

COAI, INC.
(A Puerto Rico Non-Profit Organization)

Financial Statements

June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Coaí, Inc. (A Puerto Rico Non-Profit Organization)

Report on the Financial Statements

I have audited the accompanying financial statements of Coaí, Inc., a Puerto Rico Non-Profit Organization, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and changes in net assets, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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. 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

To the Board of Directors of
Coai, Inc. (A Puerto Rico Non-Profit Organization)
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Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coai, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Teresa R. Figueroa Rodríguez

San Juan, Puerto Rico
December 15, 2014

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COAI, Inc.
(A Puerto Rico Non-Profit Organization)
Statement of Financial Position
June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily restricted</u>						
	<u>General Fund</u>	<u>"Ache"</u>	<u>"Ache HRSA"</u>	<u>"Ache del Oeste"</u>	<u>S.E.V.</u>	<u>Subtotal</u>	<u>Grand Total</u>	
Cash	\$ 1,550	\$ 305	\$ 8,894	\$ 2,690	\$ 9,125	\$ 21,014	\$ 22,564	
Accounts receivable, net	28,897	30,391	9,200	19,816	12,265	71,672	100,569	
Prepaid expenses	1,210	-	-	6,533	-	6,533	7,743	
Property and equipment - net	1,337	-	-	-	-	-	1,337	
Other assets	-	-	-	-	-	-	-	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
Total Assets	<u>\$ 32,994</u>	<u>\$ 30,696</u>	<u>\$ 18,094</u>	<u>\$ 29,039</u>	<u>\$ 21,390</u>	<u>\$ 99,219</u>	<u>\$ 132,213</u>	
Liabilities and Net Assets								
Accounts payable	\$ 35,670	\$ 15,953	\$ 16,052	\$ 15,953	\$ 16,425	\$ 64,383	\$ 100,053	
Accrued expenses	186	-	2,042	13,086	2,941	18,069	18,255	
Other liabilities	-	-	-	-	-	-	-	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
Total liabilities	35,856	15,953	18,094	29,039	19,366	82,452	118,308	
Net assets:								
Unrestricted	(2,862)	-	-	-	-	-	(2,862)	
Temporarily Restricted	-	14,743	-	-	2,024	16,767	16,767	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
Total liabilities and net assets	<u>\$ 32,994</u>	<u>\$ 30,696</u>	<u>\$ 18,094</u>	<u>\$ 29,039</u>	<u>\$ 21,390</u>	<u>\$ 99,219</u>	<u>\$ 132,213</u>	

See notes to financial statements

COAI, Inc.
(A Puerto Rico Non-Profit Organization)
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2014

	Unrestricted	Temporarily restricted					Subtotal	Grand Total
	General Fund	"Ache"	"Ache HRSA"	"Ache del Oeste"	S.E.V.			
Revenues:								
Grants	\$ 84,635	\$ -	\$ 63,789	\$ 211,879	\$ 67,371	\$ 343,039	\$ 427,674	
Other contributions	100	-	-	-	9,600	9,600	9,700	
Fund raising activities	43,530	-	-	-	-	-	43,530	
Other revenues	9,175	-	-	-	-	-	9,175	
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total revenues	<u>137,440</u>	<u>-</u>	<u>63,789</u>	<u>211,879</u>	<u>76,971</u>	<u>352,639</u>	<u>490,079</u>	
Expenses:								
Program services:								
"Ache"	-	126	-	-	-	126	126	
"Ache HRSA"	-	-	63,681	-	-	63,681	63,681	
"Ache del Oeste"	-	-	-	211,879	-	211,879	211,879	
S.E.V.	-	-	-	-	76,971	76,971	76,971	
Administrative and General	94,472	-	-	-	-	-	94,472	
Fund raising activities	16,355	-	-	-	-	-	16,355	
Total expenses	<u>110,827</u>	<u>126</u>	<u>63,681</u>	<u>211,879</u>	<u>76,971</u>	<u>352,657</u>	<u>463,484</u>	
Change in net assets	26,613	(126)	108	-	-	(18)	26,595	
Net assets (deficiency), beginning of year	(29,475)	14,869	(108)	-	2,024	16,785	(12,690)	
Net transfers between funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Net assets (deficiency), end of year	<u>\$ (2,862)</u>	<u>\$ 14,743</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,024</u>	<u>\$ 16,767</u>	<u>\$ 13,905</u>	

