to the plan by AHRC for the years ended June 30, 2022 and 2021 totaled \$5,410,076 and \$5,444,893, respectively.

***Supplemental Retirement Plan***

Effective January 1, 2004, AHRC established a supplemental plan for its senior executives (the "SERP"). The SERP provides a lump-sum benefit, generally at retirement, following 30 years of service, equal to an annuity paying the participant 60% of the participant's final average compensation from AHRC. The benefit is prorated in cases of employees with less than 30 years of service. The total benefit is reduced by other retirement income sources (both employer funded and employee funded, including AHRC's retirement plan). The 457(b) component of the plan vests immediately. The 457(f) component of the plan is fully vested at the earliest of age 65, death, disability or involuntary termination of employment.

At its March 22, 2012 meeting, the Executive Compensation Committee resolved that the existing SERP shall be preserved for senior executive employees who qualified as eligible for coverage under the SERP as of March 22, 2012. The Executive Compensation Committee also resolved that newly hired executives (i.e., after March 22, 2012) shall participate in a new plan approach generally providing a gross annual defined contribution benefit of 10% of the executive's base pay.

Plan assets are held in trust to pay benefits under the plan. However, these assets are considered assets of AHRC and could be subject to creditor liabilities and claims. Related plan assets are included in other assets on the consolidated statements of financial position.

A summary of AHRC's pension cost, employer net contributions and benefits paid is as follows for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Pension cost	\$ 73,345	\$ 273,098
Employer withdrawals, net of contributions	-	-
Benefits paid	229,083	209,208

The measurement of the net periodic pension cost is based on the following assumptions for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Weighted-average discount rate	0.97%	0.97%
Weighted-average rate of compensation increase	3.00%	3.00%
Weighted-average expected long-term rate of return on plan assets	7.00%	7.00%

**NYSARC, Inc., New York City Chapter and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

The measurement of the benefit obligation is based on the following assumptions:

	<u>2022</u>	<u>2021</u>
Discount rate	3.64%	0.97%
Rate of compensation increase	3.00%	3.00%

The weighted-average expected long-term rate of return on plan assets was derived based on the asset allocation of the plan and the anticipated long-term economic outlook of the trustees of the plan.

The funded status of AHRC's supplemental retirement plan at June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Projected benefit obligation	\$ 5,056,777	\$ 5,282,026
Fair value of plan assets	<u>(5,027,573)</u>	<u>(5,389,770)</u>
Funded status	<u>\$ (29,204)</u>	<u>\$ 107,744</u>
Accumulated benefit obligation	<u>\$ 3,498,392</u>	<u>\$ 3,488,858</u>

The projected benefit obligation for the supplemental retirement plan is reflected within long-term accrued employee benefits on the accompanying consolidated statements of financial position as of June 30, 2022 and 2021.

The following benefit payments are expected to be paid as follows:

<u>Year Ending June 30,</u>	
2023	\$ 2,098,969
2024	478,868
2025	153,572
2026	974,814
2027	170,351
2028-2032	68,767

AHRC's estimated pension cost for the years ended June 30, 2022 and 2021 totaled \$73,345 and \$273,098, respectively. These estimates indicate that AHRC is not expected to make a contribution to the plan for the year ended June 30, 2023.

The amounts represented on the line pension related activity, other than net periodic pension costs within the consolidated statements of activities for the years ended June 30, 2022 and 2021 are comprised of unexpected loss (gain) adjustment of \$578,931 and \$(398,354), respectively, and prior service costs and actuarial gains of \$(158,328) and \$(138,999), respectively. These amounts are not yet reflected in the net periodic pension cost.

Contributions to the plan by AHRC for the years ended June 30, 2022 and 2021 totaled \$40,367 and \$112,448, respectively.

**NYSARC, Inc., New York City Chapter and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

The composition of plan assets as of June 30, 2022 and 2021 is as follows:

	2022		
	Level 1	Level 2	Total
Cash and cash equivalents	\$ 419,558	\$ -	\$ 419,558
Fixed income	-	1,389,720	1,389,720
Equities	3,218,295	-	3,218,295
	\$ 3,637,853	\$ 1,389,720	\$ 5,027,573
			2022
Equities			8.35%
Fixed income			27.64
Cash and cash equivalents			64.01
			100.00%
			2021
	Level 1	Level 2	Total
Cash and cash equivalents	\$ 65,782	\$ -	\$ 65,782
Fixed income	-	1,474,299	1,474,299
Equities	3,849,689	-	3,849,689
	\$ 3,915,471	\$ 1,474,299	\$ 5,389,770
			2021
Equities			71.43%
Fixed income			27.35
Cash and cash equivalents			1.22
			100.00%

In order to provide benefits at normal retirement age, the principal goal of the investment of the funds in the plan is both security and long-term stability with moderate growth commensurate with the anticipated retirement dates of participants. Investments, other than “fixed dollar” investments, are included among the plan’s investments to prevent erosion by inflation. However, investments are to be sufficiently liquid to enable the plan, on short notice, to make some distributions in the event of the death or disability of a participant.

