PROMESA FOUNDATION, INC.

Financial Statements
December 31, 2018 and 2017
With Independent Auditors' Report

withum
ADVISORY TAX AUDIT

Promesa Foundation, Inc.
December 31, 2018 and 2017

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ADVISORY TAX AUDIT

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Promesa Foundation, Inc.:

We have audited the accompanying financial statements of Promesa Foundation, Inc. (a non-profit corporation), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, 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.

Auditors' 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 auditors' 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 Promesa Foundation, Inc. as of December 31, 2018 and 2017, and the changes in net assets and its 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 1, in 2018, the Organization adopted Accounting Standards Update ("ASU") 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.

WithumSmith+Brown, PC

September 30, 2019

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Promesa Foundation, Inc.
Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash	$ 52,755	$ 385,909
Escrow	100,000	100,000
Investments	3,045	4,196
Ownership interest in investee company	1,305,288	719,216
Accounts receivable - gala	156,220	121,041
Rent receivable - affiliated entities	1,384,970	829,360
Rent receivable - unaffiliated entities	12,976	13,086
Prepaid expenses and other current assets	19,699	32,510
Total current assets	3,034,953	2,205,318
Loan receivable - affiliated entities	1,490,192	1,430,535
Property and equipment - net	19,071,232	19,252,453
Property and equipment with donor restrictions, net	301,184	306,773
Total assets	$ 23,897,561	$ 23,195,079
Liabilities and Net Assets		
Current liabilities		
Current maturities of mortgages payable	$ 475,129	$ 9,008,984
Accounts payable and accrued expenses	666,545	784,116
Due to affiliates - net	1,026,249	815,812
Total current liabilities	2,167,923	10,608,912
Mortgages payable, net of current maturities and unamortized deferred charges	18,135,589	10,009,568
Total liabilities	20,303,512	20,618,480
Net assets		
Net assets without donor restrictions	3,292,865	2,269,826
Net assets with donor restrictions	301,184	306,773
Total net assets	3,594,049	2,576,599
Total liabilities and net assets	$ 23,897,561	$ 23,195,079

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

Promesa Foundation, Inc.
Statements of Activities
Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Support and revenue						
Contributions	$ 674	$ --	$ 674	$ 627	$ --	$ 627
Special events income, net	224,481	--	224,481	335,430	--	335,430
Investment income, net - affiliated	59,657	--	59,657	5,048	--	5,048
Investment (loss) income, net - unaffiliated	(634)	--	(634)	1,444	--	1,444
Equity income - share of investee company income	586,072	--	586,072	65,216	--	65,216
Rental income - affiliated	2,483,015	--	2,483,015	1,822,346	--	1,822,346
Rental income - unaffiliated	52,260	--	52,260	106,620	--	106,620
Other	261,856	--	261,856	53,780	--	53,780
	3,667,381	--	3,667,381	2,390,511	--	2,390,511
Expenses						
Program expenses	2,320,206	5,589	2,325,795	2,716,712	5,589	2,722,301
Management and general	324,136	--	324,136	316,659	--	316,659
	2,644,342	5,589	2,649,931	3,033,371	5,589	3,038,960
Change in net assets	1,023,039	(5,589)	1,017,450	(642,860)	(5,589)	(648,449)
Net assets, beginning of year	2,269,826	306,773	2,576,599	2,912,686	312,362	3,225,048
Net assets, end of year	$ 3,292,865	$ 301,184	$ 3,594,049	$ 2,269,826	$ 306,773	$ 2,576,599

