

**INICIATIVA COMUNITARIA
DE INVESTIGACION, INC.
(A NOT-FOR PROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS AND
SINGLE AUDIT REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2016

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.

**FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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DÍAZ & CANDELARIA, P.S.C.

Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors
Iniciativa Comunitaria de Investigación, Inc.
San Juan, Puerto Rico

Report on the Financial Statements

We have audited the accompanying financial statements of Iniciativa Comunitaria de Investigación, Inc. (ICI) (a not-for profit organization) which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS
(CONTINUED)

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.

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 Iniciativa Comunitaria de Investigación, Inc. (a not-for profit organization) as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS
(CONTINUED)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2017 on our consideration of Iniciativa Comunitaria de Investigación, Inc. internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Iniciativa Comunitaria de Investigación, Inc. internal control over financial reporting and compliance.

San Juan, Puerto Rico
August 1, 2017

Díaz & Candelaria, P.S.C.



License 34, Expire December 1, 2019
The stamp No. 02747447 of Puerto Rico State
Society of Certified Public Accountants was
affixed to the record copy of this report.

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

Cash on Hand and Bank	\$ 245,382
Grants, Contracts and Other Receivable - net (Note B)	260,575
Current Assets	505,957
Property and Equipment, net (Note C)	612,706
Deposits	9,558
Construction in Progress	732,979
TOTAL ASSETS	\$1,861,200

LIABILITIES AND NET ASSETS

Liabilities:

Lines of Credit (Note D)	\$ 95,782
Accounts Payable	192,619
Payroll Taxes Payable	73,996
Accrued Vacations	50,888
Deferred Revenue (Note E)	484,121
Current Portion of Long Term Debt (Note F)	18,672
Current Liabilities	916,078
Long-Term Debt (Note F)	17,036
Total Liabilities	933,114

Net Assets:

Unrestricted	(840,212)
Temporarily Restricted (Note J)	1,768,298
Total Net Assets	928,086
TOTAL LIABILITIES & NET ASSETS	\$1,861,200

The Accompanying Notes are an Integral Part of these Financial Statements.

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUES AND OTHER SUPPORT			
Governmental Grants and Contracts	\$ 17,612	\$ 2,578,132	\$ 2,595,744
Private Grants and Contracts	-	74,899	74,899
Detox and Medical Services	293,750	23,365	317,115
Donations and Contributions (Includes \$131,042 of In-kind contributions)	214,054	148,561	362,615
Fund Raising and Special Activities	102,854	-	102,854
Other	13,576	3,153	16,729
Total Revenues and Other Support	<u>641,846</u>	<u>2,828,110</u>	<u>3,469,956</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of Program Restrictions (Note J)	2,827,663	(2,827,663)	-
Total Revenues and Other Support	<u>3,469,509</u>	<u>447</u>	<u>3,469,956</u>
EXPENDITURES			
Program Services:			
Case Management and Outpatient Intervention	941,733	-	941,733
Education and Prevention	996,965	-	996,965
Housing, Treatment and Rehabilitation	765,384	-	765,384
Local Communities Support	131,525	-	131,525
Overseas Communities Support ("Brigadas de Paz")	38,172	-	38,172
Total Program Services	<u>2,873,779</u>	<u>-</u>	<u>2,873,779</u>
Support Services:			
General and Administrative	852,714	-	852,714
Fund Raising Activities	14,049	-	14,049
Total Support Services	<u>866,763</u>	<u>-</u>	<u>866,763</u>
Total Expenditures	<u>3,740,542</u>	<u>-</u>	<u>3,740,542</u>
Changes in Net Assets	(271,033)	447	(270,586)
Net Assets, Beginning of Year	(569,179)	1,767,851	1,198,672
Net Assets, End of Year	<u>\$ (840,212)</u>	<u>\$ 1,768,298</u>	<u>\$ 928,086</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in Net Assets	\$ (270,586)
Adjustment to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation and Amortization	148,040
Gain on disposition of assets	
Decrease (Increase) in:	
-Grants, Contract and Other Receivable	98,419
-Deposits	92
Increase (Decrease) in:	
-Accounts Payable	74,156
-Accrued Expenses	61,240
-Accrued Vacations	(19,550)
-Deferred Revenue	244,753
Net Cash Provided by Operating Activities	<u>336,564</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Property and Equipment	(2,135)
Construction in Progress	<u>(222,533)</u>
Net Cash Used in investing activities	<u>(224,668)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Net Decrease in Line of Credit	(2,601)
Principal Payments on Mortgage Payable	<u>(18,672)</u>
Net Cash Used in Financing Activities	<u>(21,273)</u>

Net Increase in Cash	90,623
Cash at Beginning of Year	<u>154,759</u>
Cash at End of Year	<u><u>\$ 245,382</u></u>

The Accompanying Notes are an Integral Part of these Financial Statements.

