LOISAIDA, INC.
Financial Statements
June 30, 2019 and 2018
With Independent Auditor's Report

withum
ADVISORY TAX AUDIT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees,
Loisaida, Inc.:

We have audited the accompanying financial statements of Loisaida, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2019 and 2018 and the related statements of activities and changes in net assets (deficit), cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Loisaida, Inc. as of June 30, 2019 and 2018, and the changes in its net assets (deficit), cash flows, and its functional expenses for the years then ended in conformity with accounting principles generally accepted in the United States of America.

WithumSmith+Brown, PC One Tower Center Boulevard, 14th Floor, East Brunswick, New Jersey 08816-1145 T (732) 828 1614 F (732) 828 5156 withum.com

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Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 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

February 12, 2020

Loisaida, Inc.
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	$ 127,415	$ 53,485
Prepaid expenses	-	4,275
Pledges and grants receivable, net allowance for doubtful accounts of $- in 2019 and $5,849 in 2018	349,971	46,000
Due from affiliates	-	4,501
Total current assets	477,386	108,261
Property and equipment, net	359,697	13,055
Total assets	$ 837,083	$ 121,316
Liabilities and Net Assets (Deficit)		
Liabilities		
Accounts payable and accrued expenses	$ 268,225	$ 35,029
Advances payable	63,379	26,776
Due to affiliates	441,090	164,705
Total liabilities	772,694	226,510
Net assets (deficit)		
Without donor restrictions	(64,639)	(155,194)
With donor restrictions	129,028	50,000
Total net assets (deficit)	64,389	(105,194)
Total liabilities and net assets (deficit)	$ 837,083	$ 121,316

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

Loisaida, Inc.
Statements of Activities and Changes in Net Assets (Deficit)
Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Support and revenue						
Contributions	$ 34,355	$ 296,578	$ 330,933	$ 33,843	$ 50,000	$ 83,843
Grant revenue	337,763	-	337,763	78,564	-	78,564
Special events, net of special event expenses of $55,891 for 2019 and $17,868 for 2018	19,062	-	19,062	93,473	-	93,473
Other income	32,112	-	32,112	26,726	-	26,726
	423,292	296,578	719,870	232,606	50,000	282,606
Net assets released from restrictions	217,550	(217,550)	-	40,698	(40,698)	-
	640,842	79,028	719,870	273,304	9,302	282,606
Expenses						
Program	440,229	-	440,229	351,085	-	351,085
General and administrative	55,029	-	55,029	43,885	-	43,885
Fundraising	55,029	-	55,029	43,885	-	43,885
	550,287	-	550,287	438,855	-	438,855
Changes in net assets (deficit)	90,555	79,028	169,583	(165,551)	9,302	(156,249)
Net assets (deficit)						
Beginning of year	(155,194)	50,000	(105,194)	10,357	40,698	51,055
End of year	$ (64,639)	$ 129,028	$ 64,389	$ (155,194)	$ 50,000	$ (105,194)

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

Loisaida, Inc.
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Operating activities		
Changes in net assets (deficit)	$ 169,583	$ (156,249)
Adjustments to reconcile changes in net assets (deficit)		
to net cash provided by (used in) operating activities		
Depreciation and amortization	4,978	6,251
Changes in assets and liabilities		
Prepaid expenses	4,275	(1,692)
Pledges and grants receivable	(303,971)	(28,500)
Due from affiliates	4,501	(4,501)
Accounts payable and accrued expenses	233,196	8,086
Advances payable	36,603	21,176
Due to affiliates	276,385	84,778
Net cash provided by (used in) operating activities	425,550	(70,651)
Investing activities		
Purchase of property and equipment	(351,620)	-
Net cash used in investing activities	(351,620)	-
Net change in cash and cash equivalents	73,930	(70,651)
Cash and cash equivalents		
Beginning of year	53,485	124,136
End of year	$ 127,415	$ 53,485

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

Loisaida, Inc.
Statements of Functional Expenses
Years Ended June 30, 2019 and 2018

	2019				2018			
	Program	**General and Admin.**	**Fundraising**	**Total**	**Program**	**General and Admin,**	**Fundraising**	**Total**
Salaries, payroll taxes and fringe	$ 180,621	$ 22,578	$ 22,578	$ 225,777	$ 159,856	$ 19,982	$ 19,982	$ 199,820
Professional fees	180,694	22,587	22,587	225,868	112,181	14,023	14,023	140,227
Supplies and other expenses	32,924	4,115	4,115	41,154	35,539	4,442	4,442	44,423
Repairs and maintenance	24,421	3,053	3,053	30,527	20,513	2,564	2,564	25,641
Insurance	546	68	68	682	-	-	-	-
Depreciation	3,982	498	498	4,978	5,001	625	625	6,251
Utilities	17,041	2,130	2,130	21,301	17,995	2,249	2,249	22,493
Special event expenses	-	-	55,891	55,891	-	-	17,868	17,868
	440,229	55,029	110,920	606,178	351,085	43,885	61,753	456,723
Less: Special event expenses netted with income	-	-	(55,891)	(55,891)	-	-	(17,868)	(17,868)
	$ 440,229	$ 55,029	$ 55,029	$ 550,287	$ 351,085	$ 43,885	$ 43,885	$ 438,855

