



**Bronx Addiction Services
Integrated Concepts Systems, Inc.
and Acacia Network Housing, Inc.**

**Combined Financial Statements
(Together with Independent Auditors' Report)**

**Years Ended December 31, 2018 and 2017
and**

**Single Audit Reports and Schedule as Required by the Office of
Management and Budget and Uniform Guidance**

Year Ended December 31, 2018

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

**BRONX ADDICTION SERVICES
INTEGRATED CONCEPTS SYSTEMS, INC.
AND ACACIA NETWORK HOUSING, INC.**

**COMBINED FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED DECEMBER 31, 2018 AND 2017

AND

**SINGLE AUDIT REPORTS AND SCHEDULE AS REQUIRED BY THE OFFICE OF
MANAGEMENT AND BUDGET AND UNIFORM GUIDANCE**

YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Bronx Addiction Services Integrated Concepts Systems, Inc. and Acacia Network Housing, Inc.

Report on the Financial Statements

We have audited the accompanying combined financial statements of the Bronx Addiction Services Integrated Concepts Systems, Inc. ("BASICS") and Acacia Network Housing, Inc. ("Acacia Housing") (collectively, the "Organization"), which comprise the combined statements of financial position as of December 31, 2018 and 2017, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Bronx Addiction Services Integrated Concepts Systems, Inc. and Acacia Network Housing, Inc. as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2L to the combined financial statements, during the year ended December 31, 2018, the Organization adopted Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of "Not-for-Profit Entities."* Our opinion is not modified with respect to this matter.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of federal awards for Acacia Housing for the year ended December 31, 2018 (shown on page 16) as required by Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2019 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



New York, NY
September 26, 2019

**BRONX ADDICTION SERVICES INTEGRATED CONCEPTS SYSTEMS, INC. AND ACACIA NETWORK
HOUSING, INC.**

**COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash (Notes 2C and 16A)	\$ 33,981,326	\$ 20,556,358
Grants receivable (Notes 2E and 4)	182,221	5,579,962
Receivables from third-party payors (Notes 2E and 5)	253,040	232,511
Loan receivables from affiliates (Note 6)	9,730,529	9,728,317
Prepaid expenses and other assets	20,057,613	14,396,783
Security deposits	311,701	344,966
Property and equipment, net (Notes 2F and 7)	8,988,030	9,630,191
Consumer funds (Note 13)	<u>237,099</u>	<u>175,650</u>
TOTAL ASSETS	<u>\$ 73,741,559</u>	<u>\$ 60,644,738</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 16,225,561	\$ 23,010,174
Accrued salaries	1,939,777	1,654,025
Accrued vacation	1,997,212	1,629,512
Bank lines of credit (Note 8)	13,907,613	14,703,196
Mortgage payable (Note 9)	-	164,900
Government refundable advances (Notes 2G and 10)	1,494,753	1,323,412
Due to funding sources (Notes 2H and 11)	20,957,505	4,872,861
Consumer funds (Note 13)	237,099	175,650
Due to affiliates (Note 12)	<u>8,933,451</u>	<u>5,094,490</u>
TOTAL LIABILITIES	<u>65,692,971</u>	<u>52,628,220</u>
COMMITMENTS AND CONTINGENCIES (Note 15)		
NET ASSETS (Note 2D)		
Without donor restrictions:		
Invested in property and equipment, net	8,988,030	9,465,291
Operations	<u>(939,442)</u>	<u>(1,448,773)</u>
Total net assets without donor restrictions	<u>8,048,588</u>	<u>8,016,518</u>
TOTAL NET ASSETS	<u>8,048,588</u>	<u>8,016,518</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 73,741,559</u>	<u>\$ 60,644,738</u>

**BRONX ADDICTION SERVICES INTEGRATED CONCEPTS SYSTEMS, INC. AND ACACIA NETWORK
HOUSING, INC.
COMBINED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
GOVERNMENT AND PUBLIC SUPPORT:		
Government grants (Note 2G)	\$ 249,382,161	\$ 196,633,850
Program service fees (Note 2H)	4,745,875	5,514,019
Client fees	1,857,295	2,284,343
Miscellaneous income	223,763	311,734
TOTAL GOVERNMENT AND PUBLIC SUPPORT	256,209,094	204,743,946
 EXPENSES:		
Program services:		
Residential	220,826,325	179,745,760
Outpatient	1,675,666	1,971,725
Total program services	222,501,991	181,717,485
Management and general	33,675,033	23,485,508
TOTAL EXPENSES	256,177,024	205,202,993
 CHANGE IN NET ASSETS - WITHOUT DONOR RESTRICTIONS	 32,070	 (459,047)
Net Assets - without donor restrictions - Beginning of Year	8,016,518	8,475,565
 NET ASSETS - WITHOUT DONOR RESTRICTIONS - END OF YEAR	 \$ 8,048,588	 \$ 8,016,518

