SOUTH BRONX COMMUNITY MANAGEMENT CO., INC. AND SUBSIDIARIES
Consolidated Financial Statements
June 30, 2019 and 2018
With Independent Auditor's Report

withum
ADVISORY TAX AUDIT

South Bronx Community Management Co., Inc. and Subsidiaries
Table of Contents
June 30, 2019 and 2018

withum
ADVISORY TAX AUDIT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
South Bronx Community Management Co., Inc.:

We have audited the accompanying consolidated financial statements of South Bronx Community Management Co., Inc. and Subsidiaries ("SBMC" or "the Organization"), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and changes in net deficit, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 South Bronx Community Management Co., Inc. and Subsidiaries as of June 30, 2019 and 2018, and the changes in their net deficit and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 in the notes to consolidated financial statements, in 2019 the Organization adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities* (Topic 958). Our opinion is not modified with respect to this matter.

WithumSmith+Brown, PC

March 19, 2020

South Bronx Community Management Co., Inc. and Subsidiaries
Consolidated Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	$ 427,467	$ 196,117
Accounts receivable, net of allowance of $1,009,467 in 2019 and $980,339 in 2018	311,243	2,383,311
Prepaid expenses	44,156	42,270
Total current assets	782,866	2,621,698
Reserves	2,972,830	2,965,730
Tenant security deposits	122,290	109,605
Property and equipment, net	12,083,453	11,288,677
Deposits	31,223	43,933
Other receivable, net of allowance of $571,561 in 2019 and 2018	691,478	691,478
Due from related parties	495,173	318,587
	16,396,447	15,418,010
Total assets	$ 17,179,313	$ 18,039,708
Liabilities and Net Deficit		
Current liabilities		
Accounts payable	$ 499,731	$ 175,283
Accrued expense	125,034	130,483
Prepaid rent	65,568	59,680
Due to related party - Acacia Network Housing, Inc.	-	1,912,358
Total current liabilities	690,333	2,277,804
Long-term liabilities		
Tenant security deposits	122,290	109,605
Mortgages payable, net of debt issuance costs	16,695,027	15,382,158
Due to related parties	5,011,994	4,473,750
Total liabilities	22,519,644	22,243,317
Net deficit		
Without donor restriction	(5,340,331)	(4,203,609)
Toal liabilities and net deficit	$ 17,179,313	$ 18,039,708

The Notes to Consolidated Financial Statements are an integral part of these statements.

South Bronx Community Management Co., Inc. and Subsidiaries
Consolidated Statements of Activities and Changes in Net Deficit
Years Ended June 30, 2019 and 2018

	2019	2018
Revenues		
HPD income	$ 2,250,228	$ 2,188,435
Management fee income - related party	528,307	529,417
Rental income	1,747,314	1,782,089
Partnership management fee	12,270	-
	4,538,119	4,499,941
Operating expenses		
Salaries	1,762,076	1,865,761
Payroll taxes	157,140	163,278
Fringe benefits	446,885	387,212
Appliances, furniture and bedding	19,322	9,989
Consulting services	191,100	160,486
Insurance	203,615	195,832
Payroll expense	22,508	29,772
Real estate taxes	88,144	(56,100)
Rent	54,000	58,500
Repairs and maintenance	493,935	486,940
Supplies and office expenses	423,443	558,881
Telephone	16,196	16,516
Utilities	1,041,642	961,489
Various office expenses	151,566	204,291
Bad debt	49,023	215,840
Depreciation	457,183	368,978
	5,577,778	5,627,665
Change in net deficit before other income (expense)	(1,039,659)	(1,127,724)
Other income (expense)		
Interest income	34,536	48,343
Interest expense	(187,310)	(226,284)
Other income	55,711	277,059
	(97,063)	99,118
Change in net deficit	(1,136,722)	(1,028,606)
Net deficit - without donor restriction		
Beginning of year	(4,203,609)	(3,175,003)
End of year	$ (5,340,331)	$ (4,203,609)

The Notes to Consolidated Financial Statements are an integral part of these statements.