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

1. ORGANIZATION AND NATURE OF OPERATIONS

Loisaida, Inc. (the "Organization") is a community-based cultural organization founded to combat the effects of violence, drugs, gangs, and poverty facing the children and youth in New York City in the East Village and Lower East Side. Loisaida, Inc. has helped thousands of young people reach their potential by concentrating on self-esteem, self-worth, and self-sufficiency development. It operates its own community center that offers among other services, significant arts and cultural programming targeting youth and seniors.

Loisaida Inc. was incorporated in the State of New York in 1980.

Mission

The Organization's mission is to address the serious economic and social disenfranchisement of poor and low-income Latino residents with employment and training opportunities, comprehensive youth development initiatives, as well as neighborhood revitalization activities that positively highlight the rich culture, heritage, and contribution of the Puerto Rican and Latin American community in New York City while offering programming that meets the demands of the times and the neighborhood's changing demographic. The Organization builds a connection between community, learners, artists, and scholars through affordable education opportunities in cultural fields, S.T.E.A.M. (Science, Technology, Engineering, Arts and Mathematics) design, and everyday life.

In September 2012, in order to strengthen its capacity to secure its new center's sustainability, Loisaida, Inc. became an affiliate of the Acacia Network ("Acacia"), a premier health, housing, and economic development organization; the largest Hispanic-based non-profit community development organization in New York State, and the second largest in the United States.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accounting pronouncement related to not-for-profit organizations requires the Organization to report information regarding its financial position and activities according to two classes of net assets:

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 without donor restrictions include net assets restricted by the board of trustees.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization 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. At June 30, 2019 and 2018, the Organization had $129,028 and $50,000, respectively, of net assets with donor restrictions.

Revenue Recognition

Income from grants and contracts (up to the grant or contract ceiling) is recorded in the period when the Organization incurs expenditures in compliance with the specific terms and conditions of the grant or contract. Cash received in excess of revenue recognized is recorded as advances payable.

Program service income and income from contributions and special events is recorded in the period in which it is earned. Developer fee income is recorded in the period in which it is received.

Contributions are recognized as revenues when they are received or unconditionally pledged and are recorded as with or without restrictions according to donor stipulations that limit the use of these assets due to time or purpose restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets (deficit) as net assets released from restrictions.

Pledges and Grants Receivable

Pledges and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through adjustments to valuation allowances based on its assessments of the current status of individual receivables. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. For the years ended June 30, 2019 and 2018 the allowance for doubtful accounts was $- and $5,849 ,respectively.

Property and Equipment

Property and equipment is stated at cost (fair market value at date of donation if contributed) less accumulated depreciation. Depreciation is provided principally using the straight-line method over the estimated useful lives of the assets.

Description	Estimated Life (Years)
Furniture, fixtures, and equipment	5
Leasehold improvements	Shorter of term of lease of life of asset

It is the policy of the Organization to capitalize items with a value greater than $1,000.

Expenditures for maintenance and repairs are charged to operations as incurred. Significant renovations and replacements which improve and extend the life of the assets are capitalized.

Joint Venture

Investee companies that are not consolidated, but over which the Organization exercises significant influence, are accounted for under the equity method of accounting. Whether or not the Organization exercises significant influence with respect to an investee depends on an evaluation of several factors including, among others, representation on the investee company's board of directors and ownership level, which is generally a 20% to 50% interest in the voting securities of the investee company. Under the equity method of accounting, an investee company's accounts are not reflected within the Organization's statements of financial position and statements of activities and changes in net (deficit) assets however, the Organization's share of the earnings or losses of the investee company is reflected in the caption ''Equity loss - share of investee company losses'' in the statements of activities and changes in net assets (deficit). The Organization's carrying value in an equity method investee company is reflected in the caption ''Ownership interests in investee companies'' in the Organization's statements of financial position. The investment balance as of each of the years ended June 30, 2019 and 2018 is $-0-.

