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

Financial Statements

December 31, 2019 and 2018

With Independent Auditor's Reports

withum

ADVISORY TAX AUDIT

The Puerto Rican Organization to Motivate, Enlighten and Serve Addicts, Inc. (PROMESA)
December 31, 2019 and 2018

withum

ADVISORY TAX AUDIT

INDEPENDENT AUDITOR'S 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, 2019 and 2018, 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.

Auditor's 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 auditor's 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, 2019 and 2018, 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.

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Emphasis of Matters

As discussed in Note 1 in the notes to financial statements, during the year ended December 31, 2019, PROMESA adopted new accounting guidance in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958) and FASB ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). Our opinion is not modified with respect to these matters.

As disclosed in Note 9 of the financial statements, management is currently evaluating the recent introduction of the COVID-19 virus to the United States and its impact on PROMESA and has concluded that while it is reasonably possible that the virus could have a negative effect on PROMESA's financial condition and results of operations, the specific impact is not readily determinable as of the date of these financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Other Information
Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and is not a required part of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020 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 solely 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 the effectiveness of PROMESA's 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.

WithumSmith+Brown, PC

December 18, 2020

The Puerto Rican Organization to Motivate, Enlighten and Serve Addicts, Inc. (PROMESA)
Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Cash	$ 12,660,888	$ 10,628,396
Cash - residents	271,706	236,183
Due from government agencies, net	7,562,150	8,077,963
Due from related and affiliated organizations, net of allowance of approx $2.6 million and $1.5 million for the years ended 2019 and 2018, respectively	27,861,928	19,153,558
Loan receivable - related party	1,036,791	936,898
Security deposits and other assets	267,263	200,603
Property and equipment - net	25,988,461	25,022,734
Total assets	$ 75,649,187	$ 64,256,335
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 6,019,328	$ 4,072,174
Accrued vacation	1,916,702	1,690,883
Due to residents	271,706	236,183
Grant advances	2,571,185	1,539,399
Due to related and affiliated organizations	3,276,245	3,216,109
Loan payable - related party	1,188,000	1,188,000
Reserve for potential contingencies	5,904,075	3,832,968
Mortgage loans payable, net	8,303,907	9,055,497
Total liabilities	29,451,148	24,831,213
Net assets without donor restrictions	46,198,039	39,425,122
Total liabilities and net assets	$ 75,649,187	$ 64,256,335

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, 2019 and 2018

	2019	2018
Revenues		
Government grants and contracts	$ 13,151,407	$ 13,694,403
Program service revenue	55,366,976	59,340,637
Rental income	2,548,152	2,495,949
Interest income	63,940	53,546
Other revenues	2,730,796	1,070,968
	73,861,271	76,655,503
Expenses		
Program services	63,196,011	58,481,097
Management and general	3,892,343	3,718,884
	67,088,354	62,199,981
Changes in net assets without donor restrictions	6,772,917	14,455,522
Net assets without donor restrictions		
Beginning of year	39,425,122	24,969,600
End of year	$ 46,198,039	$ 39,425,122

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, 2019 and 2018

	2019			2018		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries	$ 29,474,257	$ -	$ 29,474,257	$ 29,429,196	$ -	$ 29,429,196
Payroll taxes and employee benefits	10,507,100	-	10,507,100	10,169,025	-	10,169,025
	39,981,357	-	39,981,357	39,598,221	-	39,598,221
Professional fees and contract service payments	8,058,491	3,630,228	11,688,719	6,390,949	3,402,595	9,793,544
Supplies	374,167	48,620	422,787	493,884	64,176	558,060
Telephone	61,341	26,289	87,630	143,526	61,512	205,038
Rent	3,908,930	-	3,908,930	3,890,996	-	3,890,996
Travel and transportation	254,138	-	254,138	276,035	-	276,035
Food	1,599,729	-	1,599,729	1,372,804	-	1,372,804
Repairs and maintenance	612,610	-	612,610	410,228	-	410,228
Equipment	474,153	32,722	506,875	403,678	27,859	431,537
Utilities	1,032,441	65,902	1,098,343	1,048,297	66,914	1,115,211
Insurance	716,702	88,582	805,284	775,323	95,828	871,151
Interest	693,829	-	693,829	572,869	-	572,869
Medical supplies	1,124,816	-	1,124,816	836,492	-	836,492
Depreciation	1,313,930	-	1,313,930	1,291,071	-	1,291,071
Bad debt expense	1,204,264	-	1,204,264	-	-	-
Miscellaneous	1,785,113	-	1,785,113	976,724	-	976,724
	$ 63,196,011	$ 3,892,343	$ 67,088,354	$ 58,481,097	$ 3,718,884	$ 62,199,981

