

# RSM! ROC & Company

Certified Public Accountants & Consultants

COAÍ, Inc.

*A Puerto Rico Non-Profit Organization*

Financial Statements

June 30, 2012 with Summarized Financial Information for June 30, 2011



# COAÍ, INC.

*A Puerto Rico Non-Profit Organization*

## Financial Statements

June 30, 2012 with Summarized Financial Information for June 30, 2011

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# RSM! ROC & Company

Certified Public Accountants & Consultants

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To: The Board of Directors of  
Coaí, Inc.

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying balance sheet of Coaí, Inc., (a Puerto Rico non-profit organization) (the Organization) as of June 30, 2012 and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the Organization's 2011 financial statements and, in our report dated November 21, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coaí, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

San Juan, Puerto Rico  
September 10, 2012.

*RSM ROC & Company*

Stamp No. E41370 was affixed to  
the original of this report.

RSM ROC & Company is an independent member firm  
of RSM International, an affiliation of independent  
accounting and consulting firms.

# COAÍ, INC.

## BALANCE SHEETS June 30, 2012 and 2011

	2012	2011
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 60,045	\$ 22,992
Accounts receivable -		
Federal grants	23,395	11,424
Due from Puerto Rico Department of Health	7,651	55,500
Prepaid expenses	<u>4,747</u>	<u>6,508</u>
	95,838	96,424
PROPERTY AND EQUIPMENT, net	<u>7,217</u>	<u>11,893</u>
	<u>\$ 103,055</u>	<u>\$ 108,317</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 45,523	\$ 48,186
Deferred revenues	<u>-</u>	<u>37,381</u>
	45,523	85,567
<b>NET ASSETS:</b>		
Unrestricted	(5,171)	4,866
Temporarily restricted	<u>62,703</u>	<u>17,884</u>
	57,532	22,750
	<u>\$ 103,055</u>	<u>\$ 108,317</u>

The accompanying notes are an integral part of these balance sheets.

# COAÍ, INC.

## STATEMENT OF ACTIVITIES

For the year ended June 30, 2012

With summarized financial information for the year ended June 30, 2011

	Unrestricted	Temporarily Restricted	2012	2011
<b>REVENUES AND OTHER SUPPORT:</b>				
Federal grants	\$ -	\$ 306,717	\$ 306,717	\$ 455,919
Local government grants	-	171,836	171,836	116,519
Contributions	-	52,100	52,100	32,500
Fund raising activities	12,493	-	12,493	-
Other	6,964	-	6,964	2,493
Net assets released from restrictions	485,834	(485,834)	-	-
	<u>505,291</u>	<u>44,819</u>	<u>550,110</u>	<u>607,431</u>
<b>OPERATING EXPENSES:</b>				
Program services:				
"Aché"	27,296	-	27,296	18,827
"Tanamá"	70,649	-	70,649	244,710
"Aché del Oeste"	220,641	-	220,641	209,020
"Salud, Esperanza y Vida" (S.E.V.)	77,962	-	77,962	45,492
"Estudio de la Conducta"	74,458	-	74,458	69,004
"Aché-HRSA"	14,828	-	14,828	-
Supporting services:				
Management and general	23,937	-	23,937	19,224
Fund-raising activities	5,557	-	5,557	-
	<u>515,328</u>	<u>-</u>	<u>515,328</u>	<u>606,277</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(10,037)</b>	<b>44,819</b>	<b>34,782</b>	<b>1,154</b>
<b>NET ASSETS, beginning of year</b>	<u><b>4,866</b></u>	<u><b>17,884</b></u>	<u><b>22,750</b></u>	<u><b>21,596</b></u>
<b>NET ASSETS (DEFICIT), end of year</b>	<u><b>\$ (5,171)</b></u>	<u><b>\$ 62,703</b></u>	<u><b>\$ 57,532</b></u>	<u><b>\$ 22,750</b></u>

The accompanying notes are an integral part of this statement.

# COAÍ, INC.

## STATEMENTS OF CASH FLOWS For the years ended June 30, 2012 and 2011

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 34,782	\$ 1,154
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,123	15,603
Changes in assets and liabilities -		
Decrease in assets:		
Accounts receivable	35,878	3,067
Prepaid expenses	1,761	387
Decrease in liabilities:		
Accounts payable and accrued expenses	(2,663)	(11,864)
Deferred revenues	(37,381)	(2,219)
Net cash provided by operating activities	<u>40,500</u>	<u>6,128</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES:</b>		
Additions to property and equipment	<u>(3,447)</u>	<u>-</u>
<b>NET INCREASE IN CASH</b>	<b>37,053</b>	<b>6,128</b>
CASH, beginning of year	<u>22,992</u>	<u>16,864</u>
CASH, end of year	<u>\$ 60,045</u>	<u>\$ 22,992</u>

The accompanying notes are an integral part of these statements.

