

YAI AND AFFILIATES



CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION (Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2021 AND 2020

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

YAI AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
(Together with Independent Auditors' Report)
YEARS ENDED JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
YAI and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Young Adult Institute, Inc. d/b/a YAI ("YAI") and its Affiliates: The Manhattan Star Academy ("MSA"), The International Academy of Hope ("IHOPE"), Premier HealthCare, Inc. ("PHC") and the International Institute for People with Disabilities of Puerto Rico, Inc. ("IIPD-PR") (YAI and its Affiliates are collectively referred to as the "Agency"), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Agency as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the consolidated financial statements, during the year ended June 30, 2021, the Agency adopted Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to this matter.

Other Matter - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules (shown on pages 18-19) are presented for the purposes of additional analysis of the consolidated financial statements, rather than to present the financial position, change in net assets and cash flows of the individual affiliates, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Marks Paneth LLP

New York, NY
December 1, 2021

YAI AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents (Notes 2D and 12)	\$ 8,203,532	\$ 7,372,223
Short-term investments (Notes 2E and 5)	32,938,526	15,665,753
Government receivables, net (Notes 2F and 4)	30,652,456	37,500,999
Tuition receivables, net (Note 2F)	29,416,935	21,280,596
Other receivables, net (Notes 2F and 2I)	5,975,241	9,489,853
Prepaid expenses and other assets	10,368,927	10,140,358
Property and equipment, net (Notes 2H, 6 and 7)	55,252,919	51,930,803
Lease right to use asset (Notes 2O and 8A)	131,970,964	-
Debt service reserve (Note 2N)	3,230,192	2,870,580
TOTAL ASSETS	\$ 308,009,692	\$ 156,251,165
LIABILITIES		
Accounts payable and accrued expenses	\$ 12,738,175	\$ 16,077,065
Accrued salary	14,633,130	9,249,630
Accrued vacation	6,650,834	5,105,927
Accrued pension (Note 13)	2,303,457	1,455,789
Other liabilities (Note 9D)	14,462,751	10,157,044
Due to funding sources (Note 9B)	2,987,740	4,791,826
Refundable advances (Note 10)	6,539,204	-
Notes and mortgages payable (Notes 2N and 7)	69,516,614	64,115,662
Capital lease obligations (Note 8B)	2,658,072	2,856,134
Lease liability (Notes 2O and 8A)	136,650,458	-
Deferred rent (Note 2L)	-	3,146,427
TOTAL LIABILITIES	269,140,435	116,955,504
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS (Note 2C)		
Net assets without donor restrictions		
Net invested in property and equipment	9,800,596	13,218,664
Available for operations	27,555,309	24,582,656
Total without donor restrictions	37,355,905	37,801,320
Net assets with donor restrictions (Note 11)	1,513,352	1,494,341
TOTAL NET ASSETS	38,869,257	39,295,661
TOTAL LIABILITIES AND NET ASSETS	\$ 308,009,692	\$ 156,251,165

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

YAI AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2021</u>	<u>Total 2020</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Operating Revenue and Support						
Medicaid (Notes 2G, 2K and 14)	\$ 160,791,359	\$ -	\$ 160,791,359	\$ 170,512,211	\$ 170,512,211	\$ -
Government grants (Note 2G)	19,945,808	-	19,945,808	21,728,121	21,728,121	-
Medicare and client fees (Notes 2G and 14)	13,008,927	-	13,008,927	13,076,964	13,076,964	-
Tuition (Notes 2G and 14)	28,696,988	-	28,696,988	26,858,428	26,858,428	-
Other revenues	4,027,686	-	4,027,686	4,782,482	4,782,482	-
Contributions (Note 2I)	2,607,396	384,759	2,992,155	2,624,802	1,610,785	1,014,017
Paycheck Protection Program (Note 10)	7,686,850	-	7,686,850	-	-	-
Special events (net of direct costs of \$22,999 and \$257,835)	497,163	-	497,163	231,903	150,123	81,780
Investment activity (Note 5)	1,418,626	-	1,418,626	862,870	862,870	-
Net assets released from restrictions (Note 2C)	365,748	(365,748)	-	-	336,276	(336,276)
Total Operating Revenue and Support	<u>239,046,551</u>	<u>19,011</u>	<u>239,065,562</u>	<u>240,677,781</u>	<u>239,918,260</u>	<u>759,521</u>
Operating Expenses:						
Program Services:						
Residential services	114,998,340	-	114,998,340	108,507,732	108,507,732	-
Day and community services	45,277,829	-	45,277,829	58,576,796	58,576,796	-
Clinical services	21,770,956	-	21,770,956	21,292,372	21,292,372	-
Educational services	21,599,768	-	21,599,768	20,111,113	20,111,113	-
Employment services	2,306,481	-	2,306,481	2,504,264	2,504,264	-
Total Program Services	<u>205,953,374</u>	<u>-</u>	<u>205,953,374</u>	<u>210,992,277</u>	<u>210,992,277</u>	<u>-</u>
Supporting Services:						
Management and general	28,531,778	-	28,531,778	27,958,149	27,958,149	-
Fundraising	836,392	-	836,392	481,457	481,457	-
Total Supporting Services	<u>29,368,170</u>	<u>-</u>	<u>29,368,170</u>	<u>28,439,606</u>	<u>28,439,606</u>	<u>-</u>
Total Operating Expenses	<u>235,321,544</u>	<u>-</u>	<u>235,321,544</u>	<u>239,431,883</u>	<u>239,431,883</u>	<u>-</u>
Change In Net Assets From Operations	3,725,007	19,011	3,744,018	1,245,898	486,377	759,521
Non-Operating Activities						
Benefit obligation in excess of plan assets (Note 9D)	(4,170,422)	-	(4,170,422)	(392,418)	(392,418)	-
Total Non-Operating Activities	(4,170,422)	-	(4,170,422)	(392,418)	(392,418)	-
CHANGE IN NET ASSETS	(445,415)	19,011	(426,404)	853,480	93,959	759,521
Net Assets - Beginning of Year	37,801,320	1,494,341	39,295,661	33,722,896	33,020,687	702,209
Change in reporting entity	-	-	-	4,719,285	4,686,674	32,611
NET ASSETS - END OF YEAR	<u>\$ 37,355,905</u>	<u>\$ 1,513,352</u>	<u>\$ 38,869,257</u>	<u>\$ 39,295,661</u>	<u>\$ 37,801,320</u>	<u>\$ 1,494,341</u>

