

**Options for Community Living, Inc.
and Affiliates**

Combined Financial Statements and
Supplementary Information

December 31, 2017 and 2016



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Options for Community Living, Inc. and Affiliates

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December 31, 2017 and 2016

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Independent Auditors' Report

Board of Directors
Options for Community Living, Inc. and Affiliates

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Options for Community Living, Inc. and Affiliates ("Options"), which comprise the combined statements of financial position as of December 31, 2017 and 2016, and the related combined statements of activities and change in net assets for the year ended December 31, 2017 and cash flows for the years ended December 31, 2017 and 2016, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Options for Community Living, Inc. and Affiliates as of December 31, 2017 and 2016, and the change in their net assets for the year ended December 31, 2017 and their cash flows for the years ended December 31, 2017 and 2016 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited Options' 2016 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated April 17, 2017. In our opinion, the summarized comparative information on the combined statement of activities and change in net assets presented herein for the year ended December 31, 2016 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Report on Supplementary and Combining Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information on pages 15 to 17 is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, change in net assets, and cash flows of the individual organizations, and is not a required part of the combined financial statements. Also, the supplementary information on page 16 is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Melville, New York
April 30, 2018

Options for Community Living, Inc. and Affiliates

Combined Statements of Financial Position

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,649,456	\$ 4,493,517
Investments	4,596,406	4,295,809
Accounts receivable, net of allowance for doubtful accounts of \$80,000	1,254,085	2,149,553
Prepaid expenses and other current assets	206,660	190,554
Total current assets	<u>10,706,607</u>	<u>11,129,433</u>
Assets Limited as to Use		
Reserve for replacements	1,460,624	1,338,812
Residual receipts reserve	42,144	36,077
Tenant deposits held in trust	114,961	111,103
Other assets limited as to use	221,822	163,001
	<u>1,839,551</u>	<u>1,648,993</u>
Land, Buildings and Improvements, and Equipment, Net	<u>44,477,960</u>	<u>45,926,810</u>
Total assets	<u>\$ 57,024,118</u>	<u>\$ 58,705,236</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 579,390	\$ 658,835
Accrued salaries and related costs	825,037	751,398
Due to governmental agencies	1,337,555	1,101,272
Current portion of long-term debt	156,326	217,032
Deferred income	37,478	564,422
Other current liabilities	17,014	303,149
Advance from New York State	-	2,672,522
Total current liabilities	2,952,800	6,268,630
Long-Term Debt, Net	3,571,768	3,718,527
Tenant Deposits Held in Trust	114,961	111,103
Advance from New York State	2,705,776	-
Other Liabilities	311,357	43,900
Total liabilities	<u>9,656,662</u>	<u>10,142,160</u>
Net Assets		
Unrestricted	47,349,848	48,539,901
Temporarily restricted	17,608	23,175
Total net assets	<u>47,367,456</u>	<u>48,563,076</u>
Total liabilities and net assets	<u>\$ 57,024,118</u>	<u>\$ 58,705,236</u>

See notes to combined financial statements

Options for Community Living, Inc. and Affiliates

Combined Statement of Activities and Change in Net Assets

Year Ended December 31, 2017 (with summarized comparative totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Revenue				
Program services:				
Mental health residential services	\$ 10,356,424	\$ -	\$ 10,356,424	\$ 8,831,047
ATC - care coordination	3,817,660	-	3,817,660	4,358,799
ATC - residential services	1,939,347	-	1,939,347	1,738,521
HUD Section 811 rental fees	1,554,121	-	1,554,121	1,567,034
Mainstream rent vouchers	1,064,980	-	1,064,980	967,844
Thrift shop	23,016	-	23,016	23,513
	<u>18,755,548</u>	<u>-</u>	<u>18,755,548</u>	<u>17,486,758</u>
Total program services				
Other revenue:				
Investment income	321,830	-	321,830	228,608
Contributions and grants	41,281	62,200	103,481	95,883
Special event, net of direct benefits to donors of \$18,338	51,102	-	51,102	-
Miscellaneous income	7,285	-	7,285	9,879
	<u>421,498</u>	<u>62,200</u>	<u>483,698</u>	<u>334,370</u>
Total other revenue				
Net assets released from restrictions	67,767	(67,767)	-	-
	<u>19,244,813</u>	<u>(5,567)</u>	<u>19,239,246</u>	<u>17,821,128</u>
Total revenue				
Expenses				
Program services:				
Mental health residential services	9,164,618	-	9,164,618	7,832,321
ATC - care coordination	3,452,067	-	3,452,067	3,322,683
ATC - residential services	2,815,142	-	2,815,142	2,498,540
HUD Section 811 housing	2,042,866	-	2,042,866	1,900,745
Mainstream rent vouchers	1,073,554	-	1,073,554	978,103
Thrift shop	36,367	-	36,367	32,231
	<u>18,584,614</u>	<u>-</u>	<u>18,584,614</u>	<u>16,564,623</u>
Total program expenses				
Supporting services:				
Management and general	2,261,125	-	2,261,125	2,022,378
	<u>20,845,739</u>	<u>-</u>	<u>20,845,739</u>	<u>18,587,001</u>
Total expenses				
Change in net assets before capital advances and residual receipts due to HUD	(1,600,926)	(5,567)	(1,606,493)	(765,873)
Capital advances	526,508	-	526,508	617,760
Residual receipts due to HUD	(115,635)	-	(115,635)	(608,167)
	<u>(1,190,053)</u>	<u>(5,567)</u>	<u>(1,195,620)</u>	<u>(756,280)</u>
Change in net assets				
Net Assets, Beginning of Year	<u>48,539,901</u>	<u>23,175</u>	<u>48,563,076</u>	<u>49,319,356</u>
Net Assets, End of Year	<u>\$ 47,349,848</u>	<u>\$ 17,608</u>	<u>\$ 47,367,456</u>	<u>\$ 48,563,076</u>

