START TREATMENT AND RECOVERY CENTERS, INC.
AND
SUBSIDIARY

START
TREATMENT & RECOVERY CENTERS
The right way to treat people.

Consolidated Financial Statements
and Supplementary Information
(Together with Independent Auditors' Report)

Years Ended December 31, 2019 and 2018

MARKS PANETH
ACCOUNTANTS & ADVISORS

START TREATMENT AND RECOVERY CENTERS, INC. AND SUBSIDIARY

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

YEARS ENDED DECEMBER 31, 2019 AND 2018

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MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
START Treatment and Recovery Centers, Inc. and Subsidiary

We have audited the accompanying consolidated statements of financial position of START Treatment and Recovery Centers, Inc. ("START") and Affiliated Services and Resources Corporation ("Subsidiary") (collectively, the "Agency") as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Agency as of December 31, 2019 and 2018, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules (shown on pages 19-20) are presented for the purposes of additional analysis, rather than to present the financial position and changes in net assets of the subsidiary and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Marks Paneth LLP

New York, NY
May 15, 2020

START TREATMENT AND RECOVERY CENTERS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents (Notes 2C, 2G, 3 and 15)	$ 10,673,134	$ 6,161,530
Investments in securities (Notes 2D, 2E, 3, 4 and 13)	2,184,257	1,925,602
Accounts receivable, net (Notes 2F, 3 and 5)	2,945,737	3,898,124
Rent receivable, current (Notes 2G, and 6)	256,416	-
Prepaid expenses and other current assets	406,831	182,040
Total current assets	16,466,375	12,167,296
Property and equipment, net (Notes 2H, 7, 9 and 10)	19,797,714	9,324,528
Investment in joint venture (Note 8)	26,450,000	26,450,000
Due from related parties (Note 8)	-	461,367
Rent receivable, noncurrent (Notes 2G and 6)	1,449,387	-
Operating lease right of use assets (Notes 2O and 14B)	2,971,023	4,220,450
Security deposits	97,485	183,711
TOTAL ASSETS	$ 67,231,984	$ 52,807,352
LIABILITIES		
Accounts payable and accrued expenses	$ 765,382	$ 807,487
Accrued salaries, vacation and benefits	2,153,747	1,387,479
Mortgages payable, current (Notes 10 and 14)	389,050	261,644
Unearned rental revenue, current (Notes 2G, 2O and 6)	256,416	-
Lease liabilities, current (Notes 2O and 14B)	439,575	687,750
Due to funding sources (Note 11)	707,478	821,449
Total current liabilities	4,711,648	3,965,809
Tenant security deposits payable (Note 2G)	37,620	-
Capital advance (Note 9)	5,588,356	5,588,356
Lease liabilities, noncurrent (Notes 2O and 14B)	2,531,448	3,532,700
Mortgages payable, noncurrent (Notes 10 and 14)	8,090,992	1,717,040
Unearned rental revenue, noncurrent (Notes 2G, 2O and 6)	1,449,387	-
Deferred rent (Notes 2J and 14B)	114,657	104,506
TOTAL LIABILITIES	22,524,108	14,908,411
COMMITMENTS AND CONTINGENCIES (Note 14)		
NET ASSETS (Note 2B)		
Net assets without donor restrictions:		
Operations	38,978,560	30,879,809
Invested in property and equipment, net	5,729,316	2,019,132
Board designated - Third Horizon building development fund	-	5,000,000
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	44,707,876	37,898,941
TOTAL LIABILITIES AND NET ASSETS	$ 67,231,984	$ 52,807,352

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

START TREATMENT AND RECOVERY CENTERS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
OPERATING ACTIVITIES:		
REVENUE AND SUPPORT		
Revenue		
Government contracts and grants (Note 2I)	$ 2,471,842	$ 2,535,884
Medicaid (Note 2I)	26,174,088	25,033,810
Patient fees	106,914	144,287
Contributions (Note 2F)	96,572	95,286
Special events, net of direct expenses of $98,649 (Note 2K)	-	18,019
Investment activity (Note 4)	401,357	(33,287)
Rental income (Note 2G)	108,431	30,000
Gain on disposition of property (Note 7)	4,838,145	25,556,871
Other income	1,054,685	258,283
TOTAL REVENUE AND SUPPORT	35,252,034	53,639,153
EXPENSES (Note 2M):		
Program services:		
Clinic operations	20,796,640	21,694,183
Research operations	437,516	200,582
Other programs	1,911,387	1,705,711
Total program services	23,145,543	23,600,476
Supporting services:		
Management and administration	5,258,211	4,954,501
Fundraising	39,345	192,583
Total supporting services	5,297,556	5,147,084
TOTAL EXPENSES	28,443,099	28,747,560
CHANGE IN NET ASSETS FROM OPERATIONS	6,808,935	24,891,593
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	6,808,935	24,891,593
Net assets - beginning of year	37,898,941	20,823,424
Prior period adjustments (Note 16)	-	(7,816,076)
Net assets - beginning of year, as restated	37,898,941	13,007,348
NET ASSETS - END OF YEAR	$ 44,707,876	$ 37,898,941

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

START TREATMENT AND RECOVERY CENTERS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Comparative Totals for 2018)

