Transitional Services for New York, Inc.

Consolidated Financial Statements and Auditors' Report

at 30 June 2020 and 2019 and for the years then ended

Consolidated Balance Sheets		
at 30 June	***2020***	***2019***
Assets		
Cash & equivalents	$ 1,993,665	$ 3,799,053
Cash - Replacement reserve	365,734	325,255
Cash - Security deposits received	12,066	12,063
Total cash	2,371,465	4,136,371
Accounts receivable, net of allowance		
of $760,611 and $443,288	3,979,576	3,442,843
Investments	6,416,297	6,090,608
Financial assets	12,767,338	13,669,822
Prepaid expenses & other assets	88,917	131,197
Security deposits paid	539,729	511,007
Property & equipment	49,543,664	47,222,940
	$ 62,939,648	$ 61,534,966
Liabilities		
Accounts payable & accrued expenses	$ 1,908,390	$ 1,234,118
Accrued compensation	1,517,869	1,278,471
Deferred revenue	19,368	3,373,221
Due to governmental funders	4,208,131	4,986,470
Liability for pension benefits	5,030,868	3,915,161
Mortgages and loans	2,851,327	1,454,180
Nonrecourse mortgages	6,428,677	3,217,052
Deferred construction funding	18,527,307	19,263,425
Security deposits received	12,066	12,063
	40,504,003	*38,734,161*
Net assets		
Without donor resrictions	18,549,145	17,544,779
Board designations	846,332	466,604
	19,395,477	18,011,383
With donor restrictions	116,966	109,572
Noncontrolling interest	2,923,202	4,679,850
	22,435,645	*22,800,805*
	$ 62,939,648	$ 61,534,966

Consolidated Statements of Activities and Changes in Net Assets		
Without Donor Restrictions		
for the years ended 30 June	***2020***	***2019***
Operating revenue:		
Fees for services	$ 9,483,106	$ 8,939,204
Government contracts	14,725,287	13,530,652
Client resident rent & fees	2,471,712	2,465,635
Rents	1,148,050	1,075,243
Developer's fees	449,635	1,601,009
Miscellaneous	1,682,355	1,222,025
	29,960,145	28,833,768
Operating expenses:		
Outpatient services	3,734,077	3,705,125
Community residences	5,584,832	4,940,901
Supportive housing	14,574,267	13,418,142
Case management	2,706,078	2,442,439
Administration	2,774,782	2,558,042
	29,374,036	27,064,649
Operating income	*586,109*	*1,769,119*
Public support:		
Special event income	108,053	99,790
Special event expense	(29,119)	(27,891)
	78,934	71,899
Grants & contributions	273,553	99,380
Fundraising expense	(56,766)	(57,359)
	295,721	113,920
Net assets without donor restrictions:		
Change	*881,830*	*1,883,039*
Investments	313,494	401,748
Pension liability adjustment	(1,117,694)	190,518
Non-service net periodic pension cost	(80,418)	(132,224)
Change in prior year contracts	389,487	224,559
Net grants and fees from construction	750,186	896,025
Depreciation and amortization	(1,889,167)	(1,462,121)
Beginning of year	18,011,383	14,411,659
Limited partners' share of losses	2,136,376	1,598,180
End of year	$ 19,395,477	$ 18,011,383

The accompanying footnotes are an integral part of these financial statements.

1 Organization and Nature of Activities

TSINY develops facilities for and provides housing to those with low incomes, operates community residences and supported housing programs and provides other outpatient, day training, vocational rehabilitation and clinical services to the mentally disabled.