South Bronx Community Management Co., Inc. and Subsidiaries
Consolidated Statements of Functional Expenses
Years Ended June 30, 2019 and 2018

	Program	Management & General	Total
Salaries	$ 1,647,074	$ 115,002	$ 1,762,076
Payroll taxes	143,227	13,913	157,140
Fringe benefits	426,086	20,799	446,885
Appliances, furniture and bedding	19,250	72	19,322
Consulting services	157,925	33,175	191,100
Insurance	197,463	6,152	203,615
Payroll expense	21,577	931	22,508
Real estate taxes	86,750	1,394	88,144
Rent	40,500	13,500	54,000
Repairs and maintenance	493,631	304	493,935
Supplies and office expenses	327,990	95,453	423,443
Telephone	15,744	452	16,196
Utilities	1,037,817	3,825	1,041,642
Various office expenses	134,900	16,666	151,566
Bad debt	49,023	-	49,023
Depreciation	455,812	1,371	457,183
	$ 5,254,769	$ 323,009	$ 5,577,778

The Notes to Consolidated Financial Statements are an integral part of these statements.

South Bronx Community Management Co., Inc. and Subsidiaries
Consolidated Statements of Functional Expenses
Years Ended June 30, 2019 and 2018

	Program	Management & General	Total
Salaries	$ 1,758,366	$ 107,395	$ 1,865,761
Payroll taxes	147,730	15,548	163,278
Fringe benefits	360,411	26,801	387,212
Appliances, furniture and bedding	9,989	-	9,989
Consulting services	151,275	9,211	160,486
Insurance	189,623	6,209	195,832
Payroll expense	28,700	1,072	29,772
Real estate taxes	(57,280)	1,180	(56,100)
Rent	43,875	14,625	58,500
Repairs and maintenance	486,506	434	486,940
Supplies and office expenses	438,207	120,674	558,881
Telephone	16,073	443	16,516
Utilities	957,862	3,627	961,489
Various office expenses	189,132	15,159	204,291
Bad debt	215,840	-	215,840
Depreciation	368,292	686	368,978
	$ 5,304,601	$ 323,064	$ 5,627,665

The Notes to Consolidated Financial Statements are an integral part of these statements.

South Bronx Community Management Co., Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Operating activities		
Change in net deficit	$ (1,136,722)	$ (1,028,606)
Adjustments to reconcile change in net deficit to net cash provided by (used in) operating activities		
Amortization of debt issue costs - interest expense	90,217	90,218
Accrued interest expense HPD loan	118,637	118,636
Depreciation	457,183	368,978
Bad debt	49,023	215,840
Changes in assets and liabilities		
Accounts receivable	2,023,045	(201,272)
Due from related parties	(176,586)	20,781
Prepaid expenses	(1,886)	32,923
Deposits	12,710	400
Other receivable	-	(253,389)
Accounts payable	324,448	(101,560)
Accrued expenses	(5,449)	(82,831)
Prepaid rent	5,888	12,192
Net cash provided by (used in) operating activities	1,760,508	(807,690)
Investing activities		
Deposits into reserves	(7,100)	(45,149)
Acquisition of property and equipment	(1,251,959)	(584,082)
Net cash used in investing activities	(1,259,059)	(629,231)
Financing activities		
Proceeds from mortgages	1,104,015	229,382
Change in due to related parties	(1,374,114)	1,343,637
Net cash (used in) provided by financing activities	(270,099)	1,573,019
Net change in cash and cash equivalents	231,350	136,098
Cash and cash equivalents		
Beginning of year	196,117	60,019
End of year	$ 427,467	$ 196,117
Supplemental disclosure of cash flow information		
Cash paid during the year for		
Interest	$ 18,476	$ 17,385

The Notes to Consolidated Financial Statements are an integral part of these statements.