	Program Services				Supporting Services				
	Clinic Operations	Research Operations	Other Programs	Total Program Services	Management and Administration	Fundraising	Total Supporting Services	Total 2019	Total 2018
Salaries and related expenses									
Salaries	$ 11,655,472	$ 325,908	$ 1,390,140	$ 13,371,520	$ 2,396,272	$ 20,342	$ 2,416,614	$ 15,788,134	$ 15,340,447
Payroll taxes and other benefits (Note 12)	2,667,325	64,888	288,133	3,020,346	607,668	4,015	611,683	3,632,029	3,648,136
Total salaries and related expenses	14,322,797	390,796	1,678,273	16,391,866	3,003,940	24,357	3,028,297	19,420,163	18,988,583
Professional fees	1,521,588	24,846	48,941	1,595,375	618,212	3,418	621,630	2,217,005	2,249,863
Patient costs	536,447	6,375	9,279	552,101	612	2	614	552,715	501,712
Medical supplies and prescriptive drugs	589,249	-	-	589,249	-	-	-	589,249	647,495
Consumable supplies	80,266	331	6,676	87,273	26,996	486	27,482	114,755	193,530
Occupancy (Note 14B)	778,598	-	5,366	783,964	-	-	-	783,964	928,950
Real estate taxes	60,655	-	28,437	89,092	-	-	-	89,092	195,146
Utilities	422,864	-	16,208	439,072	40,779	-	40,779	479,851	412,438
Telephone	354,602	1,568	11,467	367,637	61,260	192	61,452	429,089	421,383
Outside security services	92,676	-	198	92,874	172	-	172	93,046	86,361
Repairs and maintenance	471,595	2,544	10,346	484,485	58,242	824	59,066	543,551	573,949
Equipment rental	50,706	263	1,031	52,000	9,182	85	9,267	61,267	64,086
Janitorial and maintenance supplies	77,687	382	2,399	80,468	3,785	124	3,909	84,377	84,006
Conference and meetings	21,434	406	13,158	34,998	40,732	2,238	42,970	77,968	113,804
Staff travel	3,999	224	753	4,976	1,685	26	1,711	6,687	6,564
Staff recruitment and development	206,439	5,064	14,816	226,319	44,332	1,148	45,480	271,799	372,774
Insurance	340,568	1,855	11,270	353,693	45,428	601	46,029	399,722	438,247
Interest (Note 10)	83,813	-	-	83,813	46,228	-	46,228	130,041	133,440
Depreciation and amortization (Notes 2H and 7)	697,161	2,155	51,773	751,089	151,755	1,523	153,278	904,367	738,873
Bad debt expenses	-	-	-	-	1,062,159	-	1,062,159	1,062,159	1,369,605
Miscellaneous	83,496	707	996	85,199	42,712	4,321	47,033	132,232	226,751
Total expenses	$ 20,796,640	$ 437,516	$ 1,911,387	$ 23,145,543	$ 5,258,211	$ 39,345	$ 5,297,556	$ 28,443,099	$ 28,747,560

START TREATMENT AND RECOVERY CENTERS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services				Supporting Services			
	Clinic Operations	Research Operations	Other Programs	Total Program Services	Management and Administration	Fundraising	Total Supporting Services	Total
Salaries and related expenses								
Salaries	$ 11,715,908	$ 148,717	$ 1,294,238	$ 13,158,863	$ 2,062,871	$ 118,713	$ 2,181,584	$ 15,340,447
Payroll taxes and other benefits (Note 12)	2,809,118	34,944	304,109	3,148,171	484,715	15,250	499,965	3,648,136
Total salaries and related expenses	14,525,026	183,661	1,598,347	16,307,034	2,547,586	133,963	2,681,549	18,988,583
Professional fees	1,790,595	-	6,000	1,796,595	406,718	46,550	453,268	2,249,863
Patient costs	481,243	10,769	6,488	498,500	3,212	-	3,212	501,712
Medical supplies and prescriptive drugs	647,385	110	-	647,495	-	-	-	647,495
Consumable supplies	135,002	864	8,456	144,322	41,064	8,144	49,208	193,530
Occupancy (Note 14B)	910,576	-	18,374	928,950	-	-	-	928,950
Real estate taxes	195,146	-	-	195,146	-	-	-	195,146
Utilities	388,026	-	-	388,026	24,412	-	24,412	412,438
Telephone	327,150	2,123	9,405	338,678	82,705	-	82,705	421,383
Outside security services	81,676	-	-	81,676	4,685	-	4,685	86,361
Repairs and maintenance	503,439	-	991	504,430	69,519	-	69,519	573,949
Equipment rental	38,390	-	-	38,390	25,696	-	25,696	64,086
Janitorial and maintenance supplies	74,010	1,524	2,459	77,993	6,013	-	6,013	84,006
Conference and meetings	86,832	-	6,086	92,918	20,886	-	20,886	113,804
Staff travel	3,240	395	158	3,793	2,771	-	2,771	6,564
Staff recruitment and development	236,147	678	11,641	248,466	124,308	-	124,308	372,774
Insurance	311,188	-	8,183	319,371	118,876	-	118,876	438,247
Interest (Note 10)	133,440	-	-	133,440	-	-	-	133,440
Depreciation and amortization (Notes 2H and 7)	659,427	458	28,797	688,682	46,691	3,500	50,191	738,873
Bad debt expenses	-	-	-	-	1,369,605	-	1,369,605	1,369,605
Miscellaneous	166,245	-	326	166,571	59,754	426	60,180	226,751
Total expenses	$ 21,694,183	$ 200,582	$ 1,705,711	$ 23,600,476	$ 4,954,501	$ 192,583	$ 5,147,084	$ 28,747,560

