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THE PUERTO RICAN ORGANIZATION TO MOTIVATE, ENLIGHTEN AND SERVE ADDICTS, INC.
(PROMESA)

Financial Statements

December 31, 2014 and 2013

With Independent Auditors' Reports

The Puerto Rican Organization to Motivate, Enlighten and Serve Addicts, Inc. (PROMESA)
Table of Contents
December 31, 2014 and 2013

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Independent Auditors' Report

To the Board of Directors,
The Puerto Rican Organization to Motivate, Enlighten and Serve Addicts, Inc. (PROMESA):

We have audited the accompanying financial statements of The Puerto Rican Organization to Motivate, Enlighten and Serve Addicts, Inc. (PROMESA), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PROMESA as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records use to prepare the financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2015 on our consideration of PROMESA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PROMESA's internal control over financial reporting and compliance.

Withum Smith + Brown, PC

August 17, 2015

The Puerto Rican Organization to Motivate, Enlighten and Serve Addicts, Inc. (PROMESA)
Statements of Financial Position
December 31, 2014 and 2013

	2014	2013
Assets		
Cash	$ 3,369,437	$ 4,245,066
Cash - residents	255,870	289,519
Due from government agencies, net of allowance of $997,338 and $861,220 for the years ended 2014 and 2013, respectively	4,588,686	4,618,062
Due from related and affiliated organizations, net of allowance of $1,070,687 and $839,753 for the years ended 2014 and 2013, respectively	5,556,139	4,463,199
Security deposits and other assets	105,320	220,876
Deferred charges - net	472,808	536,590
Property and equipment - net	17,532,547	16,396,206
	$ 31,880,807	$ 30,769,518
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 2,668,540	$ 3,596,210
Accrued vacation	1,028,518	956,212
Due to residents	255,870	289,519
Loans payable	178,949	200,574
Grant advances	1,592,359	2,096,014
Due to related and affiliated organizations	3,539,576	1,951,818
Loan payable - related party	1,188,000	1,188,000
Reserve for potential contingencies	3,942,932	3,995,415
Mortgage loans payable	4,105,953	4,895,505
Total liabilities	18,500,697	19,169,267
Net assets - unrestricted	13,380,110	11,600,251
	$ 31,880,807	$ 30,769,518

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

The Puerto Rican Organization to Motivate, Enlighten and Serve Addicts, Inc. (PROMESA)
Statements of Activities
Years Ended December 31, 2014 and 2013

	2014	2013
Revenues		
Government grants and contracts	$ 11,281,507	$ 13,359,446
Program service revenue	27,412,848	24,148,028
Rental income	1,594,651	1,198,710
Interest income	1,826	15,227
Other revenues	169,737	282,758
	40,460,569	39,004,169
Expenses		
Program services	35,870,903	31,336,635
Management and general	2,809,807	2,613,588
	38,680,710	33,950,223
Changes in net assets - unrestricted	1,779,859	5,053,946
Net assets - unrestricted - beginning of year	11,600,251	6,546,305
Net assets - unrestricted - end of year	$ 13,380,110	$ 11,600,251

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

The Puerto Rican Organization to Motivate, Enlighten and Serve Addicts, Inc.
(PROMESA)
Statements of Functional Expenses
Years Ended December 31, 2014 and 2013

