

Coaí, Inc.
(A Puerto Rico Non-Profit Organization)

Financial Statements

June 30, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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.



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Coaí, Inc.
(A Puerto Rico Non-Profit Organization)
Statement of Financial Position
June 30, 2019

	Without Donor Restrictions	With Donor Restrictions							
	Assets								
	<u>General Fund</u>	<u>Tanama</u>	<u>SAMHSA</u>	<u>"Ache TOP Norte-HRSA"</u>	<u>"Ache TOP Oeste-CDC"</u>	<u>ECO</u>	<u>S.E.V. (ACHE TOP Sur)</u>	<u>Subtotal</u>	<u>Grand Total</u>
Assets:									
Cash	\$ 12,091	\$ 1,380	\$ -	\$ 68	\$ 2,087	\$ -	\$ 4,186	\$ 7,721	\$ 19,812
Accounts receivable, net	14,208	1,734	-	-	9,519	-	8,375	19,628	33,836
Prepaid expenses	-	2,975	-	-	3,517	-	-	6,492	6,492
Property and equipment - net	7,686	-	-	-	-	-	-	-	7,686
Interfund receivables	3,220	-	-	3,672	32,596	-	-	36,268	39,488
Total Assets	\$ 37,205	\$ 6,089	\$ -	\$ 3,740	\$ 47,719	\$ -	\$ 12,561	\$ 70,109	\$ 107,314
	Liabilities and Net Assets								
Liabilities:									
Accounts payable	\$ 64,198	\$ -	\$ -	\$ -	\$ 11,304	\$ -	\$ -	\$ 11,304	\$ 75,502
Accrued expenses	959	6,089	-	282	21,800	-	5,737	33,908	34,867
Interfund payables	31,572	-	-	3,458	-	-	4,458	7,916	39,488
Total liabilities	96,729	6,089	-	3,740	33,104	-	10,195	53,128	149,857
Net assets:									
Without Donor Restrictions	(59,524)	-	-	-	-	-	-	-	(59,524)
With Donor Restrictions	-	-	-	-	14,615	-	2,366	16,981	16,981
	(59,524)	-	-	-	14,615	-	2,366	16,981	(42,543)
Total liabilities and net assets	\$ 37,205	\$ 6,089	\$ -	\$ 3,740	\$ 47,719	\$ -	\$ 12,561	\$ 70,109	\$ 107,314

See notes to financial statements

Coaf, Inc.
(A Puerto Rico Non-Profit Organization)
Statement of Financial Position
June 30, 2018

	Without Donor Restrictions	With Donor Restrictions							
	Assets								
	General Fund	Tanama	SAMHSA	"Ache TOP Norte-HRSA"	"Ache TOP Oeste-CDC"	ECO	S.E.V. (ACHE TOP Sur)	Subtotal	Grand Total
Assets:									
Cash	\$ 11,215	\$ 1,741	\$ -	\$ 3,069	\$ 3,187	\$ -	\$ 4,995	\$ 12,992	\$ 24,207
Accounts receivable, net	8,216	-	-	-	4,884	-	8,639	13,523	21,739
Prepaid expenses	100	3,195	-	-	4,240	-	-	7,435	7,535
Property and equipment - net	12,947	-	-	-	-	-	-	-	12,947
Interfund receivables	3,892	-	-	8,034	32,596	-	-	40,630	44,522
Total Assets	\$ 36,370	\$ 4,936	\$ -	\$ 11,103	\$ 44,907	\$ -	\$ 13,634	\$ 74,580	\$ 110,950
	Liabilities and Net Assets								
Liabilities:									
Accounts payable	\$ 58,328	\$ 629	\$ -	\$ -	\$ 11,303	\$ -	\$ -	\$ 11,932	\$ 70,260
Accrued expenses	1,297	4,307	-	146	18,778	-	6,350	29,581	30,878
Interfund payables	28,436	-	-	10,957	211	-	4,918	16,086	44,522
Total liabilities	88,061	4,936	-	11,103	30,292	-	11,268	57,599	145,660
Net assets:									
Without Donor Restrictions	(51,691)	-	-	-	-	-	-	-	(51,691)
With Donor Restrictions	-	-	-	-	14,615	-	2,366	16,981	16,981
	(51,691)	-	-	-	14,615	-	2,366	16,981	(34,710)
Total liabilities and net assets	\$ 36,370	\$ 4,936	\$ -	\$ 11,103	\$ 44,907	\$ -	\$ 13,634	\$ 74,580	\$ 110,950

