

ASESORES FINANCIEROS COMUNITARIOS, INC.

**FINANCIAL STATEMENTS AND
ACCOMPANYING INDEPENDENT AUDITOR'S REPORT**

SIX-MONTH PERIOD ENDED JUNE 30, 2014

ASESORES FINANCIEROS COMUNITARIOS, INC.

SIX-MONTH PERIOD ENDED JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Asesores Financieros Comunitarios, Inc.
San Juan, Puerto Rico

Report on the Financial Statements

We have audited the accompanying financial statements of **Asesores Financieros Comunitarios, Inc.** (a nonprofit organization) (hereinafter "the Organization"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the six-month period 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Asesores Financieros Comunitarios, Inc.** at six-month period ended June 30, 2014, and the changes in its net assets and its cash flows for the six-month period then ended in conformity with accounting principles generally accepted in the United States of America.

January 19, 2015

Howath Viley & B. Pse

Stamp number E134939 was
Affixed to the original of this
report.

ASESORES FINANCIEROS COMUNITARIOS, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014

ASSETS

Current Assets

Cash	\$ 139,423
Accounts Receivable, Net	14,477
Prepaid Expenses	<u>852</u>

Total Current Assets 154,752

Property and Equipment, Net

4,779

Total Assets \$ 159,531

LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable	\$ 335
Accrued Expenses	<u>6,145</u>

Total Liabilities 6,480

Net Assets

Temporarily Restricted	25,781
Unrestricted	<u>127,270</u>

Total Net Assets 153,051

Total Liabilities and Net Assets \$ 159,531

The accompanying notes are an integral part of the financial statements.

ASESORES FINANCIEROS COMUNITARIOS, INC.

STATEMENT OF ACTIVITIES

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues			
Grants	\$ -	\$ 17,496	\$ 17,496
Donations	27,912	-	27,912
Workshop Revenues	29,820	-	29,820
Fund Raising Activities	3,150	-	3,150
Other (conferences, hired consulting, interest income)	12,954	-	12,954
In-kind Services	101,552	-	101,552
In-kind Equipment and Others	<u>875</u>	<u>-</u>	<u>875</u>
	176,263	17,496	193,759
Net Assets Released from Restrictions	<u>100,585</u>	<u>(100,585)</u>	<u>-</u>
Total Revenues	<u>276,848</u>	<u>(83,089)</u>	<u>193,759</u>
Operating and Administrative Expenses			
Educational Program:			
Direct Program Expenses	24,808	-	24,808
Allocated Program Expenses	19,048	-	19,048
In-kind Program Expenses	<u>56,227</u>	<u>-</u>	<u>56,227</u>
Total Educational Program Expenses	<u>100,083</u>	<u>-</u>	<u>100,083</u>
Consulting Program:			
Direct Program Expenses	2,880	-	2,880
Allocated Program Expenses	10,323	-	10,323
In-kind Program Expenses	<u>8,380</u>	<u>-</u>	<u>8,380</u>
Total Consulting Program Expenses	<u>21,583</u>	<u>-</u>	<u>21,583</u>
General and Administrative	20,046	-	20,046
Allocated Administrative Expenses	39,616	-	39,616
In-kind general expenses	<u>37,820</u>	<u>-</u>	<u>37,820</u>
	<u>97,482</u>	<u>-</u>	<u>97,482</u>
Fundraising, including allocated fundraising expenses	<u>10,846</u>	<u>-</u>	<u>10,846</u>
Total Expenses	<u>229,994</u>	<u>-</u>	<u>229,994</u>
Change in Net Assets	46,854	(83,089)	(36,235)
Net Assets, Beginning of Year	<u>80,416</u>	<u>108,870</u>	<u>189,286</u>
Net Assets, End of Year	<u>\$ 127,270</u>	<u>\$ 25,781</u>	<u>\$ 153,051</u>

The accompanying notes are an integral part of the financial statements.

ASESORES FINANCIEROS COMUNITARIOS, INC.

STATEMENT OF CASH FLOWS

FOR THE SIX-MONTH ENDED JUNE 30, 2014

Cash Flows from Operating Activities

Change in Net Assets	<u>\$(36,235)</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities	
Bad Debt	225
Donated Equipment	(4,778)
Change in Assets and Liabilities:	
(Increase) in:	
Accounts Receivable	(14,552)
Prepaid Expenses	(852)
Decrease in:	
Accounts Payable	302
Accrued Expenses	<u>3,026</u>
Total adjustments	<u>(16,629)</u>
Net Change in Cash	<u>(52,864)</u>
Cash, at Beginning of Year	<u>192,287</u>
Cash, at End of Year	<u><u>\$ 139,423</u></u>

The accompanying notes are an integral part of the financial statements.

