



**PART OF THE SOLUTION
AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2017
(With Summarized Comparative Information for December 31, 2016)

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, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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 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 and Affiliate as of December 31, 2017, 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 2016 consolidated financial statements and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was 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
May 2, 2018

PART OF THE SOLUTION AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR DECEMBER 31, 2016)

ASSETS	2017	2016
Cash and cash equivalents	\$ 3,853,895	\$ 2,988,847
Cash and cash equivalents - restricted	-	35,519
Investments	1,057,368	780,599
Contributions and grants receivable, net	2,177,323	2,012,793
Prepaid expenses and other assets	50,739	70,209
Note receivable	-	6,318,294
Property and equipment, net	6,584,184	6,789,377
Construction in progress	294,805	-
Deferred New Markets Tax Credit		
Issuance Costs ("NMTC"), net	-	257,221
	\$ 14,018,314	\$ 19,252,859
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 110,380	\$ 120,126
Deferred revenue	25,683	16,345
Note payable - fund	-	8,536,000
	136,063	8,672,471
NET ASSETS		
Unrestricted	11,418,294	8,908,843
Temporarily restricted	2,463,957	1,671,545
	13,882,251	10,580,388
	\$ 14,018,314	\$ 19,252,859

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, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
SUPPORT AND REVENUES				
Contributions	\$ 838,429	\$ 908,131	\$ 1,746,560	\$ 1,855,587
Government grants	780,586	123,341	903,927	842,311
Foundations and corporate contributions	359,088	1,145,986	1,505,074	1,042,741
Special events, net of direct expenses of \$185,572 and \$220,850 for 2017 and 2016, respectively	526,965	-	526,965	534,842
In-kind contributions	497,276	-	497,276	450,693
Interest and dividend income	44,118	-	44,118	98,017
Realized gain (loss) on sale of investments	50,428	-	50,428	(5,688)
Unrealized gain on investments	62,477	-	62,477	27,000
Miscellaneous income	21,203	-	21,203	7,047
Net assets released from restrictions	1,385,046	(1,385,046)	-	-
	<u>4,565,616</u>	<u>792,412</u>	<u>5,358,028</u>	<u>4,852,550</u>
PROGRAM EXPENSES				
Food service programs	1,391,852	-	1,391,852	1,403,305
Day-to-day program services	307,349	-	307,349	358,263
NSS programs	1,411,455	-	1,411,455	1,303,115
	<u>3,110,656</u>	<u>-</u>	<u>3,110,656</u>	<u>3,064,683</u>
Management and general	499,699	-	499,699	445,338
Fundraising	408,525	-	408,525	359,577
	<u>4,018,880</u>	<u>-</u>	<u>4,018,880</u>	<u>3,869,598</u>
OTHER REVENUE				
Inherent contribution - NMTC	1,962,715	-	1,962,715	-
CHANGE IN NET ASSETS	<u>2,509,451</u>	<u>792,412</u>	<u>3,301,863</u>	<u>982,952</u>
NET ASSETS - BEGINNING OF YEAR	<u>8,908,843</u>	<u>1,671,545</u>	<u>10,580,388</u>	<u>9,597,436</u>
NET ASSETS - END OF YEAR	<u>\$ 11,418,294</u>	<u>\$ 2,463,957</u>	<u>\$ 13,882,251</u>	<u>\$ 10,580,388</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, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