BRONX ADDICTION SERVICES INTEGRATED CONCEPTS SYSTEMS, INC. AND ACACIA NETWORK HOUSING, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	<u>Program Services</u>			<u>Management & General</u>	<u>Total 2018</u>	<u>Total 2017</u>
	<u>Residential</u>	<u>Outpatient</u>	<u>Total Program Services</u>			
Salaries	\$ 33,076,692	\$ 751,422	\$ 33,828,114	\$ 3,825,173	\$ 37,653,287	\$ 29,525,340
Payroll taxes and fringe benefits (Note 14)	8,484,434	225,903	8,710,337	943,357	9,653,694	7,680,910
Total Personnel Costs	41,561,126	977,325	42,538,451	4,768,530	47,306,981	37,206,250
Contracted services	4,744	22,391	27,135	1,685,495	1,712,630	1,726,063
Repairs and maintenance	192,143	22,614	214,757	83,051	297,808	261,490
Household, facilities and medical supplies	8,003,043	51,290	8,054,333	554,790	8,609,123	8,362,863
Travel and transportation	900,128	158	900,286	11,445	911,731	697,216
Telephone	422,134	-	422,134	81,989	504,123	370,643
Utilities	4,311,745	19,305	4,331,050	113,582	4,444,632	4,161,671
Training, dues and activities	4,095	-	4,095	367,262	371,357	67,584
Rents and security (Note 15A)	152,165,930	402,224	152,568,154	18,180,857	170,749,011	130,647,732
Insurance	1,786,143	55,275	1,841,418	58,450	1,899,868	1,602,876
Interest	2,959	52,242	55,201	711,379	766,580	248,888
Food	10,389,355	44,599	10,433,954	5,613	10,439,567	12,465,045
Office expense and supplies	33,188	13,725	46,913	164,316	211,229	261,415
Depreciation and amortization (Note 7)	1,049,592	14,518	1,064,110	-	1,064,110	1,023,695
Administration fees	-	-	-	6,888,274	6,888,274	5,844,796
Provision for doubtful accounts	-	-	-	-	-	254,766
TOTAL EXPENSES	<u>\$220,826,325</u>	<u>\$ 1,675,666</u>	<u>\$222,501,991</u>	<u>\$ 33,675,033</u>	<u>\$ 256,177,024</u>	<u>\$ 205,202,993</u>

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

**BRONX ADDICTION SERVICES INTEGRATED CONCEPTS SYSTEMS, INC. AND ACACIA NETWORK HOUSING, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Program Services</u>			<u>Management & General</u>	<u>Total 2017</u>
	<u>Residential</u>	<u>Outpatient</u>	<u>Total Program Services</u>		
Salaries	\$ 25,446,365	\$ 852,375	\$ 26,298,740	\$ 3,226,600	\$ 29,525,340
Payroll taxes and fringe benefits (Note 14)	<u>6,738,929</u>	<u>215,561</u>	<u>6,954,490</u>	<u>726,420</u>	<u>7,680,910</u>
Total Personnel Costs	32,185,294	1,067,936	33,253,230	3,953,020	37,206,250
Contracted services	278,880	86,325	365,205	1,360,858	1,726,063
Repairs and maintenance	174,994	30,569	205,563	55,927	261,490
Household, facilities and medical supplies	7,775,263	51,459	7,826,722	536,141	8,362,863
Travel and transportation	697,216	-	697,216	-	697,216
Telephone	307,904	-	307,904	62,739	370,643
Utilities	3,937,467	17,787	3,955,254	206,417	4,161,671
Training, dues and activities	5,139	4,967	10,106	57,478	67,584
Rents and security (Note 15A)	119,223,331	394,074	119,617,405	11,030,327	130,647,732
Insurance	1,516,711	45,494	1,562,205	40,671	1,602,876
Interest	30,765	53,780	84,545	164,343	248,888
Food	12,412,211	45,644	12,457,855	7,190	12,465,045
Office expense and supplies	75,103	20,711	95,814	165,601	261,415
Depreciation and amortization (Note 7)	950,716	72,979	1,023,695	-	1,023,695
Administration fees	-	-	-	5,844,796	5,844,796
Provision for doubtful accounts	<u>174,766</u>	<u>80,000</u>	<u>254,766</u>	<u>-</u>	<u>254,766</u>
TOTAL EXPENSES	<u>\$179,745,760</u>	<u>\$ 1,971,725</u>	<u>\$181,717,485</u>	<u>\$ 23,485,508</u>	<u>\$ 205,202,993</u>