See notes to financial statements

Coaí, Inc.
(A Puerto Rico Non-Profit Organization)
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions							
	<u>General Fund</u>	<u>Tanama</u>	<u>SAMHSA</u>	<u>"Ache TOP Norte- HRSA"</u>	<u>"Ache TOP Oeste-CDC"</u>	<u>ECO</u>	<u>S.E.V. (ACHE TOP Sur)</u>	<u>Subtotal</u>	
Revenues:									
Grants	\$ -	\$ 282,707	\$ -	\$ 23,513	\$ 325,520	\$ 153,905	\$ 19,912	\$ 805,557	\$ 805,557
Other contributions	3,665	-	-	-	-	-	9,600	9,600	13,265
Fund raising activities	18,243	-	-	-	-	-	-	-	18,243
Other revenues	1,469	-	-	-	-	-	-	-	1,469
Juracan Project	<u>27,023</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,023</u>
Total revenues	<u>50,400</u>	<u>282,707</u>	<u>-</u>	<u>23,513</u>	<u>325,520</u>	<u>153,905</u>	<u>29,512</u>	<u>815,157</u>	<u>865,557</u>
Expenses:									
Program services:									
Tanama	-	282,707	-	-	-	-	-	282,707	282,707
SAMHSA	-	-	-	-	-	-	-	-	-
"Ache TOP Norte-HRSA"	-	-	-	23,513	-	-	-	23,513	23,513
"Ache TOP Oeste-CDC"	-	-	-	-	325,520	-	-	325,520	325,520
ECO	-	-	-	-	-	153,905	-	153,905	153,905
S.E.V. (ACHE TOP Sur)	-	-	-	-	-	-	29,512	29,512	29,512
Administrative and General	19,065	-	-	-	-	-	-	-	19,065
Fund raising activities	13,923	-	-	-	-	-	-	-	13,923
Juracan Project	<u>25,245</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,245</u>
Total expenses	<u>58,233</u>	<u>282,707</u>	<u>-</u>	<u>23,513</u>	<u>325,520</u>	<u>153,905</u>	<u>29,512</u>	<u>815,157</u>	<u>873,390</u>
Change in net assets	(7,833)	-	-	-	-	-	-	-	(7,833)
Net assets (deficiency), beginning of year	(51,691)	-	-	-	14,615	-	2,366	16,981	(34,710)
Net transfers between funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets (deficiency), end of year	<u>\$ (59,524)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,615</u>	<u>\$ -</u>	<u>\$ 2,366</u>	<u>\$ 16,981</u>	<u>\$ (42,543)</u>

See notes to financial statements

Coaí, Inc.
(A Puerto Rico Non-Profit Organization)
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2018

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	Without Donor Restrictions	With Donor Restrictions							Subtotal	Grand Total
	General Fund	Tanama	SAMHSA	"Ache TOP Norte- HRSA"	"Ache TOP Oeste-CDC"	ECO	S.E.V. (ACHE TOP Sur)			
Revenues:										
Grants	\$ -	\$ 283,466	\$ 16,234	\$ -	\$ 316,671	\$ 50,856	\$ 63,147	\$ 730,374	\$ 730,374	
Other contributions	-	-	-	-	-	-	9,600	9,600	9,600	
Fund raising activities	13,750	-	-	-	-	-	-	-	13,750	
Other revenues	506	-	-	-	-	-	-	-	506	
Juracan Project	20,421	-	-	-	-	-	-	-	20,421	
Total revenues	<u>34,677</u>	<u>283,466</u>	<u>16,234</u>	<u>-</u>	<u>316,671</u>	<u>50,856</u>	<u>72,747</u>	<u>739,974</u>	<u>774,651</u>	
Expenses:										
Program services:										
Tanama	-	283,466	-	-	-	-	-	283,466	283,466	
SAMHSA	-	-	16,234	-	-	-	-	16,234	16,234	
"Ache TOP Norte-HRSA"	-	-	-	-	-	-	-	-	-	
"Ache TOP Oeste-CDC"	-	-	-	-	316,671	-	-	316,671	316,671	
ECO	-	-	-	-	-	50,856	-	50,856	50,856	
S.E.V. (ACHE TOP Sur)	-	-	-	-	-	-	72,747	72,747	72,747	
Administrative and General	22,061	-	-	-	-	-	-	-	22,061	
Fund raising activities	5,792	-	-	-	-	-	-	-	5,792	
Juracan Project	20,359	-	-	-	-	-	-	-	20,359	
Total expenses	<u>48,212</u>	<u>283,466</u>	<u>16,234</u>	<u>-</u>	<u>316,671</u>	<u>50,856</u>	<u>72,747</u>	<u>739,974</u>	<u>788,186</u>	
Change in net assets	(13,535)	-	-	-	-	-	-	-	(13,535)	
Net assets (deficiency), beginning of year	(38,156)	-	-	-	14,615	-	2,366	16,981	(21,175)	
Net transfers between funds	-	-	-	-	-	-	-	-	-	
Net assets (deficiency), end of year	<u>\$ (51,691)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,615</u>	<u>\$ -</u>	<u>\$ 2,366</u>	<u>\$ 16,981</u>	<u>\$ (34,710)</u>	