See notes to financial statements

Coaí, Inc.
(A Puerto Rico Non-Profit Organization)
Statement of Cash Flows

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Year Ended June 30, 2014

Cash flows from operating activities:

Change in net assets:	<u>\$ 23,812</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	3,505
Changes in assets and liabilities	-
(Increase) in accounts receivable	(43,289)
(Increase) in prepaids and other assets	(4,136)
Increase in accounts payable and accrued expenses	<u>35,066</u>
Total adjustments	<u>(8,854)</u>
Net cash provided by operating activities	<u>14,958</u>
Net cash used in investing activities	
Acquisition of fixed assets	<u>(1,337)</u>
Net increase in cash	13,621
Cash, beginning of year	<u>8,943</u>
Cash, end of year	<u>\$ 22,564</u>

See notes to financial statements

COAI, Inc.
(A Non-Profit Organization)
Statement of Functional Expenses
Year Ended June 30, 2014

	Unrestricted	Temporarily restricted				Subtotal	Grand Total
	General Fund	"Ache"	"Ache HRSA"	"Ache del Oeste"	S.E.V.		
Revenues:							
Grants	\$ 84,635	\$ -	\$ 63,789	\$ 211,879	\$ 67,371	\$ 343,039	\$ 427,674
Other contributions	100	-	-	-	9,600	9,600	9,700
Fund raising activities	43,530	-	-	-	-	-	43,530
Other revenues	9,175	-	-	-	-	-	9,175
	-	-	-	-	-	-	-
Total revenues	137,440	-	63,789	211,879	76,971	352,639	490,079
Expenses:							
Personnel	2,795	-	42,272	92,093	50,544	184,909	187,704
Fringe benefits	838	-	5,539	15,456	5,628	26,623	27,461
Tests and supplies	6,272	-	7,309	10,301	1,174	18,784	25,056
Promotional and educational material	1,149	-	433	1,495	-	1,928	3,077
Fund raising activities	16,355	-	-	-	-	-	16,355
Incentives	10,652	-	-	1,446	336	1,782	12,434
Printing and reproduction	-	-	-	1,329	814	2,143	2,143
Office supplies	447	-	954	3,979	979	5,912	6,359
Travel expenses	2,871	-	2,266	20,042	1,730	24,038	26,909
Depreciation expense	3,505	-	-	-	-	-	3,505
Insurance expense	1,937	-	-	-	-	-	1,937
Equipment and maintenance	905	-	-	14,920	-	14,920	15,825
Professional fees	59,752	-	4,908	15,885	4,200	24,993	84,745
Rent	1,500	-	-	22,780	9,600	32,380	33,880
Utilities	1,146	-	-	9,683	1,898	11,581	12,727
Other expenses	703	126	-	2,470	68	2,664	3,367
Total expenses	110,827	126	63,681	211,879	76,971	352,657	463,484
Change in net assets	26,613	(126)	108	-	-	(18)	26,595
Net assets (deficiency), beginning of year	(29,475)	14,869	(108)	-	2,024	16,785	(12,690)
Net transfers between funds	-	-	-	-	-	-	-
Net assets (deficiency), end of year	\$ (2,862)	\$ 14,743	\$ -	\$ -	\$ 2,024	\$ 16,767	\$ 13,905

See notes to financial statements

COAI, INC.
(A Puerto Rico Non-Profit Organization)

Notes to Financial Statements
June 30, 2014

Note 1 - Organization and summary of significant accounting policies:

Organization - Coaí, Inc. (the Organization) is a Puerto Rico non-profit entity incorporated on February 2, 1992 under the laws of the Commonwealth of Puerto Rico, created to serve the community. 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 by the Organization are the following:

- 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 by the Organization:

"Ache' (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.

"Ache" - 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.

"Ache 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 Mayaguez 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

COAI, INC.
(A Puerto Rico Non-Profit Organization)

Notes to Financial Statements – (continued)
June 30, 2014

Note 1 - Organization and summary of significant accounting policies – (continued):

Organization – (continued):

Droga Intravenosa") ECO 8 — HET ("Heterosexuales en Alto Riesgo") monitors and discloses the statistics of HIV/AIDS. They are included within the general fund.

"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.

