

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

Financial Statements

June 30, 2016 and 2015

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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 statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits 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  
Coaf, 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 Coaf, Inc.(a Puerto Rico Non-Profit Organization) as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



San Juan, Puerto Rico  
November 30, 2016

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*T-R-F-R*

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Teresa R. Figueroa Rodriguez  
License No.3290  
Expires December 1, 2017

COAI, Inc.  
(A Puerto Rico Non-Profit Organization)  
Statement of Financial Position  
June 30, 2016

	Unrestricted		Temporarily restricted						Subtotal	Grand Total
	General Fund	TGA Ponce	SAMHSA	"Ache HRSA"	"Ache del Oeste"	Estudio de la Conducta	S.E.V.			
Cash	\$ 20,351	\$ -	\$ -	\$ 963	\$ 13,798	\$ -	\$ 1,629	\$ 16,390	\$ 36,741	
Accounts receivable, net	29,726	-	-	6,609	589	-	23,582	30,780	60,506	
Prepaid expenses	1,110	-	-	-	5,697	-	-	5,697	6,807	
Property and equipment - net	10,917	-	-	-	-	-	-	-	10,917	
Interfund receivables	10,342	-	-	4,659	29,670	-	-	34,329	44,671	
<b>Total Assets</b>	<b>\$ 72,446</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,231</b>	<b>\$ 49,754</b>	<b>\$ -</b>	<b>\$ 25,211</b>	<b>\$ 87,196</b>	<b>\$ 159,642</b>	
<b>Liabilities and Net Assets</b>										
Accounts payable	\$ 67,313	\$ -	\$ -	\$ -	\$ 26,338	\$ -	\$ 7,295	\$ 33,633	\$ 100,946	
Accrued expenses	162	-	-	1,200	8,801	-	2,770	12,771	12,933	
Interfund payables	20,862	-	-	11,031	-	-	12,780	23,811	44,673	
<b>Total liabilities</b>	<b>88,337</b>	<b>-</b>	<b>-</b>	<b>12,231</b>	<b>35,139</b>	<b>-</b>	<b>22,845</b>	<b>70,215</b>	<b>158,552</b>	
<b>Net assets:</b>										
Unrestricted	(15,891)	-	-	-	-	-	-	-	(15,891)	
Temporarily Restricted	-	-	-	-	14,615	-	2,366	16,981	16,981	
<b>Total liabilities and net assets</b>	<b>(15,891)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,615</b>	<b>-</b>	<b>2,366</b>	<b>16,981</b>	<b>1,090</b>	
<b>Total liabilities and net assets</b>	<b>\$ 72,446</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,231</b>	<b>\$ 49,754</b>	<b>\$ -</b>	<b>\$ 25,211</b>	<b>\$ 87,196</b>	<b>\$ 159,642</b>	

See notes to financial statements

COAI, Inc.  
(A Puerto Rico Non-Profit Organization)  
Statement of Financial Position  
June 30, 2015

	Unrestricted	Temporarily restricted					Subtotal	Grand Total
	General Fund	"Ache"	"Ache HRSA"	"Ache del Oeste"	S.E.V.			
Cash	\$ 4,367	\$ 177	\$ 4,842	\$ 207	\$ 2,592	\$ 7,818	\$ 12,185	
Accounts receivable, net	9,452	-	11,425	13,327	24,525	49,277	58,729	
Prepaid expenses	1,210	-	100	3,021	-	3,121	4,331	
Property and equipment - net	583	-	-	-	-	-	583	
Interfund receivables	16,544	25,741	192	11,303	-	37,236	53,780	
<b>Total Assets</b>	<b>\$ 32,156</b>	<b>\$ 25,918</b>	<b>\$ 16,559</b>	<b>\$ 27,858</b>	<b>\$ 27,117</b>	<b>\$ 97,452</b>	<b>\$ 129,608</b>	
<b>Liabilities and Net Assets</b>								
Accounts payable	\$ 24,293	\$ 11,303	\$ -	\$ -	\$ -	\$ 11,303	\$ 35,596	
Accrued expenses	-	-	2,483	16,555	8,208	27,246	27,246	
Interfund payables	11,858	-	14,076	11,303	16,543	41,922	53,780	
<b>Total liabilities</b>	<b>36,151</b>	<b>11,303</b>	<b>16,559</b>	<b>27,858</b>	<b>24,751</b>	<b>80,471</b>	<b>116,622</b>	
<b>Net assets:</b>								
Unrestricted	(3,995)	-	-	-	-	-	(3,995)	
Temporarily Restricted	-	14,615	-	-	2,366	16,981	16,981	
	(3,995)	14,615	-	-	2,366	16,981	12,986	
<b>Total liabilities and net assets</b>	<b>\$ 32,156</b>	<b>\$ 25,918</b>	<b>\$ 16,559</b>	<b>\$ 27,858</b>	<b>\$ 27,117</b>	<b>\$ 97,452</b>	<b>\$ 129,608</b>	

