



Kevane

Grant Thornton

Financial Statements and Report of
Independent Certified Public Accountants

Asesores Financieros Comunitarios, Inc.

June 30, 2022 and 2021

(With Summarized Financial Information)

Asesores Financieros Comunitarios, Inc.

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Report of Independent Certified Public Accountants

To the Board of Directors of
Asesores Financieros Comunitarios, Inc.:

Opinion

We have audited the accompanying financial statements of **Asesores Financieros Comunitarios, Inc.**, which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Asesores Financieros Comunitarios, Inc.** as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Asesores Financieros Comunitarios, Inc.** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

Report on Summarized Comparative Information

We have previously audited **Asesores Financieros Comunitarios, Inc.**, 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 21, 2022. In our opinion, the summarized comparative information in the statement of activities and functional expenses for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Asesores Financieros Comunitarios, Inc.**'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **Asesores Financieros Comunitarios, Inc.**'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Asesores Financieros Comunitarios, Inc.**'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

San Juan, Puerto Rico
March 30, 2023.



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(OF PUERTO RICO)
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Aseores Financieros Comunitarios, Inc.

Statements of Financial Position June 30, 2022 and 2021 (With Summarized Financial Information for 2021)

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Current assets:		
Cash	\$ 266,303	\$ 339,784
Contributions receivable	68,955	68,712
Operating lease right-of-use assets	16,156	-
Finance lease right-of-use assets	1,544	-
Prepaid expenses	231	375
	<hr/>	<hr/>
Total current assets	353,189	408,871
Property and equipment, net	20,582	25,194
Operating lease right-of-use assets	8,102	-
Finance lease right-of-use assets	3,243	-
	<hr/>	<hr/>
Total assets	<u>\$ 385,116</u>	<u>\$ 434,065</u>
<u>Liabilities and Net Assets</u>		
	<u>2022</u>	<u>2021</u>
Current liabilities:		
Accounts payable and accrued liabilities	\$ 47,763	\$ 45,403
Deferred revenue	14,055	-
Operating lease liabilities	16,172	-
Finance lease liabilities	1,557	-
Loan payable-Paycheck Protection Program	-	47,900
	<hr/>	<hr/>
Total current liabilities	79,547	93,303
Operating lease liabilities	12,142	-
Finance lease liabilities	3,089	-
Total liabilities	<hr/>	<hr/>
	94,778	93,303
Net assets:		
Without donor restrictions	251,670	332,378
With donor restrictions	38,668	8,384
	<hr/>	<hr/>
Total net assets	290,338	340,762
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 385,116</u>	<u>\$ 434,065</u>

The accompanying notes are an integral part of these statements.

Asesores Financieros Comunitarios, Inc.

Statements of Activities Years Ended June 30, 2022 and 2021 (With Summarized Financial Information for 2021)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
Revenue, gains and other support:				
Program service fees:				
Educational	\$ 38,658	\$ -	\$ 38,658	\$ 39,898
Consulting	2,242	-	2,242	74,090
Total program service fees	40,900	-	40,900	113,988
Grants	-	123,899	123,899	328,385
Contributions	51,436	-	51,436	39,639
Fund-raising activities	37,218	-	37,218	7,792
Interest income	313	-	313	263
In-kind contributions:				
In-kind services	43,746	-	43,746	31,680
In-kind facilities	25,095	-	25,095	25,096
Net assets released from restrictions	93,615	(93,615)	-	-
Total revenue, gains and support, net	292,323	30,284	322,607	546,843
Expenses:				
Program services:				
Educational program:				
Direct program expenses	14,851	-	14,851	131,235
Allocated program expenses	102,571	-	102,571	80,566
In-kind program expenses	18,043	-	18,043	23,958
Total educational program expenses	135,465	-	135,465	235,759
Consulting program:				
Direct program expenses	13,130	-	13,130	5,637
Allocated program expenses	88,442	-	88,442	94,324
In-kind program expenses	33,751	-	33,751	16,498
Total consulting program expenses	135,323	-	135,323	116,459
Voluntary program:				
Direct program expenses	1,272	-	1,272	-
Allocated program expenses	25,840	-	25,840	30,778
Total voluntary program expenses	27,112	-	27,112	30,778
Total program expenses	\$ 297,900	\$ -	\$ 297,900	\$ 382,996

The accompanying notes are an integral part of these statements.