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

START TREATMENT AND RECOVERY CENTERS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 6,808,935	$ 24,891,593
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	904,367	738,873
Bad debts expense	1,062,159	1,369,605
Gain on disposition of property	(4,838,145)	(25,556,871)
Loss on disposal of property	-	6,173
Unrealized (gain) loss on investments	(254,975)	120,161
Subtotal	3,682,341	1,569,534
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(109,772)	(2,696,782)
Rent receivable	(1,705,803)	-
Operating lease right of use	1,249,427	4,220,450
Prepaid expenses and other assets	(224,791)	63,115
Due from related parties	461,367	(369,103)
Security deposits	86,226	(23,531)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(42,105)	(975,805)
Accrued salaries, vacation and benefits	766,268	1,387,479
Unearned rental revenue	1,705,803	-
Lease liabilities	(1,249,427)	(4,220,450)
Deferred rent	10,151	104,506
Due to funding sources	(113,971)	308,643
Tenant security deposits payable	37,620	-
Net Cash Provided by (Used in) Operating Activities	4,553,334	(631,944)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of securities	(242,523)	(2,844,031)
Proceeds from sales of securities	238,843	2,822,653
Sale of property and equipment	5,500,000	-
Purchases of property and equipment	(12,039,408)	(1,285,995)
Net Cash Used in Investing Activities	(6,543,088)	(1,307,373)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from mortgages payable	6,825,000	-
Deferred financing costs	(43,059)	-
Repayment of mortgages payable	(280,583)	(249,036)
Net Cash Provided by (Used in) Investing Activities	6,501,358	(249,036)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,511,604	(2,188,353)
Cash and cash equivalents - beginning of year	6,161,530	8,349,883
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 10,673,134	$ 6,161,530
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 130,041	$ 101,375
Supplemental Disclosure of Non-Cash Financing Activities:		
Capital advance	$ -	$ 5,588,356
Mortgage payable	$ -	$ 2,227,720

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

NOTE 1 − ORGANIZATION AND NATURE OF ACTIVITIES

START Treatment and Recovery Centers, Inc. ("START") and Subsidiary (collectively the "Agency") is a private, nonprofit corporation established in 1969. The Agency primarily offers substance abuse treatment and rehabilitation services in the boroughs of Brooklyn and Manhattan of New York City. In addition, the Agency performs research in several areas related to substance abuse.

Affiliated Services and Resources Corporation ("ASRC") is a private, nonprofit corporation and wholly-owned subsidiary of START, which owns and manages facilities rented to nonprofit corporations.

Both START and ASRC are exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code.

NOTE 2 − SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Accounting:*** The Agency's consolidated financial statements have been prepared using the accrual basis of accounting. The Agency adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The accompanying consolidated financial statements consist of the accounts of START and Subsidiary (collectively, the "Agency"). All inter-company transactions are eliminated in consolidation.

B. ***Basis of Presentation:*** The Agency maintains its net assets under the following two classes:

- Net assets without donor restrictions – represents resources available for support of the Agency's operations over which the Board of Trustees has discretionary control.

  Board designated funds consists of funds designated by the Board of Trustees which represents a portion of the Agency's net assets without donor restrictions for the development of the Third Horizon treatment facility which is owed by the Agency.

- Net assets with donor restrictions – represents net assets subject to donor-imposed stipulations, including stipulations that will be met either by actions of the Agency or the passage of time and stipulations that they be maintained intact in perpetuity by the Agency. As of December 31, 2019 and 2018, there are no net assets with donor restrictions.

C. ***Cash and Cash Equivalents:*** Cash equivalents include all highly liquid instruments with maturities of three months or less when acquired.

D. ***Investments:*** Investments are carried at fair value. Net appreciation/(depreciation) in the fair value of investments, which includes realized and unrealized gains and losses on those investments, is reported in the consolidated statements of activities as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law. Cost basis is determined on the date of purchase. Securities received as gifts are recorded at fair value at the date of the gift. Investment securities are exposed to various market risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least possible that changes in risks in the near term could materially affect investment balances.

E. ***Fair Value Measurements:*** Investments are stated at fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as reported in Note 13.

F. ***Contributions and Accounts Receivables:*** Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows if deemed material to the consolidated financial statements. Conditional promises to give are not included as support until the conditions are substantially met. The Agency's management evaluates the need for an allowance for doubtful accounts applicable to its contributions and accounts receivable based on a combination of factors such as management's estimate of the creditworthiness of its donors, a review of individual accounts outstanding, and the aged basis of the receivables, current economic conditions and historical experience. As of December 31, 2019 and 2018, the Agency determined that an allowance of approximately $539,000 and $685,000, respectively, was necessary.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. ***Rent Receivable and Operating Lease Rental Income:*** The Agency received rental income of approximately $68,000 and $0 for the years ended December 31, 2019 and 2018, respectively, from commercial leases. The income is included in rental income in the accompanying consolidated financial statements. As of December 31, 2019, the present value of the approximate future minimum annual rentals to be received under the leases are recorded as rent receivable and unearned rental revenue amounting to $1,705,803 and $1,705,803, respectively, in the accompanying consolidated statements of financial position. All tenant security deposits are considered the property of the tenants and recorded as a liability.

H. ***Property and Equipment:*** Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. The Agency capitalizes property and equipment with a cost of $1,000 or more and a useful life of greater than one year. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the useful life of the asset or the remaining term of the lease. Certain purchases of equipment are expensed by the Agency (rather than capitalized) because the cost of these items were reimbursed by governmental funding sources, where the contractual agreement specifies that title to these assets rests with the governmental funding source rather than the Agency. Under the terms of its grant with its principal governmental funding agency, title to capitalized assets acquired with government contract revenues reverts to that government funding agency, should the Agency cease operations.

I. ***Revenue Recognition:*** The Agency is primarily funded through billings to the State of New York – Department of Health for patient services provided under Title XIX of the Social Security Act of 1985 ("Medicaid") and by the New York State Department of Health ("DOH") – Office of Alcoholism and Substance Abuse Services ("OASAS"). Effective October 1, 2015, Medicaid Managed Care became effective. Payment arrangements include predetermined fee schedules and discounted charges. Service fees are reported at the estimated net realizable amounts from patients, third-party payers, which are subject to audit by administering agencies. These adjustments are accrued on an estimated basis and are adjusted in future periods as final settlements are determined. Laws and regulations governing the Medicaid and Medicare programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action.

Performance obligations are determined based on the nature of the services provided by the Agency in accordance with the contract. Revenue for performance obligations are satisfied at a point in time at which services are provided. The Agency believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Agency measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the government agencies' stipulations.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Agency has elected to apply the optional exemption provided in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606-10-50-l 4(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed when the service is completed and upon submission of required documentation.