	2014			2013		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries	$ 15,713,906	$ --	$ 15,713,906	$ 13,335,093	$ --	$ 13,335,093
Payroll taxes and employee benefits	5,277,653	--	5,277,653	4,460,617	--	4,460,617
	20,991,559	--	20,991,559	17,795,710	--	17,795,710
Professional fees and contract service payments	4,533,470	2,545,832	7,079,302	4,060,204	2,398,755	6,458,959
Supplies	362,944	47,162	410,106	531,793	69,102	600,895
Telephone	110,822	47,496	158,318	108,164	46,356	154,520
Rent	3,000,199	--	3,000,199	2,813,903	--	2,813,903
Travel and transportation	235,800	--	235,800	197,804	--	197,804
Food	1,450,150	--	1,450,150	1,161,693	--	1,161,693
Repairs and maintenance	453,538	--	453,538	485,885	--	485,885
Equipment	336,928	23,252	360,180	288,168	19,887	308,055
Utilities	1,029,335	65,704	1,095,039	693,753	44,283	738,036
Insurance	650,191	80,361	730,552	284,842	35,205	320,047
Interest	281,643	--	281,643	332,073	--	332,073
Medical supplies	192,308	--	192,308	230,387	--	230,387
Depreciation and amortization	878,799	--	878,799	660,351	--	660,351
Bad debt expense	434,811	--	434,811	651,123	--	651,123
Miscellaneous	928,406	--	928,406	1,040,782	--	1,040,782
	$ 35,870,903	$ 2,809,807	$ 38,680,710	$ 31,336,635	$ 2,613,588	$ 33,950,223

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

The Puerto Rican Organization to Motivate, Enlighten and Serve Addicts, Inc. (PROMESA)
Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Changes in net assets - unrestricted	$ 1,779,859	$ 5,053,946
Adjustments to reconcile changes in net assets - unrestricted to net cash (used) provided by operating activities		
Revenue recognized from third party repayment of mortgage loans payable	(717,211)	(680,963)
Depreciation and amortization	878,799	660,351
Bad debt expense	434,811	651,123
Change in		
Due from government agencies	(405,435)	(1,732,622)
Due from related and affiliated organizations	(1,092,940)	(1,731,468)
Security deposits and other assets	115,556	32,000
Due from insurer	--	14,514
Accounts payable and accrued expenses	(927,670)	1,312,490
Accrued vacation	72,306	257,428
Grant advances	(503,655)	(198,860)
Change in reserve for potential contigencies	(52,483)	(354,112)
Net cash (used) provided by operating activities	(418,063)	3,283,827
Cash flows from investing activities		
Purchases of property and equipment	(1,951,358)	(5,143,741)
Change in due to related and affiliated organizations	1,587,758	91,433
Net cash used by investing activities	(363,600)	(5,052,308)
Cash flows from financing activities		
Repayment of loans payable	(21,625)	(383,547)
Repayment of mortgage loans payable	(72,341)	(68,250)
Net cash used by financing activities	(93,966)	(451,797)
Net change in cash	(875,629)	(2,220,278)
Cash		
Beginning of year	4,245,066	6,465,344
End of year	$ 3,369,437	$ 4,245,066

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

1. Summary of Significant Accounting Policies and Nature of Organization and Operations

Significant accounting policies followed by The Puerto Rican Organization to Motivate, Enlighten and Serve Addicts, Inc. ("PROMESA" or the "Organization") in the preparation of the accompanying financial statements are summarized below.

Organization and Operations

PROMESA was founded in 1977. PROMESA is a Bronx-based health, human service, and community development organization with a mission to enable New York City residents to become self-sufficient citizens who contribute to the quality of life of their communities. The Organization provides residential and ambulatory substance abuse treatment services, primary health care for the community, educational and vocational training, along with operating a Head Start program, transitional housing for youth, and a 24-hour drop-in center for homeless and/or runaway youth in the Bronx. PROMESA is supported primarily by service fees paid by New York City and New York State, and grants from various federal, New York City and New York State agencies.

Financial Statement Presentation

The accounting pronouncement related to not-for-profit organizations requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets are not externally restricted for identified purposes by donors or grantors. Temporarily restricted net assets are those whose use is temporarily limited by the donor. When a temporary donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restriction. At December 31, 2014 and 2013, the Organization had no temporarily or permanently restricted net assets.

Reclassifications

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

Revenue Recognition

Income from grants and contracts (up to the grant or contract ceiling) is recorded in the period when the Organization incurs expenditures in compliance with the specific terms and conditions of the grant or contract. The Organization's grant revenue consists primarily of cost reimbursement contracts obtained from federal, state, and local agencies.