1. ORGANIZATION

South Bronx Community Management Co., Inc. ("SBCMC") is a Bronx-based not-for-profit corporation organized to acquire and manage low to moderate income residential dwelling units in the Bronx, New York and operate a transitional housing facility ("the Facility") for emergency relocates designated by the City of New York. SBCMC is supported primarily by contractual reimbursement of allowable costs of running the Facility paid by New York City. The contract for operation of the Facility represents approximately 48% and 49% of SBMC's operations and the management of residential units represents approximately 12% and 11% for 2019 and 2018, respectively. The residential operations revenue represents 39% and 40% for 2019 and 2018, respectively.

The South Bronx Community Lemle Wolff LLC was formed as a joint venture with SBCMC, Quadrant Properties Housing Development Fund Company, Inc. and Lemle Wolff Bronx Development Associates, LLC with a capital contribution of one dollar. An operating agreement for acquiring and managing properties is in place through December 31, 2040. SBCMC is entitled to a local sponsor fee between $48 and $55 per unit. The fee shall be increased annually according to the allowable increases for one-year leases, as approved by the New York City Rent Guidelines Board. At the end of the term, and for each successive 5-year anniversary date, should SBCMC remain a member, SBCMC shall have the right to buy-out the interests of all other members in the Company and take over operations. SBCMC shall share 1% of net profits and net losses. South Bronx Community Lemle Wolff LLC is currently in the process of purchasing and rehabilitating properties. As of June 30, 2019 and 2018, no fees or percentage of net losses were recorded as related to this agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America. Financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. Based on the existence or absence of donor-imposed restrictions, SBCMC classifies resources into two categories: without donor restrictions and with donor restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Trustees.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of SBCMC or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. The Organization had no net assets with donor restriction at June 30, 2019 and 2018.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of South Bronx Community Management Company, 920 Prospect Gardens Housing Development and Melrose Park Housing Development Fund Corporation, of which South Bronx Community Management Co., Inc. is the sole member hereafter collectively referred to as ("the Organization"). All significant intercompany transactions and balances have been eliminated in consolidation.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by the Organization include the estimation of the accounts receivable valuation allowance of delinquent accounts.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and New York taxation codes. Accordingly, no provision for income taxes has been reflected in the accompanying consolidated financial statements.

The Organization follows generally accepted accounting principles related to uncertain tax positions which require tax effects from an uncertain tax position to be recognized in the consolidated financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. If an uncertain tax position meets the more-likely-than-not threshold, the largest amount of tax benefit that is greater than 50% likely to be recognized upon ultimate settlement with the taxing authority is recorded. The Organization's primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classification of activities related to its exempt purpose. Management has evaluated the tax positions reflected in the Organization's tax filings and does not believe that any material uncertain tax positions exist.

The Organization files form 990 in the U.S. federal jurisdiction and form CHAR-500 with the State of New York. The Organization did not recognize any tax related penalties or interest for the years ended June 30, 2019 and 2018.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be considered cash equivalents.

Receivables and Credit Policies

Accounts receivable are uncollateralized customer and government agency obligations due under normal trade terms requiring payment within thirty days from the invoice date. Accounts receivable are stated at the amount billed to the customer. Customer account balances with invoices dated in excess of their specific terms are considered delinquent. The Organization does not charge interest on delinquent balances. Payments of accounts receivable are allocated to the specific invoices identified on the customer’s remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management’s best estimate of that amounts that may not be collected. Management individually reviews all accounts receivable balances that are past due and based upon an assessment of current creditworthiness, estimates the portion, if any, of the balance that may not be collected. Additionally, management estimates, based on historical and industry data, a general allowance against the aggregate remaining accounts receivable.

Revenue Recognition

The Organization recognizes revenues from various sources. Revenues from New York City Department of Housing Preservation and Development ("HPD") represent revenues from operating the Ruth Fernandez Family Residence Program. The management agreement for this program is effective through June 30, 2021. Management fee revenue is recognized for services provided to manage residential dwelling units based on contractual rates of either 8% of rental fees collected or a rate based upon the number of rental units, monthly as services are provided. Management fees are renewable annually.