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

BRONX ADDICTION SERVICES INTEGRATED CONCEPTS SYSTEMS, INC. AND ACACIA NETWORK HOUSING, INC.
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 32,070	\$ (459,047)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Provision for doubtful accounts	-	254,766
Depreciation and amortization	1,064,110	1,023,695
Subtotal	1,096,180	819,414
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Grants receivable	5,397,741	7,427,101
Receivables from third-party payors	(20,529)	269,779
Prepaid expenses and other assets	(5,660,830)	(13,319,084)
Loan receivables from affiliates	(2,212)	(6,757,450)
Security deposits	33,265	18,430
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	(6,784,613)	2,317,658
Accrued salaries	285,752	707,342
Accrued vacation	367,700	382,241
Government refundable advances	171,341	427,885
Due to funding sources	16,084,644	2,777,527
Due to affiliates	3,838,961	3,684,459
Net Cash Provided by (Used in) Operating Activities	14,807,400	(1,244,698)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(421,949)	(1,018,272)
Net Cash Used in Investing Activities	(421,949)	(1,018,272)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments of mortgage payable	(164,900)	(392,700)
Proceeds from bank line of credit	9,929,653	14,644,764
Repayment of bank line of credit	(10,725,236)	-
Net Cash (Used in) Provided by Financing Activities	(960,483)	14,252,064
NET INCREASE IN CASH	13,424,968	11,989,094
Cash - beginning of the year	20,556,358	8,567,264
CASH - END OF YEAR	\$ 33,981,326	\$ 20,556,358
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 766,583	\$ 248,888

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

**BRONX ADDICTION SERVICES INTEGRATED CONCEPTS SYSTEMS, INC. AND ACACIA NETWORK
HOUSING, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The accompanying combined financial statements include the accounts of the Bronx Addiction Services Integrated Concepts Systems, Inc. (“BASICS”) and Acacia Network Housing, Inc. (“Acacia Housing”) (formerly BASICS Housing, Inc.) (“BHI”). Collectively, these entities are referred to as the “Organization”.

BASICS is a not-for-profit corporation established to build healthy communities by providing comprehensive services to individuals and families. BASICS is located at 1064 Franklin Avenue, Bronx, N.Y. BASICS is a bilingual, bi-cultural organization that offers a comprehensive treatment program with services administered by a multidisciplinary team of substance abuse professionals and counselors. BASICS’ primary purpose is to service substance and alcohol abusers in the South Bronx. This area has been devastated by alcohol, drugs, and the spread of AIDS. The program has the licenses to provide services for up to one-hundred-and-thirty men at any given time. BASICS provides individuals with support to maintain holistic recovery and wellness, including actively working to stabilize social problems and related issues that impact recovery, economic self-sufficiency, and permanent housing. Family centered services are provided to adolescents, women, men, and homeless families in transition. BASICS receives most of its support through grant funding sources of New York State and New York City.

Acacia Housing was formed pursuant to a directive from the New York State Office of Alcoholism and Substance Abuse Services to separate the homeless program from the residential substance abuse program. The Board of Directors authorized the creation of Acacia Housing as a not-for-profit corporation as of January 1, 2004. Acacia Housing was formed from the assets transferred from BASICS to focus on homeless housing. BASICS transferred the net assets of its family residence program to Acacia Housing on January 1, 2004. New York State Department of Homeless Services (“NYS DHS”) executed a written contract as of August 1, 2004 with Acacia Housing to temporarily house homeless clients.

Each entity is organized under the Not-for-Profit Corporation Law of New York State, and has been granted an exemption from Federal income tax pursuant to Section 501 (c)(3) of the Internal Revenue Code. Similar exemptions exist at the state and local levels.