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

Promesa Foundation, Inc.
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	$ 1,017,450	$ (648,449)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Equity income - share of investee company income	(586,072)	(65,216)
Interest expense	43,254	31,758
Depreciation expense	591,234	578,853
Unrealized loss (gain) on investments	1,151	(680)
Bad debt expense	24,350	11,100
Changes in		
Accounts receivable - gala	(59,529)	16,659
Rent receivable - affiliated entities	(555,610)	(535,033)
Rent receivable - unaffiliated entities	110	(4,408)
Prepaid expenses and other current assets	12,811	273,170
Accounts payable and accrued expenses	(117,571)	253,307
Other liabilities	--	(300,000)
Net cash provided (used) by operating activities	371,578	(388,939)
Cash flows used by investing activities		
Purchases of property and equipment	(404,424)	(9,056)
Cash flows from financing activities		
Change in due to affiliates - net	210,437	723,474
Loans made to affiliated entities	(59,657)	(1,430,535)
Proceeds from mortgages payable	--	1,425,487
Payments of mortgages payable	(451,088)	(417,087)
Net cash (used) provided by financing activities	(300,308)	301,339
Net change in cash	(333,154)	(96,656)
Cash		
Beginning of year	385,909	482,565
End of year	$ 52,755	$ 385,909
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 665,837	$ 620,244
Supplemental disclosure of noncash investing and financing activities		
Refinancing of mortgage payable	$ --	$ 1,286,888
Deferred charges funded via refinancing of mortgage payable	$ --	$ 84,462

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

Promesa Foundation, Inc.
Statements of Functional Expenses
Years Ended December 31, 2018 and 2017

	2018			2017		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Expenses						
Occupancy	$ 637,064	$ --	$ 637,064	$ 1,116,125	$ --	$ 1,116,125
Interest	874,091	--	874,091	847,931	--	847,931
Depreciation	591,234	--	591,234	578,853	--	578,853
Insurance	98,106	682	98,788	97,413	--	97,413
Office expenses	100,950	203,180	304,130	70,379	189,620	259,999
Legal fees	--	1,465	1,465	500	902	1,402
Accounting fees	--	2,195	2,195	--	22,300	22,300
Other professional fees	--	94,200	94,200	--	96,486	96,486
Advertising	--	10,072	10,072	--	6,586	6,586
Bad debt expense	24,350	--	24,350	11,100	--	11,100
Travel	--	1,670	1,670	--	492	492
Conferences and meetings	--	10,672	10,672	--	273	273
	$ 2,325,795	$ 324,136	$ 2,649,931	$ 2,722,301	$ 316,659	$ 3,038,960

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies followed in the preparation of the financial statements are summarized as follows:

Organization and Nature of Operations
Promesa Foundation, Inc. (the “Organization” or the "Foundation") was created as a development arm for Acacia Network, Inc. (“Acacia”). The Organization works to raise funds for Acacia's many operating programs. The goal of the Organization is to develop streams of funding and partnerships with the corporate sector to support and expand its operations. The mutual purpose of Acacia is to be a leader in the health and human service arena by providing an array of services in health, education, employment, economic and community development and housing activities.

Financial Statement Presentation
The accompanying financial statements are prepared on the accrual basis and 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 purposes into net asset categories according to externally (donor) imposed restrictions. Based on the existence of donor imposed restrictions, the Organization classifies resources into two categories: without donor restrictions and with donor restrictions.

Revenue Recognition
Grants and other contributions of cash and other assets are reported as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Rental income is recorded when earned. Special events revenue is recorded in the period the event occurs.

Functional Allocation of Expenses
The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

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

Promises to Give
Annual campaign contributions are generally available without restrictions in the related campaign year unless specifically restricted by the donor. Unconditional promises to currently give are recorded as contributions when received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded as contributions at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded as contributions at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. The majority of the promises to give are received from a broad base of contributors as a result of the annual campaign. An allowance for uncollectible accounts receivable is provided based on management’s evaluation of potential uncollectible receivables at year end. No allowance is deemed necessary as of the years ended December 31, 2018 and 2017.

Investments
The Organization follows the pronouncement dealing with fair value measurements and the Organization’s investments consist of common stock and are carried at fair market value as determined by quoted market prices (Level 1). Investment income is included in net assets without donor restrictions unless restricted by donor or law. Unrealized gain or loss on investments is reported in the statements of activities as a component of investment income.