In addition, these contracts are subject to audit by the awarding agencies. Each funding source, at its discretion, can request reimbursement for expenses, return of funds, or both, as a result of noncompliance by the Organization with the terms of the grants/contracts. Expenditures in excess of grant revenue are absorbed by the unrestricted net assets. Program service fee revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered and includes retroactive adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Rental income is recorded in the month in which it is earned.

The Organization has agreements with Medicare, Medicaid, and other third-party contractual arrangements that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include predetermined fee schedules and discounted charges. Service fees are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payers, which are subject to audit by administrating agencies. These adjustments are accrued on an estimated basis and are adjusted in future periods as final settlements are determined. The Organization provides care to certain patients under Medicaid and Medicare payment arrangements. Laws and regulations governing the Medicaid and Medicare programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action. Self-pay revenue is recorded at published charges with charity care deducted to arrive at gross self-pay revenue. Contractual allowances are then deducted to arrive at net self-pay revenue.

The Organization recognizes patient service revenues associated with services provided to patients who have third-party coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates if negotiated or provided by policy. On the basis of historical experience, a significant portion of the Organization's uninsured patients will be unable to pay for the services provided. Thus, the Organization records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Due from Government Agencies

Amounts due from government agencies are stated as unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on amounts due using the allowance method. The allowance method is based on experience, contractual terms, and other circumstances, which may affect the ability of the agencies to meet their obligations. Amounts due from government agencies are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization’s policy to charge off uncollectible amounts when management determines they will not be collected.

Allowance for Doubtful Accounts

In addition to the allowance on amounts due from government agencies, the carrying amount of amounts due from affiliates is reduced by a valuation allowance that reflects management’s best estimate of the amounts that may not be collected. Management individually reviews all balances due from affiliates and based upon an assessment of current creditworthiness, estimates the portion, if any, of the balance that may not be collected. Additionally, management estimates, based on historical performance, a general allowance against the aggregate remaining amount due from affiliates.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Description	Estimated Life (Years)
Building and building improvements	5 – 39
Furniture and equipment	3 – 20
Vehicles	5

Property and equipment acquired with funds received from federal, state, and local funding sources are considered to be owned by the Organization. The funding agency maintains a reversionary interest in those assets purchased with its funds, and in the determination of the use of the asset or any proceeds from the sale of those assets.

Expenditures for maintenance and repairs are charged to activities as incurred. Expenditures for betterments and major renewals are capitalized and, therefore, are included in property and equipment.

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

Indirect Cost Allocation
The Organization allocates indirect costs to the programs based on a cost allocation methodology. This method of allocation better determines the cost of grants, contracts and other agreements administered by the Organization.

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

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Organization believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrong doing. Action for noncompliance may include repayment of amounts improperly reimbursed, fines, penalties, and exclusion from the Medicare and Medicaid programs.

Reserve for Potential Contingencies
The Organization has recorded an estimated amount as a reserve for potential adjustments that may result from settlements based on potential Medicaid claims audits.

Deferred Charges
Deferred charges consist of mortgage financing costs. The costs are being amortized using the effective interest method over the life of the mortgage. The amortization period ranges between ten and nineteen years.

Concentration of Labor
During 2014 and 2013, approximately 65% and 69%, respectively, of the Organization's employees were covered under a collective bargaining agreement which expired on June 30, 2015. The current terms of the agreement are still in effect while the new agreement is being negotiated.

Income Taxes
The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and New York taxation codes. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

The Organization follows generally accepted accounting principles related to uncertain tax positions which require tax effects from an uncertain tax position to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. If an uncertain tax position meets the more-likely-than-not threshold, the largest amount of tax benefit that is greater than 50 percent likely to be recognized upon ultimate settlement with the taxing authority is recorded. The Organization's primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classification of activities related to its exempt purpose. Management has evaluated the tax positions reflected in the Organization's tax filings and does not believe that any material uncertain tax positions exist.

The Organization files forms 990 in the U.S. federal jurisdiction and CHAR 500 in the State of New York. The Organization did not recognize any tax related penalties or interest for the years ended December 31, 2014 and 2013.

