



Part of the Solution
Feeding Our Neighbors. Nourishing Our Community.

**PART OF THE SOLUTION
AND AFFILIATE**

CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2015
(With Comparative Totals for December 31, 2014)

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 statement of financial position as of December 31, 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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.

An Independent Member of Baker Tilly International

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, Inc. and Affiliate as of December 31, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2014 consolidated financial statements, and our report dated April 28, 2015, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year end December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental 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
April 19, 2016

PART OF THE SOLUTION AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR DECEMBER 31, 2014)

ASSETS	2015	2014
Cash and cash equivalents	\$ 2,940,611	\$ 2,572,474
Cash and cash equivalents - restricted	101,336	167,202
Investments	687,655	756,377
Contributions and grants receivable, net	829,709	541,108
Prepaid expenses and other assets	113,201	62,428
Note receivable	6,318,294	6,318,294
Property and equipment, net	7,025,814	7,271,876
Deferred New Markets Tax Credit		
Issuance Costs ("NMTC"), net	264,973	272,725
	\$ 18,281,593	\$ 17,962,484
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 115,372	\$ 101,892
Deferred revenue	32,785	1,750
Note payable - fund	8,536,000	8,536,000
	8,684,157	8,639,642
NET ASSETS		
Unrestricted	9,012,213	8,683,715
Temporarily restricted	585,223	639,127
	9,597,436	9,322,842
	\$ 18,281,593	\$ 17,962,484

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

PART OF THE SOLUTION AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)

	Unrestricted	Temporarily Restricted	2015 Total	2014 Total
SUPPORT AND REVENUES				
Individual contributions	\$ 595,087	\$ -	\$ 595,087	\$ 731,588
Government grants	493,337	90,000	583,337	542,583
Foundations and corporate contributions	725,287	837,916	1,563,203	1,157,963
Special events, net of direct expenses of \$158,458 and \$222,502 for 2015 and 2014, respectively	527,685	-	527,685	587,483
In-kind contributions	408,451	-	408,451	450,722
Interest and dividend income	101,408	-	101,408	104,065
Realized (loss) gain on sale of investments	(50,862)	-	(50,862)	4,629
Unrealized loss on investments	(12,477)	-	(12,477)	(21,950)
Miscellaneous income	10,466	-	10,466	5,638
Net assets released from restrictions	981,820	(981,820)	-	-
	<u>3,780,202</u>	<u>(53,904)</u>	<u>3,726,298</u>	<u>3,562,721</u>
PROGRAM EXPENSES				
Food service programs	1,263,400	-	1,263,400	1,184,648
Day-to-day program services	366,379	-	366,379	432,225
NSS Programs	1,045,597	-	1,045,597	940,493
	<u>2,675,376</u>	<u>-</u>	<u>2,675,376</u>	<u>2,557,366</u>
Management and general	472,784	-	472,784	379,481
Fundraising	303,544	-	303,544	287,658
	<u>3,451,704</u>	<u>-</u>	<u>3,451,704</u>	<u>3,224,505</u>
CHANGE IN NET ASSETS	328,498	(53,904)	274,594	338,216
NET ASSETS - BEGINNING OF YEAR	<u>8,683,715</u>	<u>639,127</u>	<u>9,322,842</u>	<u>8,984,626</u>
NET ASSETS - END OF YEAR	<u>\$ 9,012,213</u>	<u>\$ 585,223</u>	<u>\$ 9,597,436</u>	<u>\$ 9,322,842</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, 2015
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)