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

Description	Case Management and Outpatient service	Education and Prevention	Housing, Treatment and Rehabilitation	Local Communities Support	Communities Support ("Brigadas de Paz")	General & Administrative	Total
Personnel compensation	588,519	579,461	290,997	80,248	-	483,764	\$ 2,022,989
Payroll taxes	76,980	78,278	42,597	10,585	-	81,672	290,112
Other employee benefits	16,460	120	-	2,390	16,600	-	35,570
Staff training	-	683	150	-	-	655	1,488
Travel	8,768	3,592	73	487	925	643	14,488
Professional & Contractual Services	108,360	243,455	192,335	13,843	11,375	41,264	610,632
Administrative Professional Services	300	-	2,000	4,000	-	6,617	12,917
Material and office supplies	10,734	19,077	2,276	604	17	5,928	38,636
Printing and publications	1,057	2,811	391	775	263	2,378	7,675
Advertising	-	-	-	548	165	468	1,181
Outreach and educational materials	1,356	3,612	-	-	-	-	4,968
Nutritional supports	726	3,268	18,542	106	216	1,159	24,017
Prescribed drugs and medications	303	111	20,105	-	-	-	20,519
Laboratories and patients test	81,103	15,867	2,208	12,735	-	-	111,913
Communications	5,289	2,805	5,440	695	780	26,990	41,999
Postage and shipping	13	14	3	457	1,318	565	2,370
Dues and Subscriptions	515	860	4,111	150	-	795	6,431
Occupancy	2,879	20,209	163,425	842	2,639	81,818	271,812
Equipment rental and maintenance	2,150	-	2,081	-	-	-	4,231
Insurance expense	2,194	3,155	4,983	500	-	9,405	20,237
Interest and bank services	919	1,077	1,048	825	95	11,147	15,111
Depreciation	26,538	13,234	11,743	863	2,877	92,785	148,040
Vehicle Expenses	6,570	5,276	876	841	902	3,826	18,291
Fund raising activities	-	-	-	-	-	14,049	14,049
Other expenses	-	-	-	31	-	837	868
Total Expenditures	\$ 941,733	\$ 996,965	\$ 765,384	\$ 131,525	\$ 38,172	\$ 866,763	\$ 3,740,542

The Accompanying Notes are an Integral Part of these Financial Statements.

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE A - GENERAL ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Iniciativa Comunitaria de Investigación, Inc. (ICI) is a non-profit entity organized in April 22, 1992 under the corporate laws of the Commonwealth of Puerto Rico.

ICI was organized to develop service programs that may promote to the patients the self-control over health care and handle contagious illness. The principal objective is to facilitate health treatment, education and prevention services to socially marginal sectors such as homeless, drug addict, sex-worker and patient exposed to high risk conduct.

ICI conduct their administrative operation at Hato Rey, Puerto Rico. Also provide services in properties located at Río Piedras, Hato Rey, Ponce, Juncos, Loiza, Trujillo Alto and Vega Baja, Puerto Rico.

Summary of Significant Accounting Policies

(1) Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures are recognized in the accounts and reported in the statement of activities. It is related to the timing of the measurements made, regardless of the measurements focus applied.

The accrual basis of accounting is follow by ICI's unrestricted net assets. Under this basis, revenues are recorded when earned, independently of when they are collected and expenses are recorded when incurred, independently of when they are paid.

(2) Financial Statement Presentation

ICI have adopted the provisions of Statement of Financial Standards "SFAS" No. 117, "Financial Statements of Not-for-Profit Organizations". Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the ICI and changes therein are classified and reported as unrestricted and temporarily restricted.

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE A - GENERAL ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(3) Recognition of Donor Restrictions

ICI reports cash and other assets as temporarily restricted support 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 to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

(4) Contribution

ICI also has adopted the provisions of Financial Accounting Standards "SFAS" No. 116, "Accounting for Contributions Received and Contributions Made". This Statement requires not-for profit organizations to distinguish between contributions received that increase unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The contributions received, including unconditional promises to give, are recognized as revenues in the period received at their fair values. Conditional promises to give are recognized when they become unconditional, that is, when the conditions are substantially met.

