



**PART OF THE SOLUTION AND AFFILIATE**

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**CONSOLIDATED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2019 AND 2018

## **PART OF THE SOLUTION AND AFFILIATE**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Part of the Solution and Affiliate

### ***Report on the Consolidated Financial Statements***

We have audited the accompanying consolidated financial statements of Part of the Solution and Affiliate (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

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

### ***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 financial position of Part of the Solution and Affiliate as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As further described in Note 14 to the financial statements, a novel strain of coronavirus, COVID-19, emerged globally in late 2019. As the COVID-19 coronavirus continues to spread in the United States and around the world, the Organization may experience disruptions that could severely impact its ability to carry out its activities. At this date, the Organization cannot reasonably estimate the duration and severity of this pandemic, which could have a material adverse impact on the Organization's activities, financial position and cash flows. Our opinion is not modified with respect to this matter.

### ***Report on Supplementary Information***

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

**MBAF CPAs, LLC**

New York, NY  
July 8, 2020

**PART OF THE SOLUTION AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**

<b>ASSETS</b>	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 4,913,279	\$ 4,573,734
Restricted cash	2,027,281	1,008,409
Investments	234,081	193,536
Contributions and grants receivable, net	1,557,281	1,803,351
Prepaid expenses and other assets	57,094	70,033
Property and equipment, net	6,237,860	6,399,698
Construction in progress	693,201	599,098
	<b>\$ 15,720,077</b>	<b>\$ 14,647,859</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 106,722	\$ 91,024
Deferred revenue	23,858	23,858
	<b>130,580</b>	<b>114,882</b>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	10,342,391	10,309,920
Board designated for capital campaign	1,650,000	1,650,000
Total net assets without donor restrictions	11,992,391	11,959,920
With donor restrictions	3,597,106	2,573,057
	<b>15,589,497</b>	<b>14,532,977</b>
	<b>\$ 15,720,077</b>	<b>\$ 14,647,859</b>

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

**PART OF THE SOLUTION AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>REVENUES, GAINS AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS</b>		
Contributions	\$ 714,817	\$ 731,329
Government grants	763,920	737,697
Foundations and corporate contributions	632,286	594,376
Special events, net of direct expenses of \$239,436 and \$226,658 for 2019 and 2018, respectively	598,193	667,315
In-kind contributions	670,333	651,416
Interest and dividend income	20,528	15,613
Realized gain on sale of investments	1,011	9,493
Unrealized gain (loss) on investments	34,880	(27,650)
Miscellaneous income	17,838	16,508
	<u>3,453,806</u>	<u>3,396,097</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>		
Satisfaction of program restrictions	<u>903,296</u>	<u>1,359,571</u>
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS</b>	<u>4,357,102</u>	<u>4,755,668</u>
<b>PROGRAM EXPENSES</b>		
Food service programs	1,609,376	1,610,160
NSS programs	1,544,468	1,419,277
Day-to-day program services	287,110	281,653
	<u>3,440,954</u>	<u>3,311,090</u>
Management and general	550,601	531,397
Fundraising	333,076	371,555
	<u>4,324,631</u>	<u>4,214,042</u>
<b>INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>32,471</u>	<u>541,626</u>
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions	990,245	305,964
Government grants	84,400	72,000
Foundations and corporate contributions	852,700	1,090,707
Net assets released from restrictions	(903,296)	(1,359,571)
<b>INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>1,024,049</u>	<u>109,100</u>
<b>CHANGE IN NET ASSETS</b>	1,056,520	650,726
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>14,532,977</u>	<u>13,882,251</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 15,589,497</u>	<u>\$ 14,532,977</u>

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

**PART OF THE SOLUTION AND AFFILIATE**  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services				Supporting Services			2019 Total
	Food Service Programs	NSS Programs	Day-to-Day Program Services	Total	Management and General	Fundraising	Total	
FUNCTIONAL EXPENSES								
Salaries	\$ 335,362	\$ 816,042	\$ 108,007	\$ 1,259,411	\$ 288,220	\$ 201,374	\$ 489,594	\$ 1,749,005
Payroll taxes and fringe benefits	79,825	231,157	20,627	331,609	73,852	38,309	112,161	443,770
Food	1,012,167	4,539	131	1,016,837	215	118	333	1,017,170
Repairs and maintenance	28,823	17,274	13,510	59,607	8,187	1,847	10,034	69,641
Equipment rental	2,422	5,770	577	8,769	1,767	1,574	3,341	12,110
Program related expense	610	209,113	52,451	262,174	202	962	1,164	263,338
Professional fees	-	55,200	-	55,200	18,168	12,800	30,968	86,168
Occupancy and utilities	21,821	42,225	12,044	76,090	9,960	8,324	18,284	94,374
Telephone	4,066	10,113	950	15,129	3,438	2,654	6,092	21,221
Supplies	33,834	7,138	15,942	56,914	1,376	1,022	2,398	59,312
Printing and copying	1,698	2,028	230	3,956	462	6,296	6,758	10,714
Office and miscellaneous expense	1,818	5,339	1,010	8,167	2,216	1,012	3,228	11,395
Postage and messenger	789	1,790	165	2,744	1,176	10,341	11,517	14,261
Computer	9,339	21,801	2,654	33,794	5,155	9,836	14,991	48,785
Conferences and training	2,677	14,224	738	17,639	2,755	4,765	7,520	25,159
Insurance	11,207	27,370	2,934	41,511	16,467	7,834	24,301	65,812
Service fees	47	77	30	154	45,968	4,370	50,338	50,492
Depreciation	60,621	73,217	55,110	188,948	23,659	6,298	29,957	218,905
Bad debt expense	2,250	51	-	2,301	47,358	13,340	60,698	62,999
<b>Total expenses - 2019</b>	<b>\$ 1,609,376</b>	<b>\$ 1,544,468</b>	<b>\$ 287,110</b>	<b>\$ 3,440,954</b>	<b>\$ 550,601</b>	<b>\$ 333,076</b>	<b>\$ 883,677</b>	<b>\$ 4,324,631</b>

