



RSM ROC & Company

Certified Public Accountants & Consultants

COAÍ, Inc.
A Puerto Rico Non-Profit Organization

Financial Statements
June 30, 2013 with Summarized Financial Information for
June 30, 2012



COAÍ, INC.

A Puerto Rico Non-Profit Organization

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June 30, 2013 with Summarized Financial Information for June 30, 2012

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To: The Board of Directors of
Coaf, Inc.

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Coaf, Inc., a Puerto Rico Non-Profit Organization, which comprise the balance sheet as of June 30, 2013, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 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 Coaí, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows and functional expenses for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have previously audited Coaí, Inc.'s 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 10, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

San Juan, Puerto Rico
November 1, 2013.

Stamp No. E83534 was affixed to
the original of this report.

RSM ROC & Company

COAÍ, INC.

BALANCE SHEETS

June 30, 2013 and 2012

	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash	\$ 8,943	\$ 60,045
Accounts receivable -		
Federal grants	22,272	23,395
Due from Puerto Rico Department of Health	33,449	7,651
Other receivables	113	-
Prepaid expenses	3,607	4,747
	<u>68,384</u>	<u>95,838</u>
PROPERTY AND EQUIPMENT, net	<u>2,168</u>	<u>7,217</u>
	<u>\$ 70,552</u>	<u>\$ 103,055</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 83,242	\$ 45,523
NET ASSETS:		
Unrestricted	(34,676)	(5,171)
Temporarily restricted	21,986	62,703
	<u>(12,690)</u>	<u>57,532</u>
	<u>\$ 70,552</u>	<u>\$ 103,055</u>

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

COAI, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2013

With summarized financial information for the year ended June 30, 2012

	Unrestricted	Restricted	2013	2012
REVENUES AND OTHER SUPPORT:				
Federal grants	\$ -	\$ 280,151	\$ 280,151	\$ 306,717
Puerto Rico Department of Health	-	163,028	163,028	171,836
Other contributions	-	19,600	19,600	52,100
Fundraising activities	20,582	-	20,582	12,493
Other	2,142	-	2,142	6,964
Net assets released from restrictions	503,496	(503,496)	-	-
	<u>526,220</u>	<u>(40,717)</u>	<u>485,503</u>	<u>550,110</u>
OPERATING EXPENSES:				
Program services:				
*Ach�	26,197	-	26,197	27,296
*Tanam�	90	-	90	70,649
*Ach� del Oeste	219,880	-	219,880	220,641
*Estudio de la Conducta	110,794	-	110,794	74,458
*Salud, Esperanza y Vida (S.E.V.)	87,402	-	87,402	77,962
*Ach�-HRSA	59,133	-	59,133	14,828
Supporting services:				
Management and general	27,841	-	27,841	23,937
Fund-raising activities	24,388	-	24,388	5,557
	<u>555,725</u>	<u>-</u>	<u>555,725</u>	<u>515,328</u>
INCREASE (DECREASE) IN NET ASSETS (DEFICIT)	(29,505)	(40,717)	(70,222)	34,782
NET ASSETS (DEFICIT), beginning of year	(5,171)	62,703	57,532	22,750
NET ASSETS (DEFICIT), end of year	\$ (34,676)	\$ 21,986	\$ (12,690)	\$ 57,532

The accompanying notes are an integral part of this statement.

COAÍ, INC.

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (70,222)	\$ 34,782
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	6,296	8,123
Changes in assets and liabilities -		
Decrease (increase) in assets:		
Accounts receivable	(13,768)	35,878
Prepaid expenses	1,140	1,761
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	26,699	(2,663)
Deferred revenues	-	(37,381)
	<u>(49,855)</u>	<u>40,500</u>
Net cash provided by (used in) operating activities		
	<u>(49,855)</u>	<u>40,500</u>
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Additions to property and equipment	(1,247)	(3,447)
	<u>(1,247)</u>	<u>(3,447)</u>
NET INCREASE (DECREASE) IN CASH	(51,102)	37,053
CASH, beginning of year	60,045	22,992
	<u>60,045</u>	<u>22,992</u>
CASH, end of year	\$ 8,943	\$ 60,045
	<u>\$ 8,943</u>	<u>\$ 60,045</u>

The accompanying notes are an integral part of these statements.