	Food Service			Program Services		Supporting Services		2014
	Programs	Day-to-Day	NSS	Management and General	Fundraising	Total	2015	2014
		Program Services	Programs	Total	Total	Total	Total	Total
FUNCTIONAL EXPENSES								
Salaries	\$ 251,351	\$ 103,267	\$ 583,106	\$ 937,724	\$ 184,887	\$ 381,892	\$ 1,319,616	\$ 1,174,159
Payroll taxes and fringe benefits	63,137	29,481	116,362	208,980	41,321	89,481	298,461	275,642
Food	722,630	550	17,504	740,684	873	1,779	742,463	624,836
Repairs and maintenance	23,208	12,848	18,770	54,826	2,167	10,312	65,138	53,867
Equipment rental	1,781	656	4,141	6,578	1,040	2,130	8,708	8,393
Program related expense	130	55,727	38,264	94,121	58	223	94,344	161,806
Professional fees	2,837	1,044	19,431	23,312	21,657	116,401	139,713	144,803
Occupancy and utilities	26,949	22,679	36,496	86,124	4,423	15,674	101,798	103,324
Telephone	2,313	851	5,932	9,096	1,608	4,573	13,669	11,940
Supplies	27,534	19,825	11,707	59,066	783	1,685	60,751	57,668
Printing and copying	707	236	1,327	2,270	13,471	13,738	16,008	18,508
Office and miscellaneous expense	1,963	682	2,610	5,255	722	3,414	8,669	8,207
Postage and messenger	510	170	2,573	3,253	2,424	3,070	6,323	6,505
Computer	7,155	2,628	15,724	25,507	9,761	16,136	41,643	30,237
Conferences and training	2,904	346	10,573	13,823	1,950	3,657	17,480	18,365
Insurance	15,459	12,823	24,341	52,623	2,703	9,234	61,857	56,888
Service fees	36	13	479	528	616	36,205	36,733	41,119
Depreciation and amortization	76,153	69,230	91,977	237,360	7,912	45,334	282,694	284,878
Bad debt expense	-	-	-	-	-	3,300	3,300	25
Interest expense	17,498	15,912	21,144	54,554	1,820	8,638	63,192	63,191
NMTC compliance fees	19,145	17,411	23,136	59,692	1,991	9,452	69,144	69,144
Loss reserve	-	-	-	-	-	-	-	11,000
Total expenses - 2015	\$ 1,263,400	\$ 366,379	\$ 1,045,597	\$ 2,675,376	\$ 303,544	\$ 776,328	\$ 3,451,704	
Total expenses - 2014	\$ 1,184,648	\$ 432,225	\$ 940,493	\$ 2,557,366	\$ 287,658	\$ 667,139		\$ 3,224,505

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

PART OF THE SOLUTION AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	\$ 274,594	\$ 338,216
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized loss on investment	12,477	21,950
Realized loss (gain) on investment, net	50,861	(4,629)
Donated marketable securities	(132,164)	(123,092)
Proceeds from sale of donated investments, net of fees	132,543	122,277
Bad debt expense	3,300	25
Depreciation and amortization	282,694	284,878
Changes in operating assets and liabilities:		
Contribution and grants receivable	(291,901)	(32,768)
Prepaid expenses and other assets	(50,773)	33,040
Accounts payable and accrued expenses	13,480	1,929
Deferred revenue	31,035	(23,250)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>326,146</u>	<u>618,576</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(28,880)	(80,462)
Purchase of investments	(825,404)	(394,180)
Proceeds from sale of investments	830,409	341,770
NET CASH USED IN INVESTING ACTIVITIES	<u>(23,875)</u>	<u>(132,872)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	302,271	485,704
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,739,676</u>	<u>2,253,972</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,041,947</u>	<u>\$ 2,739,676</u>
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for:		
Interest	\$ 63,192	\$ 63,192
Income taxes	\$ -	\$ -
Cash and Cash Equivalents Consist of:		
Cash and cash equivalents	\$ 2,940,611	\$ 2,572,474
Cash and cash equivalents - restricted	101,336	167,202
Total	<u>\$ 3,041,947</u>	<u>\$ 2,739,676</u>

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

PART OF THE SOLUTION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015

1. NATURE OF THE ORGANIZATION

Part of the Solution ("POTS") was founded in 1982. POTS, as determined by the Internal Revenue Service ("IRS"), is a tax-exempt organization 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 and its primary source of revenue is generated from contributions. POTS operates in Bronx County of New York.

POTS Building for the Future ("PBFF") was formed in November 2009 exclusively for the benefit of POTS by raising funds and providing 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 received approval to be held as a publicly supported organization and not a private foundation under Section 509(a) of the IRC.

The signature programs of POTS and PBFF (collectively, the "Organization") are the following:

Food Service Programs – This program is 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 is open to all those in need that pass through the doors of the Organization.

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

Next-Step Services (NSS) – This program consists of a legal aid program, a case management program and an afterschool/family stability program called the POTS Family Club, that provides benefits access/retention and stabilizing services for those in need.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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* (Topics 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 revenue, support, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets - permanently restricted, temporarily restricted, and unrestricted - be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Permanently Restricted – Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

PART OF THE SOLUTION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (continued)

Temporarily Restricted – Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

Unrestricted – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include contributions, support, and investment interest income that will be used by the Organization in connection with its mission as designated by the Board of Directors.