These consolidated financial statements present the consolidated financial position and changes in net assets and of cash flows of Transitional Services for New York, Inc. (TSINY). This includes TSINY, TSI Properties – I, Inc. (Props), TSINY Building 74 Housing Development Fund Corporation, Inc. (B74HDFC) , TSINY Building 74 GP, Inc. (B74GP), TSINY 163rd Street Housing Development Fund Corporation, Inc. (163HDFC), TSINY 163rd Street GP, Inc. (163GP), TSINY 163rd Street LP (163LP), Building 89 JD HDFC, Inc. (89HDFC), TSINY 89th Avenue GP, Inc. (89GP), and TSINY 89th Avenue LP (89LP) . TSINY controls

Consolidated Statement of Functional Expenses
for the year ended 30 June 2020

	Outpatient services	Community residences	Supportive housing	Case management	Total program services	Administration	Total
Staff salaries	$ 2,159,795	$ 3,452,011	$ 5,339,623	$ 1,731,096	$ 12,682,525	$ 1,626,995	$ 14,309,520
Employee benefits	470,130	902,987	1,297,579	440,356	3,111,052	437,888	3,548,940
	2,629,925	*4,354,998*	*6,637,202*	*2,171,452*	*15,793,577*	*2,064,883*	*17,858,460*
Occupancy	476,648	586,125	6,321,027	196,550	7,580,350	42,331	7,622,681
Professional fees	276,628	975	58,659	42,298	378,560	271,539	650,099
Food	1,172	10,827	4,951		16,950	2,936	19,886
Client expenses	111,959	208,130	524,301	56,091	900,481		900,481
Equipment & furnishings	26,468	79,186	233,274	10,877	349,805	54,709	404,514
Travel & transportation	2,401	8,517	50,049	52,635	113,602	16,114	129,716
Miscellaneous	38,527	39,581	88,123	27,743	193,974	104,446	298,420
Insurance	43,864	97,983	294,891	50,718	487,456	45,589	533,045
Supplies	49,116	124,496	158,912	13,199	345,723	55,637	401,360
Communication	77,369	74,014	136,496	84,515	372,394	71,281	443,675
Interest			66,382		66,382	45,317	111,699
Operating expenses	3,734,077	5,584,832	14,574,267	2,706,078	26,599,254	2,774,782	29,374,036
Depreciation & amortization	16,788	384,796	1,336,726	25,278	1,763,588	125,579	1,889,167
	$ 3,750,865	$ 5,969,628	$ 15,910,993	$ 2,731,356	$ 28,362,842	$ 2,900,361	$ 31,263,203

Consolidated Statements of Changes in Net Assets
With Donor Restrictions and Noncontrolling interest
for the years ended 30 June

	2020	2019
Activity with donor restrictions		
Contributions	$ 7,394	$ 8,774
Balance:		
Beginning of year	109,572	100,798
End of year	$ 116,966	$ 109,572
Noncontrolling interest		
Contributions	$ 379,728	$ 4,042,400
Limited partners' share of losses	(2,136,376)	(1,598,180)
Balance:		
Beginning of year	4,679,850	2,235,630
End of year	$ 2,923,202	$ 4,679,850

The accompanying footnotes are an integral part of these financial statements.

Props, B74HDFC, 163HDFC, and 89HDFC. B74HDFC controls B74GP. B74GP is the general partner of TSINY Building 74 LP (B74LP). 163HDFC controls 163GP. 163GP is the general partner of TSINY 163rd Street LP. 89HDFC controls 89GP. 89GP is the general partner of 89LP.

TSINY, Props, B74HDFC , B74GP, 163HDFC, 163GP, 89HDFC, and 89GP were incorporated in 1974, 2006, 2010, 2010, 2014, 2018, 2018, and 2018, respectively. TSINY, Props, B74HDFC, 163HDFC, and 89HDFC are all tax-exempt organizations. TSINY and Props are tax-exempt in accordance with §501 (c)3 of the Internal Revenue Code (IRC) and are classified as publicly-supported organizations as defined in §509(a)(2). Therefore, contributions to both organizations are tax-deductible. B74HDFC, 163HDFC, and 89HDFC are tax-exempt in accordance with §501(c)4 of the IRC. All of these organizations believe that they continue to comport to the requirements of those sections and that their activities continue to be exempt from federal and state income tax.

In 2006 TSINY created Props, to purchase and hold a residential property. TSINY operates a supported apartment program for persons with developmental disabilities in the property. Funding for the purchase and refurbishment was provided by the U.S. Department of Housing and Urban Development as part of its §811 Supportive housing for Persons with Disabilities program and by the New York State Office of Mental Health (NYSOMH).