Asesores Financieros Comunitarios, Inc.

Statements of Activities (Continued)

Years Ended June 30, 2022 and 2021 (With Summarized Financial Information for 2021)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
Support services:				
Management and general				
Direct expenses	\$ 34,344	\$ -	\$ 34,344	\$ 24,708
Allocated administrative expenses	44,509	-	44,509	43,020
In-kind general expenses	17,047	-	17,047	16,320
	<u>95,900</u>	<u>-</u>	<u>95,900</u>	<u>84,048</u>
Fundraising				
Direct fundraising expenses	9,113	-	9,113	-
Allocated fundraising expenses	18,018	-	18,018	27,973
	<u>27,131</u>	<u>-</u>	<u>27,131</u>	<u>27,973</u>
Total supporting services expenses	<u>123,031</u>	<u>-</u>	<u>123,031</u>	<u>112,021</u>
Total expenses	<u>420,931</u>	<u>-</u>	<u>420,931</u>	<u>495,017</u>
Increase/(decrease) in net assets before non operating revenue	<u>(128,608)</u>	<u>30,284</u>	<u>(98,324)</u>	<u>51,826</u>
Non operating revenue:				
Loan forgiveness - Paycheck Protection Program	<u>47,900</u>	<u>-</u>	<u>47,900</u>	<u>38,500</u>
Total non operating revenue	<u>47,900</u>	<u>-</u>	<u>47,900</u>	<u>38,500</u>
Change in net assets	(80,708)	30,284	(50,424)	90,326
Net assets, beginning of year	<u>332,378</u>	<u>8,384</u>	<u>340,762</u>	<u>250,436</u>
Net assets, end of year	<u>\$ 251,670</u>	<u>\$ 38,668</u>	<u>\$ 290,338</u>	<u>\$ 340,762</u>

The accompanying notes are an integral part of these statements.

Asesores Financieros Comunitarios, Inc.

Statements of Functional Expenses June 30, 2022 and 2021 (With Summarized Financial Information for 2021)

	Program Services			Supporting Services		Total	
	Educational	Consulting	Voluntary	Management and General	Fund Raising	2022	2021
Salaries	\$ 59,335	\$ 60,253	\$ 13,866	\$ 24,948	\$ 12,473	\$ 170,875	\$ 188,798
Payroll tax and benefits	19,980	14,335	2,932	7,976	3,463	48,686	35,567
Rent	17,102	10,739	2,724	6,956	381	37,902	44,738
Utilities	2,406	1,696	1,439	1,024	201	6,766	13,208
Professional services	3,400	7,631	-	12,708	-	23,739	80,068
Workshop designs	2,875	-	-	-	-	2,875	49,878
Meals and entertainment	-	-	-	1,861	-	1,861	569
Equipment, materials and supplies	-	-	-	1,751	-	1,751	1,455
Mentoring	-	5,500	-	-	-	5,500	5,250
Fundraising	-	-	-	-	9,114	9,114	-
Telephones, networks and web pages	-	-	-	7,533	-	7,533	12,805
Bank charges	-	-	-	1,819	-	1,819	1,485
Insurance	4,118	3,873	872	3,613	827	13,303	13,904
Instructors	7,928	-	-	-	-	7,928	1,184
Donated services	5,496	26,222	-	12,028	-	43,746	31,680
Subscriptions	-	-	-	5,635	-	5,635	4,168
Depreciation expense	5,263	1,136	249	511	281	7,440	4,818
Advertising costs	2,231	637	956	2,550	-	6,374	1,644
Lease expense	2,885	2,034	1,726	1,227	241	8,113	-
Maintenance	1,798	1,267	1,075	765	150	5,055	-
Right of use amortization	-	-	-	1,260	-	1,260	-
Interest expense	-	-	-	530	-	530	-
Miscellaneous	648	-	1,273	1,205	-	3,126	3,798
	<u>\$ 135,465</u>	<u>\$ 135,323</u>	<u>\$ 27,112</u>	<u>\$ 95,900</u>	<u>\$ 27,131</u>	<u>\$ 420,931</u>	<u>\$ 495,017</u>

The accompanying notes are an integral part of these statements.