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets:	\$ (7,833)	\$ (13,535)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	5,261	5,547
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(12,097)	12,250
Decrease in prepaids and other assets	1,043	1,369
Increase (decrease) in accounts payable and accrued expenses	<u>9,231</u>	<u>(27,036)</u>
Total adjustments	<u>3,438</u>	<u>(7,870)</u>
Net cash (used in) operating activities	<u>(4,395)</u>	<u>(21,405)</u>
Net cash used in investing activities		
Acquisition of property and equipment	<u>-</u>	<u>(8,349)</u>
Net (decrease) in cash	(4,395)	(29,754)
Cash, beginning of year	<u>24,207</u>	<u>53,961</u>
Cash, end of year	<u>\$ 19,812</u>	<u>\$ 24,207</u>
Supplemental disclosures on non-cash transactions:		
Fully depreciated equipment retired during the year	<u>\$ -</u>	<u>\$ 139,590</u>

See notes to financial statements

Coaí, Inc.
(A Puerto Rico Non-Profit Organization)
Statement of Functional Expenses
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions							Subtotal	Grand Total
	General Fund	Tanama	SAMHSA	"Ache TOP Norte-HRSA"	"Ache TOP Oeste-CDC"	ECO	S.E.V. (ACHE TOP Sur)			
Revenues:										
Grants	\$ -	\$282,707	\$ -	\$ 23,513	\$ 325,520	\$ 153,905	\$ 19,912	\$805,557	\$ 805,557	
Other contributions	3,665	-	-	-	-	-	9,600	9,600	13,265	
Fund raising activities	18,243	-	-	-	-	-	-	-	18,243	
Other revenues	1,469	-	-	-	-	-	-	-	1,469	
Juracan Project	27,023	-	-	-	-	-	-	-	27,023	
Total revenues	50,400	282,707	-	23,513	325,520	153,905	29,512	815,157	865,557	
Expenses:										
Personnel	757	111,605	-	14,840	147,876	-	15,475	289,796	290,553	
Fringe benefits	412	12,046	-	1,875	15,945	-	1,872	31,738	32,150	
Medical plan	1,308	1,217	-	-	7,200	-	-	8,417	9,725	
Tests and supplies	-	3,324	-	748	16,409	73,392	-	93,873	93,873	
Promotional and educational material	-	17,673	-	3,280	8,343	-	365	29,661	29,661	
Fund raising activities	13,923	-	-	-	-	-	-	-	13,923	
Incentives	202	5,745	-	-	3,193	-	-	8,938	9,140	
Printing and reproduction	155	3,901	-	-	2,815	-	-	6,716	6,871	
Office supplies	30	3,108	-	51	1,787	524	-	5,470	5,500	
Travel expenses	4,247	20,694	-	409	41,725	-	580	63,408	67,655	
Depreciation expense	5,261	-	-	-	-	-	-	-	5,261	
Insurance expense	1,650	2,362	-	-	1,842	-	-	4,204	5,854	
Repairs and maintenance	142	795	-	-	3,318	-	-	4,113	4,255	
Equipment maintenance	-	2,095	-	-	2,094	-	-	4,189	4,189	
Professional fees	3,701	53,005	-	2,310	16,948	79,388	630	152,281	155,982	
Rent	125	35,700	-	-	37,404	-	9,600	82,704	82,829	
Utilities	736	2,703	-	-	11,677	-	990	15,370	16,106	
Juracan Project	25,245	-	-	-	-	-	-	-	25,245	
Other expenses	339	6,734	-	-	6,944	601	-	14,279	14,618	
Total expenses	58,233	282,707	-	23,513	325,520	153,905	29,512	815,157	873,390	
Change in net assets	(7,833)	-	-	-	-	-	-	-	(7,833)	
Net assets (deficiency), beginning of year	(51,691)	-	-	-	14,615	-	2,366	16,981	(34,710)	
Net transfers between funds	-	-	-	-	-	-	-	-	-	
Net assets (deficiency), end of year	<u>\$ (59,524)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,615</u>	<u>\$ -</u>	<u>\$ 2,366</u>	<u>\$ 16,981</u>	<u>\$ (42,543)</u>	