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, 2019 and 2018

	2019	2018
Operating activities		
Changes in net assets without donor restrictions	$ 6,772,917	$ 14,455,522
Adjustments to reconcile changes in net assets without donor restrictions to net cash provided by operating activities		
Revenue recognized from third party repayment of mortgage loans payable	(707,948)	(725,504)
Depreciation and amortization	1,313,930	1,291,071
Interest expense	53,112	29,449
Bad debt expense	1,204,264	-
Change in		
Due to residents	35,523	17,303
Due from government agencies	(688,451)	(1,153,081)
Due from related and affiliated organizations	(8,708,370)	(6,613,109)
Security deposits and other assets	(66,660)	(46,245)
Accounts payable and accrued expenses	1,947,154	(287,111)
Accrued vacation	225,819	97,845
Grant advances	1,031,786	243,034
Change in reserve for potential contingencies	2,071,107	(519,539)
Net cash provided by operating activities	4,484,183	6,789,635
Investing activities		
Purchases of property and equipment	(2,279,657)	(643,504)
Financing activities		
Payment of loans receivable - related party	(99,893)	(31,002)
Change in due to related and affiliated organizations	60,136	(358,616)
Repayment of mortgage loans payable	(96,754)	(91,288)
Net cash used in financing activities	(136,511)	(480,906)
Net change in cash and restricted cash	2,068,015	5,665,225
Cash and restricted cash		
Beginning of year	10,864,579	5,199,354
End of year	$ 12,932,594	$ 10,864,579
Reconciliation of cash and restricted cash to the statements of financial position		
Cash	$ 12,660,888	$ 10,628,396
Cash - residents	271,706	236,183
	$ 12,932,594	$ 10,864,579
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 40,052	$ 45,558
Deferred finance charges paid via mortgage loan payable	$ 180,919	$ -

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions in accordance with the accounting pronouncement related to net assets. At December 31, 2019 and 2018, the Organization had no net assets with donor restrictions.

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 net assets without donor restrictions. Payments received in excess of revenue recognized are shown as grant advances in the statements of financial position. 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.

Program Service Revenue

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include predetermined fee schedules and discounted charges. The Organization recognizes service fee revenue associated with services provided to patients who have third-party coverage on the basis of contractual rates for the services rendered. For uninsured patients, the Organization recognizes service fee 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 in full for the services provided. Thus, the Organization records adjustments to revenue for implicit price concessions related to uninsured patients in the period the services are provided.

Generally, patients who are covered by third party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients, and offers those uninsured or underinsured patients financial assistance, by either policy or law, from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charges by any explicit price concession, financial assistance, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustment to service fee revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

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.

The following table disaggregates the Organization's revenue based on the timing of satisfaction of performance obligations at a point in time or over time for the year ended December 31, 2019:

Performance obligations satisfied at a point in time	$ 58,097,772
Performance obligations satisfied over time	-
	$ 58,097,772

Receivables and deferred revenues from contracts with customers for the years ended December 31, were as follows:

	Accounts Receivable		Deferred Revenue	
	2019	2018	2019	2018
Beginning of year	$ 8,077,963	$ 6,924,882	$ -	$ -
End of year	$ 7,562,150	$ 8,077,963	$ -	$ -

Due from Government Agencies

Due from government agencies is made up of grants receivable from government agencies and program service receivables.