When the Organization's carrying value in an equity method investee company is reduced to zero, no further losses are recorded in the Organization's financial statements unless the Organization guaranteed obligations of the investee company or has committed additional funding. When the investee company subsequently reports income, the Organization will not record its share of such income until it equals the amount of its share of losses not previously recognized.

Income Taxes

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and state income taxes under similar provisions. Accordingly, no provision for Federal and state income taxes has been recorded in the statements of financial position. The Organization had no unrecognized benefits at June 30, 2019 and 2018 and has incurred no interest or penalties related to income taxes for the periods presented in these financial statements.

Functional Allocation of Expenses

The costs of providing the programs and supporting services have been summarized on a functional basis in the statements of activities and changes in net assets (deficit) and statements of functional expenses.

Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

Expense Category	Methodology
Salaries, payroll taxes and fringe	Time and effort
Professional fees	Salaries
Supplies and other expenses	Salaries
Repairs and maintenance	Salaries
Insurance	Salaries
Depreciation	Salaries
Utilities	Salaries

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments that potentially expose the Organization to concentration of credit risk consist primarily of cash and cash equivalents and pledges and grants receivable. The Organization places its cash 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.

Approximately 54% and 38% of grants and contributions were provided by two and three organizations for the years ended June 30, 2019 and 2018, respectively. Approximately 3% and 33% of revenue was attributable to Loisaida, Inc.'s special event for the years ended June 30, 2019 and 2018, respectively.

Management does not believe any significant credit risk exists at June 30, 2019 and 2018.

Donated Services

Donated services are recognized as contributions if the services (1) create or enhance non-financial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provide various services that are not recognized as contributions in the financial statements since the recognition criteria were not met.

New Accounting Pronouncements Adopted in Current Year

Not-for-Profit Accounting

The Organization adopted ASU 2016-14, *Not-for-profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-profit Entities* issued by the Financial Accounting Standards Board ("FASB"). 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 is as follows:

	ASU 2016-14 Classifications		
Net Asset Classifications	**Net Assets Without Donor Restrictions**	**Net Assets With Donor Restrictions**	**Total**
As previously presented			
Unrestricted	$ (155,194)	$ -	$ (155,194)
Temporarily restricted	-	50,000	50,000
Permanently restricted	-	-	-
Net assets as previously presented	$ (155,194)	$ 50,000	$ (105,194)

New Accounting Pronouncements Issued Not Yet Effective

Revenue Recognition – ASC 606

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which provides a comprehensive new revenue recognition model that requires a company to recognize revenue in an amount that reflects the consideration it expects to receive for the transfer of promised goods or services to its customers. The standard, including subsequent amendments, was codified as Topic 606 and requires additional disclosure regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Topic 606 is effective for annual periods beginning after December 15, 2018 and interim periods beginning after December 15, 2019. This ASU is to be applied retrospectively or using a cumulative effect transition method. The Organization is currently evaluating the effect that this pronouncement will have on its financial statements and related disclosures.

Leases

In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*. ASU 2016-02 requires that a lessee recognize a right-of-use asset and a corresponding liability for its obligation under an operating lease, as well as expands disclosure requirements for both lessors and lessees. ASU 2016-02 is currently effective for annual reporting periods beginning after December 15, 2020. The new guidance will be applied on a retrospective basis. Early adoption is permitted. The Organization is currently evaluating the effect that this pronouncement will have on its financial statements and related disclosures.

Revenue Recognition – Contributions and Exchange Transactions
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 by not-for-profit organizations ("NFPs") because there seems to be 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. Topic 958 is effective for annual periods beginning after December 15, 2019 and interim periods beginning after December 15, 2020. Early adoption is permitted. Management is evaluating the impact this ASU will have on its financial statements.

Reclassifications
Certain accounts in the prior period have been reclassified to conform to current period presentations. These reclassifications had no impact on the changes in net assets or ending net assets of the Organization.

3. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, financial assets and liquidity resources available for general expenditures, such as operating expenses, were as follows:

	2019	2018
Financial Assets		
Cash and cash equivalents	$ 127,415	$ 53,485
Pledges and grants receivable, net	349,971	46,000
Total financial assets	477,386	99,485
Less amounts not available to be used within one year:		
Net assets with donor restrictions	129,028	50,000
Financial assets available within one year	$ 348,358	$ 49,485

The Organization's goal is to maintain sufficient financial assets to cover operating expenses. The Organization's cash flows are dependent upon payments from funding sources and they manage their cash payment activity with their cash receipts and borrowing from affiliates.