The Agency determines the transaction price based on established rates and contracts for services provided. The initial estimate of the transaction price is determined by reducing the established rates for services provided by any implicit price concessions based on historical collection experience with each government agency. The Agency has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the payors and service lines. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change.

Financing Component

The Agency has elected the practical expedient allowed under FASB ASC 606-10-32-18, and does not adjust the promised amount of consideration from customers and third parties for the effects of a significant financing component due to the Agency's expectation that the period between the time the service is provided to a customer

NOTE 2 − SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

and the time the customer or a third-party payor pays for that service will be one year or less.

Contract Costs

The Agency has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Agency otherwise would have recognized is one year or less in duration.

Revenue from billings to Medicaid is recorded at the time service is provided. Program revenue under the Agency's OASAS contracts and its federal and state contracts/grants is recognized in an amount sufficient to absorb allowable expenditures including capital items and excluding depreciation, net of all applicable third-party reimbursements, up to the maximum allowable amount under the terms of the contracts/grants and in accordance with Accounting Standards Update ("ASU") 2018-08. A receivable from the funding agency is recognized to the extent expenses have been incurred, but not reimbursed. A liability is recorded when contract advances exceed expenses. Rental income from tenants is recorded on a monthly basis.

As of December 31, 2019 and 2018, the Agency received conditional grants and contracts from foundations and government agencies in the aggregate amount of $1,138,337 and $2,116,096, respectively, that have not been recorded in the accompanying consolidated financial statements, as they have not been earned. These grants and contracts require the Agency to provide vocational education services, behavioral health coaching to schools, mental health services for youth in secure and non-secure detention facilities, early intervention services involving HIV testing and counseling, patient-centered HCV via telemedicine for individuals with opiate substitution therapy and support for patients living with HIV/AIDS through Retention & Adherence Program (RAP) and/or during specified future periods. If such services are not provided, the foundations and governmental entities are not obligated to expend the funds allotted under the grants and contracts and the Agency may be required to return the funds already remitted.

J. ***Deferred Rent:*** The Agency leases real property under operating leases expiring on May 31, 2027 for its office located at 2406-12 Amsterdam, New York. For the years ended December 31, 2019 and 2018, the Agency recorded an adjustment to rent expense to reflect its straight-lining policy that amounted to $114,657 and $104,506, respectively. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent in the accompanying consolidated statements of financial position.

K. ***Special Events Direct Costs:*** The direct costs of special events include expenses for the benefit of the donor. For example, meals and facilities rental are considered direct costs of special events.

L. ***Prior Period Activity:*** There are occasions when funding source reimbursements for prior years are adjusted in the current year. Such adjustments may be due to additional monies available over and above original contract amounts, recoupment by funding agencies, audit results, final contract reconciliation by funding agencies, etc.

M. ***Functional Expenses:*** The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited as determined by management. Expenses that can be identified with a specific program are charged directly to the particular program.

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and amortization, which are allocated on a square footage basis, as well as salaries, benefits, payroll taxes, professional services, interest, insurance and other, which are allocated on the basis of estimates of time and effort.

N. ***Use of Estimates:*** The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the consolidated financial statements. Actual results could differ from these estimates.

O. ***Recent Accounting Pronouncements:*** In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). Topic 842 was subsequently amended by ASU No. 2018-10, Codification Improvements to Topic 842, *Leases*, and ASU No. 2018-11, *Leases* (Topic 842): Targeted Improvements. The Agency adopted these

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

standards effective January 1, 2019, which was the date of the Agency's initial application. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease

liabilities for operating leases and rent receivable and unearned rental revenue from operating leases on the consolidated statements of financial position.

The Agency adopted FASB Topic 842, *Leases*, using the modified retrospective approach with January 1, 2019 as the date of initial adoption. The Agency elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Agency to carry forward the historical lease classification. In addition, the Agency elected the practical expedient to use hindsight in determining the lease term for existing leases, which resulted in shortening the lease terms for certain existing leases and the useful lives of corresponding leasehold improvements as certain options to renew were not reasonably certain.

As a result of adopting the new standards effective January 1, 2019, the Agency recorded additional net lease assets and lease liabilities which amounted to $4,220,450 and $4,220,450, respectively. Adoption of the new standard did not have any impact on the Agency's net assets and had no impact on cash flows.

The following details the consolidated statements of financial position line items affected as of January 1, 2019:

	As Reported Under 840 12/31/2018	As Reported Under 842 1/1/2019	Effect of Change
ASSETS			
Cash and cash equivalents	$ 6,161,530	$ 6,161,530	$ -
Investments in securities	1,925,602	1,925,602	-
Accounts receivable, net	3,898,124	3,898,124	-
Prepaid expenses and other current assets	182,040	182,040	-
Total current assets	12,167,296	12,855,046	-
Property and equipment, net	9,324,528	9,324,528	-
Investment in joint venture	26,450,000	26,450,000	-
Due from related parties	461,367	461,367	-
Operating lease right of use	-	4,220,450	4,220,450
Security deposits	183,711	183,711	-
TOTAL ASSETS	$ 48,586,902	$ 52,807,352	$ 4,220,450
LIABILITIES			
Accounts payable and accrued expenses	$ 807,487	$ 807,487	$ -
Accrued salaries, vacation and benefits	1,387,479	1,387,479	-
Mortgages payable, current	261,644	261,644	-
Lease liabilities, current	-	687,750	687,750
Due to funding sources	821,449	821,449	-
Total current liabilities	3,278,059	3,965,809	687,750
Capital advance	5,588,356	5,588,356	-
Mortgages payable, noncurrent	1,717,040	1,717,040	-
Lease liabilities, noncurrent	-	3,532,700	3,532,700
Deferred rent	104,506	104,506	-
TOTAL LIABILITIES	10,687,961	14,908,411	4,220,450
NET ASSETS WITHOUT DONOR RESTRICTIONS			
Operations	30,879,809	30,879,809	-
Invested in property and equipment	2,019,132	2,019,132	-
Board designated - Third Horizon building development fund	5,000,000	5,000,000	-
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	37,898,941	37,898,941	-
TOTAL LIABILITIES AND NET ASSETS	$ 48,586,902	$ 52,807,352	$ 4,220,450

NOTE 2 − SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. ***Reclassification:*** Certain line items in the December 31, 2018 financial statements have been reclassified to conform to the December 31, 2019 presentation. These changes had no impact on the change in net assets for the year ended December 31, 2018.