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

YAI AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	Program Services					Supporting Services					
	Residential Services	Day and Community Services	Clinical Services	Educational Services	Employment Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2021	Total 2020
Salaries	\$ 70,835,209	\$ 23,616,895	\$ 11,125,873	\$ 11,986,820	\$ 1,684,283	\$ 119,249,080	\$ 12,063,700	\$ 525,353	\$ 12,589,053	\$ 131,838,133	\$ 133,012,699
Payroll taxes and benefits (Note 13)	19,536,039	6,496,933	3,043,941	2,761,881	466,681	32,305,475	2,467,766	153,303	2,621,069	34,926,544	34,379,836
Total Personnel Costs	90,371,248	30,113,828	14,169,814	14,748,701	2,150,964	151,554,555	14,531,466	678,656	15,210,122	166,764,677	167,392,535
Contracted services	1,282,635	335,865	1,965,284	227,980	1,884	3,813,648	1,398,761	7,525	1,406,286	5,219,934	6,586,907
Professional fees	95,791	85,518	35,982	455,753	2,071	675,115	1,947,469	24,819	1,972,288	2,647,403	2,194,095
Program supplies	3,314,986	1,238,874	635,526	244,482	3,330	5,437,198	137,494	335	137,829	5,575,027	5,852,169
Food	2,620,087	46,662	-	1,780	-	2,668,529	15	-	15	2,668,544	3,039,647
Transportation	1,772,067	3,627,460	30,187	1,207	37,097	5,468,018	42,117	430	42,547	5,510,565	12,120,582
Office and equipment expense	1,086,814	188,478	138,118	219,172	7,462	1,640,044	324,606	37,119	361,725	2,001,769	2,829,792
Staff development and expenses	174,525	109,765	36,252	75,778	6,359	402,679	295,408	1,377	296,785	699,464	1,024,411
Occupancy (Note 8)	2,959,431	6,198,216	2,611,489	3,019,094	24,612	14,812,842	3,107,675	11	3,107,686	17,920,528	15,194,960
Repairs and maintenance	2,210,020	1,030,458	374,746	479,382	8,707	4,103,313	72,652	-	72,652	4,175,965	3,676,751
Insurance	1,743,110	613,883	230,908	-	28,929	2,616,830	1,121,586	-	1,121,586	3,738,416	3,081,872
Utilities	1,484,950	447,084	109,153	360,895	-	2,402,082	85,038	-	85,038	2,487,120	2,437,061
Telephone	564,374	260,198	96,186	11,092	8,029	939,879	262,360	417	262,777	1,202,656	1,470,339
Information technology	748,211	413,991	675,082	83,136	24,511	1,944,931	2,337,725	10,293	2,348,018	4,292,949	4,335,233
Depreciation and amortization (Notes 2H and 6)	2,752,860	377,285	463,517	323,204	901	3,917,767	961,833	-	961,833	4,879,600	4,868,319
Interest	1,718,112	105,062	10,138	6,985	-	1,840,297	1,217,372	-	1,217,372	3,057,669	2,549,688
Bad debt	98,126	84,241	188,563	1,340,998	1,625	1,713,553	206,400	-	206,400	1,919,953	484,753
Miscellaneous	993	961	11	129	-	2,094	481,801	75,410	557,211	559,305	292,769
TOTAL EXPENSES	\$ 114,998,340	\$ 45,277,829	\$ 21,770,956	\$ 21,599,768	\$ 2,306,481	\$ 205,953,374	\$ 28,531,778	\$ 836,392	\$ 29,368,170	\$ 235,321,544	\$ 239,431,883

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

YAI AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services					Supporting Services				Total 2020
	Residential Services	Day and Community Services	Clinical Services	Educational Services	Employment Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 66,961,208	\$ 28,791,866	\$ 11,164,071	\$ 11,354,134	\$ 1,739,105	\$ 120,010,384	\$ 12,657,491	\$ 344,824	\$ 13,002,315	\$ 133,012,699
Payroll taxes and benefits (Note 13)	17,242,023	7,529,188	2,128,696	3,463,955	441,942	30,805,804	3,476,626	97,406	3,574,032	34,379,836
Total Personnel Costs	84,203,231	36,321,054	13,292,767	14,818,089	2,181,047	150,816,188	16,134,117	442,230	16,576,347	167,392,535
Contracted services	2,024,498	516,734	2,107,399	377,766	4,277	5,030,674	1,556,233	-	1,556,233	6,586,907
Professional fees	166,116	160,664	19,907	407,808	3,577	758,072	1,429,676	6,347	1,436,023	2,194,095
Program supplies	3,327,012	1,731,718	461,040	202,658	34,884	5,757,312	91,037	3,820	94,857	5,852,169
Food	2,871,255	163,592	2,958	1,468	109	3,039,382	265	-	265	3,039,647
Transportation	1,749,008	10,088,111	144,991	2,488	16,333	12,000,931	118,831	820	119,651	12,120,582
Office and equipment expense	817,990	291,601	272,578	153,990	14,354	1,550,513	1,264,795	14,484	1,279,279	2,829,792
Staff development and expenses	228,214	181,481	77,628	60,059	3,401	550,783	471,295	2,333	473,628	1,024,411
Occupancy (Note 8)	2,593,715	5,619,178	2,337,349	2,885,883	142,452	13,578,577	1,616,383	-	1,616,383	15,194,960
Repairs and maintenance	1,982,327	958,262	343,241	241,651	10,093	3,535,574	141,177	-	141,177	3,676,751
Insurance	1,874,788	646,751	186,273	18,399	35,028	2,761,239	320,633	-	320,633	3,081,872
Utilities	1,427,583	516,500	101,518	224,285	8,798	2,278,684	158,377	-	158,377	2,437,061
Telephone	650,288	332,250	119,244	17,393	25,290	1,144,465	324,749	1,125	325,874	1,470,339
Information technology	538,224	373,356	905,956	74,413	23,193	1,915,142	2,414,579	5,512	2,420,091	4,335,233
Depreciation and amortization (Notes 2H and 6)	2,805,343	551,084	728,182	303,806	1,381	4,389,796	478,523	-	478,523	4,868,319
Interest	1,246,109	121,565	7,321	6,958	41	1,381,994	1,167,694	-	1,167,694	2,549,688
Bad debt	1,346	147	183,260	300,000	-	484,753	-	-	-	484,753
Miscellaneous	685	2,748	760	13,999	6	18,198	269,785	4,786	274,571	292,769
TOTAL EXPENSES	\$ 108,507,732	\$ 58,576,796	\$ 21,292,372	\$ 20,111,113	\$ 2,504,264	\$ 210,992,277	\$ 27,958,149	\$ 481,457	\$ 28,439,606	\$ 239,431,883