In 2010 TSINY created B74HDFC and its wholly-controlled subsidiary, B74GP to lease residential property from the Dormitory Authority of the State of New York (DASNY). TSINY operates a refurbished single room occupancy community residence with 52 beds on the property. In 2014 TSINY created 163HDFC and its wholly-controlled subsidiary, 163GP to construct and operate a single room occupancy community residence with 44 beds. Funding for the refurbishment and construction was provided by NYSOMH and through the sale of federal low-income housing tax credits to commercial investors. In 2018 TSINY created 89HDFC and its wholly-owned subsidiary, 89GP to construct and operate a residential facility with 70 beds. Funding for the construction is being provided by loans from the Community Preservation Corporation and the New York City Department of Housing Preservation and Development and through the sale of federal low-income housing tax credits to commercial investors. B74LP, 163LP, and 89LP were established for that purpose. The interest of the limited partners is shown in these financial statements as Noncontrolling interest.

Consolidated Statement of Functional Expenses
for the year ended 30 June 2019

	Outpatient services	Community residences	Supportive housing	Case management	Total program services	Administration	Total
Staff salaries	$ 2,095,364	$ 2,991,011	$ 4,425,437	$ 1,500,685	$ 11,012,497	$ 1,469,335	$ 12,481,832
Employee benefits	464,913	708,786	1,104,056	392,120	2,669,875	393,560	3,063,435
	2,560,277	*3,699,797*	*5,529,493*	*1,892,805*	*13,682,372*	*1,862,895*	*15,545,267*
Occupancy	483,859	618,014	6,355,714	189,426	7,647,013	51,693	7,698,706
Professional fees	242,235	1,146	38,208	47,921	329,510	301,692	631,202
Food	2,072		536		2,608	11,844	14,452
Client expenses	156,735	198,909	469,176	56,647	881,467	1,392	882,859
Equipment & furnishings	29,049	89,123	247,381	8,002	373,555	19,372	392,927
Travel & transportation	3,032	10,952	56,633	61,736	132,353	22,563	154,916
Miscellaneous	44,473	42,419	88,597	36,681	212,170	71,751	283,921
Insurance	43,048	99,465	285,628	51,344	479,485	45,100	524,585
Supplies	60,439	114,072	153,204	15,057	342,772	55,852	398,624
Communication	79,906	67,004	111,976	81,336	340,222	59,699	399,921
Interest			81,596	1,484	83,080	54,189	137,269
Operating expenses	3,705,125	4,940,901	13,418,142	2,442,439	24,506,607	2,558,042	27,064,649
Depreciation & amortization	15,896	377,581	927,868	22,337	1,343,682	118,439	1,462,121
	$ 3,721,021	$ 5,318,482	$ 14,346,010	$ 2,464,776	$ 25,850,289	$ 2,676,481	$ 28,526,770

The accompanying footnotes are an integral part of these financial statements.