See notes to combined financial statements

Options for Community Living, Inc. and Affiliates

Combined Statements of Cash Flows

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (1,195,620)	\$ (756,280)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Capital advances restricted for investment in properties	(51,199)	(137,097)
Noncash capital advance	(475,309)	(480,663)
Depreciation	2,098,109	2,039,330
Interest expense on debt issuance costs	8,086	8,086
(Gain) loss on disposal of equipment	(6,043)	767
Realized and unrealized gain on investments	(203,988)	(115,540)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	895,468	6,548
Prepaid expenses and other current assets	(16,106)	(30,314)
Tenant deposits held in trust	(3,858)	528
Other assets limited as to use	(58,821)	(60,196)
Residual receipts	(6,067)	340,892
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(79,445)	(132,262)
Accrued salaries and related costs	73,639	115,766
Due to governmental agencies	236,283	431,274
Deferred income	(526,944)	564,422
Other current liabilities	(286,135)	(1,688)
Tenant deposits held in trust	3,858	(528)
Other liabilities	267,457	1,919
Net cash provided by operating activities	<u>673,365</u>	<u>1,794,964</u>
Cash Flows from Investing Activities		
Proceeds from redemption of short-term investments	2,192,500	1,985,285
Purchases of short-term investments	(2,289,109)	(2,078,918)
Purchases of land, building and improvements, and equipment	(175,094)	(265,210)
Proceeds from disposal of land, building and improvements, and equipment	7,187	-
Deposits to reserve for replacements, net	(121,812)	(94,918)
Net cash used in investing activities	<u>(386,328)</u>	<u>(453,761)</u>
Cash Flows from Financing Activities		
Capital advances restricted for investment in properties	51,199	137,097
Advance from New York State	33,254	296,925
Principal payments on long-term debt	(215,551)	(229,712)
Net cash (used in) provided by financing activities	<u>(131,098)</u>	<u>204,310</u>
Increase in cash and cash equivalents	155,939	1,545,513
Cash and Cash Equivalents, Beginning of Year	<u>4,493,517</u>	<u>2,948,004</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,649,456</u>	<u>\$ 4,493,517</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 177,607</u>	<u>\$ 190,990</u>

See notes to combined financial statements

Options for Community Living, Inc. and Affiliates

Notes to Combined Financial Statements

December 31, 2017 and 2016

1. Description of the Organization and Summary of Significant Accounting Policies

Nature of Operations

Options for Community Living, Inc. ("Options") was incorporated under New York State law for the purpose of providing residential and support services to people with special needs. Options assures that families and individuals are offered the community resources essential to independent living and self-sufficiency. Options is a multifaceted agency, with programs serving adults with mental illness, individuals and families with HIV/AIDS and other chronic illness. Options' primary sources of funding are fees paid by contracts with the New York State Office of Mental Health ("OMH") and Medicaid, which are recorded as revenue when services are performed.

Options is affiliated through common board membership and control with OCL Properties, Inc., OCL Properties II, Inc., OCL Properties III East, Inc., OCL Properties III West, Inc., OCL Properties IV, Inc., OCL Properties V, Inc., OCL Properties VI, Inc., OCL Properties VII, Inc., OCL Properties VIII, Inc., OCL Properties IX, Inc., OCL Properties X, Inc., OCL Properties XI, Inc., OCL Properties XII, Inc., OCL Properties XIII, Inc., OCL Properties XIV, Inc., and OCL Properties XV, Inc. (the "Projects"). Their purpose is to establish, operate and provide housing for persons with chronic mental illness. The Projects' funding is derived primarily from capital advances and rental fees paid by the United States Department of Housing and Urban Development ("HUD") and tenants.

Basis of Accounting

These combined financial statements have been prepared on the accrual basis of accounting.

Principles of Combination

The combined financial statements include the accounts of Options for Community Living, Inc. and its Affiliates, which have been combined. All intercompany transactions have been eliminated. As used herein, "Options" includes Options for Community Living, Inc. and its Affiliates.