***Fair Value Measurement***

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

The valuation methodologies used for the pension plan assets as of June 30, 2022 and 2021 are all Level 1 observable inputs with the exception of fixed income securities, which are Level 2.

**NYSARC, Inc., New York City Chapter and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

**NOTE 13 - INCOME TAXES**

AHRC is organized under the not-for-profit corporation law of the State of New York. NYSARC, Inc., New York City Chapter, Superior, Home Care, Development, Guardianship Fund, and New Projects have been granted exemption from Federal income tax pursuant to Section 501 (c)(3) of the IRC. Properties has been granted exemption from Federal income tax pursuant to Section 501 (c)(2) of the IRC. AHRC is current with respect to its Federal and New York State income tax filing requirements. Management is not aware of any issues or circumstances that would unfavorably impact its tax exempt status. Management has determined that AHRC had no uncertain tax positions that would require financial statement recognition or disclosure. AHRC is no longer subject to audits by the applicable taxing jurisdictions for periods prior to 2017.

Deferred income taxes are provided for the temporary differences between the financial-reporting basis and the tax basis of New Project's taxable assets and liabilities. The temporary difference is attributable to net operating loss carryforwards.

New Projects incurred net operating losses for the years ended June 30, 2022 and 2021 of approximately \$189,000 and \$569,000, respectively. As of June 30, 2022, the net operating loss available to carryforward is approximately \$7,053,000, which expires over a period of 20 years ranging between 2027 and 2041.

New Projects has a fully reserved deferred tax asset of approximately \$1,481,000 from net operating losses. Management has determined that it is more likely than not that the majority of the deferred tax asset will not be realized in future years.

**NOTE 14 - LEASES**

***Accounting Policies***

AHRC determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. AHRC determines these assets are leased because AHRC has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because AHRC determines it does not have the right to control and direct the use of the identified asset. AHRC's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, AHRC separately identifies lease and non-lease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office buildings, apartments and vehicles. AHRC has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

Leases result in the recognition of ROU assets and lease liabilities on the consolidated statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. AHRC determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. AHRC has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

**NYSARC, Inc., New York City Chapter and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

The lease term may include options to extend or to terminate the lease that AHRC is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

AHRC has elected not to record leases with an initial term of 12 months or less on its consolidated statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

***Nature of Leases***

AHRC has various real estate leases for office and instructional space, housing, land and storage space that expire in various years through 2112. These leases generally contain renewal options for periods ranging from two years to 10 years and require AHRC to pay all executory costs (property taxes, maintenance and insurance). Lease payments have an escalating fee schedule, which range from 0% to 3% increase each year. Termination of the leases is generally prohibited unless there is a violation under the lease agreement. A portion of certain leased space is subleased under leases expiring over the next 12 years. AHRC also has various operating leases for vehicles and equipment.

***Short-Term Leases***

AHRC has certain leases that are for a period of 12 months or less or contain renewals for periods of 12 months or less.

***Quantitative Disclosures***

The lease cost and other required information for the years ended June 30 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Lease cost		
Operating lease cost	\$ 18,210,009	\$ 18,455,522
Short term lease cost	281,120	-
Variable lease cost	1,288,740	1,599,730
Sublease income	<u>(310,580)</u>	<u>(323,820)</u>
Total lease cost	<u>\$ 19,469,289</u>	<u>\$ 19,731,462</u>
Operating cash flows from operating leases	\$ 16,670,710	\$ 16,855,822
ROU assets obtained in exchange for new operating lease liabilities	\$ 6,173,654	\$ 988,627
Weighted-average remaining lease term:		
Operating leases	9.61 years	11.27 years
Weighted-average discount rate:		
Operating leases	1.96%	1.95%

**NYSARC, Inc., New York City Chapter and Affiliates**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2022 and 2021**

Future minimum lease payments and reconciliation to the consolidated statement of financial position at June 30, 2022, are as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>
2023	\$ 14,651,978
2024	14,001,175
2025	13,493,819
2026	12,890,601
2027	11,366,543
Thereafter	58,786,141
	125,190,257
Total future undiscounted lease payments	
Less: interest	(11,722,224)
Lease liabilities	\$ 113,468,033

**NOTE 15 - GAIN ON SALE OF BUILDING**

During fiscal 2021, AHRC actively sought a purchaser for an adult day services facility in Long Island City, New York. During fiscal 2022, AHRC sold the building at an amount greater than the carrying value of the related assets. The gain on the sale of the building totaled \$26,185,781 for the year ended June 30, 2022.

**NOTE 16 - SUBSEQUENT EVENTS**

AHRC has evaluated subsequent events through December 6, 2022, the date the consolidated financial statements were available for issuance, and noted no events that require recognition or disclosure in the consolidated financial statements.