2 Summary of significant accounting policies

A. These statements have been prepared on the accrual basis. In their preparation, TSINY follows accounting principles and reporting requirements that are generally accepted for not-for-profit entities in the United States of America (GAAP), including specialized requirements promulgated by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants.
B. TSINY reports unconditional contributions as unrestricted support unless received with donor stipulations that limit the use of the donated assets.
C. TSINY earns fees from third-party reimbursement agencies for services provided to clients. Revenues from these fees are based on predetermined rates and are subject to audit and retroactive adjustment. The effects of any such adjustments are recorded when they are reasonable determinable.
D. In accordance with FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* many government contracts are considered conditional contributions and are earned based on allowable costs incurred. Reimbursements for prior year contracts are sometimes adjusted in the current year for circumstances not known at the close of the prior year. Such adjustments might be due to funder audit findings, post-completion awards of additional funds, rate appeal results, and other matters.
E. Because TSINY operates multiple programs and receives funding from multiple sources, costs have been allocated to programs in accordance with various methods used in reporting its activities to its funders. Bases for these allocations include proportional consumer census, employee wages and salaries, and facility square footage.
F. TSINY considers all unencumbered highly liquid instruments with original maturities of 90 days or less to be cash or equivalents.
G. TSINY provides an allowance for current uncollectible accounts based upon management's evaluation of the current record of its debtors and current economic conditions.
H. TSINY reports investments at quoted market values which are all level 1 measurements under the hierarchy established under Accounting Standards Codification §820 – *Fair Value Measurements*.
I. Property and equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. TSINY capitalizes individual pieces of property and equipment with a cost of $5,000 or more and a useful life of two years or more. Depreciation is provided on a straight-line basis over the estimated useful life of the asset. Leasehold improvements are amortized over the shorter of the useful life of the improvement or the remaining term of the lease.
J. TSINY reports its liability for employee's vacation time earned, but not yet used in these financial statements. The cumulative expense charged to operations is included in reimbursable costs reported to funders in subsequent periods along with the associated income, when the vacation time is used by the employee and paid by TSINY.
K. Cash—replacement reserves are set aside as required by various contracts in order to fund approved capital costs for certain properties.
L. Due to Governmental Funders consists of over and under reimbursements made by funders and outstanding settlements of contractual obligations.
M. The Board of TSINY has determined that cash received for developer's fees is to be designated for specific purposes identified by the Board—primarily for continuing residential facility development.
N. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported during the period. Actual results could differ from those estimates.
O. Certain prior year amounts have been reclassified for comparative purposes.

Consolidated Statements of Cash Flows for the years ended 30 June		*2020*		*2019*
Cash flows from operating activities:-				
Change in net assets without donor restrictions:	$	881,830	$	1,883,039
Investments		313,494		401,748
Pension adjustments		(1,198,112)		58,294
Change in prior years' contracts		389,487		224,559
Limited partners' share of losses		2,136,376		1,598,180
Adjustments to reconcile the change in net assets without donor restrictions to net cash from operating activities:				
Liability for pension benefits		1,115,707		(73,358)
Amortization of financing costs		19,702		6,716
Net realized and unrealized gains		(158,466)		(250,260)
		3,500,018		*3,848,918*
Changes in operating assets & liabilities:				
(Increase)/decrease in assets:				
Accounts receivable		(536,733)		942,962
Prepaid expenses & other assets		42,280		662,460
Security deposits		(28,719)		1,768
Increase/(decrease) in liabilities:				
Accounts payable & accrued expenses		674,272		(1,390,655)
Accrued compensation		239,398		(326,280)
Deferred revenue		(3,353,853)		477,898
Due to governmental funders		(778,339)		(535,963)
Net cash from operating activities		*(241,676)*		*3,681,108*
Cash flows from investing activities:				
Net acquisitions of property & equipment		(4,190,184)		(9,471,934)
Net (purchases)/sales of investments		(167,223)		9,970
Net cash from investing activities		*(4,357,407)*		*(9,461,964)*
Cash flows from financing activities:				
Capital contributions received		379,728		4,042,400
Limited partners' share of losses		(2,136,376)		(1,598,180)
Net grants and fees for construction		750,186		896,025
Additional construction financing		3,739,050		3,217,052
Proceeds from operating loan		1,500,000		
Repayment of constuction financing		(1,387,355)		(393,088)
Payment of deferred financing		(18,450)		
Endowment contributions received		7,394		8,774
Net cash from financing activities		*2,834,177*		*6,172,983*
Total cash:				
Change		(1,764,906)		392,127
Beginning of the year		4,136,371		3,744,244
End of the year	$	2,371,465	$	4,136,371
Supplemental disclosures:				
Cash paid for interest	$	111,700	$	137,269

The accompanying footnotes are an integral part of these financial statements

3 Concentrations & liquidity

Financial instruments

Cash accounts at financial institutions in excess of FDIC insurance limits could expose TSINY to a concentration of credit risk.

Contracts

TSINY receives much of its revenue from contracts with New York State and New York City agencies.

Liquidity

TSINY monitors its cash position on a daily basis, striving to maintain sufficient liquidity to meet its operating needs and other contractual commitments and to maximize the yield from its investable funds.