(5) Property and Equipment

Property and equipment are stated at cost and have been primarily purchased with temporarily restricted support, which the Entity has received upon satisfaction of certain conditions of the donor. Upon purchase, since donor conditions have been met, the Entity reclassifies the corresponding temporarily restricted net asset amounts to unrestricted net assets.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets 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.

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE A - GENERAL ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(5) Property and Equipment (Continuation)

Depreciation is calculated using the straight-line method based on the following estimated useful lives:

Building	30 years
Building improvements	15 years
Equipment	5 years
Vehicles	5 years

(6) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

(7) Tax Status

ICI have been determined to be exempt from United States income taxes under Section 501(c)(3) of the Internal Revenue Code and from Puerto Rico taxes pursuant to Section 101(6) of the Puerto Rico Income Tax Act of 1954, as amended.

(8) Cash and Cash Equivalents

For the purpose of the statement of cash flows, ICI considers all highly liquid investments with maturity of three months or less to be cash equivalents.

(9) Vacations and Sick Leave

Employees of ICI are entitled to 15 days of vacation and 15 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 any other time. As of December 31, 2016 the accrued vacations of \$50,588 were included in the statement of financial position.

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE B - ACCOUNTS RECEIVABLE - GRANTS AND CONTRACTS

As of December 31, 2016, accounts receivable from grants and contracts net of deferred revenues at the same date was composed of:

<u>Agency / Other</u>	<u>Grant or Contract Receivable</u>
P.R. State Legislature	\$ 65,000
Municipality of San Juan –Ryan White Title I	32,710
P.R. Department of Labor	2,426
P.R. Health Department (OCASET) –PASET	29,644
Municipality of San Juan – HOPWA	13,544
P.R. Department of Health (ETS/VIH)	51,015
P.R. Department of Justice	11,200
P.R. Department of Family	27,380
Health Services Claims	18,784
P.R. Treasury Department (tax erroneously withhold)	1,995
Other receivable	<u>6,877</u>
Total Account Receivable	<u>\$ 260,575</u>

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE C - PROPERTY AND EQUIPMENT

The following table summarizes the cost and accumulated depreciation of property and equipment:

Unrestricted:

<u>Description</u>	<u>Useful Life</u>	<u>Costs</u>	<u>Accumulated Depreciation</u>	<u>Net Value</u>
Buildings	30 years	\$ 599,500	\$ 366,360	\$ 233,140
Building Improvements	15 years	396,587	271,908	124,679
Motor Vehicles	5 years	374,745	259,204	115,541
Capitalized Equipment	5 years	70,270	70,270	-
Equipment	5 years	<u>718,351</u>	<u>696,005</u>	<u>22,346</u>
		\$2,159,453	\$ 1,663,747	\$ 495,706

Temporarily Restricted:

On October 2004, ICI acquired a property located at Hato Rey, Puerto Rico. This property was purchased with funds from various sources including governmental and private entities. The donation agreements from the governmental sources established that the property should be used to drugs abuse prevention activities and other related activities oriented to the youth population, domestic violence education, and sexual education among others. In addition to the funds sources restrictions the purchase deed agreement established similar restrictions from the seller of the property.

<u>Description</u>	<u>Useful Life</u>	<u>Costs</u>	<u>Accumulated Depreciation</u>	<u>Net Value</u>
Building	30 years	<u>195,000</u>	<u>\$ 78,000</u>	<u>\$ 117,000</u>
TOTAL PROPERTY AND EQUIPMENT		<u>\$2,354,453</u>	<u>\$ 1,741,747</u>	<u>\$ 612,706</u>

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE D - LINE OF CREDIT

ICI has available two (2) revolving line of credits up to \$50,000 and \$75,000 with a local financial institution. Interest payments should be paid on a monthly installment of 1% over prime rate of the unpaid principal balance. As of December 31, 2016 the principal balances on both lines of credit was \$95,782.

NOTE E - DEFERRED REVENUE

Represent funds received in advance during the current year net of any portion of invoices receivable as of December 31, 2016. As of December 31, 2016, the deferred revenue balance was:

ASSMCA – (Integral Access to Treatment, Recovery and Integration to the Community Program “Pitirre”)	\$ 484,121
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NOTE F - LONG-TERM DEBT

Mortgage Note Payable

A mortgage note is payable in monthly installments of \$1,556 plus interest rate of 1% over prime rate until November 2018. The note is secured by a building located at Hato Rey, PR, included in the Note C (Unrestricted). The balance due as of December 31, 2016 was \$54,380.