Cash and Cash Equivalents

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

Cash and cash equivalents - restricted is comprised of restricted cash for funding to pay New Markets Tax Credit annual fees payable through the end of the seven year compliance period.

Investments

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

Donated Securities

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, 2015 and 2014, the Organization received \$132,164 and \$123,092, respectively, in donated securities.

Contributions and Grants Receivable

Contributions and grants receivable represent unconditional promises to give by donors. At December 31, 2015 and 2014, the Organization had contributions receivable (net of allowance for uncollectable contributions and discount to present value) of \$829,709 and \$541,108, respectively, which are recorded at net realizable value. There was no discount necessary at December 31, 2015, as all receivables are due in one year or less. The Organization considers all gifts of long-lived assets to be temporarily restricted. The Organization uses the allowance method to determine uncollectible 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. Contributions and grants receivable that are due in more than one year are discounted to present value using a market rate on the date that the contribution is made.

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. The Organization has established a \$1,000 threshold above which assets are capitalized.

PART OF THE SOLUTION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2015 and 2014.

Revenue Recognition

Government grants are recognized as revenue to the extent that expenditures have been incurred. 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.

Other grants and contributions are recognized as revenue when they are received or unconditionally pledged.

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.

Special Events

The direct costs of special events include expenses for the benefit of the donor. Accordingly, food and facility rentals, amongst other costs, are considered direct costs of the special event.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of 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.

Reclassification

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the current year presentation. These reclassifications had no effect on the net assets of the Organization.

Subsequent Events

The Organization has evaluated events through April 19, 2016, which is the date the consolidated financial statements were available to be issued.

PART OF THE SOLUTION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Financial Information

The consolidated financial statements include certain prior-year summarized comparative information in total and not by functional class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Income Taxes

The Organization files informational returns in the United States federal and New York State jurisdictions. 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 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, 2015. 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 2012.

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.

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.

PART OF THE SOLUTION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Note Receivable

The Organization originated its note receivable for a specific purpose and in accordance with the federal New Markets Tax Credit program ("NMTC") as more fully described in Note 6.

The Organization has the intent and ability to hold, for the foreseeable future, its note receivable that is stated at its outstanding principal balance on the accompanying consolidated statement of financial position.

The note receivable has been reviewed and adjusted for all known uncollectible accounts and no allowance for a loan loss reserve has been provided or deemed required. The Organization uses a disciplined process and methodology to establish the allowance for credit losses annually as described below. For the purpose of credit analysis, the Organization has only one segment in which it categorizes its note receivable; that being, lending to an investor to participate in the NMTC program.

Note Receivable Ratings and Loss Reserve

The Organization periodically reviews its note receivable for credit quality. This review may include the following factors: the capacity of the project cash flows; collateral; the borrower's assets and overall financial strength; the borrower's cash flow history and projections; and the borrower's management and other intangibles. The Organization has rated the credit quality of the note receivable as "A" (strong), which generally indicates that no loan loss reserves are required. For loans which have a lower credit quality rating (i.e., "B" (average) to "E" (default)), loss reserve amounts may be required to be calculated. From time to time, events or other economic factors may affect a loan, causing management to provide amounts to, or release balances from, the allowance for loan loss reserve (if any). An allowance for loan loss reserve reflects management's judgment of probable loan losses inherent in the note receivable at the consolidated statement of financial position dates. Management has determined that at December 31, 2015 and 2014, no reserves were required.

The Organization has a policy of writing off an uncollectable loan against loan loss reserves after all collection efforts have been exhausted. Additions to the loan loss reserve (when recorded) will be made by charges to the provision for loan loss. A loan deemed to be uncollectable is charged against the loan loss reserve. Recoveries of previously charged off amounts will be credited to the loan loss reserve.

The Organization determines any impairment on the note receivable based on various factors that ultimately are used to calculate collectability. As part of the review, the Organization reviews the terms of the original note or loan, the nature of the transaction, the collateral associated with it, projected future cash flows, history of repayment, management capacity of borrower, and knowledge of the borrower's financial strength.

Recent Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted but no earlier than annual reporting periods beginning after December 31, 2016. The Organization is currently evaluating the effect the update will have on its financial statements.

PART OF THE SOLUTION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015

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 costs related to this activity.