An analysis of financial assets available at 30 June is as follows:

		2020		2019
Financial assets at year-end	$	12,767,338	$	13,669,822
Board designated net assets		(846,332)		(466,604)
Restricted by donors or contract as to use		(494,766)		(446,890)
Financial assets available to meet short-term cash needs	$	11,426,240	$	12,756,328

4 Net assets with donor restrictions

TSINY solicits funds with the specific understanding that the gifts will be invested and only the income from those gifts expended for the general operations of TSINY. These gifts are commingled with other investments. Spending from endowments by a not-for-profit corporation in New York State is currently governed by the New York Prudent Management of Institutional Funds Act (NYPMIFA), enacted in 2010. TSINY interprets NYPMIFA as requiring that, unless the donor specifies otherwise, the total historical dollar value of contributions with such donor restrictions be maintained as the minimum fair value of the endowment. At 30 June 2020 and 2019 TSINY exceeded this threshold by $6,299,331 and $5,891,036, respectively.

5 Investments

Investments consisted of the following at 30 June:

		2020		2019
Mutual funds – Fixed income	$	1,513,720	$	1,725,209
Mutual funds – Equities		4,902,578		4,365,399
	$	6,416,297	$	6,090,608

Investment results for the years ended 30 June were as follows:

		2020		2019
Opening balance	$	6,090,608	$	5,850,318
Purchases		2,735,219		1,657,160
Sales		(2,567,996)		(1,667,130)
Realized net gain		189,301		10,869
Unrealized net gain/(loss)		(30,835)		239,391
	$	6,416,297	$	6,090,608

Investment income for 2020 and 2019 included $155,028 and $151,488, respectively, in interest and dividends. Investments are subject to market volatility which could change their carrying value in the near term.

6 Property & equipment

Property & equipment consisted of the following at 30 June:

	2020	2019	Estimated useful lives
Land	$ 1,707,226	$ 1,707,226	
Buildings & improvements	30,138,670	29,961,088	40 years
Co-op apartments	148,000	148,000	40 years
Leasehold improvements	20,539,134	20,508,018	20-50 years
Equipment	2,520,913	2,432,014	5 years
Construction in progress	9,430,058	5,537,468	
	64,484,001	60,293,814	
Accumulated depreciation	14,940,337	13,070,874	
	$ 49,543,664	$ 47,222,940	

As of 30 June 2020, TSINY has additional existing construction commitments totaling $14,203,055.

7 Mortgages and Loans

Mortgages and loans are debts assumed by TSINY secured by the general assets of TSINY.

In 2015, TSINY borrowed $435,000 from a bank giving a mortgage and security interest in real property located in Jackson Heights, New York. As of June 30, 2020 and 2019, respectively, the principal balance due was $213,834 and $257,395. The annual interest rate was fixed at 4.15%. The mortgage matures in 2025. It is payable in monthly installments of $4,452.

In 2014, TSINY borrowed $973,000 from a bank giving a mortgage and security interest in real property located in Whitestone, New York. As of 30 June 2020 and 2019 respectively, the principal balance due was $515,620 and $558,940. The annual interest rate was fixed at 4.614%. The mortgage matures in 2026. It is payable in monthly installments of $7,502.

In 2008, TSINY borrowed $640,000 from a bank giving a mortgage and security interest in real property located in Corona, New York. As of 30 June 2019 the principal balance due was $472,216. The mortgage matured and was replaced in September 2019 with a new mortgage for $525,000. As of 30 June 2020 the principal balance due was $515,620. The annual interest rate was fixed at 4.34%. The mortgage matures in August 2029. It is payable in monthly installments of $2,892.

In 2013, TSINY borrowed $1,000,000 from a bank giving a mortgage and security interest in real property located in Queens, New York. As of 30 June 2020 and 2019 respectively, the principal balance due was $733,243 and $773,564. The annual interest is fixed at 4.48%. The mortgage matures in 2024. It is payable in monthly installments of $6,364.