4. PROPERTY AND EQUIPMENT

At June 30, property and equipment consisted of the following:

	2019	2018
Furniture, fixtures, and equipment	$ 20,059	$ 20,059
Leasehold improvements	19,520	19,520
Construction in progress	351,620	-
Total property and equipment at cost	391,199	39,579
Less: Accumulated depreciation	(31,502)	(26,524)
Net property and equipment	$ 359,697	$ 13,055

Depreciation expense amounted to $4,978 and $6,251 for the years ended June 30, 2019 and 2018, respectively.

5. RELATED PARTY AND AFFILIATED TRANSACTIONS

The Organization is related to Acacia which includes: Puerto Rican Organization to Motivate, Enlighten, and Serve Addicts, Inc. ("Promesa, Inc."), Promesa Administrative Services Organization, Inc. ("PASO"), Bronx Addiction Services Integrated Concepts Systems, Inc. ("BASICS"), Sera Security Services, LLC ("Sera"), Promesa Residential Healthcare Facility, Inc. ("Casa Promesa"), La Marqueta Enterprises, LLC ("La Marqueta"), Acacia Network Housing, Inc. ("ANHI"), and Institute for Puerto Rican/Hispanic Elderly, Inc. ("IPRHE"). In addition, employees of the Organization participate in the pension plan of Promesa, Inc.. The members of Acacia share common management.

The Organization was charged for allocated costs and services from related parties for 2019 and 2018, as follows:

	2019	2018
Sera (C)	$ 399	$ 1,204
PASO (B)	58,027	61,431
Promesa, Inc. (G)	32,400	-
BASICS (B)	4,630	7,451
Casa Promesa (D)	6,077	6,077
La Marqueta (E)	4,318	-
	$ 105,851	$ 76,163

As of June 30, 2019 and 2018, the Organization owed $441,090 and $164,705, respectively, for various allocated operating expenses and construction advances to various affiliates. Due to affiliates consists of the following at June 30:

	2019	2018
Due to Promesa, Inc. (A)	$ 235,101	$ 43,629
Due to PASO (B)	171,832	113,625
Due to BASICS (B)	12,081	7,451
Due to Acacia (F)	15,999	-
Due to Casa Promesa (D)	6,077	-
	$ 441,090	$ 164,705

Included in accounts payable and accrued expenses are the following balances due to affiliates as of June 30:

	2019	2018
Sera (C)	$ -	$ 1,124
Promesa, Inc. (G)	32,400	-
Casa Promesa (D)	6,077	6,077
La Marqueta (E)	4,318	-
	$ 42,795	$ 7,201

A: non-interest bearing operating advances and construction advances with no specific repayment terms
B: provision of contractual services
C: provision of security services
D: provision of office cleaning services
E: sale of supplies
F: non-interest bearing operating advances with no specific repayment terms
G: allocated medical benefits

During the year ended June 30, 2019, ANHI granted $216,000 to the Organization and paid $106,177 leaving a balance in pledges and grants receivable at June 30, 2019 of $109,823 due.

During the year ended June 30, 2018, IPRHE granted $10,000 to the Organization. At June 30, 2018, $5,000 was outstanding. The balance was collected during the year ended June 30, 2019.

The Organization entered into a lease with a related party, see Note 6.

6. JOINT VENTURE

The Organization is party to a joint venture with two other not-for-profit organizations to renovate an existing four story building and develop and operate a community center and supportive housing project with 45 occupancy units thereon. The joint venture established a corporation, of which the Organization is 24.5% shareholder, which is a 51% shareholder in a corporation that holds a .01% general partner interest in the developer, owner and operator of the project which is a limited partnership.

Construction was completed in February 2014.

As part of the joint venture agreement, the Organization entered into a fifty-one year “triple net” lease within the building in order to operate a community center on that site with annual rent of $1. The lease is with 710 East 9th Street Associates, L.P, which is controlled by the general partner of which the Organization is a 24.5% owner.

The Organization is entitled to certain development fees depending on the success of the project according to certain financial determinants of the project’s operating success as defined in the development agreement. No fees were earned in 2019 and 2018.

7. NET ASSETS

Components of net assets with donor restrictions at June 30, are as follows:

	2019	2018
Time restriction	$ -	$ 50,000
Purpose restriction		
Capital expenditures	50,003	-
Programming	79,025	-
	$ 129,028	$ 50,000

Amounts released from net assets with donor restrictions for the years ended June 30, 2019 and 2018 were as follows:

	2019	2018
Time restriction	$ 50,000	$ 40,698
Purpose restriction		
Programming	167,550	-
	$ 217,550	$ 40,698

8. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring after the statement of financial position date through the date of February 12, 2020, the date for which the financial statements were available to be released. Based upon this evaluation, the Organization has determined that no subsequent events have occurred which require disclosure in or adjustment to the financial statements.