Asesores Financieros Comunitarios, Inc.

Statements of Cash Flows

Years Ended June 30, 2022 and 2021 (With Summarized Financial Information for 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (50,424)	\$ 90,326
Adjustments to reconcile change in net assets to net cash flows (used in) / provided by operating activities:		
Depreciation	7,440	4,818
Amortization of operating lease right-of-use asset	8,113	-
Repayment of operating lease liability	(4,057)	-
Amortization of of finance lease right-of-use asset	1,260	-
Loan forgiveness	(47,900)	(38,500)
Decrease/(increase) in assets:		
Contributions receivable	(243)	6,078
Prepaid expenses	144	(222)
(Decrease) / increase in liabilities:		
Accounts payable and accrued liabilities	2,360	(12,393)
Deferred revenue	14,055	-
Net cash (used in) / provided by operating activities	<u>(69,252)</u>	<u>50,107</u>
Cash flows from investing activities:		
Acquisition of property and equipment	<u>(2,828)</u>	<u>(19,575)</u>
Net cash used in investing activities	<u>(2,828)</u>	<u>(19,575)</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	-	47,900
Payment of finance lease liabilities	<u>(1,401)</u>	<u>-</u>
Net cash (used in) / provided by financing activities	<u>(1,401)</u>	<u>47,900</u>
Net (decrease) / increase in cash	(73,481)	78,432
Cash, beginning of year	<u>339,784</u>	<u>261,352</u>
Cash, end of year	<u>\$ 266,303</u>	<u>\$ 339,784</u>
Supplemental disclosure of non-cash investing and financing activities:		
Loan forgiveness - Paycheck Protection Program	<u>\$ 47,900</u>	<u>\$ 38,500</u>
Operating lease/right of use asset generated during the year	<u>\$ 32,371</u>	<u>\$ -</u>
Finance lease/right of use asset generated during the year	<u>\$ 6,047</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

Asesores Financieros Comunitarios, Inc.

Notes to Financial Statements

Years Ended June 30, 2022 and 2021 (With Summarized Financial Information for 2021)

(1) **Organization and summary of significant accounting policies:**

(a) **Organization** -

(i) **Nature of Activities**

The accompanying financial statements include the accounts and transactions of **Asesores Financieros Comunitarios, Inc.** (a non-profit organization) (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 Organization's programs are as follows: Educational, Consulting, and Voluntary.

Educational Program provides training services to non-profit organizations personnel in the areas of organizational structure, accounting, compliance and general administration.

Consulting Program provides advisory services in the areas of accounting, administration, and compliance to non-profit entities.

Nonprofit Organization Support and Student Mentoring Program through **Asesores Financieros Universitarios** (AFU) provides a mentoring program helping non-profit organizations with their general accounting, bookkeeping, financial statements preparation, and other administrative and accounting related tasks. The program provides mainly to accounting students from universities in Puerto Rico the opportunity to work in a community based non-profit organization under the supervision and guidance of an experienced mentor, usually a volunteer CPA from the Organization. AFU is part of the Consulting Program provided by the Organization.

Voluntary Program recruits, trains, and evaluates the community of collaborators and volunteers that help the Organization to accomplish its mission.

(ii) **Mission**

Provide services that help improve the sound administration and sustainability of non-profit organizations through our team of volunteers, professionals, and students.

(iii) **Vision**

Be the leading entity that promotes sound management and sustainability in non-profit organizations in Puerto Rico.

(b) **Summary of significant accounting policies**

The significant accounting policies followed by the Company are summarized as follows:

(i) **Basis of presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as promulgated by the Financial Accounting Standard Board (FASB). Resources are presented in accordance with FASB ASC Topic 958, *Not-for-Profit Entities* (Subtopic 205 - *Presentation of Financial Statements*), which requires that all not-for-profit organizations provide a statement of financial position, a statement of activities, a statement of functional expenses, 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 two classes of net assets:

Asesores Financieros Comunitarios, Inc.

Notes to Financial Statements

Years Ended June 30, 2022 and 2021 (With Summarized Financial Information for 2021)

Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. All revenues, gains, and losses that are not 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. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

With Donor Restrictions - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization, pursuant to those stipulations or that expire by the passage of time or 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 net assets with donor restrictions, for example, by 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.