Equity Method Investments

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 percent to 50 percent interest in the voting equity 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; however, the Organization's share of the earnings or losses of the investee company is reflected in the caption ''Equity income - share of investee company income'' in the statements of activities. The Organization's carrying value in an equity method investee company is reflected in the caption ''Ownership interest in investee company'' in the Organization's statements of financial position.

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.

Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash, investments, accounts receivable, accounts payable and accrued expenses approximate their fair value because the expected collection or payment period is relatively short or because the terms are similar to market terms. The carrying value of debt approximates fair value based upon the current rates offered to the Organization for debt.

Accounts Receivable – Gala

Accounts receivable – gala are the donations to the gala committed by donors generally paid off within 6 to 12 months. The Organization does not accrue interest on unpaid receivables. Receivables are stated at the amount billed to the donor. Donor account balances with invoices dated over 90 days old are reviewed for delinquency and if necessary, an allowance for doubtful accounts is established. There was no allowance for doubtful accounts at December 31, 2018 and 2017.

Property and Equipment

Property and equipment is stated at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets; generally five to fifteen years for equipment, and ten to thirty-nine years for buildings. Expenditures for maintenance and repairs are charged to operations as incurred. Expenditures for betterments and major renewals are capitalized and, therefore, are included in property and equipment. The Foundation periodically reviews the estimated useful lives of its fixed assets.

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentration of credit risk include cash on deposit with a financial institution which, at times during the year, may exceed the amounts insured by the Federal Deposit Insurance Corporation. The Organization does not believe any significant credit risk exists since it has placed these funds in a high quality financial institution which it monitors throughout the year.

Approximately 48 percent of the Organization's revenue for the year ended December 31, 2018, was generated from two related party sources and approximately 52 percent of the Organization's revenue for the year ended December 31, 2017, was generated from three related party sources. In addition, approximately 81 percent of the Organization's accounts receivable – gala are from two related party sources at December 31, 2018, and approximately 85 percent of the Organization's accounts receivable are from one related party source as of December 31, 2017. Historically, the Organization has not incurred any significant credit-related losses.

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 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 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 percent 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 information returns in the U.S. federal jurisdiction and the State of New York. The Organization did not recognize any tax related penalties or interest for the years ended December 31, 2018 and 2017.

Reclassification

Certain amounts in the prior year financial statements have been reclassified to conform to current year presentation. There were no changes to the net assets.

Accounting Pronouncements Adopted in the Current Year

Not-for-Profit Financial Statement Presentation

During 2018, 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 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 December 31, 2017 is as follows:

	ASU 2016-14 Classifications		
Net Assets Classifications	**Net Assets Without Restrictions**	**Net Assets With Restrictions**	**Total**
Net assets			
Unrestricted	$ 2,269,826	$ --	$ 2,269,826
Temporarily restricted	--	--	--
Permanently restricted	--	306,773	306,773
Total net assets	$ 2,269,826	$ 306,773	$ 2,576,599

Recent Accounting Pronouncements Issued Not Yet Adopted

Revenue Recognition – Exchange Transactions

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 the Organization beginning January 1, 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. At this time, management believes that ASC 606 will not have a material impact on its financial statements because existing contractual performance obligations, which determine when and how revenue is recognized, are not materially changed under ASC 606. The Organization is currently evaluating the effect that this pronouncement will have on its financial statements and related disclosures.

Revenue Recognition - Contributions

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 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.

Leases

In February 2016, the FASB issued ASU 2016-02 *Leases* (Topic 842), which requires the recognition of a "right of use" asset and a lease liability, initially measured at the present value of the lease payments, on the statement financial of position for all of the Organization's lease obligations. This ASU is effective for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the effect that this pronouncement will have on its financial statements and related disclosures.

Restricted Cash

In November 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-18, *Restricted Cash*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU No. 2016-18 is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted and should be applied using a retrospective transition method to each period presented. The Organization is currently evaluating the effect of the adoption of ASU 2016-18 on its results of operations, financial position or cash flows.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

At December 31, 2018, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets	
Cash	$ 52,755
Investments	3,045
Accounts receivable - gala	156,220
Rent receivable	1,397,946
Total financial assets and liquidity resources available within one year	$ 1,609,966

The Organization manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due. The Organization's cash flows have fluctuations during the year attributable to the timing of program operations and collection of funds from donors and leasees.