COAÍ, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2013

With summarized financial information for the year ended June 30, 2012

	Program Services						Supporting Services		Total Expenses	
	"Ach�"	"Ach� HRSE"	"Ach� del Oeste"	"Estudio de la Conducta"	S.E.V.	"Tanam�"	Management and Administrative	Fund- Raising Expenses	2013	2012
EXPENSES:										
Personnel	\$ -	\$ 42,236	\$ 88,200	\$ 56,119	\$ 52,414	\$ -	\$ -	\$ -	\$ 238,969	\$ 216,115
Fringe benefits	97	6,819	22,226		7,662	-	3,156	-	39,960	43,517
Tests	794	2,187	4,662	20,193	2,762	-	37	-	30,635	19,527
Preventive and educational material	1,300	650	1,699	849	2,900	-	-	-	7,398	8,758
Promotional material	-	-	1,145	-	-	-	-	-	1,145	5,462
Incentives	-	-	1,689	22,230	710	-	780	-	25,409	25,983
Printing and production	798	-	990	-	437	-	-	-	2,225	2,920
Office supplies	2,048	1,531	701	101	1,329	-	-	-	5,710	4,737
Travel expenses	-	1,458	13,691	532	2,415	-	2,517	-	20,613	21,975
Depreciation expense	-	-	-	-	-	-	6,296	-	6,296	8,123
Insurance	-	-	-	-	-	-	2,243	-	2,243	4,992
Equipment	-	1,117	-	4,197	-	-	-	-	5,314	-
Accounting and auditing	1,300	2,760	12,000	6,000	4,800	-	7,691	-	34,551	29,940
Rent expense	-	-	29,151	400	9,600	-	1,100	-	40,251	46,851
Other operating expenses	19,860	375	43,726	173	2,373	90	4,021	24,388	95,006	76,428
Total program and support expenses	<u>\$ 26,197</u>	<u>\$ 59,133</u>	<u>\$ 219,880</u>	<u>\$ 110,794</u>	<u>\$ 87,402</u>	<u>\$ 90</u>	<u>\$ 27,841</u>	<u>\$ 24,388</u>	<u>\$ 555,725</u>	<u>\$ 515,328</u>

The accompanying notes are an integral part of this statement.

COAÍ, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

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 objective is 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” – 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 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.

“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 18 to 49 years old, to individuals who live in any of the fifteen (15) towns comprising the Aguadilla and Mayagüez Health Regions.

“Estudio de la Conducta” (“ECO 7 & ECO 8”) – These projects study 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 tablets and performing HIV testing. ECO 7 – UDI (“Usuarios/as de Droga Intravenosa”) ECO 8 – HET (“Heterosexuales en Alto Riesgo”) monitors and discloses the statistics of HIV/AIDS.

“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.

COAÍ, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2013 and 2012

- 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, 2013 and 2012, 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, 2012, 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, 2013 and 2012

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, 2013 and 2012, 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, 2012 have been appropriately filed by the Organization. The Organization's open audit periods are fiscal years ended June 30, 2009 to June 30, 2012.

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, 2013 and 2012

2) Concentrations of risk:

Financial instruments that potentially subject the Organization to concentration of credit risk consist of cash deposits. As of June 30, 2013 and 2012, the Organization had cash deposits of approximately \$14,000 and \$60,000, respectively. These amounts are fully insured by the Federal Deposit Insurance Corporation (FDIC).

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, 2013 and 2012, these contributions represented 59% and 56%, respectively, of the Organization's combined revenues.