See notes to financial statements

Coaf, Inc.
(A Puerto Rico Non-Profit Organization)
Statement of Functional Expenses
Year Ended June 30, 2018

	Without Donor Restrictions		With Donor Restrictions						
	General Fund	Tanama	SAMHSA	"Ache TOP Norte-HRSA"	"Ache TOP Oeste-CDC"	ECO	S.E.V. (ACHE TOP Sur)	Subtotal	Grand Total
Revenues:									
Grants	\$ -	\$283,466	\$ 16,234	\$ -	\$316,671	\$50,856	\$ 63,147	\$730,374	\$ 730,374
Other contributions	-	-	-	-	-	-	9,600	9,600	9,600
Fund raising activities	13,750	-	-	-	-	-	-	-	13,750
Other revenues	506	-	-	-	-	-	-	-	506
Juracan Project	20,421	-	-	-	-	-	-	-	20,421
Total revenues	<u>34,677</u>	<u>283,466</u>	<u>16,234</u>	<u>-</u>	<u>316,671</u>	<u>50,856</u>	<u>72,747</u>	<u>739,974</u>	<u>774,651</u>
Expenses:									
Personnel	3,195	109,895	4,883	-	153,643	-	38,542	306,963	310,158
Fringe benefits	1,668	14,385	374	-	24,123	-	3,674	42,556	44,224
Tests and supplies	1,742	7,464	-	-	8,498	6,847	10,081	32,890	34,632
Promotional and educational material	-	16,174	3,973	-	9,641	-	3,590	33,378	33,378
Fund raising activities	5,792	-	-	-	-	-	-	-	5,792
Incentives	676	6,270	1,110	-	5,719	-	394	13,493	14,169
Printing and reproduction	-	1,582	-	-	2,623	-	1,496	5,701	5,701
Office supplies	646	24,019	-	-	977	135	104	25,235	25,881
Travel expenses	3,649	29,777	-	-	32,838	-	1,968	64,583	68,232
Depreciation expense	5,547	-	-	-	-	-	-	-	5,547
Insurance expense	1,650	1,315	-	-	2,615	-	-	3,930	5,580
Repairs and maintenance	-	8,117	-	-	4,827	-	-	12,944	12,944
Equipment maintenance	-	863	-	-	3,188	-	-	4,051	4,051
Professional fees	2,403	24,279	5,854	-	14,117	38,092	2,650	84,992	87,395
Rent	-	35,575	-	-	37,404	-	9,600	82,579	82,579
Utilities	885	1,559	-	-	9,174	-	648	11,381	12,266
Juracan Project	20,359	-	-	-	-	-	-	-	20,359
Other expenses	-	2,192	40	-	7,284	5,782	-	15,298	15,298
Total expenses	<u>48,212</u>	<u>283,466</u>	<u>16,234</u>	<u>-</u>	<u>316,671</u>	<u>50,856</u>	<u>72,747</u>	<u>739,974</u>	<u>788,186</u>
Change in net assets	(13,535)	-	-	-	-	-	-	-	(13,535)
Net assets (deficiency), beginning of year	(38,156)	-	-	-	14,615	-	2,366	16,981	(21,175)
Net transfers between funds	-	-	-	-	-	-	-	-	-
Net assets (deficiency), end of year	<u>\$ (51,691)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,615</u>	<u>\$ -</u>	<u>\$ 2,366</u>	<u>\$ 16,981</u>	<u>\$ (34,710)</u>

See notes to financial statements

Coaí, Inc.
(A Puerto Rico Non-Profit Organization)

Notes to Financial Statements
June 30, 2019 and 2018

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.