3. INVESTMENTS

Investments at December 31 consist of:

	2018	2017
Common stock, at cost	$ 5,000	$ 5,000
Cumulative unrealized loss	(1,955)	(804)
Total fair value of common stock	$ 3,045	$ 4,196

Investment (loss) income, net – unaffiliated consists of the following for the years ended December 31:

	2018	2017
Dividends and interest	$ 517	$ 764
Unrealized (loss) gain	(1,151)	680
Total investment (loss) income, net – unaffiliated	$ (634)	$ 1,444

Investment income, net – affiliated for the years ended December 31, 2018 and 2017 consists of interest income on loans to affiliated entities (see Note 8) as follows:

	2018	2017
Capital District Latinos	$ 22,168	$ 1,876
Audubon Partnership for Economic Development	37,489	3,172
Total investment income, net – affiliated	$ 59,657	$ 5,048

4. OWNERSHIP INTEREST IN INVESTEE COMPANY

The Organization has a forty-eight percent interest in Promesa Enterprises, Ltd. In 2008, when the Organization's share of losses equated the carrying value of its investment, the Organization suspended the use of the equity method, and no additional losses were recognized since the Organization was not obligated to provide further financial support for Promesa Enterprises, Ltd. In 2018 and 2017, Promesa Enterprises, Ltd. reported earnings of approximately $1,612,000 and $442,000, respectively, of which the Organization's share was approximately $586,000 and $65,000, respectively, and has been included in income for each of the years then ended.

Summary financial information of Promesa Enterprises, Ltd. as of December 31, 2018 and 2017 is as follows:

	2018	2017
Assets	$ 18,182,961	$ 11,709,270
Liabilities	$ 14,365,655	$ 9,559,111
Equity - minority interest	1,097,956	651,792
Equity	2,719,350	1,498,367
	$ 18,182,961	$ 11,709,270
Revenues	$ 45,962,202	$ 25,621,198
Expenses	44,349,896	25,179,557
Net income - minority interest	537,807	138,609
Net income	$ 1,074,499	$ 303,032

5. PROPERTY AND EQUIPMENT

At December 31, property and equipment consists of the following:

	2018	2017
Land	$ 2,067,000	$ 2,067,000
Building	20,541,476	20,142,009
Equipment	352,080	346,880
	22,960,556	22,555,889
Less: Accumulated depreciation	3,889,324	3,303,436
Property and equipment, net	$ 19,071,232	$ 19,252,453

Depreciation amounted to $585,645 and $573,264 for the years ended December 31, 2018 and 2017, respectively, which is included in administrative expenses.

6. EQUIPMENT WITH DONOR RESTRICTIONS

At December 31, property and equipment with donor restrictions consists of the following:

	2018	2017
Building and building improvements	$ 217,962	$ 217,962
Land	165,706	165,706
	383,668	383,668
Less: Accumulated depreciation	82,484	76,895
Permanently restricted property and equipment - net	$ 301,184	$ 306,773

The property, which was acquired from the City of New York's Department of Housing Preservation and Development ("HPD"), contains a deed restriction which requires the Organization to conserve the building and operate it solely as a transitional independent living facility for young men and women referred as homeless by government agencies or non-profit organizations approved by HPD. Accordingly, the transaction has been reflected in net assets with donor restrictions.

Depreciation on property and equipment with donor restrictions amounted to $5,589 for each of the years ended December 31, 2018 and 2017, which is included in administrative expenses.

