PROGRAM DEVELOPMENT SERVICES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2017

PROGRAM DEVELOPMENT SERVICES, INC.

TABLE OF CONTENTS

J. GLIKSMAN CPA P.C.
CERTIFIED PUBLIC ACCOUNTANT
5417 18TH AVENUE
BROOKLYN, NY 11204

TEL (718) 234-8181
FAX (718) 234-0014

JOSEPH GLIKSMAN, CPA
MEMBER: AICPA
NYSSCPA

PARTICIPANT: AICPA
PEER REVIEW PROGRAM

INDEPENDENT AUDITOR'S REPORT

Board of Directors of
Program Development Services, Inc.
Brooklyn, NY

We have audited the accompanying financial statements of Program Development Services, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Program Development Services, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information
We have previously audited the Program Development Services, Inc June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 24, 2016. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

J. Gliksman, CPA PC

November 24, 2017

PROGRAM DEVELOPMENT SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
(With Comparative Totals for June 30, 2016)

ASSETS

Current Assets	**2017**	**2016**
Cash and Cash Equivalents	$ 3,396,343	$ 2,923,101
Medicaid Receivables	1,709,731	1,761,954
Fees & Grants Receivables	162,938	161,248
Prepaid Expenses	259,283	166,136
Total Current Assets	**$ 5,528,295**	**$ 5,012,439**
Fixed Assets		
Land	$ 770,009	$ 770,009
Buildings	7,190,601	7,153,301
Leasehold Improvements	1,585,030	1,596,173
Furniture & Equipment	924,306	925,431
Automobiles	424,817	424,817
Accumulated Depreciation	(6,044,670)	(5,672,992)
Total Fixed Assets	**$ 4,850,093**	**$ 5,196,739**
Other Assets		
Deposit	$ 135,336	$ 129,273
Debt Service Reserve Fund	623,593	787,180
Mortgage Closing Costs	192,245	216,694
Escrow	193,769	195,842
Investments	1,478,300	1,327,363
Total Other Assets	**$ 2,623,243**	**$ 2,656,352**
TOTAL ASSETS	**$ 13,001,631**	**$ 12,865,530**

PROGRAM DEVELOPMENT SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
(With Comparative Totals for June 30, 2016)

LIABILITIES & NET ASSETS

Current Liabilities	2017	2016
Accounts Payable	$ 197,777	$ 197,126
Wages and Taxes Payable	1,261,157	886,667
Accrued Vacation/Sick Pay	1,038,990	977,876
Deferred Income	-	-
Bank Loans Payable	18,903	37,808
Due to OPWDD	44,882	51,305
Mortgage Payable	340,000	404,600
Mortgage and Interest Payable	325,902	413,983
Total Current Liabilities	**$ 3,227,611**	**$ 2,969,365**
Other Liabilities		
Bank Loans Payable	$ 1,139	$ 20,041
Due to OPWDD	215,947	190,296
Mortgage Payable	1,692,333	2,032,333
Total Other Liabilities	**$ 1,909,419**	**$ 2,242,670**
TOTAL LIABILITIES	**$ 5,137,030**	**$ 5,212,035**
Net Assets		
Unrestricted	$ 7,385,800	$ 7,205,786
Board Designated Funds	478,801	447,709
Total Net Assets	**$ 7,864,601**	**$ 7,653,495**
TOTAL LIABILITIES & NET ASSETS	**$ 13,001,631**	**$ 12,865,530**

See notes to financial statements

PROGRAM DEVELOPMENT SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for June 30, 2016)

	Unrestricted 2017	Unrestricted 2016
Revenue		
Program Service Fees	$ 19,354,778	$ 18,872,383
Grants	20,456	26,143
Contributions	9,649	25,892
Other Income	98,972	76,245
Interest and Option Income	64,658	24,882
Increase (Decrease) in Value of Securities	140,977	(2,053)
Total	**$ 19,689,490**	**$ 19,023,492**
Expenses		
Residential Programs	$ 17,748,582	$ 16,972,965
General & Administration	1,729,802	1,794,884
Total	**$ 19,478,384**	**$ 18,767,849**
Change in Net Assets	$ 211,106	$ 255,643
Net Assets Beginning	7,653,495	7,397,852
Net Assets - Ending	**$ 7,864,601**	**$ 7,653,495**

PROGRAM DEVELOPMENT SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for June 30, 2016)