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 rate of 5% on the date that the contribution is made. The receivables are recorded as follows at December 31:

	2015	2014
Capital campaign	\$ -	\$ 25,700
Other receivables	829,709	515,584
	829,709	541,284
Less:		
Discount to present value	-	(176)
	\$ 829,709	\$ 541,108
Amounts due in:		
Less than one year	\$ 829,709	\$ 541,108
	\$ 829,709	\$ 541,108

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2015	2014	Estimated Useful Life
Land	\$ 503,998	\$ 503,998	N/A
Building and improvements	7,763,933	7,750,303	39 1/2 years
Office equipment	136,523	130,709	3-7 years
Furniture and fixtures	268,010	258,574	3-5 years
Automobiles	33,497	33,497	5 years
Total property and equipment	8,705,961	8,677,081	
Less: accumulated depreciation	(1,680,147)	(1,405,205)	
Net property and equipment	\$ 7,025,814	\$ 7,271,876	

Depreciation expense for the years ended December 31, 2015 and 2014 was \$274,942 and \$277,126, respectively.

PART OF THE SOLUTION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015

5. INVESTMENTS

The Organization's investments consist of mutual funds.

The following are the classes of assets measured at fair value on a recurring basis using quoted prices in active markets for identical assets (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3):

		Quoted Prices in Active Market for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2015	Total			
Mutual funds - equities	\$ 418,931	\$ 418,931	\$ -	\$ -
Mutual funds - fixed income	121,298	121,298	-	-
Mutual funds - other	147,426	147,426	-	-
	\$ 687,655	\$ 687,655	\$ -	\$ -
December 31, 2014	Total			
Mutual funds - equities	\$ 360,301	\$ 360,301	\$ -	\$ -
Mutual funds - fixed income	156,435	156,435	-	-
Mutual funds - other	239,641	239,641	-	-
	\$ 756,377	\$ 756,377	\$ -	\$ -

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:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Donated Stock not yet Sold	Fair Value
December 31, 2015 Mutual funds	<u>\$ 707,289</u>	<u>\$ -</u>	<u>\$ (19,634)</u>	<u>\$ -</u>	<u>\$ 687,655</u>
December 31, 2014 Mutual funds	<u>\$ 761,911</u>	<u>\$ -</u>	<u>\$ (7,157)</u>	<u>\$ 1,623</u>	<u>\$ 756,377</u>

PART OF THE SOLUTION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015

5. INVESTMENTS (CONTINUED)

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

	2015	2014
Fair value, beginning of year	\$ 756,377	\$ 720,473
Purchases	825,404	394,180
Sales, net of fees	(962,952)	(464,047)
Realized and unrealized (loss) gain	(63,338)	(17,321)
Contributed securities	132,164	123,092
Fair value, end of year	<u>\$ 687,655</u>	<u>\$ 756,377</u>

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

6. NOTE RECEIVABLE, NOTE PAYABLE - FUND, AND NEW MARKETS TAX CREDIT TRANSACTION

In March 2010, POTS and PBFF entered into various agreements for the purpose of participating in the NMTC program. The NMTC program provides incentives, in the form of income tax credits ("tax credits"), to parties that lend funds constituting qualified low-income community investments in accordance with IRC Section 45D, and utilizes a transaction structure common for the program. The NMTC program, in this instance, involves approximately \$3,432,000 in tax credits that are being allocated to a third party lender over seven years beginning with the year ended December 31, 2010.

In connection with this transaction, POTS made a restricted grant in the amount of \$6,183,354 to PBFF to induce PBFF to serve as the Leveraged Lender (as defined) in the transaction. As the Leveraged Lender, PBFF then lent its received charitable contributions raised by POTS, plus certain additional funds, to a third party NMTC investor in the form of a note receivable. The total note receivable amounts to \$6,318,294 as of December 31, 2015 and 2014.

The note receivable provides for interest at 1% per annum through maturity on March 19, 2050. The interest on the note is due by PBFF annually in arrears through the end of the immediately preceding month, beginning December 1, 2010. Commencing on December 1, 2018, PBFF is to receive annual level payments of \$225,736 on the note receivable. A final payment of principal and interest is receivable on the maturity date.

The NMTC investor is owned 99.99% by JP Morgan Chase Bank. The NMTC investor is the beneficiary of the tax credits.

Also in March 2010, a subsidiary of the NMTC investor made a loan to POTS in the amount of \$8,536,000. The loan ("note payable – fund") is secured by a mortgage on the Bronx facilities and provides for interest at 0.74% per annum through maturity on March 19, 2050. Interest due on the loan is payable annually in arrears through the end of the immediately preceding month, beginning December 1, 2010. Commencing on December 1, 2018, POTS will make annual level payments on the note payable – fund of \$292,499. A final payment of principal and interest is payable on the maturity date. The entity that holds the note payable – fund, is indirectly the same entity that owes the note receivable.