Coaí, Inc.
(A Puerto Rico Non-Profit Organization)

Notes to Financial Statements – (continued)
June 30, 2019 and 2018

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 —In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities, Presentation of Financial Statements of Not-for-Profit Entities. This comprehensive standard provides guidance on net asset classification, required disclosures on liquidity, and availability of resources; requires expanded disclosure about expenses and investment returns; and eliminates the requirement to present or disclose the indirect method reconciliation if using the direct method when presenting cash flows. The standard is effective for annual periods beginning after December 15, 2017.

ASU No. 2016-14 streamlines and simplifies requirements related to several aspects of financial reporting to improve consistency among not-for-profit organizations. One of the most significant changes from this ASU is reducing the number of net asset classifications. Prior to the ASU, nonprofits must present net assets in one of these three classes: Unrestricted Net Assets, Temporarily Restricted Net Assets or Permanently Restricted Net Assets. ASU 2016-14 set out to simplify the presentation of net assets, reducing the classes from three to two and changing the basis of classification to address restrictions imposed by donors. This change reduces complexity and improve understanding of financial statements. The two classes of net assets under the new standard are Without Donor Restrictions and With Donor Restrictions. Under the new classification structure, the donor-imposed restriction category includes what was previously reported as Permanently Restricted and Temporarily Restricted. Net assets without donor-imposed restrictions, including those that are designated by the board, are those previously reported as Unrestricted.

The change in classification to net assets With Donor Restrictions does not eliminate current requirements to disclose the nature and amounts of different types of donor-imposed restrictions. Additionally, separate line items may be reported within net assets with donor restrictions or in notes to financial statements to distinguish between various types of donor-imposed restrictions, such as those expected to be maintained in perpetuity and

Coaí, Inc.
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Notes to Financial Statements – (continued)
June 30, 2019 and 2018

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

Summary of significant accounting policies – (continued):

Basis of presentation – (continued):

those expected to be spent over time or for a particular purpose. This information must be disclosed on the year-end balance of net assets with donor restrictions.

Net assets that are without donor-imposed restrictions may still be designated by the board. Under current standards, board-designated net assets may be earmarked for future programs, investment or other uses. This remains true with the implementation of ASU 2016-14. Additionally, this ASU allows governing boards to delegate designation decisions to internal management, with those designations also included in board-designated net assets. Although board-designated net assets exist under current standards, the new ASU adds a requirement to disclose information about the amounts, purpose and type of any board designations included in net assets without donor restrictions.

Contributions and net assets categories - Contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

Contributions that are restricted by donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from donor restrictions, when applicable.

Revenues from sources other than contributions are generally reported as increases in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by donor stipulations or by law.

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.

Coaí, Inc.
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Notes to Financial Statements – (continued)
June 30, 2019 and 2018

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 support without donor restrictions, 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 support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, expirations of donor restrictions are reported as net assets without donor restrictions 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, 2019 and 2018, management believes that long-lived assets are not impaired at the individual asset or the asset group level.

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Coaí, Inc.
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Notes to Financial Statements – (continued)
June 30, 2019 and 2018

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, 2019 and 2018:

<u>Description</u>	<u>Useful life</u>	<u>2019</u>	<u>2018</u>
Leasehold Improvements	5 years	10,545	10,545
Office equipment	3 years	<u>71,365</u>	<u>71,365</u>
		81,910	81,910
Less: accumulated depreciation and amortization		<u>(74,224)</u>	<u>(68,963)</u>
Total property and equipment, net		<u>\$ 7,686</u>	<u>\$ 12,947</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 use, unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are now reported as increases in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, those net assets are reclassified to net assets without donor restrictions 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 increase in net assets without donor restrictions.