Principal maturities for years subsequent to December 31, 2016, are as follow:

<u>Years Ending December 31,</u>	<u>Amount</u>
2017	\$ 18,672
2018	<u>17,036</u>
Total	35,708
Less current portion	<u>18,672</u>
Long-term debt	<u>\$ 17,036</u>

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE G - CONCENTRATION OF CREDIT RISK

ICI maintain their cash its cash in bank deposit accounts which, at time, may exceed federally insured limits. ICI has not experienced any losses in such accounts.

NOTE H -CONTINGENCY

ICI participated in a number of federally assisted grant programs. These grants are subject to audits by and/or on behalf of the grantors to assure compliance with grant provisions. The final determination regarding the allowability of these costs will be decided by the awarding agencies and accordingly, the amount of expenditures which may be disallowed by the granting agencies, if any, will be established at some future date.

NOTE I - LEASE COMMITMENT

ICI conducts their operations in various leased facilities with unrelated third parties, all contracts have been renovated on a six months or a month to month basis. Rent expense for year ended December 31, 2016 amounted to \$73,436.

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE J - TEMPORARILY RESTRICTED NET ASSETS

The consolidated temporarily restricted net assets balance for the year ended December 31, 2016 was \$1,768,298.

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. During the year ended December 31, 2016 the amount of net assets released from restrictions aggregated \$2,827,663. Such net assets were contributed to the Entity through conditional government programs and private contribution in the form of reimbursement grants, awards and contracts, which are recorded as temporarily restricted revenues until specified conditions are met.

Temporarily restricted funds received by ICI to provide direct service to people with/or family indirectly affected with HIV+/AIDS, homeless, sex-workers and drug addicts' population during the year 2016 by Activity Programs are as follows:

Case Management and Outpatients Intervention Programs:

- Ryan White Title I - From Municipality of San Juan
- P.R. Legislature

Education and Prevention Programs:

- P.R. Legislature
- PASET Programs - From AIDS and Transmitted Disease Office, PR Health Department
- Educational Demonstration Program - From University of Puerto Rico, Medical Science Campus
- Private Donation and Contribution

Housing and Rehabilitation Programs:

- Housing Program - From HOPWA-Paset Program, PR Health Department
- HOPWA – From Municipality of San Juan
- Housing Program – From PR Families Department (Programa Albergue para Deambulantes (ESG))
- APS Healthcare Puerto Rico, Inc. / COSVI (ASSMCA)
- Private Donation and Contribution

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE J - TEMPORARILY RESTRICTED NET ASSETS (continued):

Other Assistance Program (“Brigadas de Paz”):

- Private Donations and Contributions

NOTE K - SUPPLEMENTAL DISCLOSURE OF CASH FLOWS STATEMENT

Non Cash-Transaction:

Interest and bank charges:

General Program-Unrestricted

\$ 15,111

NOTE L – SUBSEQUENT EVENTS

Subsequent events were evaluated through August 1, 2017, which was the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION
INICIATIVA COMUNITARIA DE INVESTIGACION, INC.
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2016

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor Pass-through Grantor	Federal CFDA	Number	Expenditures	Amount Provided to Sub-Recipient
Program Title				
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>				
<u>Passed-through Municipality of San Juan:</u>				
HIV Emergency Relief Project Grants		93.914	\$ 130,854	\$ -
<u>Passed-through Municipality of Ponce:</u>				
HIV Emergency Relief Project Grants		93.914	8,693	-
			139,547	-
Directly:				
HIV Prevention Programs for Women		93.015	57	-
HIV Prevention Activities- Health Department Based HIV Prevention Program		93.940	116,418	-
<u>Passed-through University of Puerto Rico - Medical Science Campus</u>				
Drug Abuse and Addiction Research Programs		93.279 *	716,325	-
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
<u>Passed-through Municipality of San Juan:</u>				
Housing Opportunities for Persons with AIDS ((HOPWA)		14.241	35,897	-
<u>Passed-through P.R. Department of Families:</u>				
Emergency Shelter Grants Program (ESG)		14.231	28,708	-
<u>DEPARTMENT OF JUSTICE</u>				
<u>Passed-through P.R. Department of Justice:</u>				
Edward Byrne Memorial Assistance Grant Program (JAG)		16.738	4,754	-
TOTAL EXPENDITURES OF FEDERAL AWARD			\$ 1,041,706	\$ -

* Denote Major Programs

The accompanying notes are an integral part of this Schedule of Expenditures of Federal Awards

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.