PART OF THE SOLUTION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015

6. NOTE RECEIVABLE, NOTE PAYABLE - FUND, AND NEW MARKETS TAX CREDIT TRANSACTION (CONTINUED)

In March 2017, and for the sum of \$1,000, the entity that owns 99.99% of the NMTC investor has the option (the "Put option") to sell its interest in NMTC investor to PBFF. Should the Put option not be exercised, PBFF has the right to purchase these same ownership rights at the then fair market value of this entity (the "Call option"). It is anticipated that the Put option will be exercised but no assurance can be placed on this. The fair value of the Put and Call options are not material.

POTS is required to comply with various federal NMTC regulations and contractual provisions that apply to the NMTC arrangements and has agreed to indemnify JP Morgan Chase Bank for any loss or recapture of NMTCs.

For the years ended December 31, 2015 and 2014, total issuance costs to the Organization related to the NMTC transaction amounted to \$309,866, which is reflected as new markets tax credit issuance costs on the consolidated statement of financial position. For each of the years ended December 31, 2015 and 2014, amortization expense was \$7,752. Accumulated amortization was \$44,893 and \$37,141 for the years ending December 31, 2015 and 2014, respectively.

The scheduled maturities of the note receivable and note payable-fund are as follows for the years ending December 31:

	Note receivable	Note payable fund
2016-2020	\$ 451,472	\$ 584,998
Thereafter	5,866,822	7,951,002
	<u>\$ 6,318,294</u>	<u>\$ 8,536,000</u>

The note receivable is not subject to interest imputation re-measurements. This is set forth in ASC 835, *Interest*, which exempts transactions where interest rates are affected by the tax attributes or legal restrictions prescribed by a governmental agency from the accounting requirements for below market interest rate loans.

Interest earned on the note receivable amounted to \$63,192 for each of the years ended December 31, 2015 and 2014. Interest incurred on the note payable – fund amounted to \$63,192 for each of the years ended December 31, 2015 and 2014.

Financing Note Receivable

The activity in the note receivable amounts to the following for the years ending December 31:

	2015	2014
Note receivable - beginning	\$ 6,318,294	\$ 6,318,294
Advances	-	-
Principal repayments	-	-
Recoveries	-	-
Write-offs	-	-
Note receivable - ending	<u>\$ 6,318,294</u>	<u>\$ 6,318,294</u>

PART OF THE SOLUTION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015

6. NOTE RECEIVABLE, NOTE PAYABLE - FUND, AND NEW MARKETS TAX CREDIT TRANSACTION (CONTINUED)

Financing Note Receivable (continued)

The note receivable was evaluated as of December 31, 2015 for impairment and no impairment was determined to be required, nor did it require non-accrual status. The note receivable loss reserve amounted to the following for the years ending December 31:

	2015	2014
Note receivable loss reserve - beginning	\$ -	\$ -
Provision	-	-
Charge-off	-	-
Recoveries	-	-
Note receivable loss reserve - ending	\$ -	\$ -
Evaluated for impairment	<u>\$ 6,318,294</u>	<u>\$ 6,318,294</u>

Credit Quality Information

The following tables represent credit exposures by creditworthiness category for the Organization. The Organization's internal creditworthiness grading system is based on experiences with industry standards.

Category ratings are reviewed periodically, at which time management analyzes the resulting score, as well as other external statistics and factors. Accordingly, at December 31, 2015 and 2014, the credit quality indicator used by management to assess the loan loss reserve amounts to the following:

Credit risk profile by loan rating category:

	2015	2014
A	\$ 6,318,294	\$ 6,318,294
B through E	-	-
	<u>\$ 6,318,294</u>	<u>\$ 6,318,294</u>

Aging Analysis

Following is the aging analysis of the note receivable ("Note"):

	30-59 Days Past Due	60-89 Days Past Due	>90 Days Past Due	Total Past Due	Current	Total Financing Receivable	Recorded Investment >90 days & accruing
<u>2015</u> Note	\$ -	\$ -	\$ -	\$ -	\$6,318,294	\$ 6,318,294	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,318,294</u>	<u>\$ 6,318,294</u>	<u>\$ -</u>
<u>2014</u> Note	\$ -	\$ -	\$ -	\$ -	\$6,318,294	\$ 6,318,294	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,318,294</u>	<u>\$ 6,318,294</u>	<u>\$ -</u>

PART OF THE SOLUTION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015

7. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2015, POTS made grants to PBFF totaling \$10,779. In addition, during the year ended December 31, 2015, PBFF made grants to POTS totaling \$63,183. These balances have been eliminated for purposes of consolidation.