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

**PART OF THE SOLUTION AND AFFILIATE**  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services				Supporting Services			2018 Total
	Food Service Programs	NSS Programs	Day-to-Day Program Services	Total	Management and General	Fundraising	Total	
FUNCTIONAL EXPENSES								
Salaries	\$ 286,105	\$ 727,107	\$ 90,406	\$ 1,103,618	\$ 287,541	\$ 236,192	\$ 523,733	\$ 1,627,351
Payroll taxes and fringe benefits	72,193	201,931	15,050	289,174	56,330	53,679	110,009	399,183
Food	1,064,570	9,685	225	1,074,480	70	336	406	1,074,886
Repairs and maintenance	37,387	21,380	17,061	75,828	7,734	2,457	10,191	86,019
Equipment rental	1,702	3,952	328	5,982	873	1,119	1,992	7,974
Program related expense	305	218,814	76,241	295,360	220	121	341	295,701
Professional fees	116	20,334	23	20,473	97,691	2,810	100,501	120,974
Occupancy and utilities	20,042	49,694	4,881	74,617	10,051	12,395	22,446	97,063
Telephone	4,333	10,901	832	16,066	2,679	2,852	5,531	21,597
Supplies	36,802	8,320	16,618	61,740	1,176	1,074	2,250	63,990
Printing and copying	3,428	4,167	262	7,857	1,122	23,152	24,274	32,131
Office and miscellaneous expense	1,612	4,296	316	6,224	2,858	1,399	4,257	10,481
Postage and messenger	866	2,072	147	3,085	1,052	3,196	4,248	7,333
Computer	9,324	24,149	2,665	36,138	4,149	10,337	14,486	50,624
Conferences and training	2,442	15,058	333	17,833	1,508	3,072	4,580	22,413
Insurance	8,302	24,514	1,833	34,649	4,148	5,267	9,415	44,064
Service fees	198	612	38	848	32,758	381	33,139	33,987
Depreciation	59,833	72,266	54,394	186,493	23,312	6,216	29,528	216,021
Bad debt recovery - capital campaign	-	-	-	-	(8,875)	-	(8,875)	(8,875)
Bad debt expense	600	25	-	625	5,000	5,500	10,500	11,125
<b>Total expenses - 2018</b>	<b>\$ 1,610,160</b>	<b>\$ 1,419,277</b>	<b>\$ 281,653</b>	<b>\$ 3,311,090</b>	<b>\$ 531,397</b>	<b>\$ 371,555</b>	<b>\$ 902,952</b>	<b>\$ 4,214,042</b>

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



**PART OF THE SOLUTION AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
CASH FLOWS FROM OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	\$ 1,056,520	\$ 650,726
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized (gain) loss on investments	(34,880)	27,650
Realized gain on sale of investments, net	(1,011)	(9,493)
Contributions restricted for capital campaign	(970,000)	(552,700)
Donated marketable securities	(36,628)	(80,042)
Bad debt expense (recovery) - capital campaign	47,053	(8,875)
Bad debt expense	15,946	11,125
Discount on contributions receivable	(11,915)	4,855
Depreciation	218,905	216,021
Changes in operating assets and liabilities:		
Contributions and grants receivable	99,064	(633)
Prepaid expenses and other assets	12,939	(19,294)
Accounts payable and accrued expenses	15,698	(19,356)
Deferred revenue	-	(1,825)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>411,691</u></b>	<b><u>218,159</u></b>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(57,067)	(31,535)
Purchase of construction in progress	(94,103)	(304,293)
Purchase of investments	(139,803)	(147,234)
Proceeds from sale of investments	171,777	1,072,951
<b>NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES</b>	<b><u>(119,196)</u></b>	<b><u>589,889</u></b>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital campaign contributions	1,065,922	920,200
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b><u>1,065,922</u></b>	<b><u>920,200</u></b>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,358,417	1,728,248
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - BEGINNING OF YEAR	5,582,143	3,853,895
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR</b>	<b><u>\$ 6,940,560</u></b>	<b><u>\$ 5,582,143</u></b>
<b>Supplemental Disclosures of Cash Flows Information:</b>		
Cash and cash equivalents and restricted cash consist of:		
Cash and cash equivalents	\$ 4,913,279	\$ 4,573,734
Restricted cash	2,027,281	1,008,409
	<b><u>\$ 6,940,560</u></b>	<b><u>\$ 5,582,143</u></b>

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

## PART OF THE SOLUTION AND AFFILIATE

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

#### 1. NATURE OF THE ORGANIZATION

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Part of the Solution (“POTS”) was founded in 1982. POTS is a tax-exempt organization as determined by the Internal Revenue Service (“IRS”) under Section 501(c)(3) of the Internal Revenue Code (“IRC”) and has been held to be a publicly supported organization and not a private foundation under Section 509(a) of the IRC. POTS provides various food service and social service program support to those in need in Bronx County, New York. Its primary source of revenue is generated from contributions and grants.

