

RSM ROC & Company

Certified Public Accountants & Consultant

COAÍ, Inc.

A Puerto Rico Non-Profit Organization

Basic Financial Statements
June 30, 2009



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Basic Financial Statements

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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, 2009, 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2009, 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
January 11, 2010.

RSM ROC & Company

Stamp No. 2473025 was affixed to
the original of this report.

COAÍ, INC.

BALANCE SHEET

June 30, 2009

ASSETS

CURRENT ASSETS:

Cash	\$	50,043
Accounts receivable -		
Federal grants		38,297
Due from Puerto Rico Department of Health		42,793
Prepaid expenses		<u>3,727</u>
		134,860

PROPERTY AND EQUIPMENT, net

47,822

\$ 182,682

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$	99,724
Deferred revenues		<u>35,994</u>
		<u>135,718</u>

NET ASSETS:

Unrestricted		51,164
Temporarily restricted		<u>(4,200)</u>
		<u>46,964</u>
	\$	<u>182,682</u>

The accompanying notes are an integral part of this balance sheet.

COAÍ, INC.

STATEMENT OF ACTIVITIES For the year ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT:			
Federal grants	\$ -	\$ 645,855	\$ 645,855
Puerto Rico Department of Health	28,500	106,759	135,259
Contributed services	46,800	-	46,800
Other	8,870	-	8,870
Net assets released from restrictions	756,814	(756,814)	-
	<u>840,984</u>	<u>(4,200)</u>	<u>836,784</u>
OPERATING EXPENSES:			
Program services:			
"Aché"	255,158	-	255,158
"Tanamá"	212,202	-	212,202
"Aché del Oeste"	143,226	-	143,226
"Salud, Esperanza y Vida" (S.E.V.)	103,153	-	103,153
"ECO 4" (Estudio de la Conducta)	3,606	-	3,606
"Guailí"	46,800	-	46,800
Supporting services:			
Management and administrative	36,894	-	36,894
Fund-raising expenses	5,511	-	5,511
	<u>806,550</u>	<u>-</u>	<u>806,550</u>
INCREASE (DECREASE) IN NET ASSETS	34,434	(4,200)	30,234
NET ASSETS, beginning of year	<u>16,730</u>	<u>-</u>	<u>16,730</u>
NET ASSETS (DEFICIT), end of year	<u>\$ 51,164</u>	<u>\$ (4,200)</u>	<u>\$ 46,964</u>

The accompanying notes are an integral part of this statement.

COAÍ, INC.

STATEMENT OF CASH FLOWS For the year ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$ 30,234
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	14,011
Changes in assets and liabilities -	
(Increase) decrease in assets:	
Accounts receivable	(33,378)
Prepaid expenses	4,668
Increase in liabilities:	
Accounts payable and accrued expenses	5,294
Deferred revenues	<u>35,994</u>
Net cash provided by operating activities	<u>56,823</u>

CASH FLOWS USED IN INVESTING ACTIVITIES:

Purchase of property and equipment	<u>(39,469)</u>
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NET INCREASE IN CASH 17,354

CASH, beginning of year 32,689

CASH, end of year \$ 50,043

The accompanying notes are an integral part of this statement.

COAÍ, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2009

	Program Services						Supporting Services		Total expenses
	"Ach�e"	"Tanam�a"	"Ach�e del Oeste"	S.E.V.	"ECO 4"	"Guaili"	Management and administrative	Fund-raising	
EXPENSES:									
Personnel	\$ 112,913	\$ 82,995	\$ 54,540	\$ 71,371	\$ -	\$ 46,800	\$ -	\$ -	\$ 368,619
Fringe benefits	21,856	18,211	7,260	10,433	-	-	2,046	-	59,806
Tests	7,744	-	-	-	-	-	-	-	7,744
Preventive and educational supplies	5,442	3,686	3,849	2,999	-	-	-	-	15,976
Promotional material	5,402	4,779	3,321	-	-	-	-	-	13,502
Incentives	9,207	5,878	3,309	5,085	-	-	19	-	23,498
Printing and production	2,950	1,317	2,501	64	-	-	-	-	6,832
Office supplies	2,186	2,468	1,752	937	4	-	17	-	7,364
Travel expenses	12,064	8,500	17,805	2,464	1,645	-	2,160	-	44,638
Depreciation expense	-	-	-	-	-	-	14,011	-	14,011
Insurance	-	-	-	-	-	-	8,137	-	8,137
Accounting services	17,815	14,475	16,125	7,238	300	-	2,875	-	58,828
Rent expenses	24,577	24,782	20,073	-	-	-	1,200	-	70,632
Fund-raising event	-	-	-	-	-	-	-	5,511	5,511
Other operating	33,002	45,111	12,691	2,562	1,657	-	6,429	-	101,452
Total program and supporting services expenses	\$ 255,158	\$ 212,202	\$ 143,226	\$ 103,153	\$ 3,606	\$ 46,800	\$ 36,894	\$ 5,511	\$ 806,550

The accompanying notes are an integral part of this statement.

COAÍ, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

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:

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

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

"Ach " (PA 04064 - 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 and educational services, Comprehensive Risk Counseling & Services (CRCS) and Counseling, Testing & 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.