	Program Services				Supporting Services			2017 Total	2016 Total
	Food Service Programs	Day-to-Day Program Services	NSS Programs	Total	Management and General	Fundraising	Total		
FUNCTIONAL EXPENSES									
Salaries	\$ 269,547	\$ 92,500	\$ 754,862	\$ 1,116,909	\$ 201,805	\$ 275,472	\$ 477,277	\$ 1,594,186	\$ 1,474,096
Payroll taxes and fringe benefits	63,074	18,174	205,148	286,396	57,866	60,686	118,552	404,948	378,747
Food	858,341	11	13,260	871,612	21	26	47	871,659	889,737
Repairs and maintenance	30,268	17,431	21,386	69,085	6,802	2,517	9,319	78,404	52,825
Equipment rental	1,973	479	4,798	7,250	1,113	1,383	2,496	9,746	8,124
Program related expense	501	84,073	183,213	267,787	795	155	950	268,737	211,311
Professional fees	57	11	151	219	51,974	7,187	59,161	59,380	94,402
Occupancy and utilities	23,305	10,219	43,639	77,163	11,226	11,080	22,306	99,469	87,857
Telephone	3,861	1,028	10,992	15,881	2,889	3,101	5,990	21,871	12,891
Supplies	40,894	11,997	15,346	68,237	8,955	1,697	10,652	78,889	61,983
Printing and copying	1,445	312	4,573	6,330	3,051	15,667	18,718	25,048	16,828
Office and miscellaneous expense	2,838	839	3,853	7,530	4,741	1,596	6,337	13,867	10,617
Postage and messenger	1,395	288	3,535	5,218	1,134	1,159	2,293	7,511	5,849
Computer	9,095	2,498	23,964	35,557	5,133	11,233	16,366	51,923	43,059
Conferences and training	1,860	282	12,357	14,499	1,566	1,687	3,253	17,752	15,068
Insurance	9,049	3,264	21,132	33,445	7,602	4,470	12,072	45,517	71,175
Service fees	372	76	1,378	1,826	29,664	1,110	30,774	32,600	32,734
Depreciation and amortization	66,306	58,016	77,079	201,401	24,864	6,630	31,494	232,895	268,653
Allowance for bad debt - capital campaign	-	-	-	-	64,850	-	64,850	64,850	-
Bad debt expense	-	-	-	-	13,390	-	13,390	13,390	1,306
Interest expense	3,663	2,794	5,152	11,609	3,691	797	4,488	16,097	63,192
NMTC compliance fees	4,008	3,057	5,637	12,702	(3,433)	872	(2,561)	10,141	69,144
Total expenses - 2017	\$ 1,391,852	\$ 307,349	\$ 1,411,455	\$ 3,110,656	\$ 499,699	\$ 408,525	\$ 908,224	\$ 4,018,880	
Total expenses - 2016	\$ 1,403,305	\$ 358,263	\$ 1,303,115	\$ 3,064,683	\$ 445,338	\$ 359,577	\$ 804,915		\$ 3,869,598

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, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	\$ 3,301,863	\$ 982,952
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized gain on investment	(62,477)	(27,000)
Realized (gain) loss on investment, net	(50,428)	5,688
Donated marketable securities	(88,864)	(158,813)
Allowance for bad debt - capital campaign	64,850	-
Bad debt expense	13,390	1,306
Depreciation and amortization	232,895	268,653
Inherent contribution - NMTC	(1,962,715)	-
Changes in operating assets and liabilities:		
Contribution and grants receivable	(242,770)	(1,184,390)
Prepaid expenses and other assets	19,470	42,992
Accounts payable and accrued expenses	(9,746)	4,754
Deferred revenue	9,338	(16,440)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>1,224,806</u>	<u>(80,298)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Exercise of put option	(1,000)	-
Purchase of property and equipment	(24,472)	(24,464)
Purchase of construction in progress	(294,805)	-
Purchase of investments	(1,810,444)	(301,424)
Proceeds from sale of investments	1,735,444	388,605
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	<u>(395,277)</u>	<u>62,717</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	829,529	(17,581)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>3,024,366</u>	<u>3,041,947</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,853,895</u>	<u>\$ 3,024,366</u>
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for:		
Interest	\$ 16,097	\$ 63,192
Income taxes	\$ -	\$ -
Cash and Cash Equivalents Consist of:		
Cash and cash equivalents	\$ 3,853,895	\$ 2,988,847
Cash and cash equivalents - restricted	-	35,519
Total	<u>\$ 3,853,895</u>	<u>\$ 3,024,366</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, 2017

1. NATURE OF THE ORGANIZATION

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 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.

During 2017, PBFF acquired a third party NMTC investor and the entity was dissolved in the same year (see Note 7).