EXPENSES:	Residential Programs	General Admin.	Total 2017	Total 2016
Salaries	$ 9,859,366	$ 498,836	$ 10,358,202	$ 9,911,052
Payroll Taxes & Benefits	3,604,714	301,493	3,906,207	3,703,170
Total Salaries and Related Expenses	$ 13,464,080	$ 800,329	$ 14,264,409	$ 13,614,222
Food	551,457	2,136	553,593	521,863
Repairs & Maintenance	163,895	84,864	248,759	269,873
Utilities	324,183	29,672	353,855	315,980
Transportation	207,290	17,248	224,538	174,896
Client Expenses	455,296	33	455,329	434,075
Expensed Equipment	23,534	7,308	30,842	21,438
Facility Tax Assessment	93,366	-	93,366	176,642
Leases	8,057	19,657	27,714	29,947
Fundraising	-	-	-	-
Office Expenses	4,956	141,243	146,199	146,166
Supplies	338,837	27,448	366,285	376,790
Telephone	41,622	61,570	103,192	104,911
Advertising	-	4,255	4,255	6,035
Professional Fees	15,356	221,521	236,877	234,791
Rent	1,196,718	141,090	1,337,808	1,306,367
Insurance	149,718	34,481	184,199	185,006
Day Services	-	-	-	-
Real Estate Taxes	5,261	10,337	15,598	15,598
Depreciation & Amortization	465,147	17,644	482,791	497,362
Disposal of Fixed Assets	30,229	-	30,229	15,204
Interest & Mortgage Fees	125,758	-	125,758	147,449
Other Administrative	83,822	108,966	192,788	173,234
Total	$ 17,748,582	$ 1,729,802	$ 19,478,384	$ 18,767,849

PROGRAM DEVELOPMENT SERVICES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for June 30, 2016)

Cash Flows from Operations:	2017	2016
Change in Net Assets	$ 211,106	$ 255,643
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operations:		
Depreciation & Amortization	482,791	497,362
Change in Receivables, Prepaid and Deposit	(48,677)	(448,937)
Change in Current Liabilities	436,255	520,012
Due to OPWDD	19,228	(1,379,530)
Net Cash Provided by Operations	**$ 1,100,703**	**$ (555,450)**
Cash Flows from Investing		
Acquisition of Fixed Assets	$ (111,695)	$ (209,663)
Purchase of Investment	$ (150,937)	$ 1,706
Increase (Decrease) of Debt Service Reserve Fund	77,578	1,246
Net Cash (Used)by Investing	**$ (185,054)**	**$ (206,711)**
Cash Flows from Financing:		
Payment of Mortgages	$ (442,407)	$ (512,993)
Net Cash (Used)/Provided by Financing	**$ (442,407)**	**$ (512,993)**
Net Increase in Cash	$ 473,242	$ (1,275,154)
Cash Balance - Beginning	2,923,101	4,198,255
CASH BALANCE ENDING	**$ 3,396,343**	**$ 2,923,101**
Interest Paid	125,758	$ 147,449
Taxes Paid	15,598	15,598

See notes to financial statements

Note A - Nature of the Agency

Program Development Services, Inc. "the Agency" provides services to developmentally disabled persons in Brooklyn New York, under operating certificates or contracts with New York State Office for People with Developmental Disabilities OPWDD.Nearly all of the Agency's revenue is Medicaid received from OPWDD.

Note B – Accounting Principles

The accounting policies of the agency conform to accounting principles generally accepted as applicable to voluntary health and welfare agencies. The accrual basis of accounting is followed by the agency. Under the accrual basis of accounting, revenues are reported when earned. Expenditures are recorded when the goods are received or services are rendered.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable un-collectible through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to an expense account and a credit to accounts receivable.

The agency reports investments in equity and debt securities at their fair values in the statements of assets, liabilities and net assets. Interest, dividends, realized and unrealized gains and losses are included in the change in net assets.

All depreciable assets that cost at least $1,000 are recorded at cost and are depreciated on a straight-line basis. Buildings are depreciated over 25 years. Machinery and equipment are depreciated over 3 to 7 years and transportation equipment over 4 years. Leasehold improvements are depreciated over the term of the lease including extensions at the tenant's option.

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reported period. Actual results can differ from those estimates.

Note B – Accounting Principles (continued)

The agency reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Restricted revenue whose restriction expired during the year is presented as unrestricted revenue. The agency has no restricted assets as of June 30, 2017.

The agency is a tax-exempt organization under the law of New York State and under Internal Revenue Code 501(c)(3) as a non-private foundation.

For purposes of the statements of cash flows, the organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Subsequent events have been evaluated through October 30, 2017, the date of which financial statements were available to be issued.

Note C – Concentrations of Credit Risk

The agency maintains cash balances at a financial institution located in New York City. Federal Deposit Insurance Corporation insures all non-interest bearing deposits, and up to $250,000 on interest bearing accounts. At June 30, 2017, the Agency's uninsured cash balances totaled $2,951,619

Note D – Fair Value Measurements

The agency applies the U.S. GAAP authoritative guidance for *Fair Value Measurements* and *Disclosures*, which defines fair value, establishes a framework for measuring fair value and requires certain disclosures about fair value measurement used to measure fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Note D – Fair Value Measurements (continued)

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017, and 2016.