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

YAI AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (426,404)	\$ 853,480
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,879,600	4,868,319
Non-cash interest expense	405,191	233,231
Unrealized gain on short-term investments	(927,984)	(363,994)
Realized gain on short-term investments	(100,001)	(102,981)
Bad debt	1,919,953	484,753
Loss on disposal of property and equipment	10,884	-
Subtotal	5,761,239	5,972,808
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Government receivables	4,928,590	(7,153,318)
Tuition receivables	(8,136,339)	(11,793,051)
Prepaid expenses and other assets	(228,569)	(2,482,463)
Other receivables	3,514,612	(35,013)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(3,338,890)	3,965,147
Accrued salary	5,383,500	243,389
Accrued vacation	1,544,907	799,843
Accrued pension	847,668	(733,471)
Due to funding sources	(1,804,086)	(1,994,958)
Refundable advances	6,539,204	-
Lease liability and deferred rent	1,533,067	1,196,922
Other liabilities	4,305,707	(1,454,833)
Net Cash Provided by (Used in) Operating Activities	20,850,610	(13,468,998)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(8,212,600)	(10,729,412)
Purchases of short-term investments	(43,092,761)	(4,810,352)
Proceeds from sale of short-term investments	26,847,973	2,875,390
Decrease in debt service reserve	(359,612)	(237,618)
Net Cash Used in Investing Activities	(24,817,000)	(12,901,992)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes and mortgages	21,304,805	25,471,600
Principal repayments of notes and mortgages	(15,446,068)	(3,669,805)
Bond issuance cost	(862,976)	(588,975)
Principal capital lease obligations	883,074	2,248,730
Principal repayments of capital lease obligations	(1,081,136)	(351,048)
Net Cash Provided by Financing Activities	4,797,699	23,110,502
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	831,309	(3,260,488)
Cash and Cash Equivalents - Beginning of Year	7,372,223	10,632,711
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 8,203,532	\$ 7,372,223
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 2,652,478	\$ 2,316,457

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

YAI AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The Young Adult Institute, Inc. d/b/a YAI ("YAI") is organized under the Not-for-Profit Corporation Law of New York State and was incorporated in 1964. YAI has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. YAI has an equivalent exemption at the state and local levels.

YAI serves people of all ages with developmental and learning disabilities in a variety of community settings and at home through state-of-the-art programs that help to build skills, expand opportunities, and support community living. YAI's many programs and direct services benefit thousands of individuals and their families daily throughout the New York metropolitan area. YAI is funded primarily by Medicaid. YAI has over 300 programs and direct services that benefit over 21,000 individuals and their families daily throughout the New York metropolitan area and California.

YAI is part of a network of independent agencies, collectively known as the YAI Network. The network provides programs and support for people with intellectual and developmental disabilities throughout New York City, Westchester County, Rockland County, Long Island, New Jersey and California. YAI is the sole corporate member of these agencies which have been included in the consolidated financial statements (collectively, the "Agency"). Further descriptions follow:

- YAI is the sole corporate member of Premier Healthcare, Inc. ("PHC"). PHC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. PHC has an equivalent exemption at the state and local levels. PHC is an outpatient diagnostic and treatment center offering health care services to the general public with a specialty in medical services for people with developmental and learning disabilities and their families in many sites throughout the New York area. PHC is a quality health care practice providing outpatient clinic services which include: primary health, pediatrics, internal medicine, dentistry (including desensitization), nutrition, audiology, neurology, podiatry, psychiatry, physical therapy, occupational therapy, ophthalmology, speech pathology and psychology. PHC's primary source of revenue is patient service fees received from Medicaid, Medicare and other third-party payors.
- Effective July 1, 2019, YAI became the sole corporate member of The Manhattan Star Academy ("MSA"). MSA is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. MSA offers a continuum of care for school-age children with a diverse range of diagnoses, including developmental delays, autism spectrum disorders and speech language disorders.
- Effective July 1, 2019, YAI became the sole corporate member of The International Academy of Hope ("IHOPE"). IHOPE is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. IHOPE provides educational and related services to children, adolescents, and young adults from ages 5 years to 21 years old, who have sustained acquired brain injuries or other brain-based disorders who cannot be served in their local school systems.
- YAI is the sole corporate member of the International Institute for People with Disabilities of Puerto Rico, Inc. ("IIPD-PR"), which was incorporated in 1998 under the Not-for-Profit Corporation Law of the Commonwealth of Puerto Rico. IIPD-PR has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has a similar exemption at the state and local levels. IIPD-PR's mission is to create employment opportunities for people with disabilities. By providing competitive employment opportunities for persons with disabilities, IIPD-PR demonstrated a commitment to independence, community inclusion and productivity for people with special needs. IIPD-PR had no programmatic operations during the fiscal years ended June 30, 2021 and 2020.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting and Use of Estimates - The Agency's consolidated financial statements have been prepared on the accrual basis of accounting. The Agency adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

YAI AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- B. *Basis of Consolidation*** - The Agency's accompanying consolidated financial statements include the activities of: YAI; PHC; MSA; IHOPE; and IIPD-PR. YAI has consolidated these entities pursuant to U.S. GAAP due to its financial interest and control over them. All material intercompany transactions and balances have been eliminated upon consolidation.
- C. *Basis of Net Asset Presentation*** - The Agency maintains its net assets under the following two classes:
- Without donor restrictions – represents resources available for support of the Agency's operations over which the Board of Trustees has discretionary control as well as investment in property, plant and equipment.
- With donor restrictions – represents assets resulting from contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Agency pursuant to those stipulations. When a 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.
- D. *Cash and Cash Equivalents*** - The Agency classifies cash equivalents as highly liquid financial instruments with maturities of three months or less when acquired, except for those short-term investments managed by investment managers as part of the Agency's investment strategies and the debt service reserve. Program participant funds included in cash and cash equivalents amounted to approximately \$317,000 and \$137,000 for the years ended June 30, 2021 and 2020, respectively. Such amounts are also included as a liability in the accompanying consolidated financial statements.
- E. *Short-term Investments and Fair Value Measurements*** - Short-term investments are carried at fair value. Fair value measurements are based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 5.
- F. *Allowance for Uncollectible Receivables*** - The Agency determines whether an allowance for uncollectible receivables should be provided for accounts receivable. Such estimate is based on management's assessment of the aged basis of its receivables, current economic conditions, historical experience, and collections subsequent to year end. As of June 30, 2021 and 2020, the Agency determined an allowance of approximately \$2.6 and \$2.5 million, respectively, for government receivables and approximately \$3.4 million and \$1.9 million for tuition receivables was necessary. In addition, the Agency has established an allowance for doubtful accounts for other receivables of approximately \$0 and \$1.2 million, respectively, as of June 30, 2021 and 2020.
- G. *Revenue Recognition*** - The Agency records Medicaid revenue based on established rates multiplied by the number of units of service provided. Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. Tuition is derived from contracts with customers and recognized during the school year upon exchange of contracted services. To the extent amounts received exceed amounts spent, the Agency records a liability due to funding sources. Other revenue includes management programmatic services provided to other network agencies. Such revenue is recorded based on the support service agreement. Medicaid and tuition is accounted for under Accounting Standards Codification ("ASC") Topic 606. Government grants are accounted for under Accounting Standard Update ("ASU") 2018-08 and amounted to \$19,990,045 and \$21,728,121 for the years ended June 30, 2021 and 2020, respectively. For the years ended June 30, 2021 and 2020, respectively, the Agency received conditional grants and contracts from government agencies in the aggregate amount of \$8.2 million and \$11 million. Such grants have not been recognized in the accompanying consolidated financial statements as they are for further periods and will be recognized when contract barriers are overcome.