During the year ended December 31, 2014, POTS made grants to PBFF totaling \$10,551. In addition, during the year ended December 31, 2014, PBFF made grants to POTS totaling \$63,183. These balances have been eliminated for purposes of consolidation.

8. IN-KIND CONTRIBUTIONS

During the years ended December 31, 2015 and 2014, the Organization recognized total in-kind donations of \$408,451 and \$450,722, respectively. These amounts are reflected in both support and expenses in the accompanying consolidated financial statements. The value of services provided by volunteers is not included in these figures. In-kind donations consist of legal services, clothing, food supplies, hygiene products, small appliances, and other miscellaneous items. The Organization received donated stock totaling \$132,164 and \$123,092 during the years ended December 31, 2015 and 2014, respectively, which were measured at fair market value on the date of receipt.

9. RETIREMENT PLAN

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, 2015 and 2014, the total retirement expense consisting of employer contributions totaled \$33,697 and \$38,275, respectively.

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are purpose and time restricted and consist of the following at December 31:

	2015	2014
Use restrictions - program expenses	\$ 33,975	\$ 4,246
Time restrictions	-	150,000
Time and use restrictions - program expenses	551,248	484,881
	<u>\$ 585,223</u>	<u>\$ 639,127</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 year ended December 31, 2015 as follows:

Use restrictions - program expenses	\$ 102,471
Time restrictions	155,000
Time and use restrictions - program expenses	724,349
	<u>\$ 981,820</u>

PART OF THE SOLUTION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015

11. CONCENTRATIONS

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

For the years ended December 31, 2015 and 2014, a single donor contributed \$330,000 and \$300,000, respectively, to the Organization which amounted to approximately 9% of the Organization's total support and revenue for each of the respective years.

Three vendors account for approximately 56% and 68% of accounts payable and accrued expenses at December 31, 2015 and 2014, respectively.

Three major sources accounted for approximately 82% and 93% of contributions and grants receivable at December 31, 2015 and 2014, respectively.

12. COMMITMENTS AND CONTINGENCIES

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

2016	\$	7,740
2017		7,740
2018		7,740
2019		3,870
	\$	27,090

Lease expense for the years ended December 31, 2015 and 2014 amounted to \$8,708 and \$12,202, respectively.

As part of the NMTC transaction, POTS is to reimburse the NMTC lender for various asset management fees, audit and tax expenses, collectively referred to as "NMTC compliance fees." The future minimum payments of the NMTC compliance fees are as follows for the years ending December 31:

2016	\$	66,000
2017		33,000
	\$	99,000

The total NMTC compliance fees expense for each of the years ended December 31, 2015 and 2014 amounted to \$69,144.

PART OF THE SOLUTION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015

13. RISK AND UNCERTAINTIES

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 statement 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.

In connection with the NMTC transaction, the Organization could be exposed to future market conditions, lack of the Put option being exercised, an unfavorable Call option result, and subsequent exposure to government compliance and/or recapture of the tax credits enjoyed by the NMTC investor.

SUPPLEMENTARY INFORMATION

PART OF THE SOLUTION AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR DECEMBER 31, 2014)