NOTE 3 – LIQUIDITY AND AVAILABILITY

The Agency regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Agency has various sources of liquidity at its disposal, including cash and cash equivalents, accounts receivable, investments and a line of credit. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Agency considers all expenditures related to its ongoing program activities as well as the supporting services to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Agency anticipates collecting sufficient revenue to cover general expenditures not covered by restricted resources. Refer to the consolidated statements of cash flows, which identifies the sources and uses of the Agency's cash.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

Cash and cash equivalents	$ 10,760,782
Investments in securities	2,184,257
Accounts receivable, net	2,945,737
Rent receivable - current	256,416
	$ 16,147,192

The Agency also has a line of credit available to meet short-term needs. See Note 14C for information about this line of credit.

NOTE 4 − INVESTMENTS

Investments consist of the following as of December 31:

	2019	2018
Fixed income:		
U.S. Government securities	$ 90,375	$ 82,849
Corporate bonds	1,172,271	1,062,051
Mutual funds	794,269	751,287
Equity securities – mutual funds	127,342	29,415
	$ 2,184,257	$ 1,925,602

Investment activity consists of the following for the years ended December 31:

	2019	2018
Interest and dividends	$ 165,785	$ 96,433
Realized and unrealized gain (loss) on investments	254,975	(120,161)
Investment fees	(19,403)	(9,559)
	$ 401,357	$ (33,287)

Investments are subject to market volatility that could substantially change their carrying value in the near term.

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of December 31:

	2019	2018
NYS DOH–Medicaid/Managed Care Organizations	$ 2,704,206	$ 3,082,713
NYC Administration for Children's Services	389,945	902,320
NYS OASAS	30,787	179,174
Patient-Centered Outcomes Research Initiative	189,719	169,494
Jewish Board of Family and Children Services	49,592	161,257
Other receivables	120,574	88,255
Sub-total	3,484,823	4,583,213
Less – Allowance for doubtful accounts	(539,086)	(685,089)
	$ 2,945,737	$ 3,898,124

NOTE 6 – OPERATING LEASE RENTAL

The Agency leases space to companies that are classified as operating leases, with terms of two to ten years. Leases do not transfer ownership of the underlying asset to the lessee. Leases have the right to cancel at the option of the tenant after three years.

Following are the details of lease income from operating leases for the years ended December 31:

	2019	2018
Rental receivable	$ 1,705,803	$ -

The Agency uses the incremental borrowing rate of treasury bonds to determine the present value of future lease payments. For the two-year lease, the rate is 1.58%, and 1.92% for the ten-year lease.

The maturity of rental receivables as of December 31, 2019 is as follows:

2020	$ 256,416
2021	225,391
2022	181,956
2023	185,388
2024	185,388
Thereafter	762,648
Total undiscounted cash flow	1,797,187
Lease receivable	1,705,803
Difference between undiscounted and discounted cash flows	$ 91,384

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

	2019	2018	Estimated Useful Lives
Land	$ 3,333,382	$ 427,590	
Buildings and improvements	24,327,886	15,623,318	25 Years
Furniture and equipment	8,228,649	7,984,177	3-10 Years
Vehicles	190,793	239,991	5 Years
Construction in progress	-	706,431	
	36,080,710	24,981,507	

Less: Accumulated depreciation	(16,282,996)	(15,656,979)
	$ 19,797,714	$ 9,324,528

Depreciation expense amounted to $904,367 and $738,873 for the years ended December 31, 2019 and 2018, respectively. On September 26, 2019, the Agency sold land and building, located at 2193-2195 Third Avenue, with a net book value amounting to $385,290, which resulted in a gain amounting to $4,838,145.

NOTE 8 – RELATED - PARTY TRANSACTIONS

In December 2014, START entered into a Contribution Agreement pursuant to which on December 31, 2018 START became an 83% member of a New York Limited Liability Company, Delshah-OTL-START 22 Chapel JV LLC (the "JV") along with a 17% member, DELSHAH/OTL 22 LLC (the "Managing Member"). The JV's purpose is to, solely or through one more subsidiary, own the land located at 22 Chapel Street, Brooklyn, NY (the "land"), construct a new building that will consist of approximately 180 rental units and a separate 14,076 square foot unit (the "START Unit") to be occupied by START upon completion for its administrative offices (the "Project"). The JV is the sole member of 22 Chapel EB5 LLC ("EB5"), a Delaware limited liability company. EB5 is the sole member of another Delaware limited liability company, Delshah-OTL-START 22 Chapel Mezz borrower LLC (the "Mezz Borrower LLC"). The Mezz Borrower LLC is the sole member of another Delaware limited liability company, Delshah-OTL-START 22 Chapel Property Owner LLC (the "Property Owner LLC"). The purpose of the Property Owner LLC is to develop the Project.

On December 17, 2014, a contribution agreement and an operating agreement (collectively, the "agreements") were executed by and between the JV, Managing Member and START (collectively the "Parties") by which START agreed to transfer and convey title to the land to the JV, or through one or more subsidiary, for a mutually agreed upon fair value in the amount of $24 million, which is START's capital contribution.

The parties amended the agreements in November 2017 and December 2018, by which the fair market value of the land and START's capital contribution was increased to $26,450,000. On December 31, 2018, pursuant to a bargain and sale deed executed between START and the Property Owner LLC, the title for the land was conveyed to the Property Owner, LLC for $26,450,000. As of the date of the transfer the net book value of the property amounted to $893,129, and accordingly, START recorded a gain in the amount of $25,556,871 and investment in JV of $26,450,000 in the accompanying consolidated financial statements. As of December 31, 2019 and 2018, the outstanding amount due from JV amounted to $0 and $461,367, respectively.

