

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

Financial Statements

June 30, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of Coai, Inc. (a Puerto Rico Non-Profit Organization), which comprise the statements of financial position as of June 30, 2017 and 2016, 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
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.(a Puerto Rico Non-Profit Organization) as of June 30, 2017 and 2016, 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
January 27, 2018



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COAI, Inc.
(A Puerto Rico Non-Profit Organization)
Statement of Financial Position
June 30, 2017

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	Unrestricted				Temporarily restricted					
	General Fund	Tanama	SAMHSA	"Ache TOP Norte-HRSA"	"Ache TOP Oeste-CDC"	ECO	S.E.V. (ACHE TOP Sur)	Subtotal	Grand Total	
Cash	\$ 13,989	\$1,500	\$ -	\$ 5,422	\$ 21,845	\$ -	\$ 11,205	\$ 39,972	\$ 53,961	
Accounts receivable, net	20,660	-	-	1,735	506	-	11,088	13,329	33,989	
Prepaid expenses	100	2,900	-	-	5,904	-	-	8,804	8,904	
Property and equipment - net	10,145	-	-	-	-	-	-	-	10,145	
Interfund receivables	11,696	-	-	4,889	32,596	-	500	37,985	49,681	
Total Assets	\$ 56,590	\$4,400	\$ -	\$ 12,046	\$ 60,851	\$ -	\$ 22,793	\$100,090	\$ 156,680	
Liabilities and Net Assets										
Accounts payable	\$ 68,330	\$3,594	\$ -	\$ -	\$ 15,275	\$ -	\$ -	\$ 18,869	\$ 87,199	
Accrued expenses	1,127	806	-	588	30,961	-	7,493	39,848	40,975	
Interfund payables	25,289	-	-	11,458	-	-	12,934	24,392	49,681	
Total liabilities	94,746	4,400	-	12,046	46,236	-	20,427	83,109	177,855	
Net assets:										
Unrestricted	(38,156)	-	-	-	-	-	-	-	(38,156)	
Temporarily Restricted	-	-	-	-	14,615	-	2,366	16,981	16,981	
Total liabilities and net assets	(38,156)	-	-	-	14,615	-	2,366	16,981	(21,175)	
	\$ 56,590	\$4,400	\$ -	\$ 12,046	\$ 60,851	\$ -	\$ 22,793	\$100,090	\$ 156,680	

See notes to financial statements

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

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	Unrestricted	Temporarily restricted							
	General Fund	TGA Ponce	SAMHSA	"Ache HRSA"	"Ache del Oeste"	ECO	S.E.V.	Subtotal	Grand Total
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
Total Assets	\$ 72,446	\$ -	\$ -	\$ 12,231	\$ 49,754	\$ -	\$ 25,211	\$ 87,196	\$ 159,642
Liabilities and Net Assets									
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
Total liabilities	88,337	-	-	12,231	35,139	-	22,845	70,215	158,552
Net assets:									
Unrestricted	(15,891)	-	-	-	-	-	-	-	(15,891)
Temporarily Restricted	-	-	-	-	14,615	-	2,366	16,981	16,981
Total liabilities and net assets	\$ 72,446	\$ -	\$ -	\$ 12,231	\$ 49,754	\$ -	\$ 25,211	\$ 87,196	\$ 159,642