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, 2016

	Unrestricted	Temporarily restricted							Grand Total
	General Fund	TGA Ponce	SAMHSA	"Ache HRSA"	"Ache del Oeste"	Estudio de la Conducta	S.E.V.	Subtotal	
<b>Revenues:</b>									
Grants	\$ -	\$ 35,332	\$ 33,957	\$ 50,698	\$ 349,492	\$ 93,010	\$ 24,173	\$ 586,662	\$ 586,662
Other contributions	-	-	-	-	-	-	9,600	9,600	9,600
Fund raising activities	14,388	-	-	-	-	-	-	-	14,388
Other revenues	11,960	-	-	-	-	-	-	-	11,960
	-	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>26,348</b>	<b>35,332</b>	<b>33,957</b>	<b>50,698</b>	<b>349,492</b>	<b>93,010</b>	<b>33,773</b>	<b>596,262</b>	<b>622,610</b>
<b>Expenses:</b>									
<b>Program services:</b>									
TGA Ponce	-	35,332	-	-	-	-	-	35,332	35,332
SAMHSA	-	-	33,957	-	-	-	-	33,957	33,957
"Ache HRSA"	-	-	-	50,698	-	-	-	50,698	50,698
"Ache del Oeste"	-	-	-	-	349,492	-	-	349,492	349,492
Estudio de la Conducta	-	-	-	-	-	93,010	-	93,010	93,010
S.E.V.	-	-	-	-	-	-	33,773	33,773	33,773
Administrative and General	24,358	-	-	-	-	-	-	-	24,358
Fund raising activities	13,886	-	-	-	-	-	-	-	13,886
<b>Total expenses</b>	<b>38,244</b>	<b>35,332</b>	<b>33,957</b>	<b>50,698</b>	<b>349,492</b>	<b>93,010</b>	<b>33,773</b>	<b>596,262</b>	<b>634,506</b>
Change in net assets	(11,896)	-	-	-	-	-	-	-	(11,896)
Net assets (deficiency), beginning of year	(3,995)	-	-	-	14,615	-	2,366	16,981	12,986
Net transfers between funds	-	-	-	-	-	-	-	-	-
Net assets (deficiency), end of year	<u>\$ (15,891)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,615</u>	<u>\$ -</u>	<u>\$ 2,366</u>	<u>\$ 16,981</u>	<u>\$ 1,090</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, 2015

	Unrestricted		Temporarily restricted					Subtotal	Grand Total
	General Fund	"Ache"	"Ache HRSA"	"Ache del Oeste"	Estudio de la Conducta	S.E.V.			
<b>Revenues:</b>									
Grants	\$ 1,200	\$ -	\$ 64,436	\$ 209,850	\$ 99,536	\$ 48,980	\$ 422,802	\$ 424,002	
Other contributions	22	-	-	-	-	9,600	9,600	9,622	
Fund raising activities	15,223	-	-	-	-	-	-	15,223	
Other revenues	7,295	-	-	-	-	-	-	7,295	
	-	-	-	-	-	-	-	-	
<b>Total revenues</b>	<b>23,740</b>	<b>-</b>	<b>64,436</b>	<b>209,850</b>	<b>99,536</b>	<b>58,580</b>	<b>432,402</b>	<b>456,142</b>	
<b>Expenses:</b>									
<b>Program services:</b>									
"Ache"	-	128	-	-	-	-	128	128	
"Ache HRSA"	-	-	64,436	-	-	-	64,436	64,436	
"Ache del Oeste"	-	-	-	209,850	-	-	209,850	209,850	
Estudio de la Conducta	-	-	-	-	99,536	-	99,536	99,536	
S.E.V.	-	-	-	-	-	58,238	58,238	58,238	
Administrative and General	12,503	-	-	-	-	-	-	12,503	
Fund raising activities	12,370	-	-	-	-	-	-	12,370	
<b>Total expenses</b>	<b>24,873</b>	<b>128</b>	<b>64,436</b>	<b>209,850</b>	<b>99,536</b>	<b>58,238</b>	<b>432,188</b>	<b>457,061</b>	
Change in net assets	(1,133)	(128)	-	-	-	342	214	(919)	
Net assets (deficiency), beginning of year	(2,862)	14,743	-	-	-	2,024	16,767	13,905	
Net transfers between funds	-	-	-	-	-	-	-	-	
Net assets (deficiency), end of year	<u>\$ (3,995)</u>	<u>\$ 14,615</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,366</u>	<u>\$ 16,981</u>	<u>\$ 12,986</u>	