Grants Receivable from Government Agencies

Grants receivable 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.

Program Service Receivables

The collection of receivables from third-party payors and patients is the Organization's primary source of cash for operations and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts (deductibles and copayments) remain outstanding. Program service receivables from third-party payors are carried at a net amount determined by the original charge for the service provided, less an estimate made for explicit price concessions provided to third-party payors. Receivables due directly from patients are carried at the original charge for the service provided less discounts provided under the Organization's charity care policy, less amounts covered by third-party payors and less an implicit price concession taking into consideration patient's ability to pay based on historical experience.

Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowances based on implicit price concessions and subsequently each patient's ability to pay. For program services receivable associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and adjusts for explicit price concessions based on contracts with the third-party payors. For receivables associated with self-pay patients, including patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Organization adjusts for implicit price concessions in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates or the discounted rates, if negotiated, and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against patient services revenue.

Allowance for Doubtful Accounts

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
Software	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.

Valuation of Long-Lived Assets
The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the periods presented in these financial statements.

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 based on either a direct costing method for charging expenses to each program or an allocation formula applied to certain costs that is consistent with the benefit derived by each program. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The costs for supplies, telephone, equipment, utilities and insurance are allocated based on full time equivalent usage.

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 or retroactive rate adjustments.

Concentration of Labor

During each of the years 2019 and 2018, approximately 65% of the Organization’s employees were covered under a collective bargaining agreement which expires in June 2020.

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 in the United States of America 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% 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, 2019 and 2018.

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, 2019 and 2018, the total retirement plan expense included in payroll taxes and employee benefits amounted to $1,211,174 and $1,102,783, respectively.

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, 2019. 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.

Accounting Pronouncements Adopted in the Current Year

Revenue Recognition - Exchange Transactions

The Financial Accounting Standards Board ("FASB") issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the ASC. ASC 606 supersedes the prior revenue recognition requirements (codified as ASC 605, *Revenue Recognition*). ASC 606 established a core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs - Contracts with Customers*, which requires the deferral of incremental costs of obtaining a contract with a customer. All references to the "new guidance" include ASC 606 and/or ASC 340-40.

The Organization adopted the requirements of the new guidance as of January 1, 2019, utilizing the modified retrospective method of transition. As a result, no adjustment to retained earnings as of January 1, 2019 was necessary. The Organization applied the new guidance using the practical expedient provided in ASC 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in no changes to the Organization's accounting policies for revenue recognition, accounts receivable, contract costs, contract liabilities and deferred costs.

Revenue Recognition - Contributions

Effective January 1, 2019, the Organization adopted ASU 2018-08 - *Not-for-profit Entities - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as issued by the FASB. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions and improved guidance to better distinguish between conditional and unconditional contributions. The Organization adopted this ASU on January 1, 2019 using the modified prospective approach. No effect on net assets was recognized as a result of the adoption of ASU 2018-08.

Restricted Cash

In 2019, the Organization adopted ASU 2016-18, *Restricted Cash,* as issued by the FASB using the full retrospective method of transition. ASU 2016-08 requires that a statement of cash flows explains the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash and restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The adoption of this ASU during 2019 changed investing cash flows and opening balance cash and cash - residents on the statements of cash flows for the years ended December 31, 2019 and 2018.

Recent Accounting Pronouncements Not Yet Adopted

Leases

In February 2016, the FASB issued ASU 2016-02 *Leases* (Topic 842), which requires the recognition of a "right of use" asset and a lease liability, initially measured at the present value of the lease payments, on the statement of financial position or all of the Organization's lease obligations. This ASU is effective for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the effect that this pronouncement will have on its financial statements and related disclosures.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	2019	2018
Financial assets		
Cash	$ 12,660,888	$ 10,628,396
Cash - residents	271,706	236,183
Due from government agencies - net	7,562,150	8,077,963
Due from related parties - net	27,861,928	19,153,558
Loan receivable - related party	1,036,791	936,898
Total financial assets	49,393,463	39,032,998
Less: Amounts not available to be used within one year		
Cash - residents	271,706	236,183
Loan receivable - related party	1,036,791	936,898
Total financial assets available within one year	$ 48,084,966	$ 37,859,917