YAI AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- H. *Property and Equipment*** - Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the applicable lease. Property and equipment is capitalized by the Agency provided its cost is \$5,000 or more and its useful life is greater than one year.
- I. *Contributions*** - Unconditional contributions, including promises to give cash and other assets, are reported at their fair value on the date the contribution is received. The Agency reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose of restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Contributions are accounted for under ASU 2018-08. Conditional contributions pertaining to future years are disclosed when material.
- J. *Functional Expenses*** - The costs of providing program and supporting services of the Agency have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, expenses that are not directly charged to programs and supporting services are allocated among programs and supporting services. The expenses that are allocated include occupancy and maintenance, which is allocated on a square footage basis, as well as payroll taxes and benefits, which are allocated on the basis of estimates of time and effort.
- K. *Prior Period Revenue*** - There are occasions when funding source reimbursements for prior years are adjusted in the current year. Such adjustments may be due to retroactive rate adjustments, funding source audit findings, additional monies available over and above original contract amounts, rate appeal results, etc. Included in Medicaid revenue for the years ended June 30, 2021 and 2020 is an increase of approximately \$1 million and a decrease of approximately \$144,000 of prior year revenues relating to such adjustments.
- L. *Deferred Rent*** - The Agency leases real property under various operating leases. The leases include rent escalations. Since the rent increases over time, the Agency records an adjustment to rent expense each year to reflect its straight-lining policy. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent in the accompanying consolidated statements of financial position. (see Note 2O).
- M. *Bond Issuance Costs*** - Bond issuance costs consist of financing costs which are amortized over the life of the bond. The amortization is on the straight-line method which does not differ materially from the effective interest rate method.
- N. *Debt Service Reserve*** - Under the terms of the Dormitory Authority of the State of New York (“DASNY”), the Agency is required to deposit with the bond trustee an amount to be held in a debt service reserve fund, which will be utilized to satisfy the last payment required on the mortgage, or can be used prior to that point under the direction of DASNY to make any loan payments due by reason of default or other causes spelled out in the loan agreement. The debt service reserve is carried at market value in the accompanying consolidated statements of financial position.
- O. *Recent Accounting Pronouncements*** - Financial Accounting Standards Board (“FASB”) ASU 2016-02, *Leases* (Topic 842) was adopted by the Agency for the year ended June 30, 2021. The ASU requires organizations that lease assets to recognize the present value of the assets and liabilities for the rights and obligations created by those leases. The adoption of the ASU required the Agency to record amounts as of July 1, 2020. This resulted in operating lease right-of-use assets of \$131,970,964 and a lease liability of \$136,650,458 as of June 30, 2021. The adoption of ASU 2016-02 did not affect the change in net assets as previously reported.

YAI AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 – LIQUIDITY AND AVAILABILITY

The financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement financial position date, include the following as of June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 8,203,532	\$ 7,372,223
Short-term investments	32,938,526	15,665,753
Government receivables, net	30,652,456	37,500,999
Tuition receivables, net	29,416,935	21,280,596
Other receivables, net	<u>5,975,241</u>	<u>9,489,853</u>
Total Financial Assets	107,186,690	91,309,424
Less: Other receivables due in more than one year	(2,100,000)	(2,100,000)
Less: Program participant funds	(316,770)	(137,102)
Less: Net assets with donor restrictions	<u>(1,529,611)</u>	<u>(1,494,341)</u>
	<u>\$ 103,240,309</u>	<u>\$ 87,577,981</u>

The Agency strives to maintain liquid financial assets sufficient to cover expenditures. Revenue from funders are expected to cover most expenses. Financial assets are available to fund any programs or supporting services with unanticipated shortfalls. In addition, as noted in Note 7, the Agency has multiple lines of credit totaling a maximum drawdown of \$42 million.

NOTE 4 – GOVERNMENT RECEIVABLES

Government receivables consists of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Due from Medicaid	\$ 21,246,002	\$ 25,760,344
Due from the State of New York	8,436,235	10,328,627
Due from the City of New York	605,094	1,061,311
Due from other sources	<u>3,205,848</u>	<u>2,800,793</u>
	33,493,179	39,951,075
Less: allowance for doubtful accounts	<u>(2,840,723)</u>	<u>(2,450,076)</u>
	<u>\$ 30,652,456</u>	<u>\$ 37,500,999</u>

NOTE 5 – SHORT-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS

Short-term investments consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 15,068,680	\$ 3,822,298
Mutual funds	4,594,956	2,841,390
Corporate bonds	3,411,730	3,052,408
Government bonds	8,951,292	5,445,764
Multi-strategy investments	<u>911,868</u>	<u>503,893</u>
	<u>\$ 32,938,526</u>	<u>\$ 15,665,753</u>

Investment activity consists of the following for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Interest	\$ 390,641	\$ 395,895
Realized gain	100,001	102,981
Unrealized gain	<u>927,984</u>	<u>363,994</u>
	<u>\$ 1,418,626</u>	<u>\$ 862,870</u>

YAI AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5 – SHORT-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs. The Agency has no Level 3 investments.