(ii) Comparative financial information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the audited financial statements for the year ended June 30, 2021, from which the summarized information was derived.

(iii) Reclassifications

Certain amounts in the 2021 statements of activities and functional expenses have been reclassified to conform the 2022 presentation. Such reclassifications had no effect on the previously reported change in net assets.

(iv) 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.

(v) Expense allocation

Directly identifiable expenses are charged to programs (education, consulting, and voluntary), supporting services, general and administrative, and fundraising activities. Expenses related to more than one function, mostly salaries, are charged to programs and support services bases on the time incurred. Rent and utilities are allocated on a square footage basis. General and administrative 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.

Asesores Financieros Comunitarios, Inc.

Notes to Financial Statements

Years Ended June 30, 2022 and 2021 (With Summarized Financial Information for 2021)

	2022	2021
<i>Educational Program</i>		
Salaries:		
Executive Director	35%	30%
Administrative Coordinator	9%	8%
Service Coordinator	87%	82%
Educational Officer	100%	0%
Development Officer	36%	15%
Systems Data and Programming Manager	60%	50%
Service Coordinator II	12%	2%
Rent	36%	28%
Utilities	36%	28%
Advertising	35%	45%
<i>Consulting Program</i>		
Salaries:		
Executive Director	30%	30%
Administrative Coordinator	12%	15%
Service Coordinator	1%	3%
Development Officer	29%	35%
Systems Data and Programming Manager	25%	35%
Service Coordinator II	75%	85%
Service Coordinator III	85%	0%
Service Coordinator IV	30%	0%
Rent	25%	29%
Utilities	25%	29%
Advertising	10%	3%
<i>Voluntary Program</i>		
Salaries:		
Executive Director	8%	8%
Administrative Coordinator	0%	0%
Service Coordinator	7%	10%
Development Officer	8%	35%
Systems Data and Programming Manager	5%	5%
Service Coordinator II	9%	0%
Service Coordinator III	15%	0%
Service Coordinator IV	70%	0%
Rent	21%	16%
Utilities	21%	16%
Advertising	15%	16%
Meals and entertainment	0%	0%

Asesores Financieros Comunitarios, Inc.

Notes to Financial Statements

Years Ended June 30, 2022 and 2021 (With Summarized Financial Information for 2021)

(v) Expense allocation (continued)

	<u>2022</u>	<u>2021</u>
<i>General and Administrative</i>		
Salaries:		
Executive Director	12%	12%
Administrative Coordinator	75%	75%
Service Coordinator	5%	0%
Service Coordinator II	0%	8%
Development Officer	12%	0%
Systems Data and Programming Manager	2%	2%
Rent	15%	22%
Utilities	15%	22%
Advertising	40%	36%
Meals and entertainment	100%	100%
<i>Fundraising</i>		
Salaries:		
Executive Director	15%	20%
Administrative Coordinator	4%	2%
Service Coordinator	0%	5%
Service Coordinator II	4%	5%
Development Officer	15%	15%
Systems Data and Programming Manager	8%	8%
Rent	3%	5%
Utilities	3%	5%
Advertising	0%	0%
Meals and entertainment	0%	0%

(vi) Concentration of credit and business risks

Financial instruments, which potentially subject the Organization to the concentration of credit risk, consist of cash and accounts receivable.

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. As of June 30, 2022 and 2021, the uninsured cash balance totals were \$32,547 and \$81,294 respectively. The Organization does not foresee any significant credit risks in its bank deposits.

The Organization receives an annual grant from Fundación Angel Ramos (FAR) to cover rent expenses. This grant is a contribution and not an obligation of FAR, who holds 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.

(vii) Contributions receivable

Unconditional promises to give that are expected to be collected within one year are reported at net realizable value. Contributions receivable including unconditional promises to give to be collected after one year are discounted at an appropriate discount rate commensurate with the risks involved. The contributions are reported as net assets with donor restrictions 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, net assets with donor

Asesores Financieros Comunitarios, Inc.

Notes to Financial Statements

Years Ended June 30, 2022 and 2021 (With Summarized Financial Information for 2021)

restrictions are reclassified as net assets without donor restrictions 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 net assets without donor restrictions in the accompanying financial statements.