# COAÍ, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2012

With summarized financial information for the year ended June 30, 2011

	Program Services						Supporting Services		Total Expenses	
	"Ach�"	"Tanam�"	"Ach� del Oeste"	"Ach�-HRSA"	S.E.V.	"Estudio de la Conducta"	Management and General	Fund Raising	2012	2011
<b>EXPENSES:</b>										
Personnel	\$ 10,400	\$ 24,596	\$ 86,454	\$ 10,111	\$ 43,505	\$ 41,049	\$ -	\$ -	\$ 216,115	\$ 248,093
Fringe benefits	2,313	7,809	23,025	1,502	6,618	-	2,250	-	43,517	48,034
Tests	1,614	57	5,341	846	2,832	8,072	765	-	19,527	17,852
Preventive and educational material	868	3,420	1,569	736	1,904	261	-	-	8,758	7,596
Promotional material	-	3,832	1,630	-	-	-	-	-	5,462	7,930
Incentives	223	2,255	2,158	-	998	19,625	724	-	25,983	32,823
Printing and production	186	-	922	-	1,645	-	167	-	2,920	3,332
Office supplies	58	1,732	1,045	229	1,225	448	-	-	4,737	5,771
Travel expenses	151	2,439	13,775	714	2,340	1,403	1,153	-	21,975	31,085
Depreciation expense	-	-	-	-	-	-	8,123	-	8,123	15,603
Insurance	-	-	-	-	-	-	4,992	-	4,992	1,800
Accounting and auditing	3,300	1,950	12,000	690	4,800	3,600	3,600	-	29,940	32,691
Rent expense	-	6,900	29,151	-	9,600	-	1,200	-	46,851	57,140
Other operating expenses	8,183	15,659	43,571	-	2,495	-	963	5,557	76,428	96,527
<b>Total program and supporting services</b>	<b>\$ 27,296</b>	<b>\$ 70,649</b>	<b>\$ 220,641</b>	<b>\$ 14,828</b>	<b>\$ 77,962</b>	<b>\$ 74,458</b>	<b>\$ 23,937</b>	<b>\$ 5,557</b>	<b>\$ 515,328</b>	<b>\$ 606,277</b>

The accompanying notes are an integral part of this statement.

# COAÍ, INC.

## NOTES TO FINANCIAL STATEMENTS June 30, 2012 and 2011

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### 1) Organization and summary of significant accounting policies:

A) Organization – Coaí, Inc. (the Organization) is a Puerto Rico non-profit organization created to serve the community. The Organization was incorporated on February 2, 1992 under the laws of the Commonwealth of Puerto Rico. The Organization is a community-based organization (CBO) and its basic objectives are to provide educational services to the general public of Puerto Rico, aimed at the prevention of physical, mental, and emotional disease, with emphasis on Human Immunodeficiency Virus and Acquired Immunodeficiency Syndrome (HIV/AIDS) infections, and all factors directly or indirectly related to the same. Some of the services provided are as follows:

- Workshops on the prevention of HIV directed to individuals as well as to groups
- Workshops on safe sex
- Workshops on the prevention of HIV directed to children of pre-school as well as school ages
- Workshops to health professionals, school personnel, private professionals, community organizations and other interested groups
- Confidential counseling before and after HIV test
- Counseling and referral services

To accomplish these services, the following programs have been established:

“Aché” (MAC AIDS Fund & AIDS United Fund - HIV Prevention Projects of CBO) – This program is addressed principally to offer services of primary and secondary prevention and education of HIV/AIDS to the community of men who have sex with men (MSM) between the ages of 25 to 49 years old. The program provides outreach, preventive, educational services, and Counseling, Testing and Referrals Services (CTRS) focusing on MSM, males and transsexuals sex workers who live in any of the thirty (30) towns comprising the San Juan Statistical Metropolitan Area.