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

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2019	2018
Land	$ 12,750	$ 12,750
Buildings	17,404,741	15,754,741
Building improvements	18,003,227	17,527,143
Furniture and equipment	4,519,954	4,493,751
Vehicles	162,180	162,180
Software	791,359	663,989
	40,894,211	38,614,554
Less: Accumulated depreciation	(14,905,750)	(13,591,820)
Property and equipment - net	$ 25,988,461	$ 25,022,734

Depreciation expense amounted to $1,313,930 and $1,291,071 in 2019 and 2018, respectively.

4. RELATED PARTY AND AFFILIATED TRANSACTIONS

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

	2019	2018
Acacia Network, Inc.	$ 2,626,026	$ 1,217,793
Promesa Housing Development Fund Corporation, Inc.	9,922,117	8,039,497
Promesa Foundation, Inc.	1,482,763	1,274,296
Promesa Administrative Services Organization, Inc.	9,966,919	7,894,343
Acacia Network Housing, Inc.	1,169,612	512,172
Promesa Enterprises, Inc.	17,930	20,917
Loisaida, Inc.	267,564	109,779
Community Association of Progressive Dominicans, Inc.	917,993	252,066
Bronx Addiction Services Integrated Concepts Systems, Inc.	1,115,080	478,222
La Casa de Salud, Inc.	145,162	40,732
Audubon Partnership for Economic Development Corporation	61,200	61,200
Institute for Puerto Rican/Hispanic Elderly, Inc.	212,237	55,016
Hunts Point Multi Service Center, Inc.	185,595	30,113
South Bronx Community Management Company, Inc.	19,598	40,000
Palacio Dorado Puerto Rico Housing	417,172	220,747
El Regreso, Inc.	212,743	118,286
Capital District Latinos, Inc.	154,246	121,666
United Bronx Parents, Inc.	209,814	43,777
Ilene R. Smith Limited Partnership	220	220
East Harlem Council for Community Improvement, Inc.	100,635	822
Greenhope Services for Women, Inc.	131,178	42,737
Structured Employment Economic Development Corporation	11,141	-
Casa Acacia, LLC	76,432	-
JCAP Queens Village	1,014,000	-
La Liga	50,053	50,000
	30,487,430	20,624,401
Less: Allowance for doubtful accounts	(2,625,502)	(1,470,843)
Total due from related and affiliated organizations	$ 27,861,928	$ 19,153,558

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

	2019	2018
Don Pancho Development Corporation	$ 8,257	$ -
Hispanos Unidos de Buffalo, Inc.	186,624	189,460
Promesa Residential Health Care Facility, Inc.	3,081,364	3,026,649
Total due to related and affiliated organizations	$ 3,276,245	$ 3,216,109

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

At December 31, amounts due to related organizations included in accounts payable consist of the following:

	2019	2018
SERA Security Services, LLC	$ 237,768	$ 171,440
Bronx Addiction Services Integrated Concepts Systems, Inc.	11,216	680
Community Association of Progressive Dominicans, Inc.	8,036	4,740
El Regreso, Inc.	7,704	-
Greenhope Services for Women, Inc.	2,546	-
Promesa Housing Development Fund Corporation, Inc.	163	163
Promesa Foundation, Inc.	2,917	-
La Casa de Salud, Inc.	60,398	39,104
La Marqueta Enterprises, LLC	15,818	39,149
South Bronx Community Management Company, Inc.	22,878	-
Loisaida, Inc.	32,463	-
United Bronx Parents, Inc.	75,609	30,000
Hispanos Unidos de Buffalo, Inc.	92,059	-
Promesa Residential Health Care Facility, Inc.	39,454	-
	$ 609,029	$ 285,276

At December 31, total salary paid by PROMESA on behalf of other organizations consists of the following:

	2019	2018
Promesa Housing Development Fund Corporation, Inc.	$ 2,292,885	$ 2,002,532
Bronx Addiction Services Integrated Concepts Systems, Inc.	175,063	139,187
Acacia Network Housing, Inc.	71,250	64,570
United Bronx Parents, Inc.	132,823	66,665
La Casa de Salud, Inc.	502,795	182,199
Promesa Foundation, Inc.	22,353	15,747
Community Association of Progressive Dominicans, Inc.	143,506	92,880
Promesa Administrative Services Organization, Inc.	57,665	52,231
Institute for Puerto Rican/Hispanic Elderly, Inc.	10,941	16,144
Greenhope Services for Women, Inc.	47,715	13,922
El Regreso, Inc.	113,478	104,882
East Harlem Council for Community Improvement, Inc.	63,484	48,881
Capital District Latinos, Inc.	81,531	9,419
Hispanos Unidos de Buffalo, Inc.	5,257	-
Structured Employment Economic Development Corporation	8,992	-
Loisaida, Inc.	-	2,019
Acacia Network, Inc.	-	1,470
	$ 3,729,738	$ 2,812,748

At December 31, total rent incurred by PROMESA to related organizations consists of the following:

	2019	2018
Promesa Housing Development Fund Corporation, Inc.	$ 105,306	$ 116,601
Promesa Residential Health Care Facility, Inc.	108,996	108,996
Promesa Foundation, Inc.	426,049	414,383
1068 Franklin HDFC	550,000	550,000
United Bronx Parents, Inc.	-	177,800
	$ 1,190,351	$ 1,367,780

Promesa Administrative Services Organization, Inc. acts as a common paymaster. In addition, certain administrative payroll and benefits are allocated to PROMESA. For the years ended December 31, 2019 and 2018, allocated costs amounted to $3,672,236 and $3,462,779, respectively.

The Organization paid Sera Security Services, LLC $2,937,949 and $2,163,502 for security services provided for the years ended December 31, 2019 and 2018, respectively.

The Organization obtained a five-year loan during 2004, which converted to an on-demand loan at maturity, from Promesa Residential Health Care Facility, Inc. (“Casa”) in the principal amount of $900,000. Interest is charged at 4% 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. Interest charged by Casa was $36,000 for each of the years ended December 31, 2019 and 2018.

The Organization has loaned Promesa Foundation, Inc. $100,000. Interest is charged at 5% and all unpaid principal and interest is due at maturity, June 30, 2020. As of each of the years ended December 31, 2019 and 2018, the loan receivable balance was $100,000. The loan was paid in full during May 2020. Interest earned by the Organization was $5,000 for each of the years ended December 31, 2019 and 2018.

In 2016, the Organization entered into a development agreement with Palacio Dorado Puerto Rico Housing (“Palacio Dorado”) to develop a 103 unit multi-family housing project in Toa Alta, Puerto Rico. In connection with this agreement, the Organization is entitled to a developer fee of $2,270,975. As of December 31, 2019, the Organization earned and received $2,270,975 of the developer fee.

In 2017, the Organization obtained a grant under the HOME program from the Puerto Rican Housing Finance Authority as the developer of the Palacio Dorado project. Under the terms of this agreement, the Organization entered into a loan agreement with Palacio Dorado to provide these funds as needed during the construction phase of the project. The loan has a principal amount of $915,600. Interest is charged at 6% and all unpaid principal and interest is due at maturity, October 31, 2056. As of December 31, 2019 and 2018, the loan receivable balance was $914,291 and $822,731, respectively.