**Notes to Schedule of Expenditures of Federal Awards
For the year ended December 31, 2016**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of Iniciativa Comunitaria de Investigación, Inc. (ICI). All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies to ICI are included in the accompanying schedule.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Iniciativa Comunitaria de Investigación, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations.

(3) Federal CFDA Number

The Catalog of Federal Domestic Assistance (CFDA) Number is a program identification number. The first two digits identify the federal department or agency that administers the program and the last three numbers are assigned by numerical sequence accordingly with the program name within the corresponding agency.

(4) Relationship to Financial Statements

Revenues and expenses of the Federal Awards programs are included in ICI's financial statements. The reconciliation between the expenses in the financial statements and expenditures in the Schedule of Expenditures of Federal Awards is as follows:

Expenses in the financial statements	\$ 3,740,542
Plus: Purchase of Equipment with Federal Funds	<u> -</u>
Less: Non-federal expenses including depreciation	<u>(2,698,836)</u>
Total Federal Expenditures	<u>\$ 1,041,706</u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Iniciativa Comunitaria de Investigación, Inc.
San Juan, Puerto Rico

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Iniciativa Comunitaria de Investigación, Inc. (ICI) (a nonprofit organization) which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 1, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered ICI's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ICI's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ICI's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

San Juan, Puerto Rico
August 1, 2017

Díaz & Candelaria, P.S.C.



License number 34, Expire December 1, 2019
The stamp No. 02747455 of Puerto Rico State
Society of Certified Public Accountants was
affixed to the record copy of this report.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Iniciativa Comunitaria de Investigación, Inc.
San Juan, Puerto Rico

Report on Compliance for Each Major Federal Program

We have audited Iniciativa Comunitaria de Investigación, Inc. (ICI) (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Puerto Rico ICI's major federal programs for the year ended as of December 31, 2016. ICI's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of ICI's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ICI's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of ICI's compliance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(CONTINUED)**

Opinion on Each Major Federal Program

In our opinion, Iniciativa Comunitaria de Investigación, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of Iniciativa Comunitaria de Investigación, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ICI's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ICI's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant *deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(CONTINUED)**

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

San Juan, Puerto Rico
August 1, 2017

Díaz & Candelaria, P.S.C.



License number 34, Expire December 1, 2019
The stamp No. 02747456 of Puerto Rico State
Society of Certified Public Accountants was
affixed to the record copy of this report.

INICIATIVA COMUNITARIA DE INVESTIGACIÓN, INC.

Schedule of Findings and Questioned Costs

For The Year Ended December 31, 2016

Section I - Summary of Auditors' Results

Financial Statements:

Types of auditors' report issued:	<u>Unmodified</u>
Internal Control over financial reporting:	
➤ Material Weakness(es) identified?	No
➤ Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
➤ Material Weakness(es) identified?	No
➤ Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200.516(a) of Uniform Guidance?	No

Mayor Program

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
93.279	Drug Abuse and Addiction Research Program

Dollar threshold used to distinguish between type A and type B programs:	<u>\$ 750,000</u>
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Auditee qualified as low-risk auditee?	Yes
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INICIATIVA COMUNITARIA DE INVESTIGACIÓN, INC.

Schedule of Findings and Questioned Costs

For The Year Ended December 31, 2016

Section II - Financial Statements Findings

<u>Program</u>	<u>Findings / Non-Compliance</u>	<u>Questioned Costs</u>
	No findings reported in this section	N/A

INICIATIVA COMUNITARIA DE INVESTIGACIÓN, INC.

Schedule of Findings and Questioned Costs

For The Year Ended December 31, 2016

Section III - Findings and Questioned Costs for Federal Awards

<u>Program</u>	<u>Findings / Non-Compliance</u>	<u>Questioned Costs</u>
	No Findings in this section.	N/A

PUERTO RICO COMMUNITY NETWORK FOR CLINICAL RESEARCH ON AIDS, INC.

Summary Schedule of Prior Year Findings

For The Year Ended December 31, 2016

<u>Program</u>	<u>Findings / Non-Compliance</u>	<u>Questioned Costs</u>
	No Findings in this section.	N/A