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 serves meals 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, a housing advocacy program, an employment 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* (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 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.

PART OF THE SOLUTION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (continued)

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. The Organization has no net assets that are permanently restricted.

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 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, which concluded in 2017.

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, 2017 and 2016, the Organization received \$88,864 and \$158,813, respectively, in donated securities.

Contributions and Grants Receivable

Contributions and grants receivable represent unconditional promises to give by donors. At December 31, 2017 and 2016, the Organization had contributions receivable (net of allowance for uncollectable contributions and discount to present value) of \$2,177,323 and \$2,012,793, respectively, which are recorded at net realizable value. 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 an annual rate of 2.5%.

PART OF THE SOLUTION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2017 and 2016.

Revenue Recognition

Government grants are recognized as revenue to the extent that related 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 consolidated 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.

Subsequent Events

The Organization has evaluated events through May 2, 2018, 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, 2017

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, 2016, from which the summarized information was derived.

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, 2017. 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 2014.

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017

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 7. This note was forgiven in 2017.

Recent Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standards 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.

Presentation of Financial Statements for Not-for-Profit Entities

In August 2016, the FASB issued an accounting standards update which aims to improve information provided to creditors, donors, grantors, and others while also reducing complexity and costs. The update is the first phase of a project regarding not-for-profits which aims to improve and simplify net asset classification requirements and improve the information presented and disclosed in financial statements about liquidity, cash flows, and financial performance. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with earlier application permitted. The Organization is currently evaluating the effect the update will have on its financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017

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:

	2017	2016
Capital campaign	\$ 1,297,000	\$ 1,056,000
Other receivables	989,047	992,727
	2,286,047	2,048,727
Less:		
Discount to present value	(43,874)	(35,934)
Allowance for doubtful accounts	(64,850)	-
	<u>\$ 2,177,323</u>	<u>\$ 2,012,793</u>
Amounts due in:		
Less than one year	\$ 1,870,172	\$ 1,789,560
One to five years	307,151	223,233
	<u>\$ 2,177,323</u>	<u>\$ 2,012,793</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2017	2016	Estimated Useful Life
Land	\$ 503,998	\$ 503,998	N/A
Building and improvements	7,796,252	7,777,340	39 1/2 years
Office equipment	141,873	138,023	3-7 years
Furniture and fixtures	279,277	277,567	3-5 years
Automobiles	33,497	33,497	5 years
Total property and equipment	8,754,897	8,730,425	
Less: accumulated depreciation	(2,170,713)	(1,941,048)	
Net property and equipment	<u>\$ 6,584,184</u>	<u>\$ 6,789,377</u>	

Depreciation expense for the years ended December 31, 2017 and 2016 was \$229,665 and \$260,901, respectively.

5. CONSTRUCTION IN PROGRESS

The Organization is undergoing construction to renovate space that it currently owns and create additional facilities. At December 31, 2017, total construction in progress amounted to \$294,805 and is reflected in the accompanying statement of financial position.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017

5. CONSTRUCTION IN PROGRESS (CONTINUED)

As of December 31, 2017, the Organization had entered into various contracts for construction. Future minimum payments on these contracts are approximately \$373,000.

6. 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)
<u>December 31, 2017</u>	<u>Total</u>			
Mutual funds - equities	\$ 809,359	\$ 809,359	\$ -	\$ -
Mutual funds - fixed income	248,009	248,009	-	-
	\$ 1,057,368	\$ 1,057,368	\$ -	\$ -
		Quoted Prices in Active Market for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2016</u>	<u>Total</u>			
Mutual funds - equities	\$ 452,114	\$ 452,114	\$ -	\$ -
Mutual funds - fixed income	295,492	295,492	-	-
Mutual funds - other	32,993	32,993	-	-
	\$ 780,599	\$ 780,599	\$ -	\$ -

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

PART OF THE SOLUTION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017

6. INVESTMENTS (CONTINUED)

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

December 31, 2017	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Donated Stock not yet Sold	Fair Value
Mutual funds	<u>\$ 987,372</u>	<u>\$ 69,996</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,057,368</u>