Donor-Imposed Restrictions

Options reports gifts of cash or other assets as restricted support, if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities and change in net assets as net assets released from restrictions.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Options reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Options for Community Living, Inc. and Affiliates

Notes to Combined Financial Statements

December 31, 2017 and 2016

Fixed Assets and Depreciation

Fixed assets are stated at cost. All fixed assets other than land are depreciated on a straight-line basis over the estimated useful lives of the related assets, which range from 3 to 25 years. Options capitalizes fixed asset purchases with a cost of \$5,000 or more.

Investments

Investments consist primarily of mutual funds, treasury notes and bonds and are carried at fair value. Realized and unrealized gains and losses on investments are reported in the combined statement of activities and change in net assets as increases or decreases in unrestricted net assets.

Net Assets

Options' financial presentation distinguishes between unrestricted, temporarily restricted and permanently restricted net assets and changes in net assets, based upon the existence or absence of donor-imposed restrictions, as follows:

Unrestricted - Net assets which have not been donor restricted, and are therefore, available for use in carrying out the operations of Options.

Temporarily restricted - Net assets which have been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of Options pursuant to those stipulations.

Permanently restricted - Net assets subject to donor-imposed restrictions that stipulate resources be maintained in perpetuity. At December 31, 2017 and 2016, Options has no permanently restricted net assets.

Fair Value

In accordance with Accounting Standards Codification ("ASC") 820, Options must determine whether its assets and liabilities recorded at fair value are valued based on Level 1 (valued based on quoted prices in an active market for identical assets), Level 2 (valued based on significant other observable inputs) or Level 3 (valued based on significant unobservable inputs) measurements.

Combined Statements of Cash Flows

For purposes of the combined statements of cash flows, Options considers all highly liquid debt instruments with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash held by investment managers is included in investments, as Options considers these balances to be invested for long-term purpose.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the combined statement of activities and change in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Options for Community Living, Inc. and Affiliates

Notes to Combined Financial Statements

December 31, 2017 and 2016

Income Taxes

Options qualifies as a tax-exempt not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and as not-for-profit corporations under the laws of New York State. Accordingly, no provision for federal or state income taxes is required.

Uncertain Tax Positions

Management has evaluated Options' tax positions and concluded that Options has not taken any uncertain tax positions that require adjustment to the combined financial statements to comply with the provisions of ASC 740.

Estimates

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America 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 combined financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allowance for Doubtful Accounts

Management must make estimates of the uncollectibility of accounts receivable. Management specifically analyzes accounts receivable, historical bad debts, current funding trends and changes in payment terms and rates when evaluating the adequacy of the allowance for doubtful accounts.

Subsequent Events

Management has evaluated subsequent events through April 30, 2018, the date the combined financial statements are available for issuance, for inclusion or disclosure in the combined financial statements.

Reclassifications

Certain 2016 amounts have been reclassified to conform with the 2017 presentation.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of ASU 2014-09 requires recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. ASU 2014-09 is effective for Options for fiscal years beginning after December 15, 2018, with early adoption permitted. Management has concluded that the adoption of ASU 2014-09 will not impact Options' combined financial statements.

Options for Community Living, Inc. and Affiliates

Notes to Combined Financial Statements
December 31, 2017 and 2016

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and lease liabilities on the combined statements of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for Options for fiscal years beginning after December 15, 2019, with early adoption permitted. Management is currently evaluating the impact of ASU 2016-02 on Options' combined financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. Management is currently evaluating the impact of ASU 2016-14 on Options' combined financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the statements of cash flows. ASU 2016-18 is effective for Options for fiscal years beginning after December 15, 2018, with early adoption permitted. ASU 2016-18 is to be applied retroactively with transition provisions. Management is currently evaluating the impact of ASU 2016-18 on Options' combined financial statements.

2. Investments

Investments are valued based on Level 1 and Level 2 inputs and consist of the following as of December 31:

	Fair Value Measurements at December 31, 2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total Fair Value	Cost
Mutual funds	\$ 2,347,769	\$ -	\$ 2,347,769	\$ 2,116,904
Corporate bonds	-	679,713	679,713	682,769
Treasury notes and bonds	1,207,139	-	1,207,139	1,221,405
Total	<u>\$ 3,554,908</u>	<u>\$ 679,713</u>	4,234,621	<u>\$ 4,021,078</u>
Cash and cash equivalents			<u>361,785</u>	
Total investments			<u>\$ 4,596,406</u>	

Options for Community Living, Inc. and Affiliates

Notes to Combined Financial Statements
December 31, 2017 and 2016

Fair Value Measurements at December 31, 2016				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total Fair Value	Cost
Mutual funds	\$ 2,183,276	\$ -	\$ 2,183,276	\$ 2,142,881
Corporate bonds	-	829,821	829,821	837,183
Treasury notes and bonds	981,716	-	981,716	995,108
Total	<u>\$ 3,164,992</u>	<u>\$ 829,821</u>	3,994,813	<u>\$ 3,975,172</u>
Cash and cash equivalents			<u>300,996</u>	
Total investments			<u>\$ 4,295,809</u>	

Investment income (loss) consists of the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 117,842	\$ 113,068
Unrealized gain	193,902	122,170
Realized gain (loss)	<u>10,086</u>	<u>(6,630)</u>
Total	<u>\$ 321,830</u>	<u>\$ 228,608</u>

3. Assets Limited as to Use

Assets limited as to use represent cash segregated in accordance with contractual requirements and for tenant security deposits.