See notes to financial statements



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

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets:	<u>\$ (11,896)</u>	<u>\$ (919)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	3,950	3,601
Changes in assets and liabilities		
(Increase) in accounts receivable	7,332	(11,940)
(Increase) decrease in prepaids and other assets	(2,476)	3,412
Increase (decrease) in accounts payable and accrued expenses	<u>41,928</u>	<u>(1,686)</u>
Total adjustments	<u>50,734</u>	<u>(6,613)</u>
Net cash provided by (used in) operating activities	<u>38,838</u>	<u>(7,532)</u>
Net cash used in investing activities		
Acquisition of fixed assets	<u>(14,282)</u>	<u>(2,847)</u>
Net increase (decrease) in cash	24,556	(10,379)
Cash, beginning of year	<u>12,185</u>	<u>22,564</u>
Cash, end of year	<u>\$ 36,741</u>	<u>\$ 12,185</u>

See notes to financial statements

COAI, Inc.  
(A Puerto Rico Non-Profit Organization)  
Statement of Functional Expenses  
Year Ended June 30, 2016

	Unrestricted	Temporarily restricted						Subtotal	Grand Total
	General Fund	TGA Ponce	SAMHSA	"Ache HRSA"	"Ache del Oeste"	Estudio de la Conducta	S.E.V.		
Revenues:									
Grants	\$ -	\$ 35,332	\$ 33,957	\$ 50,698	\$ 349,492	\$ 93,010	\$ 24,173	\$ 586,662	\$ 586,662
Other contributions	-	-	-	-	-	-	9,600	9,600	9,600
Fund raising activities	14,388	-	-	-	-	-	-	-	14,388
Other revenues	11,960	-	-	-	-	-	-	-	11,960
	-	-	-	-	-	-	-	-	-
Total revenues	26,348	35,332	33,957	50,698	349,492	93,010	33,773	596,262	622,610
Expenses:									
Personnel	1,562	23,950	11,061	43,826	127,264	-	15,921	222,022	223,584
Fringe benefits	1,516	3,206	846	4,429	19,227	-	1,507	29,215	30,731
Tests and supplies	-	4,772	1,700	-	8,890	21,178	-	36,540	36,540
Promotional and educational material	-	1,521	1,310	236	12,031	-	-	15,098	15,098
Fund raising activities	13,886	-	-	-	-	-	-	-	13,886
Incentives	62	-	2,375	-	3,928	-	659	6,962	7,024
Printing and reproduction	-	70	-	-	2,126	-	1,116	3,312	3,312
Office supplies	13	365	-	34	23,811	7,959	428	32,597	32,610
Travel expenses	7,011	1,336	1,780	33	40,353	-	757	44,259	51,270
Depreciation expense	3,950	-	-	-	-	-	-	-	3,950
Insurance expense	1,800	-	-	-	-	-	-	-	1,800
Repairs and maintenance	1,288	-	-	-	29,775	-	-	29,775	31,063
Equipment maintenance	1,679	-	-	-	9,583	-	-	9,583	11,262
Professional fees	3,912	112	14,845	2,140	14,260	63,020	2,230	96,607	100,519
Rent	-	-	-	-	37,200	-	9,600	46,800	46,800
Utilities	1,073	-	-	-	12,562	-	1,302	13,864	14,937
Other expenses	492	-	40	-	8,482	853	253	9,628	10,120
Total expenses	38,244	35,332	33,957	50,698	349,492	93,010	33,773	596,262	634,506
Change in net assets	(11,896)	-	-	-	-	-	-	-	(11,896)
Net assets (deficiency), beginning of year	(3,995)	-	-	-	14,615	-	2,366	16,981	12,986
Net transfers between funds	-	-	-	-	-	-	-	-	-
Net assets (deficiency), end of year	\$ (15,891)	\$ -	\$ -	\$ -	\$ 14,615	\$ -	\$ 2,366	\$ 16,981	\$ 1,090

See notes to financial statements

COAI, Inc.  
(A Puerto Rico Non-Profit Organization)  
Statement of Functional Expenses  
Year Ended June 30, 2015