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:

2020	$ 821,834
2021	363,501
2022	363,501
2023	363,501
2024	363,501
Thereafter	5,452,260
	$ 7,728,098

5. MORTGAGE LOANS PAYABLE

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

	2019	2018
Dormitory Authority of the State of New York ("DASNY"), interest at 5.47 percents, payable in semiannual installments, due August 2019 (A)	$ -	$ 107,500
DASNY, interest at 4.7%, payable in annual installments, due February 2028 (A)	1,778,773	1,932,324
DASNY, interest at 5.06%, payable in semi-annual installments, due December 2034 (B)	4,815,829	5,026,957
DASNY, interest at 4.95%, payable in semi-annual installments, due December 2031 (C)	2,012,358	2,132,703
DASNY, interest at 6.77%, payable in semi-annual installments, due June 2020 at which time the loan was paid in full (C)	60,548	175,972
DASNY, interest at 4.99%, payable in semi-annual installments, due February 2036 (D)	7,066,671	-
Banco Popular, interest at 5.75%, payable in monthly installments, maturing in February 2020 at which time the loan was paid in full (E)	16,685	113,438
	15,750,864	9,488,894
Less: Amounts set off against mortgage loan payable (D)	6,885,753	-
Less: Unamortized deferred costs	561,204	433,397
Mortgage loans payable, net	$ 8,303,907	$ 9,055,497

(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 has a lien on the Detox center for a period of 20 years commencing from the first date services were 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% for each year in which the Organization was in compliance.

(B) Semi-annual installments are paid directly by New York State Office of Mental Health ("OMH"). PROMESA records revenue equal to the amount of debt service The loan is secured by pledged revenues of the project.

(C) Loans were assumed from OMH for a previous provider who terminated operations. Semi-annual installments are paid directly by New York State Office of Mental Health. PROMESA records revenue equal to the amount of debt service. These loans are secured by certain assets of PROMESA.

(D) This loan was entered into in conjunction with a previously recorded state aid grant. Installments are paid directly by New York State Office of Alcoholism and Substance Abuse Services ("OASAS") as they were the recipient of the mortgage loan proceeds. The loan is collateralized by certain assets of the Organization. OASAS has a lien on the youth building for a period of 20 years commencing from the first date services were 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% for each year in which the Organization was in compliance. In accordance with ASC 210-20, *Offsetting*, the amounts received by OASAS are shown as an offset to the mortgage loan payable due to DASNY.

(E) 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% as of January 2, 2005). Thereafter, the interest rate was adjusted on the 5th and 10th anniversary dates of the loan to fixed for the subsequent five year periods. In no event shall the interest rate for the loan ever be less than 5.75%. At December 31, 2019, the interest rate was 5.75%. The loan is collateralized by certain assets of the Organization.

The future maturities of the mortgage loans payable excluding amounts set off against mortgage loan payable are as follows:

2020	$ 860,256
2021	821,709
2022	863,276
2023	908,535
2024	952,179
Thereafter	11,344,909
	$ 15,750,864

Deferred charges are certain mortgage costs, which are capitalized, and are reflected as debt discounts and reported on the statements of financial position net of the corresponding mortgage payable. Amortization is provided over the life of the loan. Interest expense relating to deferred charges amounted to $43,060 and $29,449 for the years ended December 31, 2019 and 2018, respectively. Projected amortization charged as interest expense is as follows:

2020	$ 34,458
2021	30,397
2022	30,397
2023	30,397
2024	30,397
Thereafter	405,158
	$ 561,204

6. 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, 2019 and 2018, the amount due to residents is $271,706 and $236,183, respectively.

7. COMMITMENTS AND CONTINGENCY

PROMESA has entered into leases for office space and equipment expiring at various dates through 2026 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, 2019 and 2018 amounted to $3,908,930 and $3,890,996, 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:

2020	$ 821,834
2021	363,501
2022	363,501
2023	363,501
2024	363,501
Thereafter	5,452,260
	$ 7,728,098

8. 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:

	2019	2018
New York State	$ 6,002,790	$ 7,455,171
New York City	$ 1,032,142	$ 241,549

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 61% and 68% for the years ended 2019 and 2018, respectively, of PROMESA's total revenues:

	2019	2018
OASAS	$ 430,404	$ 2,284,033
Department of Health	$ 43,693,387	$ 48,113,864
Human Resources Administration	$ 1,047,755	$ 1,079,059

9. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring after the statement of financial position date, through the date of December 18, 2020, the date the financial statements were available for release. Based upon this evaluation, the Organization has determined that no subsequent events, except as noted below, have occurred, which require adjustment to or disclosure in the financial statements.