POTS Building for the Future (“PBFF”, and together with POTS, the “Organization”) was formed in November 2009 to raise funds and provide grants and loans to support the work of POTS. POTS is the sole member of PBFF and appoints the Board of Directors of PBFF. PBFF is a New York State not-for-profit organization that has received its tax exempt status, as determined by the IRS, under Section 501(c)(3) of the IRC and has been held to be a publicly supported organization and not a private foundation under Section 509(a) of the IRC.

The signature programs of POTS are the following:

Food Service Programs – These programs are funded by a combination of individual, corporate, foundation, and government income. It consists of a pantry service provided to community residents of the surrounding area of the Organization located in Bronx, New York. The pantry service provides groceries and nutritional food to these residents. It also consists of a community kitchen that serves meals to all those in need that pass through the doors of the Organization.

Next-Step Services (NSS) – This program consists of a legal aid program, a case management program, a housing advocacy program, and an employment program, that provide benefits access/retention and stabilizing services for those in need.

Day-to-Day Program Services – This program consists of a shower program, a mail box program for guests, a clothing room, and other basic supporting social services for those in need.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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##### Financial Statement Presentation

POTS has a controlling financial interest in PBFF and is financially interrelated. Accordingly, the accompanying consolidated financial statements include the accounts of POTS and its controlled affiliate PBFF in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”), *Not-for-Profit Entities – Consolidation* (Topic ASC 958-810). All significant intercompany accounts and transactions have been eliminated.

The Organization’s consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

The classification of the Organization’s net assets and its support, revenues, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets – with donor restrictions or without donor restrictions – be displayed in a statement of financial position and that the amount of change in each of those classes of net assets be displayed in a consolidated statement of activities. These classes are defined as follows:

Net Assets with Donor Restrictions consist of contributions and other inflows of assets whose use is subject to donor-imposed restrictions that are more specific than broad limits reflecting the nature of the not-for-profit entity, the environment in which it operates, and the purposes specified in its articles of incorporation or bylaws or comparable documents. Donor-imposed restrictions may be temporary in nature, such as stipulating that resources may be used only after a specified date or limited to specific programs or services. Certain donor-imposed restrictions are perpetual in nature.

## PART OF THE SOLUTION AND AFFILIATE

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### Financial Statement Presentation (continued)

Net Assets without Donor Restrictions consist of contributions and other inflows of assets whose use is not subject to donor-imposed restrictions. This net asset category includes both contributions not subject to donor restrictions and exchange transactions.

Unconditional contributions without donor restrictions are recognized as revenue or support in changes in net assets without donor restrictions when received or promised. Contributions subject to donor restrictions are recognized in changes in net assets with donor restrictions. When a purpose restriction is satisfied or when a time restriction expires, the contribution is reported as net assets released from restrictions and is recognized in changes in net assets without donor restrictions.

### Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with original maturities of three months or less from the date of acquisition as cash equivalents.

### Restricted Cash

Restricted cash represents cash held for donor restricted capital improvements to support the capital campaign.

### Investments

Investments are recorded at fair value. Realized gains or losses are recognized based on the first-in, first-out method. Dividends on securities are recorded on the ex-dividend date.

### Donated Securities

Donated securities are measured at fair value on the date of receipt. It is the intention of the Organization to sell all gifts of public securities upon receipt or as soon thereafter as possible. For the years ended December 31, 2019 and 2018, the Organization received donated securities with a fair value of \$36,628 and \$80,042, respectively.

### Contributions and Grants Receivable

Contributions and grants receivable represent unconditional promises to give by donors. At December 31, 2019 and 2018, the Organization had contributions receivable (net of allowance for uncollectable contributions and discount to present value) of \$1,557,281 and \$1,803,351, respectively, which are recorded at net realizable value. The Organization uses the allowance method to determine uncollectable contributions and grants receivable. Such allowance is based on management's assessments of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions and historical information. The Organization had bad debt expense totaling \$62,999 and \$11,125 during the years ended December 31, 2019 and 2018, respectively. Contributions and grants receivable that are due in more than one year are discounted to present value using an annual rate of 2.5%.

### Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (Note 5). The Organization has established a \$1,000 threshold above which assets are capitalized. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

## PART OF THE SOLUTION AND AFFILIATE

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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##### Impairment

The Organization reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the entity recognizes an impairment loss. No impairment losses were recognized for the years ended December 31, 2019 and 2018.

##### Revenue Recognition

Transfers of cash or other assets or settlement of liabilities that are both voluntary and nonreciprocal are recognized as contributions. Reciprocal transfers in which each party receives and sacrifices goods or services with approximate commensurate value are recognized as exchange transactions.