In determining fair value, the Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. Investments in money markets and U.S. Treasury bills are valued using market prices in active markets (Level 1). Fair value of these investments is determined by management through the investment managers. Level 1 instrument valuations are obtained from real-time quotes in active exchange markets involving identical assets. Corporate bonds, U.S. Government bonds and multi-strategy investments are designated as Level 2 instruments and valuations are obtained from similar market or model derived valuations in which all significant inputs are observable or can be derived primarily from or corroborated with observable market data (credit risk/grade, maturities, etc.).

Financial assets carried at fair value as of June 30, 2021 are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Short-term investments:			
Money market funds	\$ 15,068,680	\$ -	\$ 15,068,680
Mutual funds	4,594,956	-	4,594,956
Corporate bonds	-	3,411,730	3,411,730
Government bonds	-	8,951,292	8,951,292
Multi-strategy investments	-	911,868	911,868
Total Short-term investments	<u>19,663,636</u>	<u>13,274,890</u>	<u>32,938,526</u>
Debt Service Reserve Fund:			
U.S. Treasury bills	<u>3,230,192</u>	-	<u>3,230,192</u>
	<u>\$ 22,893,828</u>	<u>\$ 13,274,890</u>	<u>\$ 36,168,718</u>

Financial assets carried at fair value as of June 30, 2020 are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Short-term investments:			
Money market funds	\$ 3,822,298	\$ -	\$ 3,822,298
Mutual funds	2,841,390	-	2,841,390
Corporate bonds	-	3,052,408	3,052,408
Government bonds	-	5,445,764	5,445,764
Multi-strategy investments	-	503,893	503,893
Total Short-term investments	<u>6,663,688</u>	<u>9,002,065</u>	<u>15,665,753</u>
Debt Service Reserve Fund:			
U.S. Treasury bills	<u>2,870,580</u>	-	<u>2,870,580</u>
	<u>\$ 9,534,268</u>	<u>\$ 9,002,065</u>	<u>\$ 18,536,333</u>

YAI AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30:

	<u>2021</u>	<u>2020</u>	<u>Estimated Useful Lives</u>
Land	\$ 12,714,251	\$ 11,772,584	
Buildings and building improvements	73,741,940	68,846,929	15-25 years
Leasehold improvements	29,387,315	28,027,033	5-25 years
Furniture and equipment	22,116,888	20,486,423	3-10 years
Construction in progress	<u>7,784,410</u>	<u>9,518,626</u>	
	145,744,804	138,651,595	
Less: accumulated depreciation	<u>(90,491,885)</u>	<u>(86,720,792)</u>	
	<u>\$ 55,252,919</u>	<u>\$ 51,930,803</u>	

Depreciation and amortization expenses amounted to \$4,879,600 and \$4,868,319 for the years ended June 30, 2021 and 2020, respectively. During 2021, property and equipment no longer in use with a cost of \$1,119,391 and accumulated depreciation of \$1,108,507 were disposed of resulting in a loss of \$10,884. Construction in progress consists of construction at new locations and various renovations with a combined additional estimated cost of completion of approximately \$7.4 million and estimated completion dates during fiscal year 2022.

NOTE 7 – NOTES AND MORTGAGES PAYABLE

	<u>2021</u>	<u>2020</u>
A. YAI has entered into various loan agreements with the DASNY. The loans carry interest rates ranging from 1.57% to 4.52% per annum, payable in semi-annual installments and have maturity dates ranging from August 2018 through June 2045. The loans are collateralized by YAI's underlying real property.	\$ 39,780,187	\$ 30,582,008
B. YAI has available a \$14 million line of credit with a bank for the acquisition and renovation of program sites. Upon receipt of New York State prior property approvals, the funds drawn down on this line of credit are subsequently converted into notes. As of June 30, 2021 and 2020, there were seven notes executed. The notes bear an interest rate of prime resulting in a rate of 3.25% as of June 30, 2021 and 2020. The notes are collateralized by related property and mature in April 2022. The outstanding balance as of December 1, 2021 amounted to \$8,463,918.	8,463,918	9,546,359
C. The Agency has available a \$28 million working capital line of credit with a bank carrying an interest rate of prime which as of June 30, 2021 was 3.25%. The loan is collateralized by YAI's accounts receivable and matures in April 2022. The outstanding balance as of December 1, 2021 amounted to \$23,503,676.	23,503,676	25,389,077
D. MSA has a construction loan payable to a bank which bears interest at a fixed rate of 3.05% per annum and expires on October 1, 2021. The loan is collateralized by funds deposited and guaranteed by YAI.	<u>126,436</u>	<u>498,037</u>
	71,874,217	66,015,481
Less: unamortized debt issuance costs	<u>(2,357,603)</u>	<u>(1,899,819)</u>
Notes and mortgages payable, net	<u>\$ 69,516,614</u>	<u>\$ 64,115,662</u>

Most of the loans have provisions for loan covenants. The Agency was in compliance with these covenants as of and during the years ended June 30, 2021 and 2020. The unamortized debt issuance costs increased due to an addition of closing costs of \$862,976 for new loans less non-cash interest expense of \$405,191.

YAI AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 – NOTES AND MORTGAGES PAYABLE (Continued)

Required future annual principal payments are payable as follows for the years ending June 30:

2022	\$ 34,124,890
2023	2,824,895
2024	2,017,316
2025	2,394,769
2026	1,371,520
Thereafter	<u>29,140,827</u>
	<u>\$ 71,874,217</u>

NOTE 8 – LEASES

A. The Agency has operating lease agreements, and annual future minimum rentals payable for real and personal property principally under long-term operating leases expiring at varying dates through 2061 for facilities (which include payment of property taxes, insurance maintenance costs and rental payments) and for copying/printing equipment. The Agency assesses whether an arrangement qualifies as a lease at inception and only reassesses its determination if the terms and conditions of the arrangement are changed.

As a result, adopting FASB ASC 842 had no impact to prior year consolidated statement of financial position information, and because these leases are operating leases, the adoption of the standard has no impact on the Agency's consolidated change in net assets. Comparative information provided in the following paragraphs was determined using the accounting principles in effect as of and for the year ended June 30, 2021 (i.e. ASC 840). No comparative information is provided for the amounts reported on the consolidated statement of financial position as of June 30, 2020 since the Agency used the modified retrospective method of transition that does not require restating the prior period.

As of June 30, 2021, the right-of-use ("ROU") asset had a balance of \$131,970,964, as shown in the consolidated statements of financial position; the lease liability totaled \$136,650,458 as shown in the consolidated statements of financial position. The lease liabilities were calculated utilizing the Agency's incremental borrowing rate of 3.25% for leases in effect at the initial adoption date of July 1, 2020. The weighted average of the remaining lease term is 456 months, and the weighted average discount rate is 3.25%.