(viii) Allowance for doubtful accounts

The Organization provides for estimated losses on contributions receivable based on previous bad debts experience and a review of existing receivables. As of June 30, 2022 and 2021, the Organization did not have an allowance for doubtful accounts.

(ix) Fair value measurements

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.

The Organization's financial instruments are presented at cost, which approximates fair value. The fair value of a financial instrument is the amount that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The Organization's financial instruments consist of cash, accounts receivable, promises to give, accounts payable, and accrued expenses.

(x) Property and equipment

The Organization capitalizes property and equipment with a cost in excess of \$500. Lesser amounts are charged to expense as acquired. Purchased property and equipment are 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 net assets with donor restrictions to net assets without donor restrictions at that time.

Asesores Financieros Comunitarios, Inc.

Notes to Financial Statements

Years Ended June 30, 2022 and 2021 (With Summarized Financial Information for 2021)

Property and equipment are depreciated using the straight-line method over their estimated useful lives of three years. As of June 30, 2022 and 2021, property and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Computers	\$ 16,340	\$ 13,512
Equipment	<u>19,575</u>	<u>19,575</u>
Total depreciable assets	35,915	33,087
Less: accumulated depreciation	<u>(15,333)</u>	<u>(7,893)</u>
Property and equipment, net	<u>\$ 20,582</u>	<u>\$ 25,194</u>

(xi) Leases

Effective July 1, 2021, the Organization recognizes and measures its leases in accordance with FASB Accounting Standard Codification (ASC) Topic 842, Leases. Upon execution of a new contract, the Organization determines whether an arrangement is or contains a lease. Right-of-use assets represent the Organization's right to use leased asset over the term of the lease. Lease liabilities represent the Organization's contractual obligation to make lease payment over the lease term. Right-of-use assets and lease liabilities are measured, categorized, and recognized at lease commencement. The commencement date is when the Organization takes possession of the asset, or in the case of real estate leases, when the landlord makes the building available for use. Operating leases as lessee are included in the operating lease right-of-use assets and operating lease liabilities on the statement of financial position. Finance leases as lessee are included in the finance lease right-of-use and finance lease liabilities on the statement of financial position.

The Organization has elected not to recognize right-of-use assets and obligations for leases with an initial term of 12 months or less. To the extent a lease arrangement includes both lease and non-lease components, the components are combined as one component.

Operating and finance lease right-of-use assets and associated lease liabilities are recognized based on the present value of future minimum lease payment to be made over the expected lease term. The Organization uses the rate implicit in a lease if it is determinable. When the rate implicit in the lease is not determinable, the Organization uses a risk-free discount rate as of the commencement date to determine the present value of the lease payments. The risk-free rate is determined using a period comparable with the lease term. Lease expense for lease payments is recognized on a straight-line basis over the lease term for operating leases. Interest expense is recognized as a component of the lease payment for finance leases.

(xii) Compensated absences

Employees are entitled to fifteen days of vacation and twelve 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 the 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.

(xiii) Revenue recognition

Revenue is reported as increases in unrestricted net assets unless the use of the related assets is restricted through donor-imposed restrictions. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the statement of activities.

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Contributions, including unconditional promises to give are recorded as revenues in the year received. Contributions with donor-imposed restrictions that are met in the same year as received are reported as revenue of the net assets without donor restrictions. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions of assets other than cash are recorded at their estimated fair value.

Revenue from educational and consulting services collected in advance is included in deferred revenue and recognized when the program occurs, or the service is provided. Donated services are recognized as in-kind services 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 provide workshops and fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria is not met. The Organization receives more than 500 volunteer hours per year.

(xiv) Grants, contributions and in-kind contributions

The Organization follows FASB ASC Topic 958, *Non-for-Profit Entities*. In accordance with FASB ASC Topic 958, contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

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

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 an expense when granting to members. In-kind contributions 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.

For donated facilities and utilities the Organization recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the annual estimated fair value rental of the property. The fair value of donated facilities is determined based on the amount of rent charged for comparative facilities in the area.

(xv) Income taxes and other taxes

For federal tax purposes, the Organization is a not-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.

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.

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The Organization's tax returns are subject to examination for a period of four years after filing, in Puerto Rico, and three years after filing in the United States. As of June 30, 2022, the Organization was not subject to a tax examination.