BASICS and Acacia Housing are affiliated through common board and management.

The combined financial statements do not include The Julio A. Martinez Memorial Fund (the “Fund”) or the General Development and Operations Council, Inc. (“GDOC”), which are separately incorporated organizations affiliated with, but not controlled by, the Organization. They also do not include Promesa Systems, Inc. and its affiliates (“Promesa”), including Promesa Administrative Services Organization, Inc. (“PASO”), which are separately incorporated organizations affiliated with the Organization through common management and Boards of Directors, but not controlled by the Organization.

BASICS performs certain administrative functions for the Fund. During each of the years ended December 31, 2018 and 2017, BASICS charged the Fund \$1 for administrative services.

BASICS had an administrative services agreement with GDOC under which GDOC pays BASICS a management fee.

In May 2009, Promesa, including PASO, entered into an affiliation agreement with BASICS whereby both entities share a common mission of service to the community of the Bronx. As part of the reorganization, certain members of the Promesa Board of Directors ceded their seats to individuals from BASICS’ Board of Directors. PASO provides supervisory and administrative services to BASICS.

In March 2011, Promesa Systems, Inc. changed its name to BASICS/Promesa Systems, Inc. In June 2011, BASICS/Promesa Systems, Inc. changed its name to Acacia Network, Inc. (“Acacia”). BASICS is an associated entity with Acacia Network, Inc. and Acacia Housing is an affiliated entity of Acacia Network, Inc., however they remain separate corporate entities. Acacia retains control of BASICS through common board and a trademark license agreement with BASICS whereby BASICS may use trademarks in relation to certain licensed services.

**BRONX ADDICTION SERVICES INTEGRATED CONCEPTS SYSTEMS, INC. AND ACACIA NETWORK
HOUSING, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The Organization's combined financial statements have been prepared using the accrual basis of accounting. The Organization adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP").
- B. The combined financial statements include accounts for BASICS and Acacia Housing. All significant intercompany transactions have been eliminated.
- C. Cash equivalents include all highly liquid instruments purchased with original maturities of 90 days or less.
- D. The Organization reports contributions of cash and other assets as net assets without donor restrictions support unless they are received with donor stipulations that limit the use of the donated assets; such assets are considered net assets donor with restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of a restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statements of activities as net assets released from restrictions. Contributions and unconditional promises to give are recorded as income when the Organization is formally notified of the contribution by the respective donors. Unless material, the Organization does not discount multiyear pledges.
- E. The Organization has determined that no allowance for doubtful accounts was necessary for third-party payors and grants receivable as of December 31, 2018 and 2017. The determination is based on the Organization's historical loss experience and considering the age of its receivables. Historically, accounts receivable are written-off when all reasonable collection efforts have been exhausted.
- F. Property and equipment is stated at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable values. The Organization capitalizes property and equipment with a cost of \$1,000 or more and a useful life greater than two years. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lease term or the useful life of the asset, whichever is less. Purchases of equipment, reimbursed by governmental funding sources, and where the contractual agreement has specified that title to these items rests with the government funding sources, have been capitalized. Management believes this is realistic since, in the opinion of management, the funding sources will not reclaim these purchases as long as the Organization continues its mission.
- G. Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, the Organization establishes refundable advances from governmental sources.
- H. The Organization reports program service fees at the estimated net realizable amounts due from third-party payors for services in the period in which they are rendered. Revenues are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective governmental fiscal intermediaries. Provision for estimated amounts due to/from the payor agencies, if any, has been made in the combined financial statements. Differences between estimated rates and subsequently realized amounts are reflected in the combined statements of activities in the year revisions are calculated.
- I. Donated services are recognized in the combined financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. No donated goods or services were received during the years ended December 31, 2018 and 2017, respectively.
- J. Because the Organization is a multi-program/multi-funded organization, certain costs have been allocated, on the combined statements of functional expenses, between functional and supporting programs as determined by management. Such allocations conform to those made in seeking funds from third-party sources.

Accordingly, expenses that are not directly charged to programs and supporting services are allocated among programs and supporting services. The expenses that are allocated include occupancy and utilities, which are allocated to individual programs as services are rendered. Salaries and wages, benefits, and payroll taxes are allocated based on estimates of time and effort. Administrative overhead cost is at 10% rate of all personnel services and other expenses costs.