Concentration of Credit Risk

Financial instruments that potentially expose the Organization to concentration of credit risk consist primarily of cash and receivables due from government agencies. The Organization places its cash in high quality financial institutions and at times during the years, the amount on deposit may exceed the amounts insured by the Federal Deposit Insurance Corporation. Management does not believe any significant credit risk exists at December 31, 2014. The Organization does not believe any credit risk exists with respect to receivables from government agencies and in addition has provided an allowance for potentially uncollectible amounts.

Retirement Plans

The Organization has a contributory thrift and savings plan for salaried employees meeting certain service requirements which qualifies under Section 401(k) of the Internal Revenue Service Code. Contributions into the plan, which are discretionary, are made based on specified eligibility requirements. For the years ended December 31, 2014 and 2013, the total retirement plan expense amounted to $553,885 and $464,604, respectively.

2. Deferred Charges

Deferred charges consist of the following at December 31:

	2014	2013
Financing costs	$ 866,781	$ 866,781
Less: Accumulated amortization	(393,973)	(330,191)
Deferred charges, net	$ 472,808	$ 536,590

Amortization expense amounted to $63,782 and $63,783 for the years ended December 31, 2014 and 2013, respectively.

Aggregate future amortization expense for the next five years relating to the above deferred finance charges are estimated to be as follows:

Year	Amount
2015	$ 62,378
2016	22,847
2017	22,847
2018	22,847
2019	22,850
Thereafter	319,039
	$ 472,808

3. Property and Equipment

Property and equipment consists of the following at December 31:

	2014	2013
Land	$ 12,750	$ 12,750
Buildings	7,700,596	7,700,596
Building improvements	8,030,328	7,689,256
Furniture and equipment	3,276,285	3,015,475
Vehicles	140,180	131,280
Construction in progress	7,088,146	5,747,570
Software	188,000	188,000
	26,436,285	24,484,927
Less: Accumulated depreciation	(8,903,738)	(8,088,721)
Property and equipment - net	$ 17,532,547	$ 16,396,206

Depreciation expense amounted to $815,017 and $596,567 in 2014 and 2013, respectively.

4. Related Party and Affiliated Transactions

PROMESA is a member of Acacia Network, Inc. (“Acacia”). Acacia includes: Promesa Housing Development Fund Corporation, Inc. (“PHDFC”), Promesa Residential Health Care Facility, Inc. (“Casa”), Promesa Administrative Services Organization, Inc. ("PASO"), Promesa Enterprises, Inc. (“Enterprises”), Promesa Foundation, Inc., Corporation for Youth Energy, The Julio Martinez Memorial Fund, Acacia Network Housing, Inc. (“Acacia Housing”), General Development and Orientation Council, Inc. “(GDOC”), East Harlem Council for Community Improvement, Inc.(“EHCCI”), Capital District Latinos, Inc., La Rama, Inc,. Hispanos Unidos De Buffalo, Inc., Buffalo Hispanic Management Company, Inc., Loisaida, Inc., 1068 Franklin Avenue Housing Development Fund Corporation (“1068 Franklin Ave HDFC”), and Community Association of Progressive Dominicans (“ACDP”). In addition, employees of the Organization participate in the pension plan of Promesa, Inc. The members of Acacia share common management. The Organization is also related to Bronx Addiction Integrated Concepts Systems, Inc. ("BASICS"), United Bronx Parents, Inc., La Casa De Salud, Inc., La Casita II Housing Development Fund Corporation, The Dormitory Project Housing Development Fund Corporation, The Bronx Council for Economic Development Corporation, Inc., Maria Isabel Housing Development Fund Company, Inc., and South Bronx Community Management Company, Inc., with which it shares common management.

PASO acts as a common paymaster. In addition, certain administrative payroll and benefits are allocated to PROMESA. For the years ended December 31, 2014 and 2013, allocated costs amounted to $2,750,548 and $2,490,134, respectively. Included in accounts payable and accrued expenses at December 31, 2013 is $277,666 due to PASO for the Organization’s share of estimated unpaid health claims under a self-funded health, dental, vision, and prescription medical plan for all affiliates of Acacia Network and their dependents. In addition, PROMESA had amounts due to PASO of $1,314,188 and $40,680 at December 31, 2014 and 2013, respectively.