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, 2017

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	Unrestricted	Temporarily restricted							
	General Fund	Tanama	SAMHSA	"Ache TOP Norte- HRSA"	"Ache TOP Oeste-CDC"	ECO	S.E.V. (ACHE TOP Sur)	Subtotal	Grand Total
Revenues:									
Grants	\$ -	\$ 19,905	\$ 100,643	\$ 56,750	\$ 349,228	\$ 75,609	\$ 91,493	\$ 693,628	\$ 693,628
Other contributions	-	-	-	-	-	-	9,600	9,600	9,600
Fund raising activities	18,775	-	-	-	-	-	-	-	18,775
Other revenues	3,890	-	-	-	-	-	-	-	3,890
	-	-	-	-	-	-	-	-	-
Total revenues	22,665	19,905	100,643	56,750	349,228	75,609	101,093	703,228	725,893
Expenses:									
Program services:									
Tanama	-	19,905	-	-	-	-	-	19,905	19,905
SAMHSA	-	-	100,643	-	-	-	-	100,643	100,643
"Ache HRSA"	-	-	-	56,750	-	-	-	56,750	56,750
"Ache del Oeste"	-	-	-	-	349,228	-	-	349,228	349,228
Estudio de la Conducta	-	-	-	-	-	75,609	-	75,609	75,609
S.E.V.	-	-	-	-	-	-	101,093	101,093	101,093
Administrative and General	29,109	-	-	-	-	-	-	-	29,109
Fund raising activities	15,821	-	-	-	-	-	-	-	15,821
Total expenses	44,930	19,905	100,643	56,750	349,228	75,609	101,093	703,228	748,158
Change in net assets	(22,265)	-	-	-	-	-	-	-	(22,265)
Net assets (deficiency), beginning of year	(15,891)	-	-	-	14,615	-	2,366	16,981	1,090
Net transfers between funds	-	-	-	-	-	-	-	-	-
Net assets (deficiency), end of year	\$ (38,156)	\$ -	\$ -	\$ -	\$ 14,615	\$ -	\$ 2,366	\$ 16,981	\$ (21,175)

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

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	Unrestricted	Temporarily restricted							
	General Fund	TGA Ponce	SAMHSA	"Ache HRSA"	"Ache del Oeste"	ECO	S.E.V.	Subtotal	Grand Total
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:									
Program services:									
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
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

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

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Years Ended June 30, 2017 and 2016

Cash flows from operating activities:	<u>2017</u>	<u>2016</u>
Change in net assets:	\$ (22,265)	\$ (11,896)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	7,040	3,950
Changes in assets and liabilities		
(Increase) in accounts receivable	26,517	7,332
(Increase) decrease in prepaids and other assets	(2,097)	(2,476)
Increase (decrease) in accounts payable and accrued expenses	<u>14,293</u>	<u>41,928</u>
Total adjustments	<u>45,753</u>	<u>50,734</u>
Net cash provided by (used in) operating activities	<u>23,488</u>	<u>38,838</u>
Net cash used in investing activities		
Acquisition of fixed assets	<u>(6,268)</u>	<u>(14,282)</u>
Net increase (decrease) in cash	17,220	24,556
Cash, beginning of year	<u>36,741</u>	<u>12,185</u>
Cash, end of year	<u>\$ 53,961</u>	<u>\$ 36,741</u>

See notes to financial statements

COAI, Inc.
(A Puerto Rico Non-Profit Organization)
Statement of Functional Expenses
Year Ended June 30, 2017