Contributions may either be conditional or unconditional. A contribution is considered conditional when the donor imposes both a barrier and a right of return. Conditional contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity and other stipulations related to the contribution. A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the Organization fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as refundable advances.

Unconditional contributions may or may not be subject to donor-imposed restrictions. Donor-imposed restrictions limit the use of the donated assets but are less specific than donor-imposed conditions.

Government grants are recognized as revenue to the extent that the specified services are performed and related expenditures have been incurred. Funding received in advance of incurred expenditures is recorded as deferred revenue. Funding from government agencies are subject to audit by those agencies. The government agencies may request return of funds as a result of noncompliance by the Organization with the terms of the grants/contracts.

The Organization adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("Topic 606") on January 1, 2019 using the modified retrospective method applied to all contracts not completed as of the date of adoption. The modified retrospective adoption method requires the Organization to record a transition adjustment for the new revenue standard, if any, as a cumulative effect adjustment to beginning net assets as of the date of adoption. Therefore, any comparative information has not been adjusted. No adjustment to the Organization's beginning net assets was required as a result of adopting Topic 606.

The Organization applies Topic 606 to exchange transactions when applicable. Most of the Organization's revenue for the years ended December 31, 2019 and 2018 were from non-exchange transaction revenue sources including contributions, in-kind contributions and investment income.

Topic 606 applies to the portion of the Organization's special events income that is determined to be an exchange transaction. The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The direct costs of the special events which ultimately benefit the donor rather than the Organization are recorded as exchange transaction revenue and exchange transaction expense. All proceeds received in excess of the direct costs are recorded as special events income in the accompanying consolidated statements of activities.

For the year ended December 31, 2019, the Organization reported special event revenue of \$837,629 and direct expenses of \$239,436. For the year ended December 31, 2018, the Organization reported special event revenue of \$893,973 and direct expenses of \$226,658.

## PART OF THE SOLUTION AND AFFILIATE

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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##### **Board Designated Net Assets for Capital Campaign**

The Board of Directors has designated \$1,650,000 for use, as needed, to support the capital campaign. These funds may be used as a source of internal bridge funding, to provide working capital for the project until donor pledges are paid, or as a replacement for required funds not raised. These funds are included in cash and cash equivalents in the consolidated statements of financial position.

##### **In-Kind Contributions**

The Organization receives contributions of donated goods and services that are an integral part of its operations. Such assets and services are recorded as contributions in-kind at their values based on market values of items and services donated or on current prices at the time of donation, if no receipt is available. Contributions are recorded in the period received.

##### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of functional activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

##### **Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### **Income Taxes**

The Organization files federal and New York State informational returns. The accounting standard for uncertainty in income taxes prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the consolidated financial statements. It also provides guidance for derecognition, classification, interest and penalties, disclosure, and transition.

Should there be interest on underpayments of income tax, the Organization would classify it as interest expense. The Organization would classify penalties in connection with underpayments of income tax as other expense.

The Organization does not expect a significant increase or decrease to the total amounts of unrecognized tax positions during the year ended December 31, 2019. However, the Organization may be subject to audit by tax authorities. The Organization believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. Management believes that its nonprofit status would be sustained upon examination.

The Organization is generally no longer subject to examinations by the Internal Revenue Service or New York State for returns filed before 2016.

##### **Fair Value Measurements and Fair Value - Definition and Hierarchy**

The Organization follows the accounting standard related to fair value measurements of its financial assets and liabilities. Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

## PART OF THE SOLUTION AND AFFILIATE

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### Fair Value Measurements and Fair Value - Definition and Hierarchy (continued)

This standard establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about inputs used by market participants at the measurement date. The fair value hierarchy is categorized into three levels based on inputs as follows:

- Level 1 - Valuation based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.
- Level 2 - Valuation based on quoted prices for similar assets or liabilities in active markets; for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Valuation based on inputs that are unobservable and significant to the overall fair value measurement.

### Reclassifications

Certain amounts in the December 31, 2018 financial statements have been reclassified to conform to the 2019 presentation. These reclassifications had no effect on the previously reported change in net assets.

### Adopted Accounting Pronouncements

Effective as of January 1, 2019, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers*. The update outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current recognition guidance, including industry-specific guidance. The core principle of the revenue recognition standard is that an entity recognizes revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of this update had no effect on the Organization's financial position and changes in net assets. See Revenue Recognition above.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash*, which requires that the statement of cash flows explain the changes during the period of cash and cash equivalents inclusive of amounts categorized as restricted cash. ASU 2016-18 is effective for periods beginning after December 15, 2018 and requires the full retrospective approach for all periods presented. With the adoption of ASU 2016-18, the change in restricted cash is no longer reflected as a change in operating assets and liabilities, and the statement of cash flows details the changes in the balance of cash and cash equivalents inclusive of restricted cash. There was no change to the net cash used in operating activities for the year ended December 31, 2018 as a result of retrospective adoption. The Organization reflects cash held for donor restricted capital improvements as restricted cash.

**PART OF THE SOLUTION AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

**3. CONTRIBUTIONS AND GRANTS RECEIVABLE**

The Organization's Board of Directors approved a long-term fundraising plan (the "Capital Campaign") to raise funds for the acquisition and construction of additional facilities and related costs.