In 2020, TSINY borrowed $1,500,000 as part of the Small Business Administration's Payroll Protection Program. Annual interest is fixed at 1.0%, is accrued monthly and added to the principal. As of 30 June 2020, the total amount due is $1,502,425. TSINY believes that it will meet the loan forgiveness requirements and plans to apply for forgiveness during 2021.

Future annual principal payments of these mortgages and loans are due as follows:

2021	$	1,673,229
2022		178,546
2023		780,415
2024		144,237
2025		117,597
Thereafter		564,076
		3,458,100
Unamortized financing costs		(606,773)
	$	2,851,327

8 Nonrecourse mortgages

Nonrecourse mortgages are debts assumed by partnerships controlled by TSINY secured only by the specific assets covered by the respective agreement.

In June 2019, 89LP arranged a debt facility from a bank giving a mortgage and security interest in real property, including a building being constructed in Jamaica, New York. Amounts, totaling a maximum of $10,850,691 may be drawn as construction continues. Interest on the outstanding balance, at 240 basis points over one month LIBOR, will be added to the principal balance. These mortgages are set to mature no later than June 2022 and will be replaced by permanent financing from the Community Preservation Corporation when construction is complete.

9 Deferred construction funding

These amounts represent income to be recognized in the future associated with construction projects financed or partly financed by NYSOMH. These mortgages were all issued with the understanding that as long as TSINY used these properties "for charitable purposes benefitting the community mental health service for which this mortgage has been made" no payments would be made to NYSOMH by TSINY and that NYSOMH would make payments to DASNY on TSINY's behalf.

Construction of TSINY's residence in the Bronx and leasehold improvements to the Hillside Avenue facility (Building #67) owned by and leased from DASNY to TSINY were financed with non-recourse mortgages from NYSOMH directly to TSINY. Because TSINY does not expect to violate this agreement by not operating in accordance with its exempt purpose, these mortgages are not reflected in these financial statements.

Renovations of the facilities on Winchester Boulevard by B74LP and on 163 Street by 163LP were financed by loans from DASNY and equity investments from partnerships established by TSINY with independent purchasers of federal low-income housing tax credits generated by those projects.

10 Pension

TSINY maintains a qualified defined benefit pension plan (the "Plan") for all eligible employees. Pension benefits are generally based on years of service and employee's average compensation. Plan assets consist of mutual funds held by an investment company. The Plan is funded solely through TSINY contributions, which are actuarially determined, and are designed to meet the minimum funding standards of the Employee Retirement Income Security Act of 1974.

Plan activity for years ended 30 June:

		2020		2019
Service (included in Employee benefits)	$	574,104	$	565,807
Interest		391,032		384,001
Expected asset return		(440,550)		(383,035)
Recognized prior service				11,697
Recognized actuarial loss		129,936		119,561
Total pension cost	$	654,522	$	698,031
Employer contributions		495,689		701,961
Benefits paid		502,119		588,154
Accumulated benefit obligation		11,495,415		9,804,546

Plan funding

The funded status of the Plan and the amounts reflected in TSINY's balance sheets as of 30 June are as follows:

		2020		2019
Projected benefit obligation	$	12,256,154	$	10,676,260
Plan assets at fair value		7,225,286		6,761,099
Funding deficit	$	5,030,868	$	3,915,161
Accrued pension cost	$	460,688	$	466,856

Plan assumptions

Considering the historical return on the Plan's assets and the current allocation of those assets, the measurement of the net periodic pension cost was based upon the following weighted-average assumptions:

	2020	2019
Discount rate	3.25%	3.75%
Rate of increase in future compensation levels	1.25%	2.00%
Expected long-term rate of return on plan assets	6.00%	6.00%

Plan assets

Considering the demographics of the Plan's participants and the Trustee's wish to limit the Plan's investment risk, the Trustees have determined a target allocation of plan assets of 60% equity, 35% fixed-income, and 5% alternative-based investments. This allocation is reviewed periodically by the Trustees.