	Unrestricted		Temporarily restricted				Subtotal	Grand Total
	General Fund	"Ache"	"Ache HRSA"	"Ache del Oeste"	Estudio de la Conducta	S.E.V.		
<b>Revenues:</b>								
Grants	\$ 1,200	\$ -	\$ 64,436	\$ 209,850	\$ 99,536	\$ 48,980	\$ 422,802	\$ 424,002
Other contributions	22	-	-	-	-	9,600	9,600	9,622
Fund raising activities	15,223	-	-	-	-	-	-	15,223
Other revenues	7,295	-	-	-	-	-	-	7,295
	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>23,740</b>	<b>-</b>	<b>64,436</b>	<b>209,850</b>	<b>99,536</b>	<b>58,580</b>	<b>432,402</b>	<b>456,142</b>
<b>Expenses:</b>								
Personnel	7	-	45,140	92,592	-	27,536	165,268	165,275
Fringe benefits	2,006	-	4,983	16,435	-	3,291	24,709	26,715
Tests and supplies	-	-	3,401	10,110	17,904	2,186	33,601	33,601
Promotional and educational material	340	-	972	2,091	-	4,950	8,013	8,353
Fund raising activities	12,370	-	-	-	-	-	-	12,370
Incentives	-	-	-	2,591	-	294	2,885	2,885
Printing and reproduction	-	-	160	1,391	-	2,249	3,800	3,800
Office supplies	-	-	952	926	454	2,843	5,175	5,175
Travel expenses	3,036	-	3,940	14,413	10,240	915	29,508	32,544
Depreciation expense	3,601	-	-	-	-	-	-	3,601
Insurance expense	-	-	-	-	-	-	-	-
Equipment and maintenance	187	-	-	11,573	3,034	-	14,607	14,794
Professional fees	-	-	4,845	15,451	67,795	2,420	90,511	90,511
Rent	1,200	-	-	27,600	-	9,600	37,200	38,400
Utilities	1,151	-	-	13,382	-	1,954	15,336	16,487
Other expenses	975	128	43	1,295	109	-	1,575	2,550
<b>Total expenses</b>	<b>24,873</b>	<b>128</b>	<b>64,436</b>	<b>209,850</b>	<b>99,536</b>	<b>58,238</b>	<b>432,188</b>	<b>457,061</b>
Change in net assets	(1,133)	(128)	-	-	-	342	214	(919)
Net assets (deficiency), beginning of year	(2,862)	14,743	-	-	-	2,024	16,767	13,905
Net transfers between funds	-	-	-	-	-	-	-	-
Net assets (deficiency), end of year	<u>\$ (3,995)</u>	<u>\$ 14,615</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,366</u>	<u>\$ 16,981</u>	<u>\$ 12,986</u>

See notes to financial statements



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

Notes to Financial Statements  
June 30, 2016 and 2015

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. It is a community-based organization (CBO) whose 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" (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. As of June 30, 2016 it was integrated into "Ache".

"Estudio de la Conducta" ("ECO") - 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.

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

Notes to Financial Statements – (continued)  
June 30, 2016 and 2015

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

Organization – (continued):

"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 accounting 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, 2016 and 2015 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 reported at cost or, if donated, at fair value as of the date received, net of accumulated depreciation. Depreciation is computed for financial statement purposes primarily using the straight-line method over the estimated useful lives of the related depreciable assets, ranging from 3 to 5 years.



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

Notes to Financial Statements – (continued)  
June 30, 2016 and 2015

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

Summary of significant accounting policies – (continued):

Property and equipment – (continued):

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulation specifies how the donated assets must be used. Donations of furniture and equipment are recorded as support at their estimated fair value. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire furniture and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Expiration of donor restrictions are reported to unrestricted net assets when the donated or acquired assets are placed in service.

Repairs and maintenance are recorded as expense unless it is considered a major repair or betterment which is capitalized to the related asset using the alternative approaches of adding the cost incurred to the original cost of the asset. The betterments to property are capitalized as improvements and depreciated over its useful life.

Impairment of long-lived assets

In accordance with the provisions of the *FASB Accounting Standards Codification Topic of Impairment or Disposal of Long-Lived Assets*, management reviews long-lived assets for impairment when circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. For the year ended June 30, 2016, management believes that long-lived assets are not impaired at the individual asset or the asset group level.

Following is a summary of property and equipment as of June 30, 2016 and 2015:

<u>Description</u>	<u>Useful life</u>	<u>2016</u>	<u>2015</u>
Leasehold Improvements	5 years	10,545	3,325
Office equipment	3 years	<u>196,338</u>	<u>189,275</u>
		206,883	192,600
Less: accumulated depreciation and amortization		<u>(195,966)</u>	<u>(192,017)</u>
Total property and equipment, net		<u>\$ 10,917</u>	<u>\$ 583</u>



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

Notes to Financial Statements – (continued)  
June 30, 2016 and 2015

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

Summary of significant accounting policies – (continued):

Property and equipment – (continued):

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 earned. 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, 2016 and 2015 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

COAI, INC.  
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Notes to Financial Statements – (continued)  
June 30, 2016 and 2015

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

Summary of significant accounting policies – (continued):

Income taxes – (continued):

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, 2016 and 2015, 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, 2016 have been appropriately filed by the Organization. The Organization's open audit periods are fiscal years ended June 30, 2011 to June 30, 2016.