“Aché del Oeste” (PA 08803 – HIV/AIDS Prevention Projects for the Commonwealth of Puerto Rico and US Virgin Islands) – This program provides outreach, preventive and educational services, and CTRS, focusing on MSM between the ages of 18 to 49 years old, to individuals who live in any of the fifteen (15) towns comprising the Aguadilla and Mayagüez Health Regions.

“Tanamá” (PA 06618 – HIV/AIDS Prevention Projects for Young MSM and Transgender Person of Color) – This program provides outreach, preventive and educational services, and CTRS focusing on young transgender / transsexuals between the ages of 18 to 24 years old who live in any of the thirty (30) towns comprising the San Juan Statistical Metropolitan Area.

“Salud, Esperanza y Vida” (S.E.V.) – This program offers HIV/AIDS workshops directed to the prevention and education of this virus and offer CTRS to school drop-outs between the ages of 13 to 21 years old in any of the fifteen (15) towns comprising the Ponce Health Region.

“Estudio de la Conducta”, (“ECO 6” and “ECO 7”) – This program studies the practices, knowledge, and attitude towards the VIH/AIDS and other related areas by performing interviews to various populations at different hours per week using an iPAQ pocket pc (iPAQ) and/or tablets and performing HIV testing. “ECO 6” – (“Hombres que tienen sexo con Hombres”) and “ECO 7 – UDI” (“Usuarios/as de Droga Intravenosa”) monitors and discloses the statistics of HIV/AIDS.



# COAÍ, INC.

## NOTES TO FINANCIAL STATEMENTS June 30, 2012 and 2011

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"Ach " – HRSA (Human Resources Services Administration) – This program is addressed principally to offer services of primary and secondary prevention and education of HIV/AIDS to the community of men who have sex with men (MSM) between the ages of 25 to 49 years old. The program provides outreach, preventive and educational services, and CTRS focusing on MSM, males and transsexuals sex workers who live in any of the thirty (30) towns comprising the San Juan Statistical Metropolitan Area.

- B) Summary of significant accounting policies – The accounting policies used by the Organization conforms to predominant industry practices and follow accounting principles generally accepted in the United States of America. The following summarizes the most significant account policies:

Basis of presentation – Not-for-profit organizations are required to present a balance sheet, a statement of activities, and a statement of cash flows. In addition, net assets are classified in one or more of the following categories:

- Unrestricted net assets – Resources available to support operations. These resources are unrestricted as to their use and expendable at the discretion of the Board of Directors.
- Temporarily restricted net assets – Resources that are restricted by a donor for use for a particular purpose or in a particular future period.
- Permanently restricted net assets – Resources whose use is limited by donor-imposed restrictions that neither expires by being used in accordance with a donor's restriction nor by the passage of time.

As of June 30, 2012 and 2011, the Organization's net assets are classified as unrestricted and temporarily restricted.

Accounting estimates – The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management of the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Prior-year summarized financial information – The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2011, from which the summarized financial information was derived.

Property and equipment – Property and equipment are stated at cost or, if donated, at fair value at date of receipt. Depreciation expense is determined using the straight line method over the estimated useful lives of the related assets as follows:

Description	Useful Lives
Leasehold improvements	5 years
Office equipment	3 years

At the time property and equipment is sold, or otherwise disposed of, the asset cost and related accumulated depreciation are removed from the books and the resulting gain or loss, if any, is credited or charged to operations. Property and equipment is capitalized if it has a cost of \$750 or more.

# COAÍ, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

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Contributed support – The Organization recognizes all contributed support received as income in the period received. All contributions are considered to be available for unrestricted use, unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases the net assets of those net asset classes. When a 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 in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Contributed services – Contributions of services are only recognized if services received (a) create or enhance non-financial assets or would typically need to be purchased if not provided by donation and (b) require specialized skills and are provided by individuals possessing these skills. The contribution revenue for services received is recognized at the fair value of these services. For the years ended June 30, 2012 and 2011, there were no contributed services.

Contributed use of facilities – Contributions are recognized at the estimated fair rental value of the property.

Operational expenditures – Operational expenditures related to programs or functions of the Organization are included in the respective caption in the accompanying statements of activities and functional expenses for those programs or functions. Certain expenses are allocated to programs or functions proportionately to the time spent by employees in supporting such activities. Those expenses that are not related to such programs or functions are accounted for as management and administrative.