Unconditional promises to give have been recorded at present values. Unless not material, receivables due in more than one year have been discounted to present values using the annual rate of 2.5% on the date that the contribution is made. The receivables are recorded as follows at December 31:

	<b>2019</b>	<b>2018</b>
Capital campaign	\$ 769,000	\$ 919,500
Other receivables	873,545	978,555
	<u>1,642,545</u>	<u>1,898,055</u>
Less:		
Discount to present value	(36,814)	(48,729)
Allowance for doubtful accounts	(48,450)	(45,975)
	<u>\$ 1,557,281</u>	<u>\$ 1,803,351</u>
Amounts due in:		
Less than one year	\$ 1,142,167	\$ 1,259,613
One to five years	415,114	543,738
	<u>\$ 1,557,281</u>	<u>\$ 1,803,351</u>

**4. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES**

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. As part of the Organization's liquidity plan, excess cash is invested in cash equivalents.

The Organization's financial assets available within one year of the consolidated statements of financial position date for general expenditures are as follows:

<b>December 31,</b>	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 4,913,279	\$ 4,573,734
Restricted cash	2,027,281	1,008,409
Investments	234,081	193,536
Contributions and grants receivable - due within one year	1,142,167	1,259,613
Total financial assets available within one year	<u>8,316,808</u>	<u>7,035,292</u>
Less: amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose and time restrictions	3,597,106	2,573,057
Less: amounts unavailable to management without Board approval		
Board designated for capital campaign	<u>1,650,000</u>	<u>1,650,000</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 3,069,702</u>	<u>\$ 2,812,235</u>

**PART OF THE SOLUTION AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

**4. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES (CONTINUED)**

The Organization has board designated net assets without donor restrictions which it could draw down if necessary. The Organization does not intend to spend these amounts for purposes other than those identified. The Organization is seeking bridge financing and financial donations to support the capital campaign.

**5. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31:

	<u>2019</u>	<u>2018</u>	<u>Estimated Useful Life</u>
Land	\$ 503,998	\$ 503,998	N/A
Building and improvements	7,851,104	7,824,352	39 1/2 years
Office equipment	165,558	141,873	3-7 years
Furniture and fixtures	289,342	282,712	3-5 years
Automobiles	-	33,497	5 years
Total property and equipment	8,810,002	8,786,432	
Less: accumulated depreciation	(2,572,142)	(2,386,734)	
Net property and equipment	<u>\$ 6,237,860</u>	<u>\$ 6,399,698</u>	

Depreciation expense for the years ended December 31, 2019 and 2018 was \$218,905 and \$216,021, respectively.

**6. CONSTRUCTION IN PROGRESS**

The Organization is undergoing construction to renovate space that it currently owns and create additional facilities. At December 31, 2019 and 2018, total construction in progress amounted to \$693,201 and \$599,098, respectively, and is reflected in the accompanying consolidated statements of financial position.

**7. INVESTMENTS**

The Organization's investments consist of mutual funds. The following are the classes of assets measured at fair value on a recurring basis:

<u>December 31, 2019</u>	<u>Total</u>	<u>Quoted Prices in Active Market for Identical Assets (Level 1)</u>	<u>Other Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds - equities	\$ 171,789	\$ 171,789	\$ -	\$ -
Mutual funds - fixed income	62,292	62,292	-	-
	<u>\$ 234,081</u>	<u>\$ 234,081</u>	<u>\$ -</u>	<u>\$ -</u>



**PART OF THE SOLUTION AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

**7. INVESTMENTS (CONTINUED)**

<u>December 31, 2018</u>	Total	Quoted Prices in Active Market for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds - equities	\$ 141,618	\$ 141,618	\$ -	\$ -
Mutual funds - fixed income	51,918	51,918	-	-
	<b>\$ 193,536</b>	<b>\$ 193,536</b>	<b>\$ -</b>	<b>\$ -</b>

Interest and dividend income are reinvested in accordance with the Organization's investment policy.

The aggregate cost basis, unrealized gains and losses, and fair market value of the investment account are as follows:

<u>December 31, 2019</u>	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mutual funds	<u>\$ 211,147</u>	<u>\$ 22,934</u>	<u>\$ -</u>	<u><b>\$ 234,081</b></u>

  

<u>December 31, 2018</u>	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mutual funds	<u>\$ 206,161</u>	<u>\$ -</u>	<u>\$ (12,625)</u>	<u><b>\$ 193,536</b></u>

The following reflects changes to investments at fair value at December 31:

	2019	2018
Fair value, beginning of year	\$ 193,536	\$ 1,057,368
Purchases	139,803	147,234
Sales, net of fees	(171,777)	(1,072,951)
Net realized and unrealized gain (loss)	35,891	(18,157)
Contributed securities	36,628	80,042
Fair value, end of year	<b>\$ 234,081</b>	<b>\$ 193,536</b>

Mutual funds are valued on the last day of the year based upon publicly available exchange-based price quotations.

**8. IN-KIND CONTRIBUTIONS**

During the years ended December 31, 2019 and 2018, the Organization recognized total in-kind donations of \$670,333 and \$651,416, respectively. These amounts are reflected in both support and expenses in the accompanying consolidated financial statements. In-kind donations consist of legal services, clothing, food supplies, hygiene products, small appliances, and other miscellaneous items. The value of services provided by volunteers is not included in these figures.