4. Land, Buildings and Improvements, and Equipment, Net

Land, buildings and improvements, and equipment, net, consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Land	\$ 15,303,787	\$ 15,303,787
Buildings and improvements	50,866,823	50,285,857
Furniture, equipment and vehicles	<u>2,108,122</u>	<u>2,066,417</u>
	68,278,732	67,656,061
Accumulated depreciation	<u>(23,800,772)</u>	<u>(21,729,251)</u>
Total	<u>\$ 44,477,960</u>	<u>\$ 45,926,810</u>

Options for Community Living, Inc. and Affiliates

Notes to Combined Financial Statements

December 31, 2017 and 2016

Included in buildings and improvements are amounts that represent construction in process, which are not in service. At December 31, 2017 and 2016, the amounts included in buildings and improvements are \$56,624 and \$711,517, respectively.

Options has received capital advances, secured by various mortgage notes, under certain HUD programs for purchase and renovation of buildings to provide housing to individuals meeting the eligibility requirements of those programs. As of December 31, 2017 and 2016, approximately \$43,146,000 and \$42,954,000, respectively, were subject to repayment. The capital advances are not required to be repaid, as long as the housing continues to be used for the specified purposes for periods ranging from 5 to 40 years.

Capital advances of \$526,508 and \$617,760 were recognized as income during the years ended December 31, 2017 and 2016, respectively.

5. Due to Governmental Agencies

Due to governmental agencies represents amounts due for excess Medicaid and OMH Contract payments, and excess residual receipts due back to HUD.

6. Advance from New York State

During 2011, Options entered into an agreement with the New York State Office of Mental Health to purchase and renovate a multiple apartment dwelling for the Mental Health Residential Service program. As of December 31, 2017 and 2016, advances of \$2,705,776 and \$2,672,522, respectively, have been received relating to the acquisition of the site. Sometime after the site has been certified for occupancy, New York State will be eligible to finance the transaction through a Dormitory Authority of the State of New York ("DASNY") bond offering. No repayment is required until the bond is issued. As of December 31, 2017, the advances have been included in the DASNY bond offering and are, therefore, included in long-term liabilities on the combined statements of financial position.

Options for Community Living, Inc. and Affiliates

Notes to Combined Financial Statements

December 31, 2017 and 2016

7. Long-Term Debt

Long-term debt consists of the following at December 31:

	<u>2017</u>	<u>2016</u>
Brentwood mortgage, payable in monthly installments of \$970 through September 2017, including interest at 6.875% per annum, collateralized by the respective property.	\$ -	\$ 8,487
Medford mortgage, payable in monthly installments of \$1,329 through January 2018, including interest at 5.75% per annum, collateralized by the respective property.	1,061	16,446
Selden mortgage, payable in monthly installments of \$1,729 through January 2018, including interest at 6.375% per annum, collateralized by the respective property.	1,351	21,288
Huntington mortgage, payable in monthly installments of \$1,376 through August 2023, including interest at 5.75% per annum, collateralized by the respective property.	79,697	91,264
Oakdale mortgage, payable to Facilities Development Corporation in semi-annual installments of \$26,191 through June 2017, including interest at 9.40% per annum, collateralized by the respective property.	-	24,776
Selden mortgage, payable in monthly installments of \$1,329 through July 2024, including interest at 6.375% per annum, collateralized by the respective property.	85,213	95,405
Port Jefferson Station mortgage, payable in monthly installments of \$1,818 through September 2019, including interest at 6.25% per annum, collateralized by the respective property.	36,506	55,518
Town of Islip Community Development mortgage, payable in monthly installments of \$556 through March 2042, non-interest bearing, collateralized by the respective property in Bay Shore.	159,999	166,666
Town of Islip Community Development mortgage, payable in monthly installments of \$556 through March 2042, non-interest bearing, collateralized by the respective property in Central Islip.	159,999	166,666
Town of Islip Community Development mortgage, payable in monthly installments of \$556 through September 2043, non-interest bearing, collateralized by the respective property in Bay Shore.	171,666	178,333
Town of Islip Community Development mortgage, payable in monthly installments of \$556 through September 2043, non-interest bearing, collateralized by the respective property in Bay Shore.	171,666	178,333
Community Preservation Corporation mortgage, payable in monthly installments of \$20,072 through July 2038, including interest at 5.25% per annum, collateralized by the nine respective properties.	<u>3,027,352</u>	<u>3,106,879</u>
Subtotal	3,894,510	4,110,061
Less current maturities	(156,326)	(217,032)
Less unamortized deferred financing costs	<u>(166,416)</u>	<u>(174,502)</u>
Total	<u>\$ 3,571,768</u>	<u>\$ 3,718,527</u>

Options for Community Living, Inc. and Affiliates

Notes to Combined Financial Statements
December 31, 2017 and 2016

Long-term debt matures approximately as follows:

Years ending December 31:	
2018	\$ 156,300
2019	156,100
2020	146,000
2021	152,600
2022	159,600
Thereafter	<u>3,123,900</u>
Total	<u>\$ 3,894,500</u>

Total interest expense on long-term debt for the years ended December 31, 2017 and 2016 approximated \$186,000 and \$199,000, respectively.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets designated for specific programs aggregated \$17,608 and \$23,175 as of December 31, 2017 and 2016, respectively. During the years ended December 31, 2017 and 2016, \$67,767 and \$113,916, respectively, of temporarily restricted net assets were released from restrictions because they were used for the donor-specified purpose.