ASSETS	POTS	PBFF	Eliminations	2015	2014
Cash and cash equivalents	\$ 2,722,977	\$ 217,634	\$ -	\$ 2,940,611	\$ 2,572,474
Cash and cash equivalents - restricted	101,336	-	-	101,336	167,202
Investments	-	687,655	-	687,655	756,377
Contributions and grants receivable, net	829,709	-	-	829,709	541,108
Prepaid expenses and other assets	107,936	5,265	-	113,201	62,428
Note receivable	-	6,318,294	-	6,318,294	6,318,294
Due from PBFF	10,000	-	(10,000)	-	-
Property and equipment, net	7,025,814	-	-	7,025,814	7,271,876
Deferred New Markets Tax Credit					
Issuance Costs ("NMTC"), net	264,973	-	-	264,973	272,725
	<u>\$ 11,062,745</u>	<u>\$ 7,228,848</u>	<u>\$ (10,000)</u>	<u>\$ 18,281,593</u>	<u>\$ 17,962,484</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable and accrued expenses	\$ 104,724	10,648	\$ -	\$ 115,372	\$ 101,892
Deferred revenue	32,785	-	-	32,785	1,750
Note payable - fund	8,536,000	-	-	8,536,000	8,536,000
Due to POTS	-	10,000	(10,000)	-	-
	<u>8,673,509</u>	<u>20,648</u>	<u>(10,000)</u>	<u>8,684,157</u>	<u>8,639,642</u>
NET ASSETS					
Unrestricted	1,804,013	7,208,200	-	9,012,213	8,683,715
Temporarily restricted	585,223	-	-	585,223	639,127
	<u>2,389,236</u>	<u>7,208,200</u>	<u>-</u>	<u>9,597,436</u>	<u>9,322,842</u>
	<u>\$ 11,062,745</u>	<u>\$ 7,228,848</u>	<u>\$ (10,000)</u>	<u>\$ 18,281,593</u>	<u>\$ 17,962,484</u>

See independent auditor's report.

PART OF THE SOLUTION AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)

	POTS		PBFF		Eliminations		Total		2014 Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	
SUPPORT AND REVENUES									
Individual contributions	\$ 595,087	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 595,087	\$ -	\$ 731,588
Government grants	493,337	90,000	-	-	-	-	493,337	90,000	583,337
Foundations and corporate contributions	788,745	837,916	-	-	(73,962)	-	725,287	837,916	1,563,203
Special events, net of direct expenses of \$158,458 and \$222,502 for 2015 and 2014, respectively	-	-	-	-	-	-	-	-	-
In-kind contributions	527,685	-	-	-	-	-	527,685	-	587,483
Interest and dividend income	408,451	-	-	-	-	-	408,451	-	450,722
Realized (loss) gain on sale of investments	397	-	101,011	-	-	-	101,408	-	104,065
Unrealized loss on investments	(1,247)	-	(49,615)	-	-	-	(50,862)	-	(50,862)
Miscellaneous income	-	-	(12,477)	-	(12,477)	-	(12,477)	-	(21,950)
Net assets released from restrictions	15,348	-	(4,882)	-	-	-	10,466	-	5,638
	981,820	(981,820)	-	-	-	-	981,820	(981,820)	-
	3,809,623	(53,904)	44,541	-	(73,962)	-	3,780,202	(53,904)	3,562,721
PROGRAM EXPENSES									
Food service programs	1,263,400	-	-	-	-	-	1,263,400	-	1,184,648
Day-to-day program services	366,379	-	-	-	-	-	366,379	-	432,225
NSS Programs	1,045,597	-	-	-	-	-	1,045,597	-	940,493
Unallocated payments to affiliated organization	10,779	-	63,183	-	(73,962)	-	-	-	-
	2,686,155	-	63,183	-	(73,962)	-	2,675,376	-	2,557,366
Management and general Fundraising	425,326	-	47,458	-	-	-	472,784	-	379,481
	303,544	-	-	-	-	-	303,544	-	287,658
	3,415,025	-	110,641	-	(73,962)	-	3,451,704	-	3,224,505
CHANGE IN NET ASSETS	394,598	(53,904)	(66,100)	-	-	-	328,498	(53,904)	338,216
NET ASSETS - BEGINNING OF YEAR	1,409,415	639,127	7,274,300	-	-	-	8,683,715	639,127	8,984,626
NET ASSETS, END OF YEAR	\$ 1,804,013	\$ 585,223	\$ 7,208,200	\$ -	\$ -	\$ -	\$ 9,012,213	\$ 585,223	\$ 9,322,842

See independent auditor's report.

PART OF THE SOLUTION AND AFFILIATE
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)