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, 2019 and 2018 there were no contributed services.

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

Coaí, Inc.
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Notes to Financial Statements – (continued)
June 30, 2019 and 2018

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 changes in net assets and of 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, as part of the general fund.

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, 2019 and 2018, 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, 2019 have been appropriately filed by the Organization. The Organization's open audit periods are fiscal years ended June 30, 2012 to June 30, 2018.

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, 2019 and 2018, financial instruments which potentially may subject the Organization to concentrations of credit risk consist principally of cash and accounts receivable.

Coaí, 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, 2019 and 2018, cash balances did not exceed insured limits.

Coaí, Inc.
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Notes to Financial Statements – (continued)
June 30, 2019 and 2018

Note 2 - Concentrations of credit risk – (continued)

As of June 30, 2019 and 2018, current vulnerability arises due to certain concentrations 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, 2019 and 2018, accounts receivable consist of the following:

<u>General Fund:</u>	<u>2019</u>	<u>2018</u>
Grants Receivables	10,996	5,716
Other	3,212	2,500
	<u>\$ 14,208</u>	<u>\$ 8,216</u>
<u>Tanama</u>		
Grants Receivables	\$1,578	\$ -
Other	156	-
	<u>\$1,734</u>	<u>\$ -</u>
<u>"Ache TOP Oeste - CDC"</u>		
Grant Receivable	\$ 8,884	\$ 4,863
Other	635	21
	<u>\$ 9,519</u>	<u>\$ 4,884</u>
<u>S.E.V. (ACHE TOP Sur)</u>		
Grant Receivable	\$ 8,375	\$ 8,639
	<u>\$ 33,836</u>	<u>\$ 21,739</u>

Accounts receivable as of June 30, 2019 and 2018 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.

Coaí, Inc.
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Notes to Financial Statements – (continued)
June 30, 2019 and 2018

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, 2019 and 2018, the total of federal awards expended 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, 2019 and 2018 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, 2019 and 2018. This amount was reflected as other contributions in the accompanying statements of activities and changes in net assets and of functional expenses.

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.

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

Year Ending	Rental
<u>June 30</u>	<u>Commitments</u>
2020	36,000
2021	36,000
2022	<u>27,100</u>
	<u>\$ 99,100</u>

Coaí, Inc.
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Notes to Financial Statements – (continued)
June 30, 2019 and 2018

Note 5 – Commitments (continued)

Operating lease agreements – (continued)

Total rent expense for the years ended June 30, 2019 and 2018, under the above lease agreements, amounted to \$82,829 and \$82,579, 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.

Hurricane Maria damages

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 evaluated the damages caused by Hurricane Maria and the potential effects it may have, if any, in the operations of the Organization, and concluded that they were not significant, in overall.

Note 6 – New accounting pronouncements

Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* is expected to be implemented using the full retrospective method of transition. This ASU converged and replaced existing revenue recognition guidance, including industry-specific guidance and requires revenue to be recognized in an amount that reflects the consideration the entity expects to be entitled in an exchange of goods or services. The adoption of this ASU is not expected to materially impact the Entity's financial statements. This ASU is effective for fiscal periods beginning after December 15, 2018.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU requires the rights and obligations arising from the lease contracts, including existing and new arrangements, to be recognized as assets and liabilities on the statements of financial position. The ASU will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. The primary effect of adopting the new standard will be to record right-of-use assets and obligations for current operating leases.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820)*. This ASU improves the effectiveness of the notes to financial statements through changes in the disclosure requirements for fair value measurement. The ASU is effective January 1, 2020.

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Notes to Financial Statements – (continued)
June 30, 2019 and 2018

Note 6 – New accounting pronouncements – (continued)

In August 2018, the FASB issued ASU No. 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans (Topic 715)*. This ASU modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The ASU is effective January 1, 2021.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles - Goodwill and Other, Internal-Use Software (Subtopic 350-40), Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The ASU is effective January 1, 2021 and will be applied using a prospective approach.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities - Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This ASU provides a more robust framework to determine when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. This ASU is effective for fiscal periods beginning January 1, 2019.

The Entity is evaluating the impact of the applicable preceding ASUs on its financial statements

Note 7 - Subsequent events

The Organization's management evaluated subsequent events through January 13, 2020, 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.