The estimated cost of the project is $100 million, which is funded through a loan in the amount of $40.5 million from a Canadian limited partnership evidenced by two promissory notes executed by Mezz Borrower LLC and another loan in the amount of $62 million from a bank evidenced by two promissory notes executed by the Property Owner, LLC. The loans are collateralized by mortgages on the land. As a requirement of the above-referenced loans, and following completion and delivery of the START Unit, START, has agreed to enter into a five-year lease-back of the START Unit at an annual base rent of $1,217,237 for the first year, with 3% increases each year thereafter. Under the terms of the Operating Agreement of the JV, START is entitled to be reimbursed out of available cash of the JV for all rent and other charges paid by START under such lease prior to any other distribution from the JV to any other member of the JV. START is not a guarantor on the loans and, except for the lease obligation referenced above, no assets of START other than the value of its interest in the JV will be at risk with respect to the Project.

Although START is an 83% member in the JV, the deal is structured in such a way that no individual or entity, when aggregated with its affiliates, owns 10% or more of the direct or indirect beneficial interest in the Property Owner, LLC. Accordingly, control does not rest with START, and therefore, START uses the equity method of accounting to report its interest in the JV.

NOTE 9 − CAPITAL ADVANCE

In April 2008, the Agency entered into a state aid grant lien agreement (the "Agreement") with OASAS to fund the rehabilitation of its alcoholism and substance abuse facility located at 937 Fulton Street, Brooklyn, New York. The maximum funding amount was $6,100,000. Pursuant to the Agreement, the capital advance will be refinanced with the proceeds of bonds issued by the Dormitory Authority of the State of New York ("DASNY") by a mortgage loan closing, and OASAS will pay the mortgage directly to DASNY.

As of December 31, 2019 and 2018, the total advances received amounted to $5,588,356. The rehabilitation project as completed in December 2015.

NOTE 10 – MORTGAGES PAYABLE

	2019	2018
Mortgage payable to the DASNY for the Agency's Chemical Dependence Treatment Program facility located at 119-121 West 124th Street, New York, New York, and secured by a mortgage on the facility. The mortgage bears interest at the rate of 4.71% per annum on the unpaid principal balance and shall be payable to DASNY in 40 semi-annual installments (due February and August 15th each year) in the amount as set forth in the agreement. The mortgage matures February 2025. OASAS provides the Agency with funding to service the required mortgage through operating grants.	$ 1,717,040	$ 1,978,684
On September 26, 2019, the Agency obtained a mortgage from a bank, amounting to $6,825,000, to finance the purchase of a property located at 2191 Third Avenue, New York. The mortgage bears interest at the rate of 4% per annum and is collateralized by the real estate property. Monthly principal and interest payments are due on the first of each month as set forth in the agreement. The mortgage matures October 2022.	6,806,061	-
Total mortgage obligation	8,523,101	1,978,684
Less: unamortized deferred financing costs	(43,059)	-
Mortgages payable - net	$ 8,480,042	$ 1,978,684

For the years ended December 31, 2019 and 2018, interest expense amounted to $130,041 and $133,440, respectively.

Future annual principal repayments are as follows for each of the years ended after December 31, 2019:

2020	$ 389,050
2021	407,246
2022	6,867,201
2023	315,234
2024	330,996
Thereafter	213,374
	$ 8,523,101

NOTE 11 – DUE TO FUNDING SOURCES

Due to funding sources includes funds that were received by the Agency under government grants, primarily from OASAS, for which the Agency has not yet met the grant conditions. Should these conditions not be met, these funds would then be due back to the governmental funding sources.

NOTE 12 − RETIREMENT PLAN

The Agency maintains a qualified defined contribution retirement plan (the "Plan") for all its full-time employees who are at least 21 years of age, have completed one year of service and have worked 1,000 hours or more during the year. For the year ended December 31, 2018 and prior years, the Plan was funded through the Agency's annual contributions equal to 7.5 percent of eligible employees' current salaries. For the year ended December 31, 2019, the Plan is funded through the Agency's annual contributions equal to 7.5 percent for non-union and 5 percent for union participants. Pension expense for the years ended December 31, 2019 and 2018 amounted to $816,573 and $1,034,956, respectively.

NOTE 13 – FAIR VALUE MEASUREMENTS

The fair value hierarchy defines three levels as follows:

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

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

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

In determining fair value, the Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

Following is a description of the valuation methodologies used for assets measured at fair value.

Equities: Equities are valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds: Mutual funds are valued at the daily closing price reported in the active market on which the funds are traded. The funds are listed at Net Asset Value ("NAV") and expected to be transacted at that price. The mutual funds held by the Agency are deemed to be actively traded.

Fixed Income: Investments are valued at the closing price reported in the active market in which the bonds are traded.

Financial assets carried at fair value at December 31, 2019 are classified in the table as follows:

	Level 1	Level 2	Total
Assets Carried at Fair Value:			
Fixed Income			
U.S. Government	$ -	$ 90,375	$ 90,375
Corporate bonds	-	1,172,271	1,172,271
Total Fixed Income	-	1,262,646	1,262,646
Mutual funds	794,269	-	794,269
Equities	127,342	-	127,342
Total Assets Carried at Fair Value	$ 921,611	$ 1,262,646	$ 2,184,257

Financial assets carried at fair value at December 31, 2018 are classified in the table as follows:

	Level 1	Level 2	Total
Assets Carried at Fair Value:			
Fixed Income			
U.S. Government	$ -	$ 82,849	$ 82,849
Corporate bonds	-	1,062,051	1,062,051
Total Fixed Income	-	1,144,900	1,144,900
Fixed Income			
Mutual funds	751,287	-	751,287
Equities	29,415	-	29,415
Total Assets Carried at Fair Value	$ 780,702	$ 1,144,900	$ 1,925,602

NOTE 13 – FAIR VALUE MEASUREMENTS (Continued)

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Change in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another.