The Agency has operating lease agreements, and annual future minimum rentals payable for real and personal property principally under long-term operating leases expiring at varying dates through 2053 as follows:

	Real Property	Vehicles and Equipment	Total
2022	\$ 12,431,579	\$ 1,349,334	\$ 13,780,913
2023	11,454,488	979,483	12,433,971
2024	11,009,622	581,206	11,590,828
2025	10,584,580	387,929	10,972,509
2026	8,243,396	173,200	8,416,596
Thereafter	<u>136,670,275</u>	<u>-</u>	<u>136,670,275</u>
Total lease payments	190,393,940	3,471,152	193,865,092
Less: Present value discount	<u>(57,035,545)</u>	<u>(179,089)</u>	<u>(57,214,634)</u>
	<u>\$133,358,395</u>	<u>\$ 3,292,063</u>	<u>\$ 136,650,458</u>

Rent expense amounted to the following for the years ended June 30:

	2021	2020
Real property	\$ 15,780,288	\$ 13,556,532
Vehicles and equipment	1,588,655	2,150,113

YAI AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 – LEASES (Continued)

B. YAI has capital leases for computer and electronic equipment with maturities in 2025, and with the following annual payments:

2022	\$ 1,003,047
2023	860,799
2024	682,875
2025	<u>111,351</u>
	<u>\$ 2,658,072</u>

NOTE 9 – COMMITMENTS AND CONTINGENCIES

- A. The Agency believes it has no uncertain tax positions as of June 30, 2021 and 2020 in accordance with ASC Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.
- B. The Agency receives a significant portion of its revenue for services provided from third-party reimbursement through government agencies and Medicaid. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the government. The Agency, when appropriate, records an estimated liability to governmental agencies for any excess reimbursement over allowable costs and underspending of interim rates. As of June 30, 2021 and 2020, due to funding sources represents overpayments from the 2012-2020 fiscal years for the Agency's programs. Such amounts are expected to be recouped by the funding sources.
- C. The Agency is subject to legal proceedings and claims which have arisen in the ordinary course of its business and which have not been fully adjudicated. Management does not believe there will be a material adverse effect upon the financial position of the Agency.
- D. During the years ended June 30, 2021 and 2020, YAI recorded the benefit obligation for a Supplemental Pension Plan and Trust and Life Insurance Plan and Trust in excess of the assets of the plan for certain previous employees. The liability amounted to approximately \$10 million and \$6 million, respectively, and is included in other liabilities in the consolidated statements of financial position. The liability represents the present value of the future obligation calculated with a discount rate of 5.5% and social security life expectancy table.
- E. In March 2020 the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic. The extent of the impact of the pandemic on the Agency's financial condition and results of operations will depend on future developments. Accordingly, the Agency cannot predict the extent to which its financial condition and results of operations will be affected. The Agency continues to monitor evolving economic and business conditions and the actual and potential impacts of COVID-19 on operations.

NOTE 10 – REFUNDABLE ADVANCES

In April 2021, the Agency received total proceeds in the amount of \$14.2 million under the Paycheck Protection Program ("PPP") established as part of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) if the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for ten months after the end of the covered period. The Agency intends to comply with all requirements of PPP forgiveness.

YAI AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 10 – REFUNDABLE ADVANCES (Continued)

In accounting for the terms of the PPP loan, the Agency is guided by ASC 958-608 as a conditional contribution. For the year ended June 30, 2021, the Agency has incurred sufficient qualifying expenses and has met other conditions for forgiveness and accordingly recorded grant income of \$7,686,850 in the accompanying consolidated statements of activities. Refundable advances and grant income consist of the following as of June 30, 2021:

	<u>PPP proceeds</u>	<u>Paycheck protection program</u>	<u>Refundable advances</u>
YAI	\$ 10,000,000	\$ (5,775,883)	\$ 4,224,117
PHC	1,737,012	(774,102)	962,910
IHOPE	1,431,867	(660,922)	770,945
MSA	1,057,175	(475,943)	581,232
	<u>\$ 14,226,054</u>	<u>\$ (7,686,850)</u>	<u>\$ 6,539,204</u>

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

The Agency's net assets with donor restrictions subject to expenditure for the specified purpose of the passage of time consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Grants and restricted funds	\$ 1,503,352	\$ 1,484,341
Fund held in perpetuity	10,000	10,000
	<u>\$ 1,513,352</u>	<u>\$ 1,494,341</u>

During the years ended June 30, 2021 and 2020, the Agency released net assets with donor restrictions of \$365,748 and \$336,276, respectively, by satisfying donor-imposed purpose and passage of time restrictions.

NOTE 12 – CONCENTRATION

Cash and cash equivalents that potentially subject the Agency to a concentration of credit risk include cash and short-term investment accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Cash and short-term investment accounts are insured up to \$250,000 per depositor. As of June 30, 2021 and 2020, there was approximately \$6.7 million and \$7.5 million, respectively, of cash and cash equivalents held by one bank that exceeded FDIC limits.

NOTE 13 – RETIREMENT PLAN

On January 1, 2019, the Agency adopted the YAI Network Affiliates 403(b) Plan. All common law employees are eligible to make salary reduction contributions into the plan. Employees who complete 1,000 hours of service during the plan year and are employed on the last day of the plan year are eligible for employer matching contributions. The employer matching contribution will be equal to 50% of the first 6% of the employee compensation deferral made to the plan for periods on or after July 1, 2019. As of June 30, 2021 and 2020 the employer matching contribution liability was \$2,303,457 and \$1,455,789, respectively.

NOTE 14 – REVENUE FROM CONTRACTS WITH CUSTOMERS

Service Contracts - The Agency receives Medicaid revenue from contracts with the New York State Office for People with Developmental Disabilities (OPWDD) to provide support and services to individuals with developmental and learning disabilities, from infants through the elderly, in a variety of community settings and at home through state-of-the-art programs that help to build skills, expand opportunities, and support community living. Revenue is reported at the amount that reflects the consideration to which the Agency expects to be entitled in exchange for providing the contracted services. These amounts are due from OPWDD, third-party payors (Medicare), individuals (Client Fees) and others, and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Service revenue is derived from contracts with customers.

YAI AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 14 – REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Tuition revenue is reported at the amount that reflects the consideration to which the Agency expects to be entitled in exchange for providing the contracted services. Service revenue from tuition is recognized after the services are performed or after the Agency has completed its portion of the contract. Tuition is recorded as revenue in the period in which the tuition and fees relate to the school year. Deferred tuition is tuition payments committed prior to June 30, but which are applicable to the following academic year. These amounts are deferred and recognized as revenue in the fiscal year that educational services are provided. As of June 30, 2021 and 2020, approximately \$300,000 and \$430,000, respectively, of deferred tuition is included in other liabilities in the consolidated statements of financial position.