**BRONX ADDICTION SERVICES INTEGRATED CONCEPTS SYSTEMS, INC. AND ACACIA NETWORK
HOUSING, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- K. The preparation of the combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the combined financial statements. Actual amounts could differ from those estimates.
- L. Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-14, “Not-for-Profit Entities Topic 958” Presentation of Financial Statements of Not-for-Profit Entities, was adopted for the year ended December 31, 2018. ASU 2016-14 provides for a number of changes, including the presentation of two classes of net assets and enhanced disclosure on liquidity resources and functional expense allocation. These changes had no impact on the change in net assets for the year ended December 31, 2018. As a result of implementing ASU 2016-14, the Organization reports net assets in two classes (see Note 2D) and provides additional information about liquidity (see Note 3) and the methodologies used to allocate expenses by function (see Note 2J).

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURES

The organization manages its cash availability to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining adequate liquid assets
- Maintaining sufficient daily cash reserves to provide reasonable assurance that long-term grant commitments and obligations under contractual commitments that support the organization’s mission fulfillment will continue to be met, and ensuring the sustainability of the organization

Financial assets available for general expenditures, without donor or other restrictions limiting their use within one year of the combined statement of financial position date are as follows:

Cash and cash equivalents	\$ 33,981,326
Grants receivable, net	182,221
Receivable from third-party payors	253,040
Loan receivable from affiliates	<u>9,730,529</u>
	44,147,116
Less: Loan receivable from affiliates due in more than one year	<u>(6,871,018)</u>
	<u>\$ 37,276,098</u>

NOTE 4 – GRANTS RECEIVABLE

Grants receivable consist of the following as of December 31:

	2018	2017
New York City Human Resources Administration	\$ 123,944	\$ 94,229
New York State Division of Probation and Correctional Alternatives	42,577	162,751
New York City Department of Homeless Services	-	5,313,610
Other receivables	<u>15,700</u>	<u>9,372</u>
Total grant receivables	<u>\$ 182,221</u>	<u>\$ 5,579,962</u>

NOTE 5 – RECEIVABLES FROM THIRD-PARTY PAYORS

Receivables from third-party payors consist of the following as of December 31:

	2018	2017
New York State Medicaid	\$ 238,297	\$ 217,651
New York State Medicare	<u>14,743</u>	<u>14,860</u>
Total receivables from third-party payors	<u>\$ 253,040</u>	<u>\$ 232,511</u>

**BRONX ADDICTION SERVICES INTEGRATED CONCEPTS SYSTEMS, INC. AND ACACIA NETWORK
HOUSING, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 6 – LOAN RECEIVABLES FROM AFFILIATES

The Loan receivables from affiliates consist of the following as of December 31:

	2018	2017
Loan receivable from Promesa Foundation, Inc. to satisfy outstanding mortgage. The loan is payable in full with accrued interest of 5% on June 30, 2020.	\$ 2,350,403	\$ 2,250,407
Loan receivable from South Bronx Community Management Company Inc. to cover the operational activities, for its Ruth Fernandez Family Residence Program, due to a delay in contract registration. The loan bears no interest and is expected to be received in full in 2019.	1,513,958	2,375,151
Loan receivable from Promesa HDFC, Inc. to satisfy its line of credit payment to a financial institution. The loan bears Interest at 4.25 % and matures on January 31, 2020.	3,557,000	1,858,488
Loan receivable from Buffalo Hispanic Management Company, Inc. (“BHMC”) to fund the purchase of BHMC’s building. The loan bears interest at 4.25% and was paid in full on September 25, 2018.	-	1,608,677
Loan receivable from Casa Acacia, LLC related to a sale of property in Orlando, Florida which occurred in September 2016. The loan bears interest at 5% and matures on September 1, 2021.	963,615	940,041
Loan receivable from Acacia Network, Inc. to cover the closing cost of Hunts Point Place which was purchased in July 2017. The loan bears no interest.	1,057,380	407,380
Loan receivable from GreenHope Services for Women, Inc. to pay various construction bills for Greenhope. The loan bears no interest.	250,000	250,000
Loan receivable from Melrose Park Housing to cover its utilities expenses incurred in April 2017. The loan bears no interest and is expected to be received during 2019.	38,173	38,173
	<u>\$ 9,730,529</u>	<u>\$ 9,728,317</u>