UNIFORM GUIDANCE SUPPLEMENTARY INFORMATION

NYSARC, Inc., New York City Chapter and Affiliates

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2022

Federal Grantor/Pass-through Grantor/Program Title	Pass-through Entity's Identifying Number	Assistance Listing Number	Federal Expenditures
<b>U.S. Department of Labor</b>			
<b>Workforce Innovation and Opportunity Act ("WIOA") Cluster</b>			
Passed through from NYC Department of Youth and Community Development			
Out-of-School Youth (OSY) - Brooklyn Train and Earn	CT126020211402867	17.259	\$ 584,858
Out-of-School Youth (OSY) - Bronx Train and Earn	CT126020211402866	17.259	997,631
Out-of-School Youth (OSY) - Staten Island Train and Earn	CT126020211402868	17.259	416,790
Advance and Earn Program	CT126020201412781	17.259	<u>1,442,765</u>
Total Assistance Listing Number 17.259			<u>3,442,044</u>
Total WIOA Cluster			<u>3,442,044</u>
Total U.S. Department of Labor			<u>3,442,044</u>
<b>U.S. Department of Health and Human Services</b>			
Passed through from Planned Parenthood of Greater New York, Inc.			
Adolescent Health Programs	1 TP2AH000068-01-00	93.297	<u>48,536</u>
Direct Award			
Child Care Stabilization Grant	N/A	93.575	<u>601,700</u>
Direct Award			
Provider Relief Fund	N/A	93.498	<u>5,616,481</u>
Total U.S. Department of Health and Human Services			<u>6,266,717</u>
Total Expenditures of Federal Awards			<u>\$ 9,708,761</u>

This schedule should be read in conjunction with the accompanying notes thereto.

**NYSARC, Inc., New York City Chapter and Affiliates**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the year ended June 30, 2022**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant expenditures of NYSARC, Inc., New York City Chapter and Affiliates (collectively, "AHRC") for the year ended June 30, 2022, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance").

**NOTE 2 - INDIRECT COST RATE**

AHRC has elected not to use the 10% de-minimus indirect cost rate allowed under the Uniform Guidance.

**NOTE 3 - SUBRECIPIENTS**

No amounts were provided to subrecipients during the year ended June 30, 2022.

---

**GRANT THORNTON LLP**

757 Third Avenue, 9<sup>th</sup> Floor  
New York, NY 10017

**D** +1 212 599 0100

**F** +1 212 370 4520

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT  
AUDITING STANDARDS***

To the Board of Directors of  
NYSARC, Inc., New York City Chapter and Affiliates:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of NYSARC, Inc., New York City Chapter and Affiliates (collectively, "AHRC"), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 6, 2022.

**Report on internal control over financial reporting**

In planning and performing our audit of the consolidated financial statements, we considered AHRC's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of AHRC's internal control. Accordingly, we do not express an opinion on the effectiveness of AHRC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of AHRC's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on compliance and other matters**

As part of obtaining reasonable assurance about whether AHRC's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of AHRC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AHRC's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

*Grant Thornton LLP*

New York, New York  
December 6, 2022

---

**GRANT THORNTON LLP**

757 Third Avenue, 9<sup>th</sup> Floor  
New York, NY 10017

**D** +1 212 599 0100

**F** +1 212 370 4520

## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
NYSARC, Inc., New York City Chapter and Affiliates:

### **Report on compliance for each major federal program**

#### **Opinion on each major federal program**

We have audited the compliance of NYSARC, Inc., New York City Chapter and Affiliates (collectively, "AHRC") with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget's *OMB Compliance Supplement* that could have a direct and material effect on each of AHRC's major federal programs for the year ended June 30, 2022. AHRC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, AHRC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

#### **Basis for opinion on each major federal program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (US GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of AHRC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of AHRC's compliance with the compliance requirements referred to above.

#### **Responsibilities of management for compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to AHRC's federal programs.

### **Auditor's responsibilities for the audit of compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on AHRC's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about AHRC's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with US GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding AHRC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of AHRC's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on internal control over compliance**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a

material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in AHRC's internal control over compliance that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this Report on Internal Control Over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Grant Thornton LLP*

New York, New York  
March 14, 2023

**NYSARC, Inc., New York City Chapter and Affiliates**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the year ended June 30, 2022**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Consolidated financial statements:**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_ yes  X  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_ yes  X  none reported
- Noncompliance material to consolidated financial statements noted? \_\_\_ yes  X  no

**Federal awards:**

Internal control over the major program:

- Material weakness(es) identified? \_\_\_ yes  X  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_ yes  X  none reported

Type of auditor's report issued on compliance for the major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 516(a) of the Uniform Guidance? \_\_\_ yes  X  no

**Identification of the major program:**

<b>Federal Grantor/Program or Cluster Title</b>	<b>Assistance Listing Number</b>
U.S. Department of Health and Human Services: Provider Relief Fund	93.498

**Dollar threshold used to distinguish between type A and type B programs:** \$750,000

Auditee qualified as low-risk auditee?  X  yes \_\_\_ no

**NYSARC, Inc., New York City Chapter and Affiliates**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**For the year ended June 30, 2022**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None noted.

**SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None noted.