December 31, 2016	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Donated Stock not yet Sold	Fair Value
Mutual funds	<u>\$ 768,242</u>	<u>\$ 7,366</u>	<u>\$ -</u>	<u>\$ 4,991</u>	<u>\$ 780,599</u>

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

	2017	2016
Fair value, beginning of year	\$ 780,599	\$ 687,655
Purchases	1,810,444	301,424
Sales, net of fees	(1,735,444)	(388,605)
Realized and unrealized gain	112,905	21,312
Contributed securities	88,864	158,813
Fair value, end of year	<u>\$ 1,057,368</u>	<u>\$ 780,599</u>

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

7. ACQUISITION OF NMTC INVESTOR

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 to 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 this restricted grant, plus certain additional funds, to a third party NMTC investor in the form of a note receivable. The total note receivable amounted to \$6,318,294 as of December 31, 2016.

The note receivable provided for interest at 1% per annum through maturity on March 19, 2050. The interest on the note was due to PBFF annually in arrears through the end of the immediately preceding month, beginning December 1, 2010.

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

PART OF THE SOLUTION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017

7. ACQUISITION OF NMTC INVESTOR (CONTINUED)

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") was collateralized 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 was payable annually in arrears through the end of the immediately preceding month, beginning December 1, 2010. The entity that held the note payable – fund was the same entity that owes the note receivable.

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

Total issuance costs to the Organization related to the NMTC transaction amounted to \$309,866, which was reflected as deferred new markets tax credit issuance costs on the consolidated statement of financial position. Accumulated amortization was \$52,645 at December 31, 2016. The issuance costs and the associated accumulated amortization were written off in 2017. Amortization expense for the years ended December 31, 2017 and 2016 was \$3,230 and \$7,752, respectively.

On March 20, 2017, JP Morgan Chase Bank exercised its Put option to sell its interest in NMTC investor to PBFF for \$1,000. This resulted in an inherent contribution of \$1,962,715. As a consequence, PBFF acquired the NMTC investor and is the counterparty for the note receivable, note payable – fund, and deferred NMTC costs. The note receivable and note payable – fund were eliminated as a result of this transaction.

8. IN-KIND CONTRIBUTIONS

During the years ended December 31, 2017 and 2016, the Organization recognized total in-kind donations of \$497,276 and \$450,693, 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 \$88,864 and \$158,813 during the years ended December 31, 2017 and 2016, 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, 2017 and 2016, employer contributions totaled \$53,136 and \$42,259, respectively.

10. TEMPORARILY RESTRICTED NET ASSETS

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

	2017	2016
Use restrictions - program expenses	\$ 28,973	\$ 7,486
Use restrictions - capital campaign	1,865,778	1,030,066
Time and use restrictions - program expenses	569,206	633,993
	<u>\$ 2,463,957</u>	<u>\$ 1,671,545</u>

PART OF THE SOLUTION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017

10. TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

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, 2017 as follows:

Use restrictions - program expenses	\$ 177,114
Use restrictions - capital campaign	294,805
Time and use restrictions - program expenses	<u>913,127</u>
	<u>\$ 1,385,046</u>

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.

Two vendors accounted for approximately 42% of accounts payable and accrued expenses at December 31, 2017. Three vendors accounted for approximately 56% of accounts payable and accrued expenses at December 31, 2016.

Two major sources accounted for approximately 35% of contributions and grants receivable at December 31, 2017. Three major sources accounted for approximately 50% of contributions and grants receivable at December 31, 2016.

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:

2018	\$ 7,740
2019	<u>3,870</u>
	<u>\$ 11,610</u>

Lease expense for the years ended December 31, 2017 and 2016 amounted to \$9,746 and \$8,124, respectively.

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.

PART OF THE SOLUTION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017

13. RISK AND UNCERTAINTIES (CONTINUED)

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.