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	Unrestricted	Temporarily restricted							
	General Fund	Tanama	SAMHSA	"Ache TOP Norte- HRSA"	"Ache TOP Oeste- CDC"	ECO	S.E.V. (ACHE TOP Sur)	Subtotal	Grand Total
Revenues:									
Grants	\$ -	\$ 19,905	\$ 100,643	\$ 56,750	\$ 349,228	\$ 75,609	\$ 91,493	\$ 693,628	\$ 693,628
Other contributions	-	-	-	-	-	-	9,600	9,600	9,600
Fund raising activities	18,775	-	-	-	-	-	-	-	18,775
Other revenues	3,890	-	-	-	-	-	-	-	3,890
	-	-	-	-	-	-	-	-	-
Total revenues	<u>22,665</u>	<u>19,905</u>	<u>100,643</u>	<u>56,750</u>	<u>349,228</u>	<u>75,609</u>	<u>101,093</u>	<u>703,228</u>	<u>725,893</u>
Expenses:									
Personnel	7,599	9,750	12,695	35,601	148,729	-	64,956	271,731	279,330
Fringe benefits	2,246	893	971	3,944	23,274	-	7,007	36,089	38,335
Tests and supplies	-	-	2,834	3,819	23,403	4,458	4,191	38,705	38,705
Promotional and educational material	-	2,528	16,370	3,587	16,211	-	-	38,696	38,696
Fund raising activities	15,821	-	-	-	-	-	-	-	15,821
Incentives	263	-	1,209	-	2,568	-	90	3,867	4,130
Printing and reproduction	-	1,262	-	1,739	3,811	-	4	6,816	6,816
Office supplies	5	-	710	772	7,589	533	1,084	10,688	10,693
Travel expenses	6,935	-	1,475	1,302	36,646	14,078	3,751	57,252	64,187
Depreciation expense	7,040	-	-	-	-	-	-	-	7,040
Insurance expense	2,810	-	-	-	2,416	-	-	2,416	5,226
Repairs and maintenance	-	-	-	-	7,879	-	-	7,879	7,879
Equipment maintenance	-	-	-	-	6,392	-	4,500	10,892	10,892
Professional fees	1,070	2,400	62,892	5,986	14,572	56,540	4,950	147,340	148,410
Rent	-	2,900	-	-	36,200	-	9,600	48,700	48,700
Utilities	1,141	-	-	-	11,495	-	960	12,455	13,596
Other expenses	-	172	1,487	-	8,043	-	-	9,702	9,702
Total expenses	<u>44,930</u>	<u>19,905</u>	<u>100,643</u>	<u>56,750</u>	<u>349,228</u>	<u>75,609</u>	<u>101,093</u>	<u>703,228</u>	<u>748,158</u>
Change in net assets	(22,265)	-	-	-	-	-	-	-	(22,265)
Net assets (deficiency), beginning of year	(15,891)	-	-	-	14,615	-	2,366	16,981	1,090
Net transfers between funds	-	-	-	-	-	-	-	-	-
Net assets (deficiency), end of year	<u>\$ (38,156)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,615</u>	<u>\$ -</u>	<u>\$ 2,366</u>	<u>\$ 16,981</u>	<u>\$ (21,175)</u>

See notes to financial statements

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

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	Unrestricted	Temporarily restricted							
	General Fund	TGA Ponce	SAMHSA	"Ache HRSA"	"Ache del Oeste"	ECO	S.E.V.	Subtotal	Grand Total
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	<u>26,348</u>	<u>35,332</u>	<u>33,957</u>	<u>50,698</u>	<u>349,492</u>	<u>93,010</u>	<u>33,773</u>	<u>596,262</u>	<u>622,610</u>
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	<u>38,244</u>	<u>35,332</u>	<u>33,957</u>	<u>50,698</u>	<u>349,492</u>	<u>93,010</u>	<u>33,773</u>	<u>596,262</u>	<u>634,506</u>
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)

Notes to Financial Statements
June 30, 2017 and 2016

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 TOP Norte - CDC" (Taking on Prevention) PA PS15-1502, entitled, "Comprehensive High-Impact HIV Prevention Projects for Community-Based Organizations," — 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) and Transgender persons 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 (41) towns comprising the San Juan Statistical Metropolitan Area.

"Ache TOP Norte – 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 Emergency Metropolitan Area.

"Ache TOP Oeste - CDC" (Taking on Prevention) PA PS15-1502, entitled, "Comprehensive High-Impact HIV Prevention Projects for Community-Based Organizations,"- This program provides outreach, preventive and educational services, and CTRS, focusing on MSM and Transgender Persons 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") - These projects study the practices, knowledge, and attitude towards the VIH/AIDS and other related areas by performing interviews to various populations (HET, MSM, and IDU) at different hours per week using tablets and performing HIV testing.

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

Notes to Financial Statements – (continued)
June 30, 2017 and 2016

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

Organization – (continued):

"Salud, Esperanza y Vida "(S.E.V.) (now Ache TOP Sur) — This program provides outreach, preventive and educational services, and CTRS, focusing on MSM and Transgender Persons in any of the fifteen (15) towns comprising the Ponce Health Region.