9. Fundraising Expenses

For the years ended December 31, 2017 and 2016, fundraising expenses were approximately \$66,600 and \$30,700, respectively, and are included in management and general expenses.

10. Retirement Plans

Options maintains a defined contribution retirement plan covering all eligible employees, as defined. Retirement expense is determined based on a formula dependent on each eligible employee's deferral and salary amount. Expense for this Plan for the years ended December 31, 2017 and 2016 approximated \$283,000 and \$252,000, respectively. Options also sponsors a 457(b) plan for certain of its employees. Assets and liabilities under this plan, which is funded through employee salary deferrals, are included in other assets limited as to use and other liabilities on the accompanying combined statements of financial position.

Options for Community Living, Inc. and Affiliates

Notes to Combined Financial Statements
December 31, 2017 and 2016

11. Commitments and Contingencies

Operating Leases

Options is obligated under various noncancellable operating leases for certain of its facilities and equipment, expiring through 2020. Options is also obligated to pay for maintenance and real estate taxes on certain leased properties.

Future minimum lease payments under these operating leases are as follows:

Years ending December 31:		
2018	\$	888,300
2019		430,500
2020		<u>39,100</u>
Total	\$	<u>1,357,900</u>

Rent expense for the years ended December 31, 2017 and 2016 approximated \$1,045,000 and \$534,000, respectively.

Government Funding and Possible Rate Adjustments

Substantial funding of programs is provided to Options by federal, state, city, and county (Suffolk and Nassau) governments. Continuation of such funding is dependent on budgetary allocations from such agencies. In addition, reimbursements under contracts or rates are subject to audit by various agencies on a regular basis. The potential exposure from the outcome of such audits, if any, cannot be determined.

Litigation and Claims

Options is subject to lawsuits and claims with respect to matters arising in the normal course of business. Options defends its position on all actions. In the opinion of management, the ultimate liabilities, if any, from these lawsuits or claims will not materially affect the financial position or results of operations of Options. Nevertheless, due to the uncertainty of the settlement process, management's view of the outcome may be modified in the future.

12. Concentrations of Credit Risk

Financial instruments which potentially subject Options to concentrations of credit risk consist principally of cash, investments and accounts receivable from government agencies. Options places its temporary cash investments with financial institutions. At times throughout the year, Options' cash balances with any one financial institution exceeded the federal depository insurance coverage limit. Accounts receivable are predominantly from federal, state and local government agencies, including Medicaid, other third parties and private payors.

13. Noncash Transactions

During the years ended December 31, 2017 and 2016, Options purchased and/or rehabilitated buildings using proceeds of capital advances and mortgages primarily from HUD paid directly to the sellers or contractors, totaling \$475,309 and \$480,663, respectively. The initial acquisition and rehabilitation for these sites was previously funded by HUD.

Options for Community Living, Inc. and Affiliates

Combined Statement of Functional Expenses

Year Ended December 31, 2017 (with summarized comparative totals for 2016)