NOTE 7 – PROPERTY AND EQUIPMENT

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

	2018	2017	Estimated Useful Lives
Land	\$ 1	\$ 1	
Buildings	5,309,677	5,309,677	40 Years
Building and leasehold improvements	3,759,731	3,747,373	10 Years
Furniture and equipment	9,092,486	8,682,895	3-10 Years
Closing costs and other	1,289,216	1,289,216	5-20 Years
	19,451,111	19,029,162	
Less: accumulated depreciation and amortization	(10,463,081)	(9,398,971)	
Net book value	<u>\$ 8,988,030</u>	<u>\$ 9,630,191</u>	

**BRONX ADDICTION SERVICES INTEGRATED CONCEPTS SYSTEMS, INC. AND ACACIA NETWORK
HOUSING, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 7 – PROPERTY AND EQUIPMENT (Continued)

For the years ended December 31, 2018 and 2017, depreciation and amortization expenses amounted to \$1,064,110 and \$1,023,695, respectively.

- A. In March 1994, BASICS was selected by the New York State Office of Alcoholism and Substance Abuse Services (“OASAS”) to rehabilitate, manage and operate the site located at 1064 Franklin Avenue, Bronx, N.Y. BASICS must use the site as a 24 hours a day, seven (7) days a week residential treatment center which offers comprehensive treatment services for substance abusers. BASICS must use this site to provide specific substance abuse treatment services for a period of 40 years.
- B. In the event that the site shall ever cease to be used for the provision of not-for-profit substance abuse services, (or, in the event that there is no longer a need for not-for-profit substance abuse services, or another legally authorized not-for-profit public purpose), the State reserves the right to enter upon the site and reacquire its rights, title and interest in said site. In the event that New York State ceases to appropriate funds for the support of substance abuse service, BASICS may apply to the State to use the property for another legally authorized not-for-profit purpose. The State may not unreasonably withhold approval of such an application.

NOTE 8 – BANK LINES OF CREDIT

- A. On December 22, 2016, Acacia Housing entered into a line of credit loan agreement, with a bank, for the amount of \$10,000,000 that will expire October 31, 2019. The line of credit bears interest at the one-month LIBOR rate plus a “floor rate” of 4%. Acacia Housing must comply with certain administrative and financial covenants, which it has done. One of Acacia Housing’s affiliates, Promesa Residential Health Care Facility, Inc. is acting as the guarantor for the line of credit. As of December 31, 2018, and September 26, 2019, \$3,407,613 and \$0 was outstanding, respectively.
- B. On July 31, 2017, Acacia Housing entered into a line of credit agreement, with a bank, for the amount of \$25,000,000 that will expire January 31, 2020. The line of credit bears interest at the one-month LIBOR rate plus a “floor rate” of 4.25%. Acacia Housing must comply with certain administrative and financial covenants, which it has done. BASICS is acting as the guarantor for the line of credit. As of December 31, 2018, and September 26, 2019, \$10.5 million and \$12 million was outstanding, respectively.

NOTE 9 – MORTGAGE PAYABLE

- A. Mortgage payable to the Dormitory Authority of the State of New York (“DASNY”) in semi-yearly installments that include principal and interest, and collateralized by a first mortgage lien on 1064 Franklin Avenue, Bronx, N.Y. The interest rate of the mortgage is 5.46%. The outstanding balance as December 31, 2018 and 2017 was \$0 and \$164,900, respectively. The mortgage balance was paid off during 2018.
- B. OASAS which is the Organization’s primary governmental funding source, has agreed to fund the Organization’s long-term debt service payments through the annual operating contract. For the years ended December 31, 2018 and 2017, OASAS made payments amounting to \$164,900 and \$392,700, respectively, to DASNY.

NOTE 10 – GOVERNMENT REFUNDABLE ADVANCES

As of December 31, 2018 and 2017, government refundable advances include amounts received from various funding sources to support the Organization’s substance abuse programs in excess of amounts spent. As of December 31, 2018 and 2017, such excess amounted to \$1,494,753 and \$1,323,412, respectively.

**BRONX ADDICTION SERVICES INTEGRATED CONCEPTS SYSTEMS, INC. AND ACACIA NETWORK
HOUSING, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 11 – DUE TO FUNDING SOURCES

Due to funding sources includes funds that were received by the Organization under government grants for which the Organization 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. Due to the inherent uncertainties in estimating some of these liabilities, it is at least reasonably possible that such estimates could change materially in the near term.