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 statement of financial position (balance sheet), a statement of activities, and a statement of cash flows, and functional expenses. 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, 2014 the Organization's net assets are classified as unrestricted and temporarily restricted.

Accounting estimates — The preparation of financial statements in conformity with 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.

COAI, INC.
(A Puerto Rico Non-Profit Organization)

Notes to Financial Statements – (continued)
June 30, 2014

Note 1 - Organization and summary of significant accounting policies – (continued):

Summary of significant accounting policies – (continued):

Property and equipment – (continued):

Following is a summary of property and equipment as of June 30, 2014:

<u>Description</u>	<u>Useful life</u>	<u>Cost</u>
Leasehold Improvements	5 years	3,325
Office equipment	3 years	<u>186,428</u>
		189,753
Less: accumulated depreciation and amortization		<u>(188,416)</u>
Total property and equipment, net		<u>\$ 1,337</u>

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.

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, 2014 there were no contributed services.

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

COAI, INC.
(A Puerto Rico Non-Profit Organization)

Notes to Financial Statements – (continued)
June 30, 2014

Note 1 - Organization and summary of significant accounting policies – (continued):

Summary of significant accounting policies – (continued):

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, 2014, 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, 2013 have been appropriately filed by the Organization. The Organization's open audit periods are fiscal years ended June 30, 2010 to June 30, 2014.

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 charges advertising costs to expense as incurred.

Note 2 - Concentration of credit risk:

As of June 30, 2014, financial instruments which potentially may subject the Organization to concentration of credit risk consist principally of accounts receivable. Current vulnerability arises due to certain concentration with several grantors from the Federal Government under one Federal grant.

COAI, INC.
(A Puerto Rico Non-Profit Organization)

Notes to Financial Statements – (continued)
June 30, 2014

Note 3 - Accounts receivable

As of June 30, 2014, accounts receivable consist of the following:

<u>General Fund:</u>	
S.E.V.	\$ 11,212
"Ache HRSA"	1,976
Recinto Ciencias Medicas	200
Walgreens	9,559
Grant Receivable	450
Other - Razones	5,500
	<u>\$28,897</u>
<u>"Ache"</u>	
Fondo General	\$4,650
RWCA	\$14,076
Other	11,665
	<u>\$30,391</u>
"Ache HRSA" Grant Receivable	<u>\$9,200</u>
<u>"Ache del Oeste"</u>	
General Fund	\$ 537
"Ache"	15,953
Grant Receivable	3,326
	<u>\$19,816</u>
S.E.V. Grant Receivable	<u>\$12,265</u>
	<u>\$100,569</u>

Accounts receivable as of June 30, 2014 were considered by management as fully collectible.

Note 4 - Contributions and grants

Federal grants:

On July 1, 2008, the CDC awarded a grant to the Organization under Ache 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.

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(A Puerto Rico Non-Profit Organization)

Notes to Financial Statements – (continued)
June 30, 2014

Note 4 - Contributions and grants – (continued)

Federal grants – (continued):

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.

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 Ache Program HIV Prevention Project of CBO.

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.

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. As of June 30, 2014, the total of federal awards expended for all federal programs did not exceed \$500,000. Therefore, an audit in accordance with OMB Circular A-133 was not required.

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 this contract was renewed for approximately \$89,700.

On January 1, 2013 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.

Contributed use of facilities:

During the year ended June 30, 2014 the Organization occupied an office facility pertaining to the Municipality of Juana Diaz, 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, 2014. This amount was reflected as temporarily restricted revenues in the accompanying statement of activities.

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(A Puerto Rico Non-Profit Organization)

Notes to Financial Statements – (continued)
June 30, 2014

Note 5 – Commitments

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, 2014. This contract was renewed on July 1, 2013 for a monthly payment of \$1,300.

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:

<u>Year ending June 30,</u>	<u>Amount</u>
2015	\$1,200
2016	1,200
2017	<u>1,000</u>
	<u>\$3,400</u>

Total rent expense for the year ended June 30, 2014, under the above lease agreements, amounted to approximately \$34,000.

Subsequent events:

The Organization's management evaluated subsequent events through December 15, 2014, which is the date the financial statements were available to be issued. No further events have occurred subsequent to the balance sheet date and to the date the financial statements were available to be issued, that would require adjustment to, or disclosure in, the financial statements.