In December 2011, Acacia entered into a settlement agreement with the New York State Workers’ Compensation Board pertaining to Acacia’s former membership in the New York Healthcare Facilities Trust (the “Trust”). The Trust had a deficit at the time of its dissolution in 2006. All members of the Trust were responsible for repaying their share of the deficit. Acacia’s share was calculated to be approximately $1,055,000. Since PASO serves as the common paymaster for all related party entities, the liability was recorded by PASO and offsetting receivables were recorded from the Organization. For the year ended December 31, 2014 and 2013, allocated costs to the Organization amounted to $8,472 and $11,583, respectively.

Included in due from related and affiliated organizations is $1,070,687 and $839,753 due from Acacia at December 31, 2014 and 2013, respectively, for allocated costs and advances.

Included in due to related and affiliated organizations is $2,130,934 and $1,773,123 due to CASA at December 31 2014 and 2013, respectively. These charges represent salaries, related costs, interest charged, and money held on behalf of CASA. Interest charged by CASA was $36,000 for each of the years ended December 31, 2014 and 2013. Rent charged by CASA amounted to $108,996 for each of the years ended December 31, 2014 and 2013.

Included in due from related and affiliated organizations is $4,833,353 and $3,397,154 at December 31, 2014 and 2013, respectively, which represents salaries allocated to and net advances to PHDFC, offset by rent charges from PHDFC. Salaries paid by the Organization on behalf of PHDFC were $1,265,279 and $1,176,998 for the years ended December 31, 2014 and 2013, respectively. Rent charged by PHDFC amounted to $96,231 and $71,105 for the years ended December 31, 2014 and 2013, respectively. In addition, there was $6,096 included in accounts payable for charges due to PHDFC at December 31, 2014.

Included in due from related and affiliated organizations is $343,689 and $350,968 due from Foundation at December 31, 2014 and 2013, respectively. These intercompany balances relate to salaries and security services paid by PROMESA on behalf of Foundation. Salaries paid by the Organization on behalf of Foundation were $43,096 for the year ended December 31, 2014. The Organization also leases property from Foundation. Rent charges were $320,330 and $265,933 for the years ended December 31, 2014 and 2013, respectively. In addition, there was $4,085 included in accounts payable for charges due to Foundation at December 31, 2014.

Included in due from related and affiliated organizations is $435 and $422,370 at December 31, 2014 and 2013, respectively, which represents rent charges by 1068 HDFC. Rent charged by 1068 HDFC amounted to $504,167 for each of the years ended December 31, 2014 and 2013.

Included in due from related and affiliated organizations is $14,508 and $13,973 due from Enterprises at December 31, 2014 and 2013, respectively, for allocated costs.

Included in due from related and affiliated organizations is $2,883 and $12,478 due from United Bronx Parents at December 31, 2014 and 2013, respectively, for salaries and other allocated costs. Salaries paid by the Organization on behalf of United Bronx Parents were $126,505 and $59,269 for the years ended December 31, 2014 and 2013, respectively. The Organization also leases property from United Bronx Parents. Rent charges were $304,800 for the year ended December 31, 2014. In addition, there was $930 included in accounts payable for charges due to United Bronx Parents at December 31, 2014.

Included in due from related and affiliated organizations is $27,081 and $21,880 due from Loisaida, Inc. at December 31, 2014 and 2013, respectively, for salaries and allocated costs. Salaries paid by the Organization on behalf of Loisaida, Inc. were $4,392 and $2,940 for the years ended December 31, 2014 and 2013, respectively.

Included in due (to) from related and affiliated organizations is ($10,438) and $75,959 due to ACDP at December 31, 2014 and 2013, respectively, for advances.