Rental income for apartments is recognized monthly, as it is earned. Advance receipts of rental income are deferred until earned. All leases between the Organization and tenants are operating leases.

The Organization receives payments from a public housing authority ("the Authority") that administers Section 8 funds from HUD through a separate and distinct administration of a voucher program. The Authority screens and awards vouchers to the tenants, providing them the opportunity to choose and lease safe, decent and affordable privately owned rental housing by supplementing what they can afford on their own.

Property and Equipment

Land, building, building improvements and equipment are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives by use of the straight-line method. The estimated useful life of the assets are as follows:

Description	Estimated Life (Years)
Building	40
Building improvements	22-40
Equipment	5-15

Major replacements of, or improvements to, property and furniture and fixtures are capitalized. Minor replacements, repairs and maintenance are charged to expense as incurred. Upon retirement or sale, the cost of the assets disposed and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is recorded in operations. Property and equipment acquired with funds received from federal, state, and local funding sources are considered to be owned by the Organization. The funding agency maintains a reversionary interest in those assets purchased with its funds, and in the determination of the use of the asset or any proceeds from the sale of those assets. Construction in progress amounts are recorded at costs until the renovations are fully completed and deemed to be placed in service.

Mortgage Payable, Less Unamortized Debt Issuance Costs

Debt issuance costs are deferred and amortized to interest expense using the straight-line method over 10 years which approximates the effective interest method, over the life of the related debt. The unamortized balance of these costs is presented as a reduction of long-term debt.

Concentration of Credit Risk

Financial instruments that potentially expose the Organization to concentration of credit risk consist primarily of cash and receivables due from government agencies. The Organization places its cash and certain reserves in high quality financial institutions and at times during the year, the amount on deposit may exceed the amounts insured by the Federal Deposit Insurance Corporation. Management does not believe any significant credit risk exists at June 30, 2019. The Organization does not believe any credit risk exists with respect to receivables from government agencies.

Functional Expenses

The cost of providing the various services and other activities has been summarized on a functional basis on the Statements of Activities and changes in Net Assets. Accordingly, certain costs have been charged to program services or management and general expenses based on a combination of specific identification and allocation by management.

Retirement Plans

The Organization has a contributory thrift and savings plan for salaried employees meeting certain service requirements which qualifies under Section 401(k) of the Internal Revenue Service Code. Contributions into the plan, which are discretionary, are made based on specified eligibility requirements. For the years ended June 30, 2019 and 2018, the total retirement plan expense included in payroll expense amounted to $11,430 and $10,683, respectively.

Reclassification

Certain amounts in the prior period financial statements have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net income.

New Accounting Pronouncement Adopted in the Current Year

Not-For-Profit Reporting

During 2019, the Organization adopted ASU 2016-14 – *Not-for-profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity and presentation of expenses by both their natural and functional classification. A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of June 30, 2018 follows:

Net Assets Classifications	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
As previously presented:			
Unrestricted deficit as previously presented	$ (4,203,609)	$ -	$ (4,203,609)

3. **LIQUIDITY AND MANAGEMENT PLANS**

The Organization incurred operating deficits of $1,136,722 and $1,028,606 for the years ended, June 30, 2019 and 2018, respectively. The Organization continues to demonstrate its ability to meet its obligations as they become due. The Organization's management has committed to a plan to fund cash flow deficits for the foreseeable future. To manage liquidity the Organization prioritizes payroll related expenditures and to the extent practical, timing other vendor disbursements based on cash flow forecasting. The Organization has the ability to request cash resources from affiliates that are related through common management in the event of a forecasted cash flow shortage.