Income taxes – As a non-profit organization, the Organization is exempt from local income taxes under the provision of Section 1101(a)(2) of the Commonwealth of Puerto Rico Internal Revenue Code of 1994, as amended, and from federal income taxes under the provision of Section 501(c)(3), of the United States Internal Revenue Code, as amended.

Accounting principles generally accepted in the United States of America require the Organization management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination of taxing authorities. Management evaluated the tax positions taken by the Organization and concluded that the Organization as of June 30, 2012, had maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the accompanying financial statements.

All tax returns through fiscal year June 30, 2011, have been appropriately filed by the Organization. The Organization's open audit periods are fiscal years ended June 30, 2007 to June 30, 2011.

Functional allocation of expenses – The costs of providing the various programs or functions, management and administrative, and project support have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly certain costs have been allocated proportionately to the time spent by employees in supporting these activities.

Advertising costs – The Organization follows the policy of charging advertising costs to expense as incurred.

# COAÍ, INC.

## NOTES TO FINANCIAL STATEMENTS June 30, 2012 and 2011

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### 2) Concentrations of risk:

Financial instruments that potentially subject the Organization to concentration of credit risk are cash deposits.

Cash is maintained in one (1) financial institution. The cash deposit at times may exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2012, the Organization's cash deposits are non-interest bearing, which are fully insured under the FDIC's (Temporary Unlimited Coverage for Non-interest bearing Transaction Accounts).

Current vulnerability due to certain concentration with several grantors consists of contributions from the Federal Government under one Federal grant. During the years ended June 30, 2012 and 2011, these contributions represented 56% and 75%, respectively, of the Organizations combined revenues.

### 3) Accounts receivable – Federal grants:

As of June 30, 2012 and 2011, accounts receivable from Federal grants consist of the following programs:

Description	2012	2011
"Ach� del Oeste"	\$ 8,614	\$ 6,673
"Tanam�"	-	4,751
"Ach�"-HRSA	14,781	-
	<u>\$ 23,395</u>	<u>\$ 11,424</u>

### 4) Due from Puerto Rico Department of Health:

As of June 30, 2012 and 2011, the amount due from Puerto Rico Department of Health consists of the following programs:

Description	2012	2011
"Salud, Esperanza y Vida" (S.E.V.)	\$ 7,651	\$ 15,900
"ECO 6" and "ECO 7" "Estudio de la Conducta"	-	39,600
	<u>\$ 7,651</u>	<u>\$ 55,500</u>

### 5) Property and equipment:

As of June 30, 2012 and 2011, property and equipment consist of the following:

Description	2012	2011
Leasehold improvements	\$ 3,325	\$ 3,325
Office equipment	182,506	179,059
	<u>185,831</u>	<u>182,384</u>
Less: Accumulated depreciation and amortization	<u>(178,614)</u>	<u>(170,491)</u>
	<u>\$ 7,217</u>	<u>\$ 11,893</u>

# COAÍ, INC.

## NOTES TO FINANCIAL STATEMENTS June 30, 2012 and 2011

### 6) Deferred revenues:

As of June 30, 2012, deferred revenues consist of the following:

Description	Balance as of July 1, 2011	Allocation for 2012	Expenses for 2012	Balance as of June 30, 2012
Puerto Rico Department of Health – "ECO 6" "Estudio de la Conducta"	\$ 37,381	\$ 31,169	\$ 68,550	\$ -

As of June 30, 2011, deferred revenues consist of the following:

Description	Balance as of July 1, 2010	Allocation for 2011	Expenses for 2011	Balance as of June 30, 2011
Puerto Rico Department of Health – "ECO 6" "Estudio de la Conducta"	\$ -	\$ 39,600	\$ 2,219	\$ 37,381

### 7) Federal grants:

On July 1, 2004, the Department of Health and Human Services, Center for Disease Control and Prevention (CDC) awarded a grant to the Organization under the Aché Program HIV Prevention Projects of CBO, for a period of five years until June 30, 2009. This program was extended for one year until June 30, 2010. During the year ended June 30, 2011, the Organization assigned funds to the temporarily restricted fund of approximately \$18,000. During the year ended June 30, 2012, the Organization received contributions from private foundations for the continuance of the Aché Program. Refer to Note 9.

On September 30, 2009, CDC awarded a grant to the Organization under Tanamá (HIV Prevention projects for Young MSM and Transgender Person of Color) until September 29, 2011. During the years ended June 30, 2012 and 2011, the Organization assigned funds to the temporarily restricted fund of approximately \$71,000 and \$245,000, respectively.