	POTS				PBFF			
	Program Services		Supporting Services		Management		Supporting Services	
	Food Service Programs	Day-to-Day Program Services	NSS Programs	Total	Management and General	Fundraising	Total	2014 Total
Salaries	\$ 251,351	\$ 103,267	\$ 583,106	\$ 937,724	\$ 197,005	\$ 184,887	\$ 1,319,616	\$ 1,174,159
Payroll taxes and fringe benefits	63,137	29,481	116,362	208,980	48,160	41,321	298,461	275,642
Food	722,630	550	17,504	740,684	906	873	742,463	624,836
Repairs and maintenance	23,208	12,848	18,770	54,826	8,145	2,167	65,138	53,867
Equipment rental	1,781	656	4,141	6,578	1,090	1,040	8,708	8,393
Program related expense	130	55,727	38,264	94,121	165	58	94,344	94,344
Professional fees	2,837	1,044	19,431	23,312	58,244	21,657	103,213	161,806
Occupancy and utilities	26,949	22,679	36,496	86,124	11,251	4,423	101,798	144,803
Telephone	2,313	851	5,932	9,096	1,608	2,965	13,669	103,324
Supplies	27,534	19,825	11,707	59,066	902	783	60,751	11,940
Printing and copying	707	236	1,327	2,270	267	13,471	16,008	57,668
Office and miscellaneous expense	1,963	682	2,610	5,255	2,692	722	8,669	18,508
Postage and messenger	510	170	2,573	3,253	646	2,424	6,323	8,207
Computer	7,155	2,628	15,724	25,507	6,375	9,761	41,643	6,505
Conferences and training	2,904	346	10,573	13,823	1,707	1,950	17,480	30,237
Insurance	15,459	12,823	24,341	52,623	6,531	2,703	61,857	41,643
Service Fees	36	13	479	528	25,331	616	26,475	18,365
Depreciation and amortization	76,153	69,230	91,977	237,360	37,422	7,912	282,694	61,857
Bad debt expense	-	-	-	-	2,600	-	2,600	41,119
Interest expense	17,498	15,912	21,144	54,554	6,818	1,820	63,192	282,694
NMTC compliance fees	19,145	17,411	23,136	59,692	7,461	1,991	69,144	25
Loss reserve	-	-	-	-	-	-	-	63,191
	-	-	-	-	-	-	-	69,144
	-	-	-	-	-	-	-	11,000
Total expenses - 2015	\$ 1,263,400	\$ 366,379	\$ 1,045,597	\$ 2,675,376	\$ 425,326	\$ 303,544	\$ 3,404,246	\$ 3,451,704
Total expenses - 2014	\$ 1,184,648	\$ 432,225	\$ 940,493	\$ 2,557,366	\$ 360,437	\$ 287,658	\$ 3,205,461	\$ 3,224,505

PART OF THE SOLUTION AND AFFILIATE
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)

	POTS	PBFF	Eliminations	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES					
CHANGE IN NET ASSETS	\$ 340,694	\$ (66,100)	\$ -	\$ 274,594	\$ 338,216
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Unrealized loss on investment	-	12,477	-	12,477	21,950
Realized loss (gain) on investments, net	1,246	49,615	-	50,861	(4,629)
Donated marketable securities	(132,164)	-	-	(132,164)	(123,092)
Proceeds from sale of donated investments, net of fees	132,543	-	-	132,543	122,277
Bad debt expense	2,600	700	-	3,300	25
Depreciation and amortization	282,694	-	-	282,694	284,878
Changes in operating assets and liabilities:					
Contributions and grants receivable	(316,725)	24,824	-	(291,901)	(32,768)
Prepaid expenses and other assets	(50,773)	-	-	(50,773)	33,040
Due from PBFF	(10,000)	-	10,000	-	-
Accounts payable and accrued expenses	9,024	4,456	-	13,480	1,929
Due to POTS	-	10,000	(10,000)	-	-
Deferred revenue	31,035	-	-	31,035	(23,250)
NET CASH PROVIDED BY OPERATING ACTIVITIES	290,174	35,972	-	326,146	618,576
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment	(28,880)	-	-	(28,880)	(80,462)
Purchase of investments	-	(825,404)	-	(825,404)	(394,180)
Proceeds from sale of investments	-	830,409	-	830,409	341,770
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(28,880)	5,005	-	(23,875)	(132,872)
NET INCREASE IN CASH AND CASH EQUIVALENTS	261,294	40,977	-	302,271	485,704
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,563,019	176,657	-	2,739,676	2,253,972
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,824,313	\$ 217,634	\$ -	\$ 3,041,947	\$ 2,739,676
Supplemental Disclosures of Cash Flow Information:					
Cash paid during the year for:					
Interest	\$ 63,192	\$ -		\$ 63,192	\$ 63,192
Income taxes	\$ -	\$ -		\$ -	\$ -
Cash and Cash Equivalents Consist of:					
Cash and cash equivalents	\$ 2,722,977	\$ 217,634		\$ 2,940,611	\$ 2,572,474
Cash and cash equivalents - restricted	\$ 101,336	\$ -		101,336	167,202
Total				\$ 3,041,947	\$ 2,739,676

See independent auditor's report.