Common stocks, and corporate bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note D – Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the agencies assets at fair value as of June 30, 2017:

		Level 1
Equities		
	Consumer Goods	$451,103
	Basic Materials	20,255
	Services	291,010
	Utilities	46,892
	Healthcare	64,397
	Energy	19,300
	Industrial Goods	122,630
	Total Equities	$1,015,587
Corporate Bonds		
	Consumer Goods	$60,563
	Basic Materials	60,343
	Financial	180,985
	Services	100,280
	Industrial Goods	60,542
	Total Corporate Bonds	$462,713
Total		$1,478,300

Interest and dividend income from these holdings for the year ended June 30, 2017, was $27,850. Unrealized gains in the year ended June 30, 2017 is reported in the statement of activities in the amount of $140,977. Investment fees totaled $15,886.

Note E – Accounts Receivable

Accounts receivable are nearly 100% Medicaid; and are expected to be collected in full; accordingly no allowance has been made for bad debts. Accounts receivable have been pledged as collateral for bank loans and mortgages payable.

Note F – Reserve Funds and Closing Costs

Reserve funds represents cash held by Bank of New York, under the New York City Industrial Development Agency financing arrangement and by Dormitory Authority of the State of New York (DASNY) as security for payment of the Bonds and Mortgage loans. Closing costs represents the costs of obtaining mortgage financing. The costs are being amortized over 15 or 25 years, which is the life of the mortgages. Closing costs are reported net of accumulated amortization of $542,746.

Note G – Mortgages Payable

Mortgages Payable represents several mortgage loans from Medical Care Facilities Finance Agency, or from New York City Industrial Development Agency, to finance construction or renovation of residential sites. The original amount of the loans was $8,206,880. Substantially all the agency's real property is pledged as collateral to the mortgages. The mortgages are repaid by withholding from Medicaid funds or by monthly payments to the bank trustee. Interest rates range from 3.00% to 7.56%. Interest expense for the year ended June 30, 2017 was $116,785. The balance of the mortgages as of that date was $2,032,333. Principal installments due in each of the next five years are as follows:

Year ended June 30, 2018	340,000
Year ended June 30, 2019	311,500
Year ended June 30, 2020	270,000
Year ended June 30, 2021	265,000
Year ended June 30, 2022	260,000

Note H – Loans Payable

Loans Payable represents:

1. A loan from JP Morgan Chase Bank, in the original amount of $567,120 to finance the construction of residential sites. The loan is due in November 2018. Interest rate is 7.36%. Interest expense for the year ended June 30, 2017 was $2,899. The total loan balance as of that date was $20,042. Certain of the agreements provide for restrictions on the Agency's current ratio, working capital, net assets, and debt to capital ratio. All assets of the Agency are pledged as collateral for these loans.

Note I – Lease Commitments

The residential programs occupy leased sites. The terms of the leases vary from 2 to 10 years. Future rental payments under the terms of existing leases are:

Year ended June 30, 2018	904,269
Year ended June 30, 2019	446,819
Year ended June 30, 2020	424,458
Year ended June 30, 2021	361,009
Year ended June 30, 2022	180,428

Note J – Due to OPWDD

Due to OPWDD is comprised of retro rate adjustments payments received from OPWDD and amounts advanced to fund the start-up of the ICF and IRA residences. The total amount due to OPWDD within one year of June 30, 2017 is $44,882.

Note K – Equipment Lease

The Agency leases office equipment under 2 to 4 year leases. Total lease expense for the year ended June 30, 2017 was $27,714. Future payments under existing leases are:

Year ended June 30, 2018	10,772
Year ended June 30, 2019	10,772
Year ended June 30, 2020	8694
Year ended June 30, 2021	6804
Year ended June 30, 2022	3802

Note L – Pension Plan

The Agency participates in a Profit Sharing Plan under Section 403 (b). An employee is eligible after two years of employment. For the year ended June 30, 2017 the agency contributed a total of $76,264. Additionally the agency adopted a Section 457(f) Plan and contributed $30,000.

Note M – Board Designated Funds

The agency received funds from New York State OPWDD for the purpose of reimbursing employees for healthcare expenses and physical maintenance of its various sites. Board Designated Funds represents the amount of funds not yet expended as of June 30, 2017. These funds will either be expended for employee healthcare expenses and maintenance or returned to New York State.

Note N – Commitment

The workers' compensation carrier was taken over by NYS Workers' Compensation Board. An agreement was signed by the NYS Compensation Board and the Organization to settle all claims for $475,888, plus 3% interest, with a 10 year payout plan, monthly payments of $4,595. The balance due at June 30,2017 is $457,508.

Note O - Related Party

The agency contracted with an entity related to the organization through familial relationship of the officers to render administrative services. The total paid during the year for such services was $76,000.

Note P - Contingency

The Agency participates in a number of federal and state funded programs. These programs are subject to financial and compliance audits by the grantors or their representatives. Audits of these programs for the year ended June 30, 2017 have not and may not be conducted. Audits for previous years have not been completed. The amounts of expenditures, which may be disallowed by granting agencies, cannot be determined at this time although the Agency is confident that such amounts, if any, would be immaterial.