(xvi) Financial assets available for use

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Given the comprehensive nature of the Organization and reliance on restricted contributions and grants to fund ongoing, annual programs, the Organization defines as "available for general expenditures" all financial assets without donor restrictions and financial assets with donor restrictions expected to be spent within one year of the balance sheet date. The Organization's Board monitors liquidity on a periodic basis to ensure unrestricted financial assets are sufficient to fund the ongoing operations.

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Financial assets at end of year:

Cash	\$	266,303
Contributions receivable		<u>68,955</u>
Financial assets available to meet general expenditures over the next twelve months	\$	<u>335,258</u>

(2) Contributions receivable:

On June 30, 2022, and 2021, contributions receivable consisted of the following:

	<u>2022</u>	<u>2021</u>
Fundación Angel Ramos	\$ 28,397	\$ 19,864
Puerto Rico Society of CPA's	16,841	-
United Way of Puerto Rico	5,250	18,385
Fundación Plaza Las Americas (Mano Amiga)	5,000	-
Fundación Segarra, Boerman e Hijos	-	20,625
Puerto Rico Department of Labor- Act 52	-	8,779
Miscellaneous under \$1,000	4,167	1,059
Asociación de Bancos de Puerto Rico	2,500	-
Auxilia	2,500	-
Invest Puerto Rico	2,500	-
Taller Salud	1,800	-
	<u>\$ 68,955</u>	<u>\$ 68,712</u>

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(3) In-kind contributions:

Donated services are recognized as contributions and expensed in accordance with GAAP. No restricted in-kind contributions were received for the year ended June 30, 2022 and 2021. For the years ended June 30, 2022, and 2021, the Organization received the following in-kind contributions primarily related to the operation of the educational program, which are recorded at estimated fair value.

	<u>2022</u>	<u>2021</u>
In-kind Contributions		
Services:		
Technical assistance	\$ 26,222	\$ 8,969
Workshop facilitators	5,496	5,574
Workshop design	-	5,837
Accounting and auditing	12,028	7,700
Professional and legal	-	3,600
	<u>43,746</u>	<u>31,680</u>
Facilities:		
Workshop facilities rent	19,737	19,738
Workshop utilities	5,358	5,358
	<u>25,095</u>	<u>25,096</u>
 Total	 <u>\$ 68,841</u>	 <u>\$ 56,776</u>
	<u>2022</u>	<u>2021</u>
In-kind Services per Program		
<i>Educational Program</i>		
Workshop facilitators	\$ 5,496	\$ 5,574
Workshop design	-	5,837
Workshop utilities	-	2,678
Workshop facilities rent	12,547	9,869
	<u>18,043</u>	<u>23,958</u>
<i>Consulting Program</i>		
Technical assistance	26,222	8,969
Workshop facilities rent	7,529	5,921
Workshop utilities	-	1,608
	<u>33,751</u>	<u>16,498</u>
<i>General and Administrative</i>		
Accounting and auditing	12,028	7,700
Professional and legal	-	3,600
Facilities rent	-	1,072
Workshop facilities rent	5,019	3,948
	<u>17,047</u>	<u>16,320</u>
 Total	 <u>\$ 68,841</u>	 <u>\$ 56,776</u>

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Notes to Financial Statements

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(4) Grants and contributions:

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

	<u>2022</u>	<u>2021</u>
With Donor Restrictions:		
United Way of Puerto Rico	\$ 42,992	\$ 271,287
Puerto Rico Department of Labor - Act. No. 52	30,053	30,266
Legislative Appropriations	8,400	21,000
Puerto Rico Department of Economic Development and Commerce	-	5,832
Fundación Angel Ramos	32,454	-
Fundación Plaza Las Americas (Mano Amiga)	10,000	-
	<u>123,899</u>	<u>328,385</u>
Without Donor Restrictions:		
Puerto Rico Society of CPA's	16,840	2,320
Individual donations	11,387	15,137
Global Giving Foundation	10,000	-
Espacios Abiertos	8,500	-
Corporate Donations	2,901	12,410
PGA Tour	-	7,500
Foundations	1,808	2,272
	<u>51,436</u>	<u>39,639</u>
Total grants and contributions	<u>\$ 175,335</u>	<u>\$ 368,024</u>

(5) Leases:

As a result of adopting ASU 2016-02, Leases (Topic 842) on August 2020 using the modified retrospective transition method, the Institution now recognizes right-of-use ("ROU") assets and lease liabilities for their finance and operating leases. These new leases requirements were applied to those leasing arrangements with terms of more than twelve months since July 1, 2021, the ASC 842 adoption date.