The ability of the Organization to continue as a going concern is dependent on its ability to successfully accomplish the plan described above. However, no assurance can be given that the Organization will be successful in its efforts to support its continued operations. The accompanying financial statements do not include any adjustments that may be necessary if the Organization is unable to continue as a going concern

4. ACCOUNTS RECEIVABLE

Accounts receivable include management fees for management of residential dwelling units. Also included are receivables for management services of residential dwelling units for which management previously managed these units and continues to have an ownership in the residential unit buildings. These buildings are managed by Lemle & Wolff, Inc. and are currently under rehabilitation. In addition, accounts receivable include unpaid amounts billed to tenants residing in buildings of the Organization.

Other receivable, net of allowance of $571,561, for each of the years ended June 30, 2019 and 2018, represents advances to 3196 Third Ave. residential dwelling unit, a related party through common management. These advances are unsecured and non-interest bearing and are payable upon completion of rehabilitation of the buildings at 3196 Third Ave. The collection of the receivable amount is dependent upon sale of the residential dwelling unit. The residential dwelling unit was sold in August 2018.

5. RESERVES

In accordance with the terms of certain agreements (the “Agreements”) for project reserves between the Organization and HPD, the Organization was required to deposit a minimum of $1,482,356 into the Operating Reserve Account to satisfy the initial balance requirement established by HPD. The Organization is then required to continue making deposits into the Operating Reserve Account in accordance with the Agreements. All withdrawals are subject to approval by HPD.

The Organization was also required to deposit a minimum of $1,412,705 into the Replacement Reserve Account to satisfy the initial balance requirement established by HPD. The Organization is then required to make deposits into the Replacement Reserve Account in accordance with the Agreement. All withdrawals are subject to approval by HPD.

Reserves consists of the following at June 30:

	2019	2018
Operating reserves	$ 1,461,312	$ 1,440,743
Replacement reserves	1,511,518	1,524,987
	$ 2,972,830	$ 2,965,730

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2019	2018
Land	$ 18,129	$ 18,129
Equipment	486,537	450,937
Construction in progress	269,977	-
Building & improvements	12,725,726	11,779,806
	13,500,369	12,248,872
Less: Accumulated depreciation	(1,416,916)	(960,195)
Property and equipment - net	$ 12,083,453	$ 11,288,677

Depreciation and amortization expense included as a charge to activities amounted to $457,183 and $368,978 for the years ended June 30, 2019 and 2018, respectively.

7. RELATED PARTY AND AFFILIATED TRANSACTIONS

SBCMC is a member of the Acacia Network and receives fiscal, management, and other support services as well as advances from affiliates controlled by a common Board of Directors including, Acacia Network, Inc., Acacia Network Housing, Inc. ("Acacia Network Housing"), Promesa Housing Development Fund Corporation, Inc. (“Promesa HDFC”), Promesa Residential Health Care Facility, Inc. (“Promesa RHFI”), Promesa Administrative Services Organization, Inc. ("PASO"), Don Pancho, Inc. (“Don Pancho”), 3196 Third Avenue Corporation ("3196 Third Ave") and Bronx Investors, Holding Co.

Other members of the Acacia Network who have engaged in transactions with the Organization are entities that provide affordable housing throughout the Organization's service area or are a general partner of those housing entities and include 607 Concord HDFC, Urban Renaissance Collaboration, LP ("URC"), Promesa Apartments, LP ("Promesa Apts"), Bella Vista Housing Company, Inc. ("Bella Vista HC"), Bella Vista LP, Maria Isabel, LP ("Maria Isabel"), Prospect Estates, LP ("Prospect Estates"), Melrose Estates, LP ("Melrose Estates"), Melrose Estates Housing Company, Inc. ("Melrose HC"), 245 East Mosholu Apts, LLC ("245 E Mosholu"), and Promesa Court Limited Partnership ("Promesa Court").

Included in due from related parties are advances to various entities listed below, related by common management. The advances are non-interest bearing and have no formal repayment schedule. Accordingly, they are included in non-current assets.