	Program Services						Supporting Services	2017 Total	2016 Total	
	Mental Health Residential Services	ATC - Care Coordination	ATC - Residential Services	HUD Section 811 Housing	Mainstream Rent Vouchers	Thrift Shop	Management and General			
Salaries	\$ 4,360,930	\$ 2,329,043	\$ 569,197	\$ 247,979	\$ -	\$ -	\$ 7,507,149	\$ 1,434,863	\$ 8,942,012	\$ 8,092,452
Payroll Taxes and Employee Benefits	1,272,184	754,111	176,440	69,129	-	-	2,271,864	468,897	2,740,761	2,513,203
Total salaries, payroll taxes and employee benefits	5,633,114	3,083,154	745,637	317,108	-	-	9,779,013	1,903,760	11,682,773	10,605,655
Expenses										
Money management, clients	149,820	-	-	-	-	-	149,820	-	149,820	147,159
Utilities	292,991	6,044	180,328	211,046	-	3,512	693,921	19,865	713,786	595,706
Rent and real estate taxes	989,130	65,254	15,927	-	-	-	1,070,311	511	1,070,822	568,416
Interest	185,693	-	-	-	-	-	185,693	-	185,693	199,077
Maintenance and repairs	238,512	8,299	212,956	259,459	-	2,854	722,080	17,320	739,400	720,666
Travel	100,820	77,083	18,756	-	-	-	196,659	5,429	202,088	188,356
Telephone	91,352	62,135	15,188	-	-	1,568	170,243	11,738	181,981	192,556
Office and computer expenses	129,710	48,584	13,243	-	-	61	191,598	53,986	245,584	240,442
Dues and subscriptions	13,601	301	1,664	-	-	-	15,566	3,483	19,049	27,052
Outreach and recruitment	12,056	5,527	252	-	-	144	17,979	19,944	37,923	42,524
Staff training and development	34,515	16,959	2,875	-	-	857	55,206	32,661	87,867	77,298
Insurance	106,134	13,936	55,651	51,008	-	1,121	227,850	18,126	245,976	271,011
Program supplies and expenses	52,548	14,836	1,722	49,826	-	1,734	120,666	-	120,666	151,100
Food	88,391	809	36	-	-	-	89,236	-	89,236	92,196
Household supplies	138,726	2,089	92,849	-	-	623	234,287	-	234,287	161,412
Contracted services and professional fees	279,089	28,425	157,866	333,670	6,899	6,553	812,502	84,309	896,811	783,157
Minor equipment	169,121	711	63,398	-	-	260	233,490	616	234,106	130,803
Rental assistance and related expenses	13,200	-	418,153	-	1,066,655	-	1,498,008	-	1,498,008	1,301,298
Bad debt	12,799	-	22,731	3,382	-	-	38,912	-	38,912	21,905
Depreciation	415,114	3,687	795,526	817,367	-	17,035	2,048,729	49,380	2,098,109	2,039,330
Miscellaneous expense	4,432	1,734	384	-	-	45	6,595	29,315	35,910	22,286
Transition and start-up	13,750	12,500	-	-	-	-	26,250	-	26,250	7,596
Special event	-	-	-	-	-	-	-	10,682	10,682	-
Total expenses	\$ 9,164,618	\$ 3,452,067	\$ 2,815,142	\$ 2,042,866	\$ 1,073,554	\$ 36,367	\$ 18,584,614	\$ 2,261,125	\$ 20,845,739	\$ 18,587,001

Options for Community Living, Inc. and Affiliates

Combining Statement of Financial Position

Year Ended December 31, 2017 (with summarized comparative totals for 2016)