Included in due from related and affiliated organizations is $215,370 due to Acacia Housing at December 31, 2014 for salaries and advances. Salaries paid by the Organization on behalf of Acacia Housing were $25,893 and $26,316 for the years ended December 31, 2014 and 2013, respectively. In addition, there was $12,572 included in accounts payable for charges due to Acacia Housing at December 31, 2014.

Included in due from related and affiliated organizations is $44,855 and $168,417 due from La Casa de Salud at December 31, 2014 and 2013, respectively, for salaries and allocated costs. Salaries paid by the Organization on behalf of La Casa de Salud were $137,768 and $124,992 for the years ended December 31, 2014 and 2013, respectively. In addition, there was $11,047 included in accounts payable for charges due to La Casa de Salud at December 31, 2014.

Included in due to related and affiliated organizations is $84,016 and $91,989 due to EHCCI at December 31, 2014 and 2013, respectively, which represents advances for purchases of furniture, salaries and related costs.

Included in due from (to) related and affiliated organizations is $73,965 and ($46,026) due from BASICS at December 31, 2014 and 2013, respectively, which represents salaries and related costs. Salaries paid by the Organization on behalf of BASICS were $121,753 and $70,379 for the years ended December 31, 2014 and 2013, respectively. In addition, there was $87,331 included in accounts payable for charges due to BASICS at December 31, 2014.

For the years ended December 31, 2014 and 2013, there is an allowance of $1,070,687 and 839,753, respectively, against balances due from affiliates.

At December 31, due from (to) related and affiliated organizations consists of the following:

	2014	2013
Acacia	$ 1,070,687	$ 839,753
PHDFC	4,833,353	3,397,154
Foundation	343,689	350,968
Acacia Housing	215,370	--
1068 HDFC	435	422,370
Enterprise	14,508	13,973
Loisaida, Inc.	27,081	21,880
ACDP	--	75,959
BASICS	73,965	--
La Casa de Salud	44,855	168,417
United Bronx Parents	2,883	12,478
	6,626,826	5,302,952
Less: Allowance for doubtful accounts	(1,070,687)	(839,753)
Total due from related and affiliated organizations	$ 5,556,139	$ 4,463,199
PASO	$ (1,314,188)	$ (40,680)
EHCCI	(84,016)	(91,989)
BASICS	--	(46,026)
ACDP	(10,438)	--
CASA	(2,130,934)	(1,773,123)
Total due to related and affiliated organizations	$ (3,539,576)	$ (1,951,818)

The Organization obtained a five-year loan during 2004, which converted to an on demand loan at maturity, from CASA in the principal amount of $900,000. Interest is charged at 4 percent with repayments to be made at unspecified intervals. In addition, during 2006 the Organization added a ten-year non-interest bearing loan in the principal amount of $288,000 from CASA. Both loans are included in the financial statements as loan payable - related party. Unpaid interest on these loans is included in the balance due to CASA.

The aggregate minimum annual rental commitment, under all non-cancelable leases with related parties with terms of one year or more for the periods set forth below are as follows:

Year	Amount
2015	$ 1,354,156
2016	1,203,580
2017	1,053,055
2018	872,529
2019	828,680
Thereafter	6,370,550
	$ 11,682,550

5. Mortgage Loans Payable

Mortgage loans payable at December 31, consist of the following:

	2014	2013
Dormitory Authority of the State of New York ("DASNY"), interest at 5.47 percent, payable in semiannual installments, due August 2019 (A)	$ 687,500	$ 807,500
DASNY, interest at 5.61 percent, payable in semiannual installments, due August 2015 (A)	487,328	963,056
DASNY, interest at 4.76 percent, payable in annual installments, due February 2028 (A)	2,482,393	2,603,876
Banco Popular, interest at 5.87 percent, payable in monthly installments, maturing in February 2020 (B)	448,732	521,073
Total mortgage loans payable	$ 4,105,953	$ 4,895,505

(A) Installments are paid directly by New York State Office of Alcoholism and Substance Abuse Services ("OASAS"). PROMESA records revenue equal to the amount of debt service. The loan is collateralized by certain assets of the Organization. OASAS will have a lien on the Detox center for a period of 20 years commencing with the first date services are provided. During the 20 year period, PROMESA has to maintain compliance with several contractual requirements. If the Organization fails to comply with any of the contractual requirements during the 20 year period, the Organization must pay back OASAS all the money advanced less a credit of 5 percent for each year in which the Organization was in compliance.