"Trans Tanama" (PS17-1704 - "Comprehensive High-Impact HIV Prevention projects for Young Men of Color Who Have Sex with Men and Young Transgender Persons of Color") — This program will serve YTG ages 16-29 and their partners in SJSMA. It offers (a) Program Promotion, Outreach & Retention (b) Targeted HIV Testing (including CHTC); (c) Client Navigation Services for newly and previously diagnosed HIV-positives (ARTAS; Linkage to Care, SNS); (d) Client Navigator Services for high-risk HIV-negative (PCC, SNS); and (e) Condom Distribution.

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, 2017 and 2016 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.

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

Notes to Financial Statements – (continued)
June 30, 2017 and 2016

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

Summary of significant accounting policies – (continued):

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.

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 years ended June 30, 2017 and 2016, management believes that long-lived assets are not impaired at the individual asset or the asset group level.

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COAL INC.
(A Puerto Rico Non-Profit Organization)

Notes to Financial Statements – (continued)
June 30, 2017 and 2016

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, 2017 and 2016:

<u>Description</u>	<u>Useful life</u>	<u>2017</u>	<u>2016</u>
Leasehold Improvements	5 years	10,545	10,545
Office equipment	3 years	202,606	196,338
		213,151	206,883
Less: accumulated depreciation and amortization		(203,006)	(195,966)
Total property and equipment, net		<u>\$ 10,145</u>	<u>\$ 10,917</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 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, 2017 and 2016 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, 2017 and 2016

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, 2017 and 2016, 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, 2017 have been appropriately filed by the Organization. The Organization's open audit periods are fiscal years ended June 30, 2011 to June 30, 2017.

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, 2017 and 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, 2017 and 2016, cash balances did not exceed insured limits.

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

Notes to Financial Statements – (continued)
June 30, 2017 and 2016

Note 2 - Concentrations of credit risk – (continued)

As of June 30, 2017 and 2016, 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.

Note 3 - Accounts receivable

As of June 30, 2017 and 2016, accounts receivable consist of the following:

<u>General Fund:</u>	<u>2017</u>	<u>2016</u>
Grants Receivables	15,024	28,350
Other	5,636	1,376
	<u>\$ 20,660</u>	<u>\$ 29,726</u>
 <u>"Ache HRSA"</u>		
Grant Receivable	<u>\$ 1,735</u>	<u>\$ 6,609</u>
 <u>"Ache del Oeste"</u>		
Grant Receivable	\$ -	\$ -
Other	506	589
	<u>\$ 506</u>	<u>\$ 589</u>
 <u>S.E.V.</u>		
Grant Receivable	<u>\$ 11,088</u>	<u>\$ 23,582</u>
	<u>\$ 33,989</u>	<u>\$ 60,506</u>

Accounts receivable as of June 30, 2017 and 2016 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.

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

Notes to Financial Statements – (continued)
June 30, 2017 and 2016

Note 4 - Contributions and grants – (continued)

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.

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, 2017 and 2016, the total of federal awards received for all federal programs did not exceed \$750,000. Therefore, an audit in accordance with OMB Circular A-133 was not required.

Contributed use of facilities:

During the years ended June 30, 2017 and 2016 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, 2017 and 2016. 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 operating lease agreements expiring within various range periods up to April 2022, with monthly rental payments within \$100 and \$2,900.

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COAI, INC.
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Notes to Financial Statements – (continued)
June 30, 2017 and 2016

Note 5 – Commitments (continued)

Operating lease agreements – (continued)

Future minimum rental payments under for the following five years is as follows:

<u>Year Ending June 30</u>	<u>Rental Commitments</u>
2018	\$ 45,600
2019	45,600
2020	45,600
2021	45,600
2022	36,700
	<u>\$ 219,100</u>

Total rent expense for the years ended June 30, 2017 and 2016, under the above lease agreements, amounted to \$48,700 and \$46,800, respectively.

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 - Subsequent events

On September 20, 2017, Hurricane Maria impacted Puerto Rico causing widespread infrastructure and other property damage, and the complete collapse of the electrical grid across the Island. Management is in the process of evaluating the damages caused by Hurricane Maria and what potential effects it may have, if any, in the operations of the Organization.

The Organization's management evaluated subsequent events through January 27, 2018, 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.