## PART OF THE SOLUTION AND AFFILIATE

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

#### 9. RETIREMENT PLAN

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The Organization maintains a qualified 401(k) voluntary contributory retirement plan offered to all permanent employees on the date of hire. The Organization may make a discretionary contribution of 4% of each eligible employee's salary on the anniversary of his or her hire date. During the years ended December 31, 2019 and 2018, employer contributions totaled \$49,538 and \$51,800, respectively.

#### 10. NET ASSETS WITH DONOR RESTRICTIONS

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Net assets with donor restrictions are purpose and time restricted and consist of the following at December 31:

	2019	2018
Use restrictions - program expenses	\$ 508,537	\$ 277,150
Use restrictions - capital campaign	2,721,017	1,833,205
Time and use restrictions - program expenses	367,552	462,702
	<u>\$ 3,597,106</u>	<u>\$ 2,573,057</u>

Net assets were released from restrictions either by incurring expenses or by the passage of time, thus satisfying their respective restricted purposes for the years ended December 31, 2019 and 2018 as follows:

	2019	2018
Use restrictions - program expenses	\$ 179,442	\$ 332,231
Use restrictions - capital campaign	94,103	304,293
Time and use restrictions - program expenses	629,751	723,047
	<u>\$ 903,296</u>	<u>\$ 1,359,571</u>

#### 11. CONCENTRATIONS

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Financial instruments that potentially subject the Organization to a concentration of credit risk include cash accounts at major financial institutions that, at times, exceed the Federal Deposit Insurance Corporation insured limits of \$250,000.

Three vendors accounted for approximately 64% of accounts payable and accrued expenses at December 31, 2019. Three vendors accounted for approximately 79% of accounts payable and accrued expenses at December 31, 2018.

One major source accounted for approximately 23% of contributions and grants receivable at December 31, 2019. Three major sources accounted for approximately 50% of contributions and grants receivable at December 31, 2018.

## PART OF THE SOLUTION AND AFFILIATE

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

#### 12. COMMITMENTS AND CONTINGENCIES

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The Organization leases office equipment under a non-cancellable operating lease requiring future minimum payments as follows for the years ending December 31:

2020	\$	11,383
2021		11,383
2022		9,486
	\$	<u>32,252</u>

Lease expense for the years ended December 31, 2019 and 2018 amounted to \$12,110 and \$7,974, respectively.

#### 13. RISK AND UNCERTAINTIES

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The Organization has investments that are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated statements of financial position.

The Organization is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; actions of employees, and natural disasters. The Organization maintains commercial insurance to help protect itself against such risks.

The Organization entered into contractual relationships with certain governmental funding sources. The governmental agencies may request return of funds as a result of noncompliance by the Organization. The accompanying consolidated financial statements make no provision for the possible disallowance or refund, because management does not believe that there are any liabilities to be recorded.

#### 14. SUBSEQUENT EVENTS

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In late 2019, a novel strain of coronavirus, COVID-19, emerged globally. As the COVID-19 coronavirus continues to spread in the United States and around the world, the Organization may experience disruptions that could severely impact its ability to carry out its activities. The impact of the outbreak of the COVID-19 coronavirus continues to rapidly evolve. At this date, the Organization cannot reasonably estimate the duration and severity of this pandemic, which could have a material adverse impact on the Organization's financial position, activities and cash flows for the year ending December 31, 2020.

On March 27, 2020, the President signed the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") into law. One of the provisions of the CARES Act established the Paycheck Protection Program ("PPP"), which is designed to provide cash flow assistance in the form of forgivable loans to small and medium-sized business to maintain their operations during the COVID-19 pandemic. The loans could be forgiven in part or in their entirety if the borrower meets certain conditions. On April 21, 2020, the Organization received approximately \$407,000 of PPP loan proceeds. The Organization returned approximately \$207,000 of the PPP loan proceeds by May 18, 2020. Management is currently evaluating the loan forgiveness guidelines issued by the U.S. Small Business Administration for the remaining approximately \$200,000 PPP loan.

During 2020 construction on the planned building expansion was halted for various reasons. The Organization maintains its commitment to expanding the POTS services in the Bronx, but they are evaluating different options that may offer POTS the opportunity to more quickly expand its operations, while at the same time reducing the total costs of expansion. POTS will continue to work with its capital campaign donors as it evaluates its options.

The Organization has evaluated events through July 8, 2020, which is the date the consolidated financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