(B) The loan calls for a fifteen year repayment term with equal monthly installment payments and an interest rate fixed at a rate per annum equal to the effective yield rate for United States Treasury Notes with a maturity of five years, as published in *The Wall Street Journal* on the day which is three business days prior to the closing (January 5, 2005), plus 225 basis points (5.87 percent as of January 2, 2005). Thereafter, the interest rate will be adjusted on the 5th and 10th anniversary dates of the loan to be fixed for the subsequent five year periods. In no event shall the interest rate for the loan ever be less than 5.75 percent. Subsequent to year end, the interest rate was adjusted to 5.75 percent. The loan is collateralized by certain assets of the Organization.

The future maturities of the mortgage loans payable are as follows:

Year	Amount
2015	$ 823,044
2016	359,711
2017	376,569
2018	393,722
2019	357,407
Thereafter	1,795,500
	$ 4,105,953

6. Loans Payable

During 2011, the Organization secured various loans in relation to the purchase of several vehicles. These loans are for a term of five years with varying maturity dates through 2015 and interest between 6.49 percent to 8.39 percent. The loans are collateralized by the vehicles. In addition, during 2011 the Organization entered into a loan agreement with a maximum borrowing capacity of $1,500,000 with interest at 3.25 percent in excess of the One Month LIBOR. Monthly interest-only payments are required until the maturity date, September 30, 2015, at which time all unpaid principal and interest is due.

At December 31, 2014 and 2013, the total outstanding on these loans was $178,949 and $200,574, respectively.

The future maturities of the loans payable are as follows:

Year	Amount
2015	$ 178,949

7. Due to Residents

PROMESA acts as a fiscal agent for the residents' funds. PROMESA controls these funds during the clients' period of residency. Upon departure from the facility, the money is either returned to the client or to the appropriate government agency. The cash held for this purpose is considered restricted. At December 31, 2014 and 2013, the amount due to residents is $255,870 and $289,519, respectively.

8. Commitments and Contingency

PROMESA has entered into leases for office space and equipment expiring at various dates through 2018 with unrelated third party lessors. Certain of the office leases provide for rental payments to increase annually based on the increase in the Consumer Price Index.

Total rent expense including related party transactions for the years ended December 31, 2014 and 2013 amounted to $3,000,199 and $2,813,903, respectively.

The aggregate minimum annual rental commitment, under all non-cancelable leases with unrelated third party lessors with terms of one year or more for the periods set forth below are as follows:

Year	Amount
2015	$ 500,887
2016	219,924
2017	178,833
2018	71,160
	$ 970,804

9. Concentrations

PROMESA receives funding for residents and clients from various third-party payers, e.g., government-funded contracts, Medicaid, Supplemental Security Income ("SSI"), Home Relief, etc. PROMESA does not require these residents and clients to remit deposits upon admission to its programs. Included in due from government agencies are the following:

	2014	2013
New York State	$ 3,570,664	$ 3,636,372
New York City	$ 165,435	$ 75,797

The majority of services are paid by New York State. Thus, PROMESA is highly dependent on New York State reimbursement systems. The following represents those funding sources and amounts which represent 57 and 60 percent for 2014 and 2013, respectively of PROMESA's total revenues:

	2014	2013
OASAS	$ 2,985,032	$ 5,735,525
Department of Health	$ 19,093,326	$ 16,540,544
Human Resources Administration	$ 907,274	$ 958,232

10. Supplemental Disclosure of Cash Flow Information

	2014	2013
Cash paid for interest	$ 71,776	$ 85,929
Change in cash – residents	$ (33,649)	$ 181,358