Generally, the Agency bills OPWDD, third-party payors, tuition and individuals after the services are performed or has completed their portion of the contract. Receivables are due in full when billed and revenue is recognized as performance obligations are satisfied.

Performance Obligations - Performance obligations are determined based on the nature of the services provided by the Agency in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided. This method depicts the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Agency measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the OPWDD stipulations.

All performance obligations relate to contracts with a duration of less than one year, therefore, there are no performance obligations or contract balances that are unsatisfied as of June 30, 2021 and 2020. The performance obligations for these contracts are completed when the service is completed and upon submission of required documentation. The Agency determines the transaction price based on established rates and contracts for services provided.

For the year ended June 30, 2021, program service fees consist of revenues for the following programs:

	<u>Medicaid</u>	<u>Medicare and Client Fees</u>	<u>Tuition</u>	<u>Total</u>
Residential services	\$ 103,420,445	\$ 8,492,494	\$ -	\$ 111,912,939
Day and community services	37,247,026	530,290	-	37,777,316
Clinical services	18,509,015	3,985,580	-	22,494,595
Educational services	-	-	28,696,988	28,696,988
Employment services	<u>1,614,873</u>	<u>563</u>	-	<u>1,615,436</u>
	<u>\$ 160,791,359</u>	<u>\$ 13,008,927</u>	<u>\$ 28,696,988</u>	<u>\$ 202,497,274</u>

For the year ended June 30, 2020, program service fees consist of revenues for the following programs:

	<u>Medicaid</u>	<u>Medicare and Client Fees</u>	<u>Tuition</u>	<u>Total</u>
Residential services	\$ 96,733,949	\$ 8,446,510	\$ -	\$ 105,180,459
Day and community services	53,773,814	1,722,738	-	55,496,552
Clinical services	18,930,047	2,907,716	-	21,837,763
Educational services	-	-	26,858,428	26,858,428
Employment services	<u>1,074,401</u>	<u>-</u>	-	<u>1,074,401</u>
	<u>\$ 170,512,211</u>	<u>\$ 13,076,964</u>	<u>\$ 26,858,428</u>	<u>\$ 210,447,603</u>

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statement of financial position through December 1, 2021, the date the consolidated financial statements were available to be issued.

YAI AND AFFILIATES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2021

	<u>YAI</u>	<u>MSA</u>	<u>IHOPE</u>	<u>PHC</u>	<u>IIPD-PR</u>	<u>Consolidating Eliminations</u>	<u>Total 2021</u>
ASSETS							
Cash and cash equivalents	\$ 5,899,098	\$ 945,246	\$ 577,380	\$ 781,808	\$ -	\$ -	\$ 8,203,532
Short-term investments	32,938,526	-	-	-	-	-	32,938,526
Government receivables, net	28,065,593	-	-	2,586,863	-	-	30,652,456
Tuition receivables, net	-	10,519,712	18,897,223	-	-	-	29,416,935
Due from Network Agencies	9,276,964	518,575	-	4,937	-	(9,800,476)	-
Other receivables, net	5,975,241	-	-	-	-	-	5,975,241
Prepaid expenses and other assets	8,774,331	293,326	482,063	819,207	-	-	10,368,927
Property and equipment, net	52,305,469	1,247,662	862,787	837,001	-	-	55,252,919
Lease right to use asset	96,318,348	17,798,114	959,722	16,894,780	-	-	131,970,964
Debt service reserve	3,230,192	-	-	-	-	-	3,230,192
TOTAL ASSETS	\$ 242,783,762	\$ 31,322,635	\$ 21,779,175	\$ 21,924,596	\$ -	\$ (9,800,476)	\$ 308,009,692
LIABILITIES							
Accounts payable and accrued expenses	\$ 10,996,775	\$ 196,890	\$ 817,036	\$ 727,474	\$ -	\$ -	\$ 12,738,175
Accrued salary	12,703,229	585,888	596,657	747,356	-	-	14,633,130
Accrued vacation	5,711,483	266,614	214,440	458,297	-	-	6,650,834
Accrued pension	1,924,493	109,189	157,704	112,071	-	-	2,303,457
Other liabilities	13,147,611	1,291,240	23,900	-	-	-	14,462,751
Due to funding sources	2,812,415	-	-	175,325	-	-	2,987,740
Refundable advances	4,224,117	581,232	770,945	962,910	-	-	6,539,204
Notes and mortgages payable	59,839,655	3,124,724	4,000,000	2,552,235	-	-	69,516,614
Capital lease obligations	2,525,180	-	-	132,892	-	-	2,658,072
Due to related party	-	3,075,442	5,229,549	7,335,549	603,524	(16,244,064)	-
Lease liability	98,790,873	19,312,724	1,017,361	17,529,500	-	-	136,650,458
TOTAL LIABILITIES	212,675,831	28,543,943	12,827,592	30,733,609	603,524	(16,244,064)	269,140,435
COMMITMENTS AND CONTINGENCIES							
NET ASSETS							
Net assets without donor restrictions							
Net invested in property and equipment	7,110,762	1,122,938	862,787	704,109	-	-	9,800,596
Available for operations	21,549,657	1,638,480	8,040,230	(9,513,122)	(603,524)	6,443,588	27,555,309
Total net assets without donor restrictions	28,660,419	2,761,418	8,903,017	(8,809,013)	(603,524)	6,443,588	37,355,905
Net assets with donor restrictions	1,447,512	17,274	48,566	-	-	-	1,513,352
TOTAL NET ASSETS	30,107,931	2,778,692	8,951,583	(8,809,013)	(603,524)	6,443,588	38,869,257
TOTAL LIABILITIES AND NET ASSETS	\$ 242,783,762	\$ 31,322,635	\$ 21,779,175	\$ 21,924,596	\$ -	\$ (9,800,476)	\$ 308,009,692

See independent auditors' report.