ASESORES FINANCIEROS COMUNITARIOS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The accompanying financial statements include the accounts and transactions of **Asesores Financieros Comunitarios, Inc.**, (a non-profit organization) (herein-after the Organization). The Organization was organized under the laws of the Commonwealth of Puerto Rico on August 10, 2007 and began operations in December 2007. The purpose of the Organization is to empower non-profit and community based organizations to improve their long-term fiscal administration and assure their financial viability. Also, the Organization provides training services to non-profit organization personnel in the areas of organizational structure, accounting and general administration.

The Organization changed its year-end from December 31 to June 30, effective with the period ended June 30, 2014.

Mission

The Organization's mission consist in empowering nonprofit community-based entities of Puerto Rico to achieve a sound management, by providing training and consulting services in the areas of accounting, administration, and compliance, through a team of volunteers, CPAs, professionals, and college students.

Vision

The achievement of economic sustainability of non-profit community-based entities to improve the quality of life of Puerto Rico.

Basis of Presentation

The accompanying financial statements have been prepared on accrual basis of accounting in accordance with United States generally accepted accounting principles, as promulgated by the Financial Accounting Standard Board (FASB). Resources are presented in accordance with FASB ASC Topic 958, *Financial Statements of Not-for-Profit Organizations*, which requires that all not-for-profit organizations provide a statement of financial position, a statement of activities, and a statement of cash flows. FASB ASC Topic 958 also requires that net assets, revenues, expenses, gains and losses be presented in the financial statements according to the following three classes of net assets:

Unrestricted Net Assets - are free of donor-imposed restrictions. All revenues, gains, and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with donors' stipulations results in the release of the restriction. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire as time passes by.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that require that they be maintained permanently by the Organization. Generally, the donors of such assets permit the nonprofit organization to use all or part of the income earned on its assets.

Expirations of temporary restrictions on net assets, for example, the passage of time and/or fulfilling donor-imposed stipulations, are reported as net assets released from restrictions between the applicable classes of net assets in the statements of activities.

ASESORES FINANCIEROS COMUNITARIOS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Expense Allocation

Directly identifiable expenses are charged to programs (education and consulting) and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Educational Program

Salaries	
Executive Director	20 %
Administrative Assistant/Accounting	15 %
Rent	50 %
Utilities	50 %

Consulting Program

Salaries	
Executive Director	20 %
Rent	30 %
Utilities	30 %

General and Administrative

Salaries	
Executive Director	20 %
Administrative Assistant/Accounting	85 %
Rent	20 %
Utilities	20 %

Fundraising

Salaries	
Executive Director	40 %

Concentration of Credit Risk

The Organization maintains its cash accounts in one financial institution. These bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash held by said institution normally do not exceed federally insured limits.

The Organization receives contributions and grants, which require separate bank accounts to register grant revenues and disbursements.

ASESORES FINANCIEROS COMUNITARIOS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

The Organization received a grant from Fundación Ángel Ramos (hereinafter the "FAR") to cover rent. This grant is a contribution and not an obligation of FAR, who holds the power to restrict, limit or eliminate the contribution at any time. The grant is limited to its availability at the time of disbursement. In addition, FAR donates the use of the space where the workshops are performed, including the cost of utilities.

Accounts Receivable

The accounts receivable comprise amounts primarily due from services provided under the educational program. Accounts receivable are presented at their estimated net realizable value, net of an allowance for doubtful accounts.

All revenue received and expenditures incurred prior to the end of the six-month period, which relate to the following period are recorded as deferred revenues or unrealized tuition revenues.

Allowance for Doubtful Accounts

The Organization provides for estimated losses on accounts receivable based on prior bad debts experience and a review of existing receivables. As of June 30, 2014, the Organization believes that no allowance for doubtful accounts is required.

Fair Value Measurements of Financial Instruments

The Organization determines fair value measurements based on FASB ASC Topic 820, *Fair Value Measurements*, which provides a common definition of fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements, but does not require any new fair value measurements. The standard categorizes levels of input into three-levels: (1) quoted market prices for identical assets or liabilities in active markets, (2) observable market-based inputs or unobservable inputs that are corroborated by market data, and (3) unobservable inputs that are not corroborated by market data.

Property and Equipment

The Organization capitalizes property and equipment with a cost in excess \$500. Lesser amounts are charged to expense as acquired. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment are depreciated using the straight-line method over estimated useful lives of three years.

ASESORES FINANCIEROS COMUNITARIOS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Benefits

Employees are entitled to 15 days of vacation and 12 days of sick leave annually. Sick leave is not accrued because it does not vest; employees are not paid for any sick leave balance at termination of employment or at any other time. The compensated absences liability is calculated based on the pay rates in effect at year-end.