11. Subsequent Events

The Organization has evaluated subsequent events occurring after the statement of financial position date, through the date of August 17, 2015 the date the financial statements were available for release. Based upon this evaluation, the Organization has determined that no subsequent events have occurred, which require disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

The Puerto Rican Organization to Motivate, Enlighten and Serve Addicts, Inc. (PROMESA)
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

	CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services			
Outpatient Early Intervention Services with Respect to HIV Diseases	93.918	H76HA00746	$ 446,946
U.S. Dept. of Health & Human Services - Substance Abuse & Mental Health Services Administration			
Ryan White HIV/AIDS Treatment	93.914	11-TCC-835	191,287
Pass-through from New York City Human Resources Administration			
Temporary Assistance for Needy Families	93.558	14BV48PINC	28,572
Temporary Assistance for Needy Families	93.558	20111428422	8,684
U.S. Dept. of Health & Human Services - Administration for Children and Families			
Pass-through from New York City Agency for Child Development - Head Start	93.600	20131407173	1,423,094
Total U.S. Department of Health and Human Services			2,098,583
U.S. Department of Housing and Urban Development			
Housing Opportunities for Persons with AIDS	14.241	14B-SPH-011	388,965
Pass-through from New York City Human Resources Administration			
Housing Opportunities for Persons with AIDS	14.241	20111428422	212,295
U.S. Department of Housing and Urban Development			
Pass-through from New York State Office of Alcoholism and Substance Abuse Services - Shelter Plus Care	14.238	C003899	628,478
Total U.S. Department of Housing and Urban Development			1,229,738
U.S. Department of Agriculture			
Child and Adult Care Food Program			
Pass-through from New York State Department of Health	10.558	4023	135,195
			$ 3,463,516

See Independent Auditors’ Report.
See accompanying Note to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Puerto Rican Organization to Motivate, Enlighten and Serve Addicts, Inc. (PROMESA) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors,
The Puerto Rican Organization to Motivate, Enlighten
and Serve Addicts, Inc. (PROMESA):

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of PROMESA, which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated August 17, 2015.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered PROMESA's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PROMESA's internal control. Accordingly, we do not express an opinion on the effectiveness of PROMESA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether PROMESA 's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Withum Smith+Brown, PC

August 17, 2015

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Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance as Required by OMB Circular A-133

To the Board of Directors,
The Puerto Rican Organization to Motivate, Enlighten
and Serve Addicts, Inc. (PROMESA):

Report on Compliance for Each Major Federal Program
We have audited PROMESA's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of PROMESA's major federal programs for the year ended December 31, 2014. PROMESA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of PROMESA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about PROMESA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of PROMESA's compliance.

Opinion on Each Major Federal Program
In our opinion, PROMESA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance
Management of PROMESA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered PROMESA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of PROMESA's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Withum Smith+Brown, PC

August 17, 2015

The Puerto Rican Organization to Motivate, Enlighten and Serve Addicts, Inc. (PROMESA)
Schedule of Findings and Questioned Costs
Year Ended December 31, 2014

Section 1 – Summary of Auditors' Results

Financial Statements	
Type of auditors' report issued:	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	None noted
Significant deficiencies identified that are not considered to be material weaknesses?	None noted
Non-compliance material to financial statements?	No
Federal Awards	
Internal control over major programs	
Material weaknesses identified?	None noted
Significant deficiencies identified that are not considered to be material weaknesses?	None noted
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(c) of Circular A-133?	None noted

Identification of major program:

CFDA Number	Name of Federal Programs
93.600	Head Start
14.241	Housing Opportunities for Persons with AIDS

Dollar threshold used to distinguish between type A and type B programs:	$300,000
Auditee qualified as low-risk auditee?	Yes

Section 2 – Financial Statement Findings

None noted.

Section 3 - Major Federal Awards Findings and Questioned Costs

None noted.

The Puerto Rican Organization to Motivate, Enlighten and Serve Addicts, Inc. (PROMESA)
Schedule of Prior Years Audit Findings and Questioned Costs
Year Ended December 31, 2014

None noted.