	Options for Community Living, Inc.	OCL Properties, Inc.	OCL Properties II, Inc.	OCL Properties III East, Inc.	OCL Properties III West, Inc.	OCL Properties IV, Inc.	OCL Properties V, Inc.	OCL Properties VI, Inc.	OCL Properties VII, Inc.	OCL Properties VIII, Inc.	OCL Properties IX, Inc.	OCL Properties X, Inc.	OCL Properties XI, Inc.	OCL Properties XII, Inc.	OCL Properties XIII, Inc.	OCL Properties XIV, Inc.	OCL Properties XV, Inc.	Eliminations	2017 Combined Totals	2016 Combined Totals
Assets																				
Current Assets																				
Cash and cash equivalents	\$ 4,329,213	\$ 9,934	\$ 1,983	\$ 2,198	\$ 1,311	\$ 23,833	\$ 24,948	\$ 17,823	\$ 12,176	\$ 4,103	\$ 6,826	\$ 15,827	\$ 31,252	\$ 31,500	\$ 30,551	\$ 32,367	\$ 73,611	\$ -	\$ 4,649,456	\$ 4,493,517
Investments	4,596,406	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,596,406	4,295,809
Accounts receivable, net	1,247,432	1,075	360	-	425	4	74	50	-	20	600	629	1,320	1	726	-	1,369	-	1,254,085	2,149,553
Due from affiliates	108,176	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(108,176)	-	-
Prepaid expenses and other current assets	202,007	-	1,094	-	1,094	-	729	-	-	686	-	-	-	-	729	321	-	-	206,660	190,554
Total current assets	10,483,234	11,009	3,437	2,198	2,830	23,837	25,751	17,873	12,176	4,809	7,426	16,456	32,572	31,501	32,006	32,688	74,980	(108,176)	10,706,607	11,129,433
Assets Limited as to Use																				
Reserve for replacements	427,209	43,011	35,871	14,180	73,415	56,997	35,788	76,603	47,671	30,805	63,586	55,238	152,742	152,185	110,189	66,495	18,639	-	1,460,624	1,338,812
Residual receipts reserve	-	3,751	3,750	-	-	2,251	3,000	2,250	2,250	-	3,001	2,250	3,001	3,001	3,001	3,001	7,637	-	42,144	36,077
Tenant deposits held in trust	72,328	2,522	3,427	1,056	1,921	2,140	2,829	1,772	2,198	4,109	2,394	2,446	3,051	3,206	3,162	2,516	3,884	-	114,961	111,103
Other assets limited as to use	221,822	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	221,822	163,001
Total assets limited as to use	721,359	49,284	43,048	15,236	75,336	61,388	41,617	80,625	52,119	34,914	68,981	59,934	158,794	158,392	116,352	72,012	30,160	-	1,839,551	1,648,993
Land, Buildings and Improvements, and Equipment, Net																				
	27,626,808	488,508	582,694	247,951	383,929	377,081	545,856	478,803	584,900	1,426,607	1,222,437	1,301,541	1,367,951	1,493,665	1,908,484	1,753,802	2,686,943	-	44,477,960	45,926,810
Total assets	\$ 38,831,401	\$ 548,801	\$ 629,179	\$ 265,385	\$ 462,095	\$ 462,306	\$ 613,224	\$ 577,301	\$ 649,195	\$ 1,466,330	\$ 1,298,844	\$ 1,377,931	\$ 1,559,317	\$ 1,683,558	\$ 2,056,842	\$ 1,858,502	\$ 2,792,083	\$ (108,176)	\$ 57,024,118	\$ 58,705,236
Liabilities and Net Assets																				
Current Liabilities																				
Accounts payable and accrued expenses	\$ 376,150	\$ 13,220	\$ 13,317	\$ 3,321	\$ 10,774	\$ 11,755	\$ 12,108	\$ 11,010	\$ 11,025	\$ 12,843	\$ 11,282	\$ 10,686	\$ 31,750	\$ 11,948	\$ 12,662	\$ 13,808	\$ 11,731	\$ -	\$ 579,390	\$ 658,835
Accrued salaries and related costs	825,037	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	825,037	751,398
Due to affiliate	-	5,032	15,826	7,830	31,978	3,064	3,982	2,833	3,576	5,929	3,928	3,356	4,157	3,989	3,830	3,682	5,184	(108,176)	-	-
Due to governmental agencies	1,218,050	-	-	-	-	9,014	8,858	3,980	-	-	-	2,205	-	15,563	14,524	14,877	50,484	-	1,337,555	1,101,272
Current portion of long-term debt	156,326	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	156,326	217,032
Deferred income	37,478	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37,478	564,422
Other current liabilities	17,014	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,014	303,149
Advance from New York State	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,672,522
Total current liabilities	2,630,055	18,252	29,143	11,151	42,752	23,833	24,948	17,823	14,601	18,772	15,210	16,247	35,907	31,500	31,016	32,367	67,399	(108,176)	2,952,800	6,268,630
Long-Term Debt, Net																				
	3,571,768	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,571,768	3,718,527
Tenant Deposits Held in Trust																				
	72,328	2,522	3,427	1,056	1,921	2,140	2,829	1,772	2,198	4,109	2,394	2,446	3,051	3,206	3,162	2,516	3,884	-	114,961	111,103
Advance from New York State																				
	2,705,776	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,705,776	-
Other Liabilities																				
	311,357	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	311,357	43,900
Total liabilities	9,291,284	20,774	32,570	12,207	44,673	25,973	27,777	19,595	16,799	22,881	17,604	18,693	38,958	34,706	34,178	34,883	71,283	(108,176)	9,656,662	10,142,160
Net Assets																				
Unrestricted	29,522,509	528,027	596,609	253,178	417,422	436,333	585,447	557,706	632,396	1,443,449	1,281,240	1,359,238	1,520,359	1,648,852	2,022,664	1,823,619	2,720,800	-	47,349,848	48,539,901
Temporarily restricted	17,608	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,608	23,175
Total net assets	29,540,117	528,027	596,609	253,178	417,422	436,333	585,447	557,706	632,396	1,443,449	1,281,240	1,359,238	1,520,359	1,648,852	2,022,664	1,823,619	2,720,800	-	47,367,456	48,563,076
Total liabilities and net assets	\$ 38,831,401	\$ 548,801	\$ 629,179	\$ 265,385	\$ 462,095	\$ 462,306	\$ 613,224	\$ 577,301	\$ 649,195	\$ 1,466,330	\$ 1,298,844	\$ 1,377,931	\$ 1,559,317	\$ 1,683,558	\$ 2,056,842	\$ 1,858,502	\$ 2,792,083	\$ (108,176)	\$ 57,024,118	\$ 58,705,236

Options for Community Living, Inc. and Affiliates

Combining Statement of Activities and Change in Net Assets

Year Ended December 31, 2017 (with summarized comparative totals for 2016)