Vacations are normally granted during July and near the end of December, during the holidays, to minimize their effect on the services provided.

Grants and Donations

The Organization follows FASB ASC Topic 958, *Non-for-Profit Entities*. In accordance with FASB ASC Topic 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence and/or nature of any donor restrictions.

Donations have been recorded at their fair value, and are recognized as support and as an expense in the period in which the services are rendered.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided workshops and fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

The Organization reports the fair value of gifts of donated food and grocery products over which it has control as unrestricted public support and, shortly thereafter, as expense when granted to members.

Promises to Give

Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted net assets, if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same period as received are reported as unrestricted contributions in the accompanying financial statements.

Income Taxes and Other Taxes

The Organization is a non-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the United States of America Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified by the Internal Revenue Service as *Other than a Private Foundation* under Section 509(a)(2). In Puerto Rico, the Organization is exempt from the payment of income, municipal and property taxes, under Section 1101(12) of the Puerto Rico Income Tax Code, Section 9(7) of the Municipal License Tax Act, and Section 5.01(e) of the Municipal Property Tax Act, respectively.

ASESORES FINANCIEROS COMUNITARIOS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes and Other Taxes (Continued)

The Board of Directors evaluates uncertain tax positions that may be material in the financial statements. In addition, the Board of Directors determined that the Organization currently is being operated substantially in compliance with the applicable requirements of the Puerto Rico Internal Revenue Code and the United States Internal Revenue Code. Accordingly, the Board of Directors believes that there is no significant income tax exposure.

The Organization's tax returns are subject to examination for a period of four years after filing. As of June 30, 2014, the Organization was not subject to a tax examination.

Subsequent Events

The Organization has evaluated subsequent events through January 19, 2015, the date which the financial statements were available to be issued. The Organization has determined that there are no events occurring in this period that require disclosure in or adjustment to the accompanying financial statement.

2. ACCOUNTS RECEIVABLE

At June 30, 2014, the unconditional promise to give consisted of the following:

	<u>Amount</u>
Fundacion Angel Ramos	\$ 8,114
Fundación Segarra, Boerman e Hijos, Inc.	5,813
Coalición Orgullo Arcoiris	100
Huracanes Baseball & Runner's Team, Inc.	100
Proyecto de Acción Social Crítica, Inc.	125
The Misfits Pets Orphanage, Inc.	100
Universidad del Turabo	<u>125</u>
Total	<u>\$ 14,477</u>

3. GRANTS AND DONATIONS

Grants and donations were received from the following organizations and individuals:

	<u>Amount</u>
Temporarily Restricted:	
United Ways of Puerto Rico	\$ 10,717
Fundación Comunitaria de PR	1,500
First Bank	<u>5,279</u>
	<u>17,496</u>
Unrestricted:	
Fundación Angel Ramos	16,228
The TJX Foundation	5,000
Fundación Banco Santander	2,000
The Bank of America Foundation	1,000
PR Society of CPA	2,000
Individual Donations	<u>1,684</u>
	<u>27,912</u>
Total	<u>\$ 45,408</u>

ASESORES FINANCIEROS COMUNITARIOS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2014

4. IN-KIND CONTRIBUTIONS

The Organization received the following in-kind contributions primarily related to the operation of the educational program, which are recorded at estimated fair value. In addition, donated services are recognized as contributions and expensed in accordance with Generally Accepted Accounting Principles (GAAP):

	<u>Amount</u>
Workshop facilitators, materials, equipment, and others	\$ 51,259
Advertising	33,178
Accounting and auditing	2,596
Legal services	60
Volunteer's services	5,400
Workshop facilities rent	7,756
Workshop utilities	<u>2,178</u>
Total	<u>\$ 102,427</u>

5. COLLABORATIVE LEASE ARRANGEMENT

Previously, United Ways of Puerto Rico, provided for office facilities, including electricity, water, parking, and security, etc., in exchange for an in-kind contribution valued at \$6,000.

On October 1, 2013, the Organization moved its office facilities to new facilities under a three-year rent agreement with FAR, that includes office space, parking, and security. The agreement provides for quarterly rent payments of \$6,377. Under a separate agreement but effective on the same date, FAR agrees to contribute to the Organization, during the term of the lease, an amount equal to the rent payments.

The following is a schedule of minimum future rentals by year to be received on non-cancelable leases as of June 30, 2014:

<u>Years Ending June 30,</u>	<u>Amount</u>
2015	\$ 25,506
2016	25,506
2017	<u>12,753</u>
Total	<u>\$ 63,765</u>