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 - Concentrations of credit risk:

As of June 30, 2016, financial instruments which potentially may subject the Organization to concentrations of credit risk consist principally of cash and accounts receivable.

Coai, Inc. maintains its cash accounts in financial institutions located in Puerto Rico. Funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2016 and 2015, cash balances did not exceed insured limits.

As of June 30, 2016 and 2015, current vulnerability arises due to certain concentration with several grantors from the Federal Government under one Federal grant. Concentrations of credit risk regarding accounts receivable are limited due to the number of donors and contributors. Certain allowances for possible credit losses have been maintained by the Organization, and, historically, actual losses have been within management's estimates and expectations.

COAI, INC.  
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Notes to Financial Statements – (continued)  
June 30, 2016 and 2015

Note 3 - Accounts receivable

As of June 30, 2016 and 2015, accounts receivable consist of the following:

<u>General Fund:</u>	<u>2016</u>	<u>2015</u>
Grants Receivables	28,350	8,931
Other	1,376	521
	<u>\$ 29,726</u>	<u>\$ 9,452</u>
 <u>"Ache HRSA"</u>		
Grant Receivable	<u>\$ 6,609</u>	<u>\$ 11,425</u>
 <u>"Ache del Oeste"</u>		
Grant Receivable	\$ -	\$ 13,327
Other	589	-
	<u>\$ 589</u>	<u>\$ 13,327</u>
 <u>S.E.V.</u>		
Grant Receivable	<u>\$23,582</u>	<u>\$24,525</u>
	<u>\$ 60,506</u>	<u>\$58,729</u>

Accounts receivable as of June 30, 2016 and 2015 were considered by management as fully collectible.

Note 4 - Contributions and grants

At present, the Organization receives grants and contributions from various local and federal entities that include the Centers for Disease Control (CDC), HIV Prevention Projects for the Commonwealth of Puerto Rico and U.S. Virgin Islands, The Municipality of San Juan, HRSA Ryan White Part A Minority Aids Initiative (MAI), the Puerto Rico Department of Health - Programs "Salud, Esperanza y Vida" (S.E.V.), "Estudio de la Conducta", and "Vigilancia SIDA", among other. The Organization also agreed with Recinto de Ciencias Medicas UPR for the realization of HIV Tests.

The Organization is assessing and will submit requests for proposals or funding opportunities from 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.



COAI, INC.  
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Notes to Financial Statements – (continued)  
June 30, 2016 and 2015

Note 4 - Contributions and grants – (continued)

Simultaneously, the Board of Directors, with the support of the Executive and Programmatic sections, is currently developing additional 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, 2016 and 2015, the total of federal awards expended for all federal programs did not exceed \$750,000 and \$500,000, respectively. Therefore, an audit in accordance with OMB Circular A-133 was not required.

Contributed use of facilities:

During the years ended June 30, 2016 and 2015 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, 2016 and 2015. This amount was reflected as temporarily restricted revenues in the accompanying statement of activities.

Note 5 – Commitments

Operating lease agreements:

The Organization operates in various leased premises under short-term operating lease agreements, plus one long-term non-cancellable operating lease agreement. The short-term lease agreements are renewed on a year-to-year basis, and currently call for monthly rental payments within \$1,000 and \$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>
2016	\$1,200
2017	<u>1,000</u>
	<u>\$2,200</u>

Total rent expense for the years ended June 30, 2016 and 2015, under the above lease agreements, amounted to \$46,800 and \$38,400, respectively.

COAI, INC.  
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Notes to Financial Statements – (continued)  
June 30, 2016 and 2015

Note 5 – Commitments – (continued)

Health Insurance Portability and Accountability Act

The Health Insurance Portability and Accountability Act (HIPAA) was enacted in August 1996 to assure health insurance portability, reduce healthcare fraud and abuse, guarantee security and privacy of health information and enforce standards for health information. Organizations are subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations. The Organization believes to be in compliance.

Note 6 - Reclassifications

Certain reclassifications have been made to the 2015 financial statements figures to conform them to the 2016 presentation.

Note 7 - Subsequent events

The Organization's management evaluated subsequent events through November 30, 2016, which is the date the financial statements were available to be issued. No 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.