	Options for Community Living, Inc.	OCL Properties, Inc.	OCL Properties II, Inc.	OCL Properties III East, Inc.	OCL Properties III West, Inc.	OCL Properties IV, Inc.	OCL Properties V, Inc.	OCL Properties VI, Inc.	OCL Properties VII, Inc.	OCL Properties VIII, Inc.	OCL Properties IX, Inc.	OCL Properties X, Inc.	OCL Properties XI, Inc.	OCL Properties XII, Inc.	OCL Properties XIII, Inc.	OCL Properties XIV, Inc.	OCL Properties XV, Inc.	Eliminations	2017 Combined Totals	2016 Combined Totals
Unrestricted Net Assets																				
Revenue:																				
Program services:																				
Mental health residential services	\$ 10,356,424	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,356,424	\$ 8,831,047
ATC - care coordination	3,817,660	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,817,660	4,358,799
ATC - residential services	1,939,347	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,939,347	1,738,521
HUD Section 811 rental fees	-	110,467	117,771	60,911	69,062	81,313	96,000	74,596	79,785	123,817	93,412	76,832	112,464	109,990	103,894	112,076	131,731	-	1,554,121	1,567,034
Mainstream rent vouchers	1,064,980	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,064,980	967,844
Thrift shop	23,016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23,016	23,513
Total program services	17,201,427	110,467	117,771	60,911	69,062	81,313	96,000	74,596	79,785	123,817	93,412	76,832	112,464	109,990	103,894	112,076	131,731	-	18,755,548	17,486,758
Other revenue:																				
Investment income	321,711	8	5	1	7	6	4	7	5	4	9	7	15	16	12	10	3	-	321,830	228,608
Management fees	140,890	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(140,890)	-	-
Contributions and grants	41,281	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	41,281	27,880
Special event, net of direct benefits to donors of \$18,338	51,102	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	51,102	-
Miscellaneous income	6,166	511	-	-	-	-	236	-	-	-	-	-	-	-	-	372	-	-	7,285	9,879
Total other revenue	561,150	519	5	1	7	6	240	7	5	4	9	7	15	16	12	382	3	(140,890)	421,498	266,367
Net assets released from restrictions	67,767	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	67,767	113,916
Total revenue	17,830,344	110,986	117,776	60,912	69,069	81,319	96,240	74,603	79,790	123,821	93,421	76,839	112,479	110,006	103,906	112,458	131,734	(140,890)	19,244,813	17,867,041
Expenses																				
Program services:																				
Mental health residential services	9,164,618	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,164,618	7,832,321
ATC - care coordination	3,452,067	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,452,067	3,322,683
ATC - residential services	2,815,142	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,815,142	2,498,540
HUD Section 811 housing	-	166,983	182,847	73,410	100,461	93,235	114,143	95,914	106,372	180,597	130,953	108,322	123,352	122,438	132,262	135,916	175,661	-	2,042,866	1,900,745
Mainstream rent vouchers	1,073,554	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,073,554	978,103
Thrift shop	36,367	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	36,367	32,231
Total program expenses	16,541,748	166,983	182,847	73,410	100,461	93,235	114,143	95,914	106,372	180,597	130,953	108,322	123,352	122,438	132,262	135,916	175,661	-	18,584,614	16,564,623
Supporting services:																				
Management and general	2,232,323	13,933	14,227	5,438	8,426	8,899	11,567	8,363	8,385	14,515	10,940	8,325	11,203	10,968	10,009	10,809	13,685	(140,890)	2,261,125	2,022,378
Total expenses	18,774,071	180,916	197,074	78,848	108,887	102,134	125,710	104,277	114,757	195,112	141,893	116,647	134,555	133,406	142,271	146,725	189,346	(140,890)	20,845,739	18,587,001
Change in unrestricted net assets before capital advances and residual receipts due to HUD																				
	(943,727)	(69,930)	(79,298)	(17,936)	(39,818)	(20,815)	(29,470)	(29,674)	(34,967)	(71,291)	(48,472)	(39,808)	(22,076)	(23,400)	(38,365)	(34,267)	(57,612)	-	(1,600,926)	(719,960)
Capital advances																				
Residual receipts due to HUD	496,033	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,475	-	526,508	617,760
	-	(1)	(1)	-	-	(9,014)	(8,859)	(3,981)	-	-	(2)	(2,209)	(1)	(15,564)	(14,526)	(14,880)	(46,597)	-	(115,635)	(608,167)
Change in unrestricted net assets	(447,694)	(69,931)	(79,299)	(17,936)	(39,818)	(29,829)	(38,329)	(33,655)	(34,967)	(71,291)	(48,474)	(42,017)	(22,077)	(38,964)	(52,891)	(49,147)	(73,734)	-	(1,190,053)	(710,367)
Change in temporarily restricted net assets:																				
Contributions and grants	62,200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	62,200	68,003
Net assets released from restrictions	(67,767)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(67,767)	(113,916)
Change in temporarily restricted net assets	(5,567)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,567)	(45,913)
Change in net assets	(453,261)	(69,931)	(79,299)	(17,936)	(39,818)	(29,829)	(38,329)	(33,655)	(34,967)	(71,291)	(48,474)	(42,017)	(22,077)	(38,964)	(52,891)	(49,147)	(73,734)	-	(1,195,620)	(756,280)
Net Assets, Beginning of Year	29,993,378	597,958	675,908	271,114	457,240	466,162	623,776	591,361	667,363	1,514,740	1,329,714	1,401,255	1,542,436	1,687,816	2,075,555	1,872,766	2,794,534	-	48,563,076	49,319,356
Net Assets, End of Year	\$ 29,540,117	\$ 528,027	\$ 596,609	\$ 253,178	\$ 417,422	\$ 436,333	\$ 585,447	\$ 557,706	\$ 632,396	\$ 1,443,449	\$ 1,281,240	\$ 1,359,238	\$ 1,520,359	\$ 1,648,852	\$ 2,022,664	\$ 1,823,619	\$ 2,720,800	\$ -	\$ 47,367,456	\$ 48,563,076