SUPPLEMENTARY INFORMATION

PART OF THE SOLUTION AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR DECEMBER 31, 2016)

ASSETS	POTS	PBFF	Eliminations	2017	2016
Cash and cash equivalents	\$ 3,136,091	\$ 717,804	\$ -	\$ 3,853,895	\$ 2,988,847
Cash and cash equivalents - restricted	-	-	-	-	35,519
Investments	-	1,057,368	-	1,057,368	780,599
Contributions and grants receivable, net	989,047	1,188,276	-	2,177,323	2,012,793
Prepaid expenses and other assets	50,739	-	-	50,739	70,209
Note receivable	-	-	-	-	6,318,294
Due from POTS	-	145,827	(145,827)	-	-
Property and equipment, net	6,584,184	-	-	6,584,184	6,789,377
Construction in progress	294,805	-	-	294,805	-
Deferred New Markets Tax Credit Issuance Costs ("NMTC"), net	-	-	-	-	257,221
	\$ 11,054,866	\$ 3,109,275	\$ (145,827)	\$ 14,018,314	\$ 19,252,859
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable and accrued expenses	\$ 96,400	\$ 13,980	\$ -	\$ 110,380	\$ 120,126
Deferred revenue	25,683	-	-	25,683	16,345
Note payable - fund	-	-	-	-	8,536,000
Due to PBFF	145,827	-	(145,827)	-	-
	267,910	13,980	(145,827)	136,063	8,672,471
NET ASSETS					
Unrestricted	10,188,777	1,229,517	-	11,418,294	8,908,843
Temporarily restricted	598,179	1,865,778	-	2,463,957	1,671,545
	10,786,956	3,095,295	-	13,882,251	10,580,388
	\$ 11,054,866	\$ 3,109,275	\$ (145,827)	\$ 14,018,314	\$ 19,252,859

See independent auditor's report.

PART OF THE SOLUTION AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

	POTS		PBFF		Eliminations		Total			
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
SUPPORT AND REVENUES										
Contributions	\$ 838,429	\$ 24,000	\$ -	\$ 884,131	\$ -	\$ -	\$ 838,429	\$ 908,131	\$ 1,746,560	\$ 1,855,587
Government grants	780,586	123,341	-	-	-	-	780,586	123,341	903,927	842,311
Foundations and corporate contributions	555,457	899,600	132,457	246,386	(328,826)	-	359,088	1,145,986	1,505,074	1,042,741
Special events, net of direct expenses of \$185,572 and \$220,850 for 2017 and 2016, respectively	526,965	-	-	-	-	-	526,965	-	526,965	534,842
In-kind contributions	497,276	-	-	-	-	-	497,276	-	497,276	450,693
Interest and dividend income	517	-	43,601	-	-	-	44,118	-	44,118	98,017
Realized gain (loss) on sale of investments	(17)	-	50,445	-	-	-	50,428	-	50,428	(5,688)
Unrealized gain on investments	-	-	62,477	-	-	-	62,477	-	62,477	27,000
Miscellaneous income	21,203	-	-	-	-	-	21,203	-	21,203	7,047
Net assets released from restrictions	1,090,241	(1,090,241)	294,805	(294,805)	-	-	1,385,046	(1,385,046)	-	-
	<u>4,310,657</u>	<u>(43,300)</u>	<u>583,785</u>	<u>835,712</u>	<u>(328,826)</u>	<u>-</u>	<u>4,565,616</u>	<u>792,412</u>	<u>5,358,028</u>	<u>4,852,550</u>
PROGRAM EXPENSES										
Food service programs	1,391,852	-	-	-	-	-	1,391,852	-	1,391,852	1,403,305
Day-to-day program services	307,349	-	-	-	-	-	307,349	-	307,349	358,263
NSS programs	1,411,455	-	-	-	-	-	1,411,455	-	1,411,455	1,303,115
Unallocated payments to affiliated organization	132,457	-	196,369	-	(328,826)	-	-	-	-	-
	<u>3,243,113</u>	<u>-</u>	<u>196,369</u>	<u>-</u>	<u>(328,826)</u>	<u>-</u>	<u>3,110,656</u>	<u>-</u>	<u>3,110,656</u>	<u>3,064,683</u>
Management and general	417,172	-	82,527	-	-	-	499,699	-	499,699	445,338
Fundraising	408,525	-	-	-	-	-	408,525	-	408,525	359,577
	<u>4,068,810</u>	<u>-</u>	<u>278,896</u>	<u>-</u>	<u>(328,826)</u>	<u>-</u>	<u>4,018,880</u>	<u>-</u>	<u>4,018,880</u>	<u>3,869,598</u>
OTHER REVENUE										
Inherent contribution - NMTC	8,282,009	-	(6,319,294)	-	-	-	1,962,715	-	1,962,715	-
	<u>8,282,009</u>	<u>-</u>	<u>(6,319,294)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,962,715</u>	<u>-</u>	<u>1,962,715</u>	<u>-</u>
CHANGE IN NET ASSETS	8,523,856	(43,300)	(6,014,405)	835,712	-	-	2,509,451	792,412	3,301,863	982,952
NET ASSETS - BEGINNING OF YEAR	1,664,921	641,479	7,243,922	1,030,066	-	-	8,908,843	1,671,545	10,580,388	9,597,436
NET ASSETS, END OF YEAR	<u>\$ 10,188,777</u>	<u>\$ 598,179</u>	<u>\$ 1,229,517</u>	<u>\$ 1,865,778</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,418,294</u>	<u>\$ 2,463,957</u>	<u>\$ 13,882,251</u>	<u>\$ 10,580,388</u>