As of 30 June assets of the Plan were as follows:

	2020	2019
Mutual funds - Equities	66.5%	58.7%
Mutual funds - Fixed income	25.8	30.1
Cash and equivalents	3.7	4.8
Amounts due from the sponsor	4.0	6.4
	100.0%	100.0%

Prospective plan cash flows

TSINY expects to contribute a minimum of $475,000 to the Plan in 2021. The Plan expects to pay the following amounts, which include amounts for services to be provided in the future, as follows:

2021	$	474,190
2022		473,925
2023		483,050
2024		505,277
2025		570,262
2026 through 2030		3,109,458

11 Commitments & contingencies

TSINY is subject to certain claims and pending litigation, which are covered by insurance policies, that have arisen in the ordinary course of business. They are not expected to have a materially adverse effect on TSINY's financial position or changes in net assets.

New York State and New York City Program Reviews

In accordance with TSINY's contractual relationships with certain governmental funders, those funders have the right to examine TSINY's books and records as they pertain to those contracts.

Operating lease obligations

TSINY is obligated, in accordance with various leases, to pay annual minimum real property rentals in the future. Many of these operating lease payments are for apartments occupied by TSINY clients who, as part of their agreements with TSINY, contribute to the cost of their apartments. The rental obligation in the following table is not offset by any possible recipient rental payments:

2019 Actual	$	6,388,329
2020 Actual		6,437,447
2021		3,106,905
2022		1,410,388
2023		507,476

Facility construction and renovations

TSINY operates programs at sites which it leases from New York State and which are being renovated. The funds for these renovations are advanced to TSINY by New York State (see also Note 9). When these renovations are complete, management expects that New York State will contribute the renovations to TSINY either in the form of long-term financing which will not be repaid or as an outright contribution.

TSINY has been notified by NYSOMH of allocations of 50 beds in Queens and of 50 beds in the Lower Hudson Valley region. In addition, TSINY has been awarded a 50 bed allotment under the NYS Empire State Supportive Housing Initiative. Placing these beds into service will depend upon the acquisition and development of suitable residential facilities. TSINY anticipates accomplishing this over the next four to five years with a mixture of NYSOMH and external financing.

TSINY has also been notified that NYSOMH has approved the development of a 10 bed short-term respite program in Queens. A site for this program has been identified.

12 Adopted Accounting Pronouncements

In 2020, TSINY retrospectively adopted FASB ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* which requires the Statement of Cash Flows to include restricted cash and equivalents in the balance that is analyzed. As a result, this statement for the year ended 30 June 2019 was restated as follows:

	After adoption	Originally presented
Security deposits	1,768	(5,930)
Security deposits received		3,849
Net cash from operating activities	3,681,108	3,670,543
Change in replacement reserve		(8,717)
Net cash from investing activities	(9,461,964)	(9,470,681)
Change	392,127	379,561
Cash & equivalents –Beginning of the year		3,419,492
Total cash—Beginning of the year	3,744,244	
Cash & equivalents—End of the year		3,799,053
Total cash—End of the year	4,136,371	

Also in 2020, TSINY retrospectively adopted FASB ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715)* which requires the disclosure of the components of defined benefit pension cost and the inclusion of service cost in as part of compensation and the other components presented separately below the subtotal of Operating income. As a result, $132,224 of employee benefits was excluded from the Statement of Functional Expenses and from Operating expenses in the Statement of Activities and Changes in Net Assets and included below the subtotal of Operating income for the year ended 30 June 2019.

13 Subsequent events

TSINY has evaluated all events taking place subsequent to the balance sheet date through 12 February 2021, the date these statements were available to be issued. There were no events or transactions occurring during that period which require recognition or disclosure in these financial statements.

Independent Auditors' Report

bakertilly

Board of Directors
Transitional Services for
New York, Inc.
Whitestone, New York

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Transitional Services For New York, Inc. and Affiliates (the "Organization"), which comprise the consolidated balance sheets as of June 30, 2020 and 2019, and the related consolidated statements of activities and changes in net assets without donor restrictions, changes in net assets with donor restrictions and noncontrolling interest, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 audits 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 auditors' 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 auditors consider 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 Organization as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly US, LLP

12 February 2021
New York, New York