**PART OF THE SOLUTION AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**

<b>ASSETS</b>	<b>POTS</b>	<b>PBFF</b>	<b>Eliminations</b>	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 3,520,075	\$ 1,393,204	\$ -	\$ 4,913,279	\$ 4,573,734
Restricted cash	-	2,027,281	-	2,027,281	1,008,409
Investments	-	234,081	-	234,081	193,536
Contributions and grants receivable, net	863,545	693,736	-	1,557,281	1,803,351
Prepaid expenses and other assets	57,094	-	-	57,094	70,033
Due from POTS	-	13,050	(13,050)	-	-
Property and equipment, net	6,237,860	-	-	6,237,860	6,399,698
Construction in progress	693,201	-	-	693,201	599,098
	<b><u>\$ 11,371,775</u></b>	<b><u>\$ 4,361,352</u></b>	<b><u>\$ (13,050)</u></b>	<b><u>\$ 15,720,077</u></b>	<b><u>\$ 14,647,859</u></b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 82,522	\$ 24,200	\$ -	\$ 106,722	\$ 91,024
Deferred revenue	23,858	-	-	23,858	23,858
Due to PBFF	13,050	-	(13,050)	-	-
	<u>119,430</u>	<u>24,200</u>	<u>(13,050)</u>	<u>130,580</u>	<u>114,882</u>
<b>NET ASSETS</b>					
Without donor restrictions					
Undesignated	9,660,556	681,835	-	10,342,391	10,309,920
Board designated for capital campaign	503,000	1,147,000	-	1,650,000	1,650,000
Total net assets without donor restrictions	10,163,556	1,828,835	-	11,992,391	11,959,920
With donor restrictions	1,088,789	2,508,317	-	3,597,106	2,573,057
	<u>11,252,345</u>	<u>4,337,152</u>	<u>-</u>	<u>15,589,497</u>	<u>14,532,977</u>
	<b><u>\$ 11,371,775</u></b>	<b><u>\$ 4,361,352</u></b>	<b><u>\$ (13,050)</u></b>	<b><u>\$ 15,720,077</u></b>	<b><u>\$ 14,647,859</u></b>

See independent auditor's report.

**PART OF THE SOLUTION AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	POTS	PBFF	Eliminations	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS					
REVENUES, GAINS AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS					
Contributions	\$ 714,817	\$ -	\$ -	\$ 714,817	\$ 731,329
Government grants	763,920	-	-	763,920	737,697
Foundations and corporate contributions	726,389	150,675	(244,778)	632,286	594,376
Special events, net of direct expenses of \$239,436 and \$226,658 for 2019 and 2018, respectively	598,193	-	-	598,193	667,315
In-kind contributions	670,333	-	-	670,333	651,416
Interest and dividend income	995	19,533	-	20,528	15,613
Realized (loss) gain on sale of investments	(264)	1,275	-	1,011	9,493
Unrealized gain (loss) on investments	-	34,880	-	34,880	(27,650)
Miscellaneous income	17,838	-	-	17,838	16,508
	<u>3,492,221</u>	<u>206,363</u>	<u>(244,778)</u>	<u>3,453,806</u>	<u>3,396,097</u>
NET ASSETS RELEASED FROM RESTRICTIONS					
Satisfaction of program restrictions	809,193	94,103	-	903,296	1,359,571
TOTAL REVENUES, GAINS AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS					
	<u>4,301,414</u>	<u>300,466</u>	<u>(244,778)</u>	<u>4,357,102</u>	<u>4,755,668</u>
PROGRAM EXPENSES					
Food service programs	1,609,376	-	-	1,609,376	1,610,160
NSS programs	1,544,468	-	-	1,544,468	1,419,277
Day-to-day program services	287,110	-	-	287,110	281,653
Unallocated payments to affiliated organization	150,675	94,103	(244,778)	-	-
	<u>3,591,629</u>	<u>94,103</u>	<u>(244,778)</u>	<u>3,440,954</u>	<u>3,311,090</u>
Management and general	488,688	61,913	-	550,601	531,397
Fundraising	333,076	-	-	333,076	371,555
	<u>4,413,393</u>	<u>156,016</u>	<u>(244,778)</u>	<u>4,324,631</u>	<u>4,214,042</u>
(DECREASE) INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(111,979)</u>	<u>144,450</u>	<u>-</u>	<u>32,471</u>	<u>541,626</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS					
Contributions	18,330	971,915	-	990,245	305,964
Government grants	84,400	-	-	84,400	72,000
Foundations and corporate contributions	852,700	-	-	852,700	1,090,707
Net assets released from restrictions	(809,193)	(94,103)	-	(903,296)	(1,359,571)
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>146,237</u>	<u>877,812</u>	<u>-</u>	<u>1,024,049</u>	<u>109,100</u>
CHANGE IN NET ASSETS	<u>34,258</u>	<u>1,022,262</u>	<u>-</u>	<u>1,056,520</u>	<u>650,726</u>
NET ASSETS - BEGINNING OF YEAR	<u>11,218,087</u>	<u>3,314,890</u>	<u>-</u>	<u>14,532,977</u>	<u>13,882,251</u>
<b>NET ASSETS - END OF YEAR</b>	<b><u>\$ 11,252,345</u></b>	<b><u>\$ 4,337,152</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 15,589,497</u></b>	<b><u>\$ 14,532,977</u></b>

See independent auditor's report.