7. MORTGAGES PAYABLE

Mortgages payable at December 31, consists of the following:

	2018	2017
Mortgage payable – original principal of $2,500,000, payable in monthly installments of $13,576, interest at 4.21 percent, with a balloon payment, secured by certain property of the Organization, guaranteed by Promesa, Inc., due October 1, 2023 (A)	$ 2,178,194	$ 2,244,802
Mortgage payable – original principal of $2,534,000, payable in monthly installments of $15,454, interest at 5.67 percent, with a balloon payment, secured by certain property of the Organization, guaranteed by Promesa Inc., PASO, and Acacia, due February 1, 2026 (B)	2,083,455	2,155,900
Mortgage payable – original principal of $2,800,000, payable in monthly installments of $15,265, interest at 4.25 percent, with a balloon payment, secured by certain property of the Organization, guaranteed by BASICS and Acacia Network Housing, Inc. due on June 1, 2022 (C)	2,730,646	2,794,652
Mortgage payable – original principal of $9,375,000, payable in monthly installments of $49,212, interest at 3.89 percent, with a balloon payment, secured by certain property of the Organization, guaranteed by Acacia Network Housing, Inc., due on June 30, 2025. Associated with the loan is an escrow loan collateral account with a balance of $100,000, which is restricted for the duration of the loan. (D)	8,549,485	8,797,514
Mortgage payable – original principal of $1,200,000, payable in full with accrued interest at 5.00 percent on June 30, 2021 to a related party, see Note 8.	1,200,000	1,200,000
Mortgage payable – original principal of $100,000, interest at 5.00 percent, payable in full on June 30, 2020 to a related party, see Note 8.	100,000	100,000
Mortgage payable – original principal of $2,000,000, payable in full with accrued interest at 5.00 percent on June 30, 2020 to a related party, see Note 8.	2,000,000	2,000,000
	18,841,780	19,292,868
Less: Current maturities	475,129	9,008,984
	18,366,651	10,283,884
Less: Unamortized deferred costs	231,062	274,316
Mortgages payable, net of current maturities and unamortized deferred costs	$ 18,135,589	$ 10,009,568

Aggregate maturities of mortgage payable due within the next five years are as follows:

Year	Amount
2019	$ 475,129
2020	2,596,196
2021	518,923
2022	542,361
2023	2,390,065
Thereafter	12,319,106
	$ 18,841,780

(A) The interest rate is the five year U.S. Swap Rate plus 250 basis points with a floor of 4.21 percent.

(B) The interest rate increases every five years equal to the five year LIBOR Swap Rate plus 350 basis points with a floor of 5.25 percent.

(C) The Organization must maintain a minimum debt service coverage ratio, as defined in the agreement. The Organization was in compliance with the ratio as of December 31, 2018. The interest rate is the five year U.S. Swap Rate plus 200 basis points with a floor of 4.25 percent.

(D) The Organization must maintain a minimum debt service coverage ratio and a minimum fixed charge coverage ratio, as defined in the agreement. The Organization was in compliance with both ratios as of December 31, 2018. The Organization maintains an escrow loan collateral account in association with the loan, which is restricted for the duration of the loan period.

Deferred charges are certain mortgage costs, which are capitalized, and are reflected as debt discounts and reported on the statements of financial position net of the corresponding mortgage payable. Amortization is provided over the life of the loan as the amount is not significantly different from the effective interest rate method. Interest expense relating to deferred charges amounted to $43,254 and $31,758 for the years ended December 31, 2018 and 2017, respectively. Projected amortization charged as interest expense is as follows:

Year	Amount
2019	$ 43,250
2020	43,250
2021	43,250
2022	43,250
2023	43,250
Thereafter	14,812
	$ 231,062

8. RELATED PARTY TRANSACTIONS

The Organization is a member of the Acacia Network and is related to Puerto Rican Organization to Motivate, Enlighten, and Serve Addicts, Inc. (“Promesa, Inc.”), Promesa Housing Development Fund Corporation, Inc. (“Housing”), Promesa Residential Health Care Facility, Inc. (“Casa”), Promesa Enterprises, Ltd. (“Enterprises”), Sera Security Services, LLC (“Sera”), Promesa Administrative Services Organization, Inc. (“PASO”), Acacia Network Housing, Inc., East Harlem Council for Community Improvement, Inc. (“EHCCI”), Bronx Addiction Services Integrated Concepts Systems, Inc. (“BASICS”), United Bronx Parents, Inc., La Casa De Salud, Inc., 915 Westchester, Capital District Latinos, and Audubon Partnership for Economic Development, among others, with which it shares common management.