Management is currently evaluating the impact of the COVID-19 virus on its business operations. While it is reasonably possible that the virus could have a negative impact on the financial condition and results of operations, the specific impact is not readily determinable as of the date of these financial statements. Through the date of this financial statement, COVID-19 has not had a significant impact on the financial condition or results of operations.

SUPPLEMENTARY INFORMATION

The Puerto Rican Organization to Motivate, Enlighten and Serve Addicts, Inc. (PROMESA)
Schedule of Expenditures of Federal Awards
December 31, 2019

	CFDA Number	Pass-through Entity Identifying Number	Awards to Subrecipients	Expenditures
U.S. Department of Health and Human Services				
Outpatient Early Intervention Services with Respect				
to HIV Diseases	93.918	H76HA00746	$ -	$ 443,336
U.S. Dept. of Health & Human Services - Substance Abuse				
& Mental Health Services Administration				
Ryan White HIV/AIDS Treatment	93.914	11-TCC-835	-	149,420
Together in Care	93.243	1H79SM062245	-	250,784
Pass-through Research Foundation for Mental				
Hygiene, Inc.				
OASAS PIPBHC Project	93.243	1014017/2/26749	-	1,096,798
Subtotal			-	1,347,582
Pass-through New York City Human Resources				
Administration				
Temporary Assistance for Needy Families	93.558	20111428422	-	2,630
Pass-through New York State Office of Alcoholism				
and Substance Abuse Services				
HIV Early Intervention Services	93.959	C004302	-	207,571
U.S. Dept. of Health & Human Services - Administration for				
Children and Families				
Head Start	93.600	02CH010967	-	933,584
Pass-through New York City Agency				
for Child Development - Head Start	93.600	20131407173	-	736,327
Subtotal			-	1,669,911
Total U.S. Department of Health and Human Services			-	3,820,450
U.S. Department of Housing and Urban Development				
Pass-through Puerto Rican Housing				
Finance Authority				
HOME program	14.239	Unidentified	91,560	91,560
U.S. Department of Housing and Urban Development				
Pass-through New York State Office of Alcoholism				
and Substance Abuse Services - Shelter Plus Care	14.238	C004302	-	969,246
Total U.S. Department of Housing and Urban Development			91,560	1,060,806
U.S. Department of Agriculture				
Child and Adult Care Food Program				
Pass-through New York State Department of Health	10.558	4023	-	194,188
			$ 91,560	$ 5,075,444

See Independent Auditor’s Report.
See accompanying Notes 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. INDIRECT COST

The Organization has a federally negotiated indirect cost rate for its federal programs as covered in section 200.414 in the Uniform Guidance.

3. PROCUREMENT

For the year ended December 31, 2019, PROMESA is following the guidance under Uniform Guidance.

4. SUBRECIPIENTS

For the year ended December 31, 2019, PROMESA awarded $91,560 to a subrecipient, Palacio Dorado, LLC under the HOME program.

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*

INDEPENDENT AUDITOR'S REPORT

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

We have audited, 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, the financial statements of PROMESA, which comprise the statements of financial position as of December 31, 2019 and 2018, 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 December 18, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PROMESA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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

December 18, 2020

withum
ADVISORY TAX AUDIT

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

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") *Compliance Supplement* that could have a direct and material effect on each of PROMESA's major federal programs for the year ended December 31, 2019. PROMESA's major federal programs are identified in the summary of auditor's 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.

Auditor's 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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, 2019.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

WithumSmith+Brown, PC

December 18, 2020

The Puerto Rican Organization to Motivate, Enlighten and Serve Addicts, Inc. (PROMESA)
Schedule of Audit Findings and Questioned Costs
Year Ended December 31, 2019

Section 1 – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Non-compliance material to financial statements?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

CFDA Number	Name of Federal Programs
93.600	Head Start

Dollar threshold used to distinguish between type A and type B programs:	$750,000
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 Year's Audit Findings and Questioned Costs
Year Ended December 31, 2019

None noted.