**PART OF THE SOLUTION AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	POTS							PBFF			2019 Total	2018 Total
	Program Services				Supporting Services			Supporting Services				
	Food Service Programs	NSS Programs	Day-to-Day Program Services	Total	Management and General	Fundraising	Total	Management and General	Fundraising	Total		
FUNCTIONAL EXPENSES												
Salaries	\$ 335,362	\$ 816,042	\$ 108,007	\$ 1,259,411	\$ 288,220	\$ 201,374	\$ 1,749,005	\$ -	\$ -	\$ -	\$ 1,749,005	\$ 1,627,351
Payroll taxes and fringe benefits	79,825	231,157	20,627	331,609	73,852	38,309	443,770	-	-	-	443,770	399,183
Food	1,012,167	4,539	131	1,016,837	215	118	1,017,170	-	-	-	1,017,170	1,074,886
Repairs and maintenance	28,823	17,274	13,510	59,607	8,187	1,847	69,641	-	-	-	69,641	86,019
Equipment rental	2,422	5,770	577	8,769	1,767	1,574	12,110	-	-	-	12,110	7,974
Program related expense	610	209,113	52,451	262,174	202	962	263,338	-	-	-	263,338	295,701
Professional fees	-	55,200	-	55,200	6,668	12,800	74,668	11,500	-	11,500	86,168	120,974
Occupancy and utilities	21,821	42,225	12,044	76,090	9,960	8,324	94,374	-	-	-	94,374	97,063
Telephone	4,066	10,113	950	15,129	3,438	2,654	21,221	-	-	-	21,221	21,597
Supplies	33,834	7,138	15,942	56,914	1,376	1,022	59,312	-	-	-	59,312	63,990
Printing and copying	1,698	2,028	230	3,956	462	6,296	10,714	-	-	-	10,714	32,131
Office and miscellaneous expense	1,818	5,339	1,010	8,167	2,216	1,012	11,395	-	-	-	11,395	10,481
Postage and messenger	789	1,790	165	2,744	1,176	10,341	14,261	-	-	-	14,261	7,333
Computer	9,339	21,801	2,654	33,794	5,155	9,836	48,785	-	-	-	48,785	50,624
Conferences and training	2,677	14,224	738	17,639	2,755	4,765	25,159	-	-	-	25,159	22,413
Insurance	11,207	27,370	2,934	41,511	16,467	7,834	65,812	-	-	-	65,812	44,064
Service fees	47	77	30	154	42,608	4,370	47,132	3,360	-	3,360	50,492	33,987
Depreciation	60,621	73,217	55,110	188,948	23,659	6,298	218,905	-	-	-	218,905	216,021
Bad debt (recovery) expense - capital campaign	-	-	-	-	-	-	-	-	-	-	-	(8,875)
Bad debt expense	2,250	51	-	2,301	305	13,340	15,946	47,053	-	47,053	62,999	11,125
<b>Total expenses</b>	<b>\$ 1,609,376</b>	<b>\$ 1,544,468</b>	<b>\$ 287,110</b>	<b>\$ 3,440,954</b>	<b>\$ 488,688</b>	<b>\$ 333,076</b>	<b>\$ 4,262,718</b>	<b>\$ 61,913</b>	<b>\$ -</b>	<b>\$ 61,913</b>	<b>\$ 4,324,631</b>	<b>\$ 4,214,042</b>

See independent auditor's report.

**PART OF THE SOLUTION AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	POTS	PBFF	Eliminations	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
CHANGE IN NET ASSETS	\$ 34,258	\$ 1,022,262	\$ -	\$ 1,056,520	\$ 650,726
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:					
Unrealized (gain) loss on investments	-	(34,880)	-	(34,880)	27,650
Realized loss (gain) on sale of investments, net	264	(1,275)	-	(1,011)	(9,493)
Contributions restricted for capital campaign	-	(970,000)	-	(970,000)	(552,700)
Donated marketable securities	(36,628)	-	-	(36,628)	(80,042)
Bad debt expense (recovery) - capital campaign	-	47,053	-	47,053	(8,875)
Bad debt expense	15,946	-	-	15,946	11,125
Discount on contributions receivable	-	(11,915)	-	(11,915)	4,855
Depreciation	218,905	-	-	218,905	216,021
Changes in operating assets and liabilities:					
Contributions and grants receivable	99,064	-	-	99,064	(633)
Prepaid expenses and other assets	12,939	-	-	12,939	(19,294)
Due from POTS	-	547,277	(547,277)	-	-
Accounts payable and accrued expenses	(6,227)	21,925	-	15,698	(19,356)
Due to PBFF	(547,277)	-	547,277	-	-
Deferred revenue	-	-	-	-	(1,825)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(208,756)</u>	<u>620,447</u>	<u>-</u>	<u>411,691</u>	<u>218,159</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property and equipment	(57,067)	-	-	(57,067)	(31,535)
Purchase of construction in progress	(94,103)	-	-	(94,103)	(304,293)
Purchase of investments	-	(139,803)	-	(139,803)	(147,234)
Proceeds from sale of investments	36,364	135,413	-	171,777	1,072,951
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	<u>(114,806)</u>	<u>(4,390)</u>	<u>-</u>	<u>(119,196)</u>	<u>589,889</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Capital campaign contributions	-	1,065,922	-	1,065,922	920,200
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>-</u>	<u>1,065,922</u>	<u>-</u>	<u>1,065,922</u>	<u>920,200</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(323,562)	1,681,979	-	1,358,417	1,728,248
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - BEGINNING OF YEAR	3,843,637	1,738,506	-	5,582,143	3,853,895
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR</b>	<b><u>\$ 3,520,075</u></b>	<b><u>\$ 3,420,485</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,940,560</u></b>	<b><u>\$ 5,582,143</u></b>

See independent auditor's report.