See independent auditor's report.

PART OF THE SOLUTION AND AFFILIATE
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

FUNCTIONAL EXPENSES	POTS							PBFF					2017 Total	2016 Total
	Program Services				Supporting Services			Supporting Services						
	Food Service	Day-to-Day	NSS	Total	Management and General	Fundraising	Total	Management and General	Fundraising	Total				
	Programs	Program Services	Programs											
Salaries	\$ 269,547	\$ 92,500	\$ 754,862	\$ 1,116,909	\$ 201,805	\$ 275,472	\$ 1,594,186	\$ -	\$ -	\$ -	\$ 1,594,186	\$ 1,474,096		
Payroll taxes and fringe benefits	63,074	18,174	205,148	286,396	57,866	60,686	404,948	-	-	-	404,948	378,747		
Food	858,341	11	13,260	871,612	21	26	871,659	-	-	-	871,659	889,737		
Repairs and maintenance	30,268	17,431	21,386	69,085	6,802	2,517	78,404	-	-	-	78,404	52,825		
Equipment rental	1,973	479	4,798	7,250	1,113	1,383	9,746	-	-	-	9,746	8,124		
Program related expense	501	84,073	183,213	267,787	795	155	268,737	-	-	-	268,737	211,311		
Professional fees	57	11	151	219	41,307	7,187	48,713	10,667	-	10,667	59,380	94,402		
Occupancy and utilities	23,305	10,219	43,639	77,163	11,226	11,080	99,469	-	-	-	99,469	87,857		
Telephone	3,861	1,028	10,992	15,881	2,889	3,101	21,871	-	-	-	21,871	12,891		
Supplies	40,894	11,997	15,346	68,237	8,955	1,697	78,889	-	-	-	78,889	61,983		
Printing and copying	1,445	312	4,573	6,330	3,051	15,667	25,048	-	-	-	25,048	16,828		
Office and miscellaneous expense	2,838	839	3,853	7,530	4,741	1,596	13,867	-	-	-	13,867	10,617		
Postage and messenger	1,395	288	3,535	5,218	1,134	1,159	7,511	-	-	-	7,511	5,849		
Computer	9,095	2,498	23,964	35,557	5,133	11,233	51,923	-	-	-	51,923	43,059		
Conferences and training	1,860	282	12,357	14,499	1,566	1,687	17,752	-	-	-	17,752	15,068		
Insurance	9,049	3,264	21,132	33,445	7,602	4,470	45,517	-	-	-	45,517	71,175		
Service fees	372	76	1,378	1,826	22,654	1,110	25,590	7,010	-	7,010	32,600	32,734		
Depreciation and amortization	66,306	58,016	77,079	201,401	24,864	6,630	232,895	-	-	-	232,895	268,653		
Allowance for bad debt - capital campaign	-	-	-	-	-	-	-	64,850	-	64,850	64,850	-		
Bad debt expense	-	-	-	-	13,390	-	13,390	-	-	-	13,390	1,306		
Interest expense	3,663	2,794	5,152	11,609	3,691	797	16,097	-	-	-	16,097	63,192		
NMTC compliance fees	4,008	3,057	5,637	12,702	(3,433)	872	10,141	-	-	-	10,141	69,144		
Total expenses - 2017	\$ 1,391,852	\$ 307,349	\$ 1,411,455	\$ 3,110,656	\$ 417,172	\$ 408,525	\$ 3,936,353	\$ 82,527	\$ -	\$ 82,527	\$ 4,018,880			
Total expenses - 2016	\$ 1,403,305	\$ 358,263	\$ 1,303,115	\$ 3,064,683	\$ 424,556	\$ 359,577	\$ 3,848,816	\$ 20,782	\$ -	\$ 20,782		\$ 3,869,598		