NOTE 12 – DUE (TO) FROM AFFILIATES

Due (to) from affiliates consist of the following as of December 31:

	<u>2018</u>	<u>2017</u>	
Promesa Administrative Services Organization, Inc.	\$ (1,727,356)	\$ (1,433,715)	(A)
South Bronx Community Management Corp	(183,991)	37,096	(A)
980 Prospect, LLC	(477,054)	4,120	(A)
Promesa Residential Health Care Facility	135,867	135,117	
Promesa Foundation, Inc.	(2,717,031)	(1,833,112)	(B)
Promesa Housing Development Fund Corporation	(1,521,578)	(857,495)	(C)
Promesa, Inc.	(645,177)	(401,769)	(A)
United Bronx Parents	10,172	50,933	
LOISAIDA	(52,487)	2,458	
Community Association of Progressive Dominicans, Inc.	60,520	56,973	
Promesa Enterprises, Inc	11,149	27,507	
Promesa Enterprise, LTD	84,233	244,900	(D)
Promesa Affordable Housing Division-Development	(480,000)	(240,000)	(A)
Seedco, Inc.	(494,171)	(188,043)	(A)
Distinctive Maintenance Co.	-	(238,788)	(A)
Casa Promesa, RHFC	(691,941)	(205,080)	(A)
Other due to affiliates	<u>(244,606)</u>	<u>(255,592)</u>	(A)
Due to affiliates, net	<u>\$ (8,933,451)</u>	<u>\$ (5,094,490)</u>	

- (A) Due to affiliates is for administrative services.
- (B) Amounts due are related to rent, payroll and benefits paid by the affiliates.
- (C) Due to affiliates is for administrative services and rent.
- (D) Advance to provide maintenance services to Acacia Housing facilities.

NOTE 13 – CONSUMER FUNDS

BASICS receives stipends from a public assistance program on a monthly basis. These monies are deposited into a bank account and money is withdrawn on the residents' behalf. Residents receive stipends on a weekly basis for their personal needs. As of December 31, 2018 and 2017, BASICS owes the residents \$237,099 and \$175,650, respectively, which represents monies received from public assistance and not yet disbursed to residents.

NOTE 14 – PENSION PLAN

BASICS and Acacia Housing have separate qualified defined contribution pension plans under Internal Revenue Code Section 401(k) covering all eligible full-time employees. Each entity is required by the plan to match employee contributions in accordance with the pension plan agreements. BASICS and Acacia Housing match 125% of the first 6% and 100% of the first 5%, respectively, of an employee's contribution to the plans. Pension expense for the years ended December 31, 2018 and 2017 amounted to \$386,953 and \$250,044, respectively.

**BRONX ADDICTION SERVICES INTEGRATED CONCEPTS SYSTEMS, INC. AND ACACIA NETWORK
HOUSING, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 15 – COMMITMENTS AND CONTINGENCIES

- A. The Organization has various leases for vehicles and office equipment. The Organization is also obligated under various lease agreements with landlords for properties being used for the shelter program. As of December 31, 2018, the future minimum rental payments required under leases are as follows:

	<u>Real Property</u>	<u>Equipment</u>	<u>Vehicle</u>	<u>Total</u>
2019	\$ 24,440,000	\$ 118,000	\$ 105,000	\$ 24,663,000
2020	17,950,000	118,000	105,000	18,173,000
2021	11,504,000	83,000	105,000	11,692,000
2022	5,124,000	4,000	70,000	5,198,000
2023	2,227,000	1,000	-	2,228,000
Thereafter	<u>4,393,000</u>	<u>-</u>	<u>-</u>	<u>4,393,000</u>
	<u>\$ 65,638,000</u>	<u>\$ 324,000</u>	<u>\$ 385,000</u>	<u>\$ 66,347,000</u>

Rent expense relating to the leases, for real property, for the years ended December 31, 2018 and 2017 amounted to \$38,387,938 and \$41,212,587, respectively. Such amounts are included in rent and security expense in the accompanying combined financial statements. In December 2008, Acacia Housing entered into a contract with New York City Department of Homeless Services (“NYCDHS”), which has been renewed annually, to provide shelter to clients on a per diem basis for 647 apartments at a cost of \$95.59 per day for the cluster sites.