Rental Income – Affiliated Entities
Rental income – affiliated entities consists of the following at December 31:

	2018	2017
Acacia Network Housing, Inc.	$ 1,411,519	$ 820,061
BASICS	166,200	166,200
Promesa, Inc.	419,180	414,383
EHCCI	35,056	34,035
PASO	188,300	184,657
Housing	38,960	38,010
United Bronx Parents, Inc.	158,100	128,700
La Casa de Salud, Inc.	65,700	36,300
	$ 2,483,015	$ 1,822,346

Rent Receivable – Affiliated Entities
Rent receivable – affiliated entities consists of the following at December 31:

	2018	2017
Acacia Network Housing, Inc.	$ 698,645	$ 416,408
BASICS	553,477	363,686
Promesa, Inc.	7,064	4,218
La Casa de Salud, Inc.	29,400	--
Housing	61,224	22,264
United Bronx Parents, Inc.	29,400	--
915 Westchester	5,760	22,784
	$ 1,384,970	$ 829,360

The amounts due represent non-interest bearing advances with no specific repayment terms.

Due (to) from Affiliates
Due (to) from affiliates consists of the following at December 31:

	2018	2017
Due from Enterprises	$ --	$ 50,000
Due from BASICS	1,246,522	1,194,280
Due to Housing	(11,500)	(11,500)
Due to Promesa, Inc.	(1,280,292)	(1,030,880)
Due to PASO	(77,439)	(140,418)
Due to Casa	(573,540)	(577,294)
Due to Acacia Network, Inc.	(30,000)	--
Due to Acacia Network Housing, Inc.	(300,000)	(300,000)
	$ (1,026,249)	$ (815,812)

The amounts due represent non-interest bearing advances with no specific repayment terms.

Loan Receivable – Affiliated Entities

	2018	2017
Due from Audubon Partnership for Economic Development	$ 936,329	$ 898,840
Due from Capital District Latinos	553,863	531,695
	$ 1,490,192	$ 1,430,535

All amounts due represent interest-bearing loans that are due by June 13, 2023.

Payroll and related benefits are paid by PASO, which acts as a common paymaster. In addition, certain administrative payroll and related benefits are allocated to the Organization. For 2018 and 2017, allocated costs amounted to $75,873 and $91,337, respectively, and are included in administrative expenses.

During the years ended December 31, 2018 and 2017, Sera charged the Organization for security services in the amount of $154,050 and $174,111, respectively. There was a balance of $17,462 and $13,892 due to Sera for security services provided included in accounts payable at December 31, 2018 and 2017, respectively. In 2018 and 2017, Sera contributed $10,000 and $-0-, respectively, towards the respective galas.

9. SPECIAL EVENTS

Income from special events is reported as follows at December 31:

	2018	2017
Gross contributions	$ 449,150	$ 495,925
Cost of direct benefit to participants	179,811	141,143
	269,339	354,782
Indirect costs	44,858	19,352
Special events income, net	$ 224,481	$ 335,430

10. LEASE ARRANGEMENTS TO AFFILIATES AS LESSOR

The Organization leases real property under non-cancelable leases to several organizations that are affiliated through common management. Future minimum lease revenue under the terms of the lease agreements for the next five years ending December 31 and in the aggregate are as follows:

Year	Amount
2019	$ 1,318,737
2020	1,325,508
2021	1,265,105
2022	1,265,103
2023	1,270,578
Thereafter	13,012,108
	$ 19,457,139

11. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring after the statement of financial position date, through the date of September 30, 2019 which is the date the financial statements were available to be issued. Based upon this evaluation, the Organization has determined that no subsequent events have occurred, which require disclosure in the financial statements.