3) Accounts receivable – Federal grants:

As of June 30, 2013 and 2012, accounts receivable from Federal grants consist of the following programs:

Description	2013	2012
"Aché del Oeste"	\$ 3,994	\$ 8,614
"Aché"-HRSA	18,278	14,781
	<u>\$ 22,272</u>	<u>\$ 23,395</u>

4) Due from Puerto Rico Department of Health:

As of June 30, 2013 and 2012, the amount due from Puerto Rico Department of Health consists of the following programs:

Description	2013	2012
"Salud, Esperanza y Vida" (S.E.V.)	\$ 22,429	\$ 7,651
"Estudio de la Conducta" ("ECO 7" and "ECO 8")	11,020	-
	<u>\$ 33,449</u>	<u>\$ 7,651</u>

5) Property and equipment:

As of June 30, 2013 and 2012, property and equipment consist of the following:

Description	2013	2012
Leasehold improvements	\$ 3,325	\$ 3,325
Office equipment	183,753	182,506
	187,078	185,831
Less: Accumulated depreciation and amortization	<u>(184,910)</u>	<u>(178,614)</u>
	<u>\$ 2,168</u>	<u>\$ 7,217</u>

COAÍ, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2013 and 2012

6) Federal grants:

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, 2013 and 2012, the Organization assigned funds to the temporarily restricted fund of approximately \$220,000 and \$221,000.

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. On April 26, 2013, the contract was renewed for an additional year, until February 28, 2014, for a total amount of \$29,721. During the year ended June 30, 2013, the Organization assigned funds to the temporarily restricted fund of approximately \$60,000.

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.

7) 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 annually since it was originally granted in 2002. On July 1, 2013 and 2012, this contract was renewed for approximately \$89,700 for both years.

On January 1, 2013 and 2012, the Organization signed a contract with the Puerto Rico Department of Health related to "ECO 7" and "ECO 8 Estudio de la Conducta" program for the amount of \$120,000.

8) Contributions:

During the years ended June 30, 2013 and 2012, the Organization received contributions from private foundations for the amount of \$10,000 and \$42,500, respectively, to be used as support for the "Aché" program.

9) Contributed use of facilities:

During the years ended June 30, 2013 and 2012, the Organization occupied an office facility pertaining to the Municipality of Juana Díaz, whereby it offers 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 years ended June 30, 2013 and 2012. This amount was reflected as temporarily restricted revenues in the accompanying statement of activities.

10) Operating lease agreements:

The Organization operates in various leased premises under one short-term and one long-term non-cancellable operating lease agreements. The short-term lease agreement 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, 2013. This contract was renewed on July 1, 2013 for a monthly payment of \$1,300.

COAÍ, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2013 and 2012

The long-term non-cancellable operating lease agreement calls for monthly rental payments of \$100 through April 30, 2017. Future minimum rental payments under this long-term agreement for each of the following five years, is as follows:

Year ending June 30,	Amount
2014	\$ 1,200
2015	1,200
2016	1,200
2017	1,000
	<hr/>
	\$ 4,600

Total rent expense for the years ended June 30, 2013 and 2012, under the above lease agreements, amounted to approximately \$37,900 and \$37,000, respectively.

11) Supplemental disclosures to the statements of cash flows:

- A) Non-cash investing and financial transactions – During the years ended June 30, 2013 and 2012, there were no non-cash investing and financial transactions
- B) Other cash flow transactions – During the years ended June 30, 2013 and 2012, there were no interest payments.

12) 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 \$184,260 to PR Department of Health covering year 2014 (January to December)
- Proposal for \$75,000 to HRSA / Ryan White Care Act (RWCA) Part A covering the year 2014-2015
- Agreement with the Municipality of San Juan to establish a clinic to attend transgender and transsexual persons
- Agreement with the Medical Sciences Campus to share MSM participants under an NIH proposal

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:

- TV raffle – winner will be selected during TransFashion 2013
- TransFashion 2013 – Schedule for November 15, 2013

Management has evaluated subsequent events through November 1, 2013, the date the financial statements were available to be issued.