- B. Pursuant to the Organization’s contractual relationships with certain funding sources, outside governmental agencies have the right to examine the books and records of the Organization involving transactions relating to these contracts.
- C. In February 2012, the Organization entered into an agreement to act as a guarantor for a commercial mortgage loan provided by a bank to Promesa Foundation, Inc., a related entity, to purchase property amounting to \$1,550,000. The mortgage is secured by the property being purchased. The Organization is contingently liable if Promesa Foundation, Inc. failed to pay principal and interest payments to the lender when due.
- D. The Organization believes it has no uncertain income tax positions as of December 31, 2018 and 2017 in accordance with Accounting Standards Codification (“ASC”) Topic 740 (“Income Taxes”), which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 16 – CONCENTRATIONS

A. *Concentration of Credit Risk*

Cash that potentially subjects the Organization to a concentration of credit risk includes cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits (\$250,000 per depositor). As of December 31, 2018 and 2017, there was approximately \$35.4 million and \$21.9 million, respectively, of cash held by three banks that exceeded FDIC limits.

B. *Concentration of Revenue*

The Organization derives a significant portion of its revenue from contractual arrangements with government sources. Such revenue approximates 98% and 96% of total government and public support revenue for the years ended December 31, 2018 and 2017, respectively. Such revenue is subject to audit and possible adjustment by the various government agencies, as further described in Note 15B.

**BRONX ADDICTION SERVICES INTEGRATED CONCEPTS SYSTEMS, INC. AND ACACIA NETWORK
HOUSING, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure events subsequent to the date of the combined statement of financial position through September 26, 2019, the date the combined financial statements were available to be issued.

ACACIA NETWORK HOUSING, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
U.S. Department of Health and Human Services:				
Passed – through New York City Department of Homeless Services Temporary Assistance for Needy Families (TANF Cluster)				
	93.558			
		20161418003	\$ 9,371,335	\$ -
		20150000595	1,311,595	-
		20141403410	1,463,213	-
		20180003033	63,213,354	-
		20141403600	968,350	-
		20141402356	3,049,799	-
		20161404778	2,924,479	-
		20151420508	2,211,753	-
		20170000331	807,833	-
		20170000332	281,020	-
		20181402106	1,211,301	-
		20172005086	<u>1,253,972</u>	<u>-</u>
Total U.S. Department of Health and Human Services:			<u>88,068,004</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 88,068,004</u>	<u>\$ -</u>

ACACIA NETWORK HOUSING, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Acacia Network Housing, Inc. ("Acacia Housing") for the year ended December 31, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Acacia Housing, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Acacia Housing.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

NOTE 3 – INDIRECT COST RATES

Acacia Housing has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Bronx Addiction Services Integrated Concepts Systems, Inc. and Acacia Network Housing, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of the Bronx Addiction Services Integrated Concepts Systems, Inc. ("BASICS") and Acacia Network Housing, Inc. ("Acacia Housing") (collectively, the "Organization"), which comprise the combined statements of financial position as of December 31, 2018 and 2017, and the combined related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements, and have issued our report thereon dated September 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audits of the combined financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



New York, NY
September 26, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Bronx Addiction Services Integrated Concepts Systems, Inc. and Acacia Network Housing, Inc.

Report on Compliance for Each Major Federal Program

We have audited Acacia Network Housing, Inc.'s ("Acacia Housing") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Compliance Supplement* that could have a direct and material effect on Acacia Housing's major federal program for the year ended December 31, 2018. Acacia Housing's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Acacia Housing's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Acacia Housing's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of Acacia Housing's compliance.

Opinion on Major Federal Program

In our opinion, Acacia Housing complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of Acacia Housing is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Acacia Housing's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



New York, NY
September 26, 2019

**ACACIA NETWORK HOUSING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018**

Section I—Summary of Auditors' Results

Financial Statements

Type of Auditors' report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weaknesses identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No	

Federal Awards

Internal control over major programs:			
Material weaknesses identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported	

Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>		
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Title 2 CFR 200.516(a)?	<u> </u> Yes	<u> X </u> No	

Identification of major program:

- U.S. Department of Health and Human Services
 Temporary Assistance for Needy Families (CFDA # 93.558)
 Passed through from the New York City Department of Homeless Services

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$2,642,040</u>		
Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u> No	

Section II—Financial Statement Findings

No matters were reported.

Section III—Federal Award Findings and Questioned Costs

No matters were reported.

**ACACIA NETWORK HOUSING, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2018**

PRIOR YEAR FINDINGS:

There were none.