See independent auditor's report.

PART OF THE SOLUTION AND AFFILIATE
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

	POTS	PBFF	Eliminations	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES					
CHANGE IN NET ASSETS	\$ 8,480,556	\$ (5,178,693)	\$ -	\$ 3,301,863	\$ 982,952
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities					
Unrealized (gain) loss on investment	-	(62,477)	-	(62,477)	(27,000)
Realized (gain) loss on investments, net	17	(50,445)	-	(50,428)	5,688
Donated marketable securities	(88,864)	-	-	(88,864)	(158,813)
Allowance for bad debt - capital campaign	-	64,850	-	64,850	-
Bad debt expense	13,390	-	-	13,390	1,306
Depreciation and amortization	232,895	-	-	232,895	268,653
Inherent contribution - NMTC	(8,282,009)	6,319,294	-	(1,962,715)	-
Changes in operating assets and liabilities:					
Contributions and grants receivable	(9,710)	(233,060)	-	(242,770)	(1,184,390)
Prepaid expenses and other assets	14,204	5,266	-	19,470	42,992
Due from POTS	-	(145,827)	145,827	-	-
Due from PBFF	91,649	-	(91,649)	-	-
Accounts payable and accrued expenses	(23,726)	13,980	-	(9,746)	4,754
Due to POTS	-	(91,649)	91,649	-	-
Due to PBFF	145,827	-	(145,827)	-	-
Deferred revenue	9,338	-	-	9,338	(16,440)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	583,567	641,239	-	1,224,806	(80,298)
CASH FLOWS FROM INVESTING ACTIVITIES					
Exercise of put option	-	(1,000)	-	(1,000)	-
Purchase of property and equipment	(24,472)	-	-	(24,472)	(24,464)
Purchase of construction in progress	(294,805)	-	-	(294,805)	-
Purchase of investments	-	(1,810,444)	-	(1,810,444)	(301,424)
Proceeds from sale of investments	93,838	1,641,606	-	1,735,444	388,605
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(225,439)	(169,838)	-	(395,277)	62,717
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	358,128	471,401	-	829,529	(17,581)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,777,963	246,403	-	3,024,366	3,041,947
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,136,091	\$ 717,804	\$ -	\$ 3,853,895	\$ 3,024,366
Supplemental Disclosures of Cash Flow Information:					
Cash paid during the year for:					
Interest	\$ 16,097	\$ -		\$ 16,097	\$ 63,192
Income taxes	\$ -	\$ -		\$ -	\$ -
Cash and Cash Equivalents Consist of:					
Cash and cash equivalents	\$ 3,136,091	\$ 717,804		\$ 3,853,895	\$ 2,988,847
Cash and cash equivalents - restricted	\$ -	\$ -		-	35,519
Total				<u>\$ 3,853,895</u>	<u>\$ 3,024,366</u>

See independent auditor's report.