	2019	2018
Bronx Investors Holding Co.	$ 149,806	$ 149,806
Promesa Home First	45	45
3196 Third Ave	113,671	111,521
Acacia Network Housing	151,103	-
Promesa Apts	4,560	-
Fox Street	242	242
Bella Vista HC	9,168	9,168
Prospect Estates	48,308	36,950
Melrose Estates	17,700	10,855
	$ 495,173	$ 318,587

Also included in related party transactions are payables to PASO of $152,717 and $70,580 as of June 30, 2019 and 2018, respectively, which are included in accounts payable in the statement of financial position.

Included in in the table below are advances from entities that are related by common management. These advances also have no formal repayment schedule and are included in long term liabilities except for the advances from Acacia Network Housing, which are due on demand and included in total liabilities.

	2019	2018
Promesa HDFC	$ 911,420	$ 807,243
Acacia Network Inc.	127,000	127,000
Promesa RHFI	661,287	661,287
Melrose HC	258,393	270,663
Acacia Network Housing	-	1,912,358
PASO	1,724,583	1,365,027
Promesa Court	400,000	400,000
Bella Vista LP	281,485	240,188
Maria Isabel	163,668	166,187
El Cemi HDFC	1,128	-
Don Pancho	483,030	436,155
	$ 5,011,994	$ 6,386,108

The Organization provides property management services to organizations affiliated through common management. Related party management fee income consists of the following as of June 30:

	2019	2018
OUB Court Housing	$ 279,979	$ 279,979
Mins Court Housing	71,474	71,474
Bella Vista LP	67,364	69,448
Maria Isabel	59,436	60,321
607 Concord	50,054	48,195
	$ 528,307	$ 529,417

SBCMC allocates certain expenses for employee time and related benefits applicable to a related entity, Acacia Housing Network, and includes the amounts in other income. For the years ended June 30, 2019 and 2018, the Management Operations included reimbursement of these expenses in other income totaling approximately $189,000 and $167,000, respectively.

8. LIQUIDITY AND AVAILABILITY

The Organization's financial assets available within one year of the statement of financial position date, June 30, 2019, for general expenditures are as follows:

Financial Assets	
Cash and cash equivalents	$ 427,467
Accounts receivable, net	311,243
Total financial assets	$ 738,710
Financial assets and liquidity resources	
Available for general expenditure within one year	$ 738,710

As part of the Organization's liquidity management, it has a policy to structure its financial assets according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash

9. MORTGAGES PAYABLE

Mortgages payable consists of the following at June 30:

	2019	2018
Home loan of $4,969,585 provided under the Federal Home Investments Organization program and section 99-h of the New York City General Municipal law. The loan is non-interest bearing and no monthly payments of principal and interest are currently due and payable. The entire amount of principal is due September 30, 2030. (A)	$ 4,969,585	$ 4,969,585
Community Development Block Grant loan of $720,000 provided under the Federal Community Development Block Grant program and section 99-h of the General Municipal law. The loan is non-interest bearing with no monthly payments of principal and interest currently due or payable. The entire amount of principal is due September 30, 2030. (A)	720,000	720,000
Loan of $1,675,097 is being provided pursuant to article 8 of the private Housing Finance Law and bearing interest at the rate of 1% per year. The entire amount of principal is due September 30, 2030. (A)	1,675,097	1,675,097
New York City Department of Housing Preservation and Development ("HPD") loan of $1,923,920, interest rate of 2.22%, payable after completion of the construction period in monthly interest and principal payments of $802 (B)	2,060,880	917,844
New York City Department of Housing Preservation and Development ("HPD") loan of $7,727,479, interest rate of 1.0% per annum shall accrue and be added annually to the unpaid principal amount (C). The principal amount, together with all accrued interest, and any and all other amounts remaining unpaid shall be due and payable as of January 30, 2045.	8,081,053	8,001,437
Total mortgages payable	17,506,615	16,283,963
Less unamortized deferred costs	811,588	901,805
Mortgages payable, net of unamortized deferred costs	$ 16,695,027	$ 15,382,158