"Ach  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 25 to 39 years old, to individuals who live in any of the fifteen (15) towns comprising the Aguadilla and Mayaguez Health Regions.

"Tanam " (PA 06618 – HIV/AIDS Prevention Projects for Young MSM and Transgender Person of Color) – This program is directed to 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 and provides outreach, preventive and educational services, and CRCS.

"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.

"ECO 4" ("Estudio de la Conducta") – 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). ECO 4 monitors and discloses the statistics of HIV/AIDS.

COAÍ, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

"Guaili" – This program provides services focusing on children through theater techniques and educational workshops according to the age of the participants about health, use of substance, and VIH/AIDS. The workshops are directed to children between the ages of 9 to 12 years old.

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

Basis of presentation – The accompanying financial statements have been prepared in accordance with the provisions of Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*, which requires that all not-for-profit organizations present a balance sheet, a statement of activities, and a statement of cash flows. The statement also requires that the classification of the net assets be reported in one of the three categories as follows: unrestricted, temporarily restricted and permanently restricted net assets. As of June 30, 2009, the Organization's net assets are classified as unrestricted and temporarily restricted net assets.

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.

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:

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.

Income taxes - As a non-profit organization, the Organization is exempt from local income taxes under the provision of Section 1101(4) 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 of 1986, as amended.

COAÍ, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

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.

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.

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.

2) Concentrations of risk:

The financial instrument that potentially subjects the Organization to concentration of credit risk is cash. As of June 30, 2009, the Organization had cash aggregating approximately \$101,000, with one financial institution. As of June 30, 2009, the balance at the institution is totally insured by the Federal Deposit Insurance Corporation (FDIC).

Current vulnerability due to certain concentrations with several grantors consists of contributions from the Federal Government under one Federal grant. During the year ended June 30, 2009, these contributions represented 77% of the Organization's combined revenues.

3) Accounts receivable – Federal grants:

As of June 30, 2009, accounts receivable from Federal grants consist of the following:

Description	Amount
"Ach� del Oeste"	\$ 27,395
"Ach�"	7,509
"Tanam�"	3,393
	<u>\$ 38,297</u>

COAÍ, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

4) Due from Puerto Rico Department of Health:

As of June 30, 2009, the amount due from Puerto Rico Department of Health consists of the following:

Description	Amount
"Salud, Esperanza y Vida" (S.E.V.)	\$ 34,243
"Guailí"	8,550
	<u>\$ 42,793</u>

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, 2008, this contract was renewed for the amount of \$125,002.

On August 28, 1992, the Organization signed a contract with the Puerto Rico Department of Health related to the "Guailí" program. This contract has been renewed on various occasions. On July 1, 2008, the contract was renewed for the amount of \$28,500.

On January 1, 2009, the Organization signed a contract with the Puerto Rico Department of Health related to ECO 4 "Estudio de la Conducta" program for the amount of \$120,000.

5) Property and equipment:

As of June 30, 2009, property and equipment consist of the following:

Description	Amount
Leasehold improvements	\$ 3,325
Office equipment	179,059
	182,384
Less: Accumulated depreciation and amortization	<u>(134,562)</u>
	<u>\$ 47,822</u>

6) Deferred revenues:

As of June 30, 2009, deferred revenues consist of the following:

Description	Balance as of July 1, 2008	Allocation for 2009	Expenses for 2009	Balance as of June 30, 2009
Puerto Rico Department of Health – ECO 4 "Estudio de la Conducta"	<u>\$ -</u>	<u>\$ 39,600</u>	<u>\$ 3,606</u>	<u>\$ 35,994</u>

COAÍ, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

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. During the year ended June 30, 2009, the Organization assigned funds to the temporarily restricted fund of approximately \$255,000.

On September 30, 2009, CDC awarded a grant to the Organization under Tanamá (HIV Prevention projects for Young MSM and transgender Person of Color) for a period of five years until September 29, 2011. During the year ended June 30, 2009, the Organization assigned funds to the temporarily restricted fund of approximately \$212,000.

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 year ended June 30, 2009, the Organization assigned funds to the temporarily restricted fund of approximately \$183,000, of which \$39,469 was used for the acquisition of equipment.

Federal grant revenues are being recognized as the qualifying expenses as the grant 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) Contributed services:

During the year ended June 30, 2009, contributed services were recorded as revenue and expenses for the amount of \$46,800 for the "Guaili" program.

9) Operating lease agreements:

The Organization operates in various leased premises under two short-term and one long-term non-cancelable operating lease agreements. These agreements call for monthly rental payments of between approximately \$100 and \$3,308 through June 30, 2010. Short-term lease agreements are expected to be renewed on a year-to-year basis. Minimum lease payments under the long-term operating lease agreement during the year ending June 30, 2010 are \$1,100.

Total rent expense for the year ended June 30, 2009, under the above and other lease agreements, amounted to approximately \$70,000.

COAÍ, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

10) Supplemental disclosures for statement of cash flows:

- A) Non-cash investing and financial transactions – During the year ended June 30, 2009, there were no non-cash investing and financial transactions
- B) Other cash flow transactions – During the year ended June 30, 2009, there were no interest payments.

11) Subsequent events:

No events or transactions have occurred subsequent to the balance sheet through January 11, 2010 that would require recognition or disclosure in the financial statements.