In such instances, the transfer is reported at the beginning or end of the reporting period depending on when the economic condition occurred affecting the valuation.

The significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets are evaluated. For the years ended December 31, 2019 and 2018, there were no transfers in or out of levels 1, 2 or 3.

NOTE 14 − COMMITMENTS AND CONTINGENCIES

A. Pursuant to the Agency's contractual relationships with certain governmental funding sources, outside governmental agencies have the right to examine the books and records of the Agency involving transactions relating to these contracts. The accompanying consolidated financial statements make no provision for possible disallowances.

B. The Agency has operating leases of buildings for clinic offices and for certain equipment. Leases have remaining lease terms of one to seven years, some of which include options to extend the leases for up to five years.

The following summarizes the line items in the consolidated statements of financial position which include amounts for operating leases as of December 31:

	2019	2018
Operating lease right-of-use assets	$ 2,971,023	$ 4,220,450
Lease liabilities	$ 2,971,023	$ 4,220,450

The Agency uses the incremental borrowing rate of treasury bonds to determine the present value of future lease payments. For the three-year lease, the rate is 1.62%, and 1.92% for ten-year lease. The maturities of lease liabilities as of December 31, 2019 were as follows:

2020	$ 438,451
2021	452,810
2022	430,543
2023	424,642
2024	437,381
Thereafter	1,110,237
Total undiscounted cash flow	3,294,064
Right of use liabilities	2,971,023
Difference between undiscounted and discounted cash flows	$ 323,041

Rent expense for the years ended December 31, 2019 and 2018, which is recorded on a straight-line basis, amounted to $783,964 and $928,950, respectively.

C. The Agency has a revolving line of credit with a financial institution for $250,000. The line of credit balance amounted to $0 as of December 31, 2019, and was terminated as of December 31, 2019. The Agency will have a new line of credit of $500,000 with Sterling National Bank in 2020. There were no amounts outstanding.

D. The Agency has been named as a defendant in certain legal actions. Upon review by the Agency's legal counsel, management believes that if liability is established, all pending claims will be adequately covered by the Agency's insurance coverage.

NOTE 14 − COMMITMENTS AND CONTINGENCIES (Continued)

E. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic, which continues to spread throughout the United States. The Agency could be materially and adversely affected by the risks, or the public perception of the risks, related to an epidemic, pandemic, outbreak, or other public health crisis, such as the recent outbreak of COVID-19. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on the Agency’s mission, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. Accordingly, the Agency cannot predict the extent to which its financial condition and results of operations will be affected

F. The Agency believes it does not have any uncertain tax positions as of December 31, 2019 in accordance with ASC Topic 740 (“Income Taxes”), which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 15 − CONCENTRATIONS

Cash and cash equivalents that potentially subject the Agency to a concentration of credit risk include cash accounts at a bank that exceeded the Federal Deposit Insurance Corporation (“FDIC”) insurance limits by approximately $10,228,000 and $6,119,000 as of December 31, 2019 and 2018, respectively. Cash accounts with participating banks are insured up to $250,000 per depositor.

NOTE 16 – PRIOR PERIOD ADJUSTMENTS

Subsequent to the issuance of the prior year consolidated financial statements, the Agency’s management discovered that capital advances received from OASAS and a mortgage payable to DASNY were not properly reflected in the consolidated financial statements and, accordingly the beginning net asset balance was overstated by $7,816,076. As a result, for the year ended December 31, 2017, the Agency’s net assets balance decreased by $7,816,076 from the balance that was previously reported.

A summary of the adjustment to the beginning net assets is below:

	As previously Reported	As Restated	Adjustment
Capital Advance	$ -	$ 5,588,356	$ 5,588,356
Mortgage payable	$ -	$ 2,227,720	$ 2,227,720
Net Assets without donor restriction	$ 20,823,424	$ 13,007,348	$ (7,816,076)

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statement of financial position through May 15, 2020, the date the consolidated financial statements were available to be issued.

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Stability Act (“CARES Act”). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables the business to obtain a loan from the Small Business Administration sector of the government. The maximum loan amount is equal to the lesser of (a) 2.5 times the entity’s average monthly payroll costs, as defined and incurred during the one-year period before the date on which the loan is made; or (b) $10 million. The term of the loan is two years and bears interest at a fixed rate of 1% per annum. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven, based on how much is spent in the eight week period immediately following funding of the loan times a forgiveness factor that is based on employee headcount and amounts paid to the START’s employees. START applied for this loan through an SBA authorized lender in the amount of $2,896,000. As of the date of this report, the loan has been approved.

START TREATMENT AND RECOVERY CENTERS, INC. AND SUBSIDIARY
CONSOLIDATING SCHEDULES
OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