Interest expense related to deferred charges charged to the consolidated statements of activities and changes in net deficit over the next five years will be $90,218 each year

(A) The Home Loan, the Community Block Development Grant Loan and the Article 8 Loan obligations total $7,364,682 and are due to the City of New York, a Municipal Corporation acting by and through its Department of Housing Preservation and Development.
(B) The Organization is party to a loan agreement due to the City of New York, a Municipal Corporation acting by and through its Department of Housing Preservation and Development. As of June 30, 2019 and 2018, there were total disbursements of $2,060,880 and $917,844, respectively, made under this loan agreement which has not yet converted to permanent financing.
(C) Interest accrued and added to the principal amount of the loan amounted to $353,574 and $273,958, as of June 30, 2019 and 2018, respectively.

10. NEW ACCOUNTING PRONOUNCEMENTS

Revenue Recognition
In May 2014, the FASB issued Accounting Standards Update No. 2014-09 *Revenue from Contracts with Customers* (Topic 606), which supersedes all existing revenue recognition requirements, including most industry-specific guidance. Together with subsequent amendments, this created Accounting Standards Codification Topic 606 ("ASC 606"). ASC 606 requires an entity to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the entity expects to receive for those goods or services. ASC 606 also expands disclosure requirements. ASC 606 will be effective for non-public entities for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. ASC 606 allows for either "full retrospective" adoption, meaning the standard is applied to all of the periods presented, or "modified retrospective" adoption, meaning the standard is applied only to the most current period presented in the financial statements. The Organization is currently evaluating the impact of adoption of ASC 606. At this time, management believes that the adoption of ASC 606 will not have a material impact on its consolidated financial statements because existing contractual performance obligations, which determine when and how revenue is recognized, are not materially changed under ASC 606.

Revenue Recognition – Contributions Received and Made
In June 2018 the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB is issuing this ASU to improve and clarify existing guidance on revenue recognition of grants and contracts not-for-profit organizations ("NFPs") because there is diversity in practice among NFPs with characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. This ASU also provides guidance to help determine whether a contribution is conditional or unconditional, and better distinguish a donor-imposed condition from a donor-imposed restriction. This ASU is effective for annual periods and interim periods beginning after December 15, 2018. The Organization is currently evaluating the effect that this pronouncement will have on its consolidated financial statements and related disclosures.

Leases
In February 2016, the FASB issued ASU 2016-02 *Leases* (Topic 842), which requires the recognition of a "right to use" asset and a lease liability, initially measured at the present value of the lease payments, on the consolidated statements of financial position for all of the Organization's lease obligations. This ASU is effective for fiscal years beginning after December 15, 2020. The Organization is currently evaluating the effect that this pronouncement will have on its consolidated financial statements and related disclosures.

11. PROPERTY PURCHASE OPTION

Under the terms of the Operating Agreement, the Joint Venture is required to grant SBCMC, at the end of the term, and for each successive 5-year anniversary date, should SBCMC remain a member, the right to buy-out the interests of all other members in the Joint Venture and take over operations.

12. COMMITMENTS AND CONTINGENCIES

The Organization rents office space at 2804 Third Ave., Bronx, NY. The lease is automatically renewed annually unless cancelled. Expenses related to rent may vary from year to year and were $54,000 and $58,500 for the years ending June 30, 2019 and 2018, respectively.

The Organization is obligated under a contract with the City of New York to manage, maintain and operate the Facility in the South Bronx section of New York City in accordance with the terms of a contract entered into with the City of New York Department of Housing Preservation and Development ("HPD").

13. SUBSEQUENT EVENTS

The Organization has evaluated events occurring after the consolidated statement of financial position date through the date of March 19, 2020, the date the consolidated financial statements were available for release. Based on this evaluation, the Organization has determined that no subsequent events have occurred which require disclosure in or adjustment to the consolidated financial statements.