YAI AND AFFILIATES
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	YAI			Manhattan Star Academy			International Academy of Hope			Premier Healthcare, Inc.		International Institute for People with Disabilities of Puerto Rico, Inc.		Consolidated Total			
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Total	Without Donor Restrictions	Total	Consolidating Eliminations	Without Donor Restrictions	With Donor Restrictions	Total 2021
Operating Revenue and Support																	
Medicaid	\$ 149,693,885	\$ -	\$ 149,693,885	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,097,474	\$ 11,097,474	\$ -	\$ -	\$ -	\$ 160,791,359	\$ -	\$ 160,791,359
Government grants	18,263,054	-	18,263,054	69,713	-	69,713	35,643	-	35,643	1,577,398	1,577,398	-	-	-	19,945,808	-	19,945,808
Medicare and client fees	9,792,859	-	9,792,859	-	-	-	-	-	-	3,216,068	3,216,068	-	-	-	13,008,927	-	13,008,927
Tuition	-	-	-	12,523,191	-	12,523,191	16,173,797	-	16,173,797	-	-	-	-	-	28,696,988	-	28,696,988
Other revenues	7,424,031	-	7,424,031	65	-	65	750	-	750	37,003	37,003	-	-	(3,434,163)	4,027,686	-	4,027,686
Contributions	2,461,980	321,834	2,783,814	40,731	14,434	55,165	104,491	48,491	152,982	194	194	-	-	-	2,607,396	384,759	2,992,155
Paycheck Protection Program (Note 10)	5,775,883	-	5,775,883	475,943	-	475,943	660,922	-	660,922	774,102	774,102	-	-	-	7,686,850	-	7,686,850
Special Events (net of direct costs of \$22,999 and \$257,835)	497,163	-	497,163	-	-	-	-	-	-	-	-	-	-	-	497,163	-	497,163
Investment activity	1,418,626	-	1,418,626	-	-	-	-	-	-	-	-	-	-	-	1,418,626	-	1,418,626
Net assets released from restrictions	329,403	(329,403)	-	4,181	(4,181)	-	32,164	(32,164)	-	-	-	-	-	-	365,748	(365,748)	-
Total Operating Revenue and Support	<u>195,656,884</u>	<u>(7,569)</u>	<u>195,649,315</u>	<u>13,113,824</u>	<u>10,253</u>	<u>13,124,077</u>	<u>17,007,767</u>	<u>16,327</u>	<u>17,024,094</u>	<u>16,702,239</u>	<u>16,702,239</u>	<u>-</u>	<u>-</u>	<u>(3,434,163)</u>	<u>239,046,551</u>	<u>19,011</u>	<u>239,065,562</u>
Operating Expenses:																	
Program Services:																	
Residential services	114,998,340	-	114,998,340	-	-	-	-	-	-	-	-	-	-	-	114,998,340	-	114,998,340
Day and community services	45,277,829	-	45,277,829	-	-	-	-	-	-	-	-	-	-	-	45,277,829	-	45,277,829
Clinical services	7,546,925	-	7,546,925	-	-	-	-	-	-	14,224,031	14,224,031	-	-	-	21,770,956	-	21,770,956
Educational services	-	-	-	10,111,683	-	10,111,683	11,488,085	-	11,488,085	-	-	-	-	-	21,599,768	-	21,599,768
Employment services	2,306,481	-	2,306,481	-	-	-	-	-	-	-	-	-	-	-	2,306,481	-	2,306,481
Total Program Services	<u>170,129,575</u>	<u>-</u>	<u>170,129,575</u>	<u>10,111,683</u>	<u>-</u>	<u>10,111,683</u>	<u>11,488,085</u>	<u>-</u>	<u>11,488,085</u>	<u>14,224,031</u>	<u>14,224,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>205,953,374</u>	<u>-</u>	<u>205,953,374</u>
Supporting Services:																	
Management and general	25,020,203	-	25,020,203	2,399,960	-	2,399,960	2,496,253	-	2,496,253	2,049,525	2,049,525	-	-	(3,434,163)	28,531,778	-	28,531,778
Fundraising	818,940	-	818,940	5,862	-	5,862	11,590	-	11,590	-	-	-	-	-	836,392	-	836,392
Total Supporting Services	<u>25,839,143</u>	<u>-</u>	<u>25,839,143</u>	<u>2,405,822</u>	<u>-</u>	<u>2,405,822</u>	<u>2,507,843</u>	<u>-</u>	<u>2,507,843</u>	<u>2,049,525</u>	<u>2,049,525</u>	<u>-</u>	<u>-</u>	<u>(3,434,163)</u>	<u>29,368,170</u>	<u>-</u>	<u>29,368,170</u>
Total Operating Expenses	<u>195,968,718</u>	<u>-</u>	<u>195,968,718</u>	<u>12,517,505</u>	<u>-</u>	<u>12,517,505</u>	<u>13,995,928</u>	<u>-</u>	<u>13,995,928</u>	<u>16,273,556</u>	<u>16,273,556</u>	<u>-</u>	<u>-</u>	<u>(3,434,163)</u>	<u>235,321,544</u>	<u>-</u>	<u>235,321,544</u>
Change In Net Assets From Operations	(311,834)	(7,569)	(319,403)	596,319	10,253	606,572	3,011,839	16,327	3,028,166	428,683	428,683	-	-	-	3,725,007	19,011	3,744,018
Non-Operating:																	
Contribution from acquisition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Benefit obligation in excess of plan assets	(4,170,422)	-	(4,170,422)	-	-	-	-	-	-	-	-	-	-	-	(4,170,422)	-	(4,170,422)
Total Non-Operating Activities	<u>(4,170,422)</u>	<u>-</u>	<u>(4,170,422)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,170,422)</u>	<u>-</u>	<u>(4,170,422)</u>
CHANGE IN NET ASSETS	(4,482,256)	(7,569)	(4,489,825)	596,319	10,253	606,572	3,011,839	16,327	3,028,166	428,683	428,683	-	-	-	(445,415)	19,011	(426,404)
Net Assets - beginning of year	33,142,675	1,455,081	34,597,756	2,165,099	7,021	2,172,120	5,891,178	32,239	5,923,417	(9,237,696)	(9,237,696)	(603,524)	(603,524)	6,443,588	37,801,320	1,494,341	39,295,661
NET ASSETS - END OF YEAR	<u>\$ 28,660,419</u>	<u>\$ 1,447,512</u>	<u>\$ 30,107,931</u>	<u>\$ 2,761,418</u>	<u>\$ 17,274</u>	<u>\$ 2,778,692</u>	<u>\$ 8,903,017</u>	<u>\$ 48,566</u>	<u>\$ 8,951,583</u>	<u>\$ (8,809,013)</u>	<u>\$ (8,809,013)</u>	<u>\$ (603,524)</u>	<u>\$ (603,524)</u>	<u>\$ 6,443,588</u>	<u>\$ 37,355,905</u>	<u>\$ 1,513,352</u>	<u>\$ 38,869,257</u>

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