On July 1, 2008, the CDC awarded a grant to the Organization under Aché del Oeste (HIV Prevention Projects for the Commonwealth of Puerto Rico and U.S. Virgin Islands) for a period of five years until June 30, 2013. During the years ended June 30, 2012 and 2011, the Organization assigned funds to the temporarily restricted fund of approximately \$221,000 and \$209,000.

On March 1, 2012, the Municipality of San Juan awarded a grant to the Organization under the HRSA Ryan White HIV/AIDS Treatment Modernization Act of 2006 for a period of one year, until February 28, 2013, for the total amount of approximately \$77,000. During the year ended June 30, 2012, the Organization assigned funds to the temporarily restricted fund of approximately \$15,000.

# COAÍ, INC.

## NOTES TO FINANCIAL STATEMENTS June 30, 2012 and 2011

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Federal grant revenues are being recognized as the qualifying expenses are incurred. These grants are routinely subject to financial and compliance audits in accordance with the provisions of the U.S. Office of Management and Budget Circular A-133.

### 8) Local government grants:

On July 1, 2002, the Organization signed a contract with the Puerto Rico Department of Health related to "Programa Salud, Esperanza y Vida" (S.E.V.). This contract has been renewed on various occasions. On July 1, 2012 and 2011, this contract was renewed for approximately \$89,700 for both years.

On January 1, 2012 and 2011, the Organization signed a contract with the Puerto Rico Department of Health related to "ECO 6 and ECO 7 Estudio de la Conducta" program for the amount of \$120,000.

### 9) Contributions:

During the years ended June 30, 2012 and 2011, the Organization received contributions from private foundations for the amount of \$42,500 and \$32,500, respectively, to be used as support for the "Ach " program.

### 10) Contributed use of facilities:

During the year ended June 30, 2012, the Organization occupied two (2) office facilities pertaining to the Municipality of Juana D az, whereby it offered preventive, educational health clinics and consulting services, among others, under the S.E.V. program. The use of these facilities is considered an in-kind contribution and the fair rental value was estimated at \$9,600 during the year ended June 30, 2012. This amount was reflected as temporarily restricted revenues in the accompanying statement of activities.

### 11) Operating lease agreements:

The Organization operates in various leased premises under two short-term and one long-term non-cancellable operating lease agreements. One of the short-term lease agreements is expected to be renewed on a year-to-year basis. This agreement calls for monthly rental payments of approximately \$2,400 through June 30, 2012. The other short-term lease agreement was terminated on September 30, 2011. The long-term non-cancellable operating lease agreement calls for monthly rental payments of \$100 through April 30, 2017.

# COAÍ, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

Future minimum rental payments under this long-term agreement for each of the following five years is as follows:

Year ending June 30,	Amount
2013	\$ 1,200
2014	1,200
2015	1,200
2016	1,200
2017	1,200
	<u>\$ 6,000</u>

Total rent expense for the years ended June 30, 2012 and 2011, under the above lease agreements, amounted to approximately \$37,000 and \$57,000, respectively.

### 12) Supplemental disclosures to the statements of cash flows:

- A) Non-cash investing and financial transactions – During the years ended June 30, 2012 and 2011, there were no non-cash investing and financial transactions
- B) Other cash flow transactions – During the years ended June 30, 2012 and 2011, there were no interest payments.

### 13) Subsequent events:

The Organization is assessing and will submit other identified request for proposals or funding opportunities from other sources, such as the Center for Diseases Control and Prevention (CDC), the Human Resources and Services Administration (HRSA), and the National Institute of Health (NIH), in order to continue providing services to the target population established by the Aché Program HIV Prevention Project of CBO. Some of these submissions are:

- Proposal for \$50,000 to MAC AIDS Funds covering the year 2013
- Proposal for \$30,000 to AIDS United Fund covering the year 2013
- Proposal for \$76,000 to HRSA / Ryan White Care Act (RWCA) Part A covering the year 2013-2014

Simultaneously, the Board of Directors, with the support of the Executive and Programmatic sections, is currently developing fund-raising strategies and activities. They are also including developing a sustainability plan for the Organization under the strategic planning, currently under development.

Some initiatives currently been implemented and in progress are:

- TransFashion 2012 – Schedule for November 30, 2012
- Sal de Rojo 2013

Management has evaluated subsequent events through September 10, 2012, the date the financial statements were available to be issued.