	START Treatment and Recovery Centers	Affiliated Services and Resources Corporation	Eliminations	Total 2019	START Treatment and Recovery Centers	Affiliated Services and Resources Corporation	Eliminations	Total 2018
ASSETS								
Cash and cash equivalents	$ 10,577,983	$ 95,151	$ -	$ 10,673,134	$ 6,066,379	$ 95,151	$ -	$ 6,161,530
Investments in securities	2,184,257	-	-	2,184,257	1,925,602	-	-	1,925,602
Accounts receivable, net	2,945,737	-	-	2,945,737	3,898,124	-	-	3,898,124
Rent receivable - current	256,416	-	-	256,416	-	-	-	-
Prepaid expenses and other current assets	406,831	-	-	406,831	182,040	-	-	182,040
Total current assets	16,371,224	95,151	-	16,466,375	12,072,145	95,151	-	12,167,296
Property and equipment, net	19,633,614	164,100	-	19,797,714	9,147,052	177,476	-	9,324,528
Investment in joint venture	26,450,000	-	-	26,450,000	26,450,000	-	-	26,450,000
Due from related parties	825	-	(825)	-	461,367	-	-	461,367
Rent receivable - noncurrent	1,449,387	-	-	1,449,387	-	-	-	-
Operating lease right of use assets	2,971,023	-	-	2,971,023	4,220,450	-	-	4,220,450
Security deposits	97,485	-	-	97,485	183,711	20,040	(20,040)	183,711
TOTAL ASSETS	$ 66,973,558	$ 259,251	$ (825)	$ 67,231,984	$ 52,534,725	$ 292,667	$ (20,040)	$ 52,807,352
LIABILITIES								
Accounts payable and accrued expenses	$ 762,382	$ 3,000	$ -	$ 765,382	$ 770,989	$ 36,498	$ -	$ 807,487
Accrued salaries, vacation and benefits	2,153,747	-	-	2,153,747	1,387,479	-	-	1,387,479
Mortgage payable, current	389,050	-	-	389,050	261,644	-	-	261,644
Unearned rental revenue, current	256,416	-	-	256,416	-	-	-	-
Lease liabilities, current	439,575	-	-	439,575	687,750	-	-	687,750
Due to funding sources	707,478	-	-	707,478	821,449	-	-	821,449
Total current liabilities	4,708,648	3,000	-	4,711,648	3,929,311	36,498	-	3,965,809
Due to related parties	-	825	(825)	-	20,040	-	(20,040)	-
Tenant security deposits payable	37,620	-	-	37,620	-	-	-	-
Capital advance	5,588,356	-	-	5,588,356	5,588,356	-	-	5,588,356
Mortgage payable, noncurrent	8,090,992	-	-	8,090,992	1,717,040	-	-	1,717,040
Unearned rental revenue, non current	1,449,387	-	-	1,449,387	-	-	-	-
Lease liabilities, noncurrent	2,531,448	-	-	2,531,448	3,532,700	-	-	3,532,700
Deferred rent	114,657	-	-	114,657	104,506	-	-	104,506
TOTAL LIABILITIES	22,521,108	3,825	(825)	22,524,108	14,891,953	36,498	(20,040)	14,908,411
NET ASSETS WITHOUT DONOR RESTRICTIONS								
Operations	38,887,234	91,326	-	38,978,560	30,801,116	78,693	-	30,879,809
Invested in property and equipment, net	5,565,216	164,100	-	5,729,316	1,841,656	177,476	-	2,019,132
Board designated - Third Horizon building development fund	-	-	-	-	5,000,000	-	-	5,000,000
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	44,452,450	255,426	-	44,707,876	37,642,772	256,169	-	37,898,941
TOTAL LIABILITIES AND NET ASSETS	$ 66,973,558	$ 259,251	$ (825)	$ 67,231,984	$ 52,534,725	$ 292,667	$ (20,040)	$ 52,807,352

See independent auditors' report.

START TREATMENT AND RECOVERY CENTERS, INC. AND SUBSIDIARY
CONSOLIDATING SCHEDULES OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	START Treatment and Recovery Centers	Affiliated Services and Resources Corporation	Eliminations	Total 2019	START Treatment and Recovery Centers	Affiliated Services and Resources Corporation	Eliminations	Total 2018
OPERATING ACTIVITIES:								
REVENUE AND SUPPORT								
Revenue								
Government contracts and grants	$ 2,471,842	$ -	$ -	$ 2,471,842	$ 2,535,884	$ -	$ -	$ 2,535,884
Medicaid	26,174,088	-	-	26,174,088	25,033,810	-	-	25,033,810
Patient fees	106,914	-	-	106,914	144,287	-	-	144,287
Contributions	96,572	-	-	96,572	95,286	-	-	95,286
Special events, net of direct expenses	-	-	-	-	18,019	-	-	18,019
Investment activity	401,357	-	-	401,357	(33,287)	-	-	(33,287)
Rental income	108,431	-	-	108,431	-	30,000	-	30,000
Gain on disposition of property	4,838,145	-	-	4,838,145	25,556,871	-	-	25,556,871
Other income	1,019,687	34,998	-	1,054,685	258,280	3	-	258,283
TOTAL REVENUE AND SUPPORT	35,217,036	34,998	-	35,252,034	53,609,150	30,003	-	53,639,153
EXPENSES								
Program services:								
Clinic operations	20,796,640	-	-	20,796,640	21,694,183	-	-	21,694,183
Research operations	437,516	-	-	437,516	200,582	-	-	200,582
Other programs	1,898,011	13,376	-	1,911,387	1,692,335	13,376	-	1,705,711
Total program services	23,132,167	13,376	-	23,145,543	23,587,100	13,376	-	23,600,476
Supporting services:								
Management and administration	5,235,846	22,365	-	5,258,211	4,953,001	1,500	-	4,954,501
Fundraising	39,345	-	-	39,345	192,583	-	-	192,583
Total supporting services	5,275,191	22,365	-	5,297,556	5,145,584	1,500	-	5,147,084
TOTAL EXPENSES	28,407,358	35,741	-	28,443,099	28,732,684	14,876	-	28,747,560
CHANGE IN NET ASSETS FROM OPERATIONS	6,809,678	(743)	-	6,808,935	24,876,466	15,127	-	24,891,593
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	6,809,678	(743)	-	6,808,935	24,876,466	15,127	-	24,891,593
Net assets - beginning of year	37,642,772	256,169	-	37,898,941	20,582,382	241,042	-	20,823,424
Prior period adjustments	-	-	-	-	(7,816,076)	-	-	(7,816,076)
Net assets - beginning of year	37,642,772	256,169	-	37,898,941	12,766,306	241,042	-	13,007,348
NET ASSETS - END OF YEAR	$ 44,452,450	$ 255,426	$ -	$ 44,707,876	$ 37,642,772	$ 256,169	$ -	$ 37,898,941