Total lease cost for the year ended June 30, 2022 was as follows:

	<u>2022</u>
Lease cost:	
Finance lease cost:	
Amortization of finance right-of-use assets	\$ 1,260
Interest on finance lease liability	530
Operating lease cost	8,113
Short term lease	<u>12,807</u>
Total lease cost	<u>\$ 22,710</u>

The Organization operating lease has a term of two years with a discount rate of 0.39% (risk-free discount rate). The Organization's finance lease has a term of four years with a discount rate of 10.95%.

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Maturities of lease liabilities under operating and finance lease liabilities as of June 30, 2022 were as follows:

	<u>Operating lease</u>	<u>Finance lease</u>
2023	\$ 16,228	\$ 1,824
2024	8,114	1,824
2025	<u>4,057</u>	<u>1,824</u>
Total undiscounted lease payments	28,399	5,472
Less: imputed interest	<u>(85)</u>	<u>(826)</u>
Total lease liabilities	<u>\$ 28,314</u>	<u>\$ 4,646</u>

(6) Loan forgiveness:

During 2021 and 2020, the Organization obtained Small Business Administration (SBA) Paycheck Protection Program (PPP) loans amounting to \$47,900 and \$38,500, respectively, with interest at 1% under the CARES Act through Banco Popular de Puerto Rico (BPPR). The PPP loans were designed to provide a direct incentive for small businesses to keep their workers on payroll and was subject to forgiveness pursuant to the compliance requirements of the CARES Act. The loans accrued interest at 1%, but payments were deferred for a period of sixteen months if the borrower has not requested forgiveness during such period. The loans were uncollateralized and fully guaranteed by the SBA.

During fiscal years 2022 and 2021, the Organization filed requests for loan forgiveness for the loans amounting to \$47,900 and \$38,500, respectively. On October 2020 and March 2022, the SBA notified the Organization that loan principal for both loans were forgiven.

For purposes of derecognizing the PPP loan, management of the Organization elected the model of accounting under FASB ASC 450-30 *Gain Contingencies*. Under this model, the earnings impact of a gain contingency is recognized when all the contingencies related to the receipt of the assistance have been met and the loan is forgiven by the SBA. The forgiven loan principal amounting to \$47,900 and \$38,500 were presented as non-operating revenue in the accompanying statement of activities during fiscal years 2022 and 2021, respectively.

(7) Federal financial awards:

During the fiscal year ended June 30, 2021, the Organization received approximately \$253,515 in federal funds from the Coronavirus Relief Fund, passed-through the United Way of Puerto Rico. Since the Organization expended less than \$750,000 in federal awards during the fiscal year, it was exempt from an independent audit under the requirements of the Office of Management and Budget's (OMB) Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards. However, records must be retained for a period of no less than three years and be available for audit or review by the pass-through entity, grantor agency and the Comptroller General of the United States of America.

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(8) COVID-19 pandemic:

On March 11, 2020, the World Health Organization declared the coronavirus outbreak a global pandemic resulting in mandates from federal, state, and local authorities ordering restrictions and forced closures for certain types of public places, activities, and services. Following the guidelines and recommendations of the Centers for Disease Control and Prevention (CDC), the Commonwealth of Puerto Rico ordered a complete lockdown of non-essential services that was in place through June 2020. Despite these restrictions, the Organization was able to successfully adapt to the new remote virtual work environment and accelerate the adoption of technology to adapt the delivery and deployment of its existing programs and services to a virtual format. To date, AFC has not experienced a material impact on its financial results and operations, however, future developments of this pandemic are uncertain and unpredictable.

(9) Subsequent events:

The Organization has evaluated subsequent events from the statement of financial position date through March 30, 2023, the date at which the financial statements were available to be issued. The Organization is not aware of any subsequent events, which would require recognition and/or disclosure in the financial statements.