

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

**FINANCIAL STATEMENTS AND
SINGLE AUDIT REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2018

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.

**FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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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, 2018, 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, 2018, 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 June 27, 2019 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
June 27, 2019

Díaz & Candelaria, P.S.C.

License 34, Expire December 1, 2019
The stamp No. O2767206 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, 2018

ASSETS

Cash on Hand and Bank	\$ 730,631
Grants, Contracts and Other Receivable - net	93,256
Current Assets	<u>823,887</u>
Property and Equipment, net	611,096
Deposits	9,558
Construction in Progress	732,979
TOTAL ASSETS	<u><u>\$2,177,520</u></u>

LIABILITIES AND NET ASSETS

Liabilities:

Lines of Credit	72,567
Accounts Payable	121,313
Payroll Taxes Payable	29,660
Accrued Vacations	44,057
Deferred Revenue	928,412
Current Portion of Long Term Debt	3,320
Current Liabilities	<u>1,199,329</u>

Total Liabilities

1,199,329

Net Assets:

Without Donor Restrictions	(760,461)
With Donor Restrictions	1,738,652
Total Net Assets	<u>978,191</u>

TOTAL LIABILITIES & NET ASSETS

\$2,177,520

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, 2018

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUES AND OTHER SUPPORT			
Governmental Grants and Contracts	-	\$ 2,451,721	\$ 2,451,721
Private Grants and Contracts	-	67,551	67,551
Detox and Medical Services	-	28,653	28,653
Donations and Contributions (Includes \$54,225 of In-kind contributions)	147,974	210,597	358,571
Fund Raising and Special Activities	14,523	2,505	17,028
Other	18,679	4,050	22,729
Total Revenues and Other Support	<u>181,176</u>	<u>2,765,077</u>	<u>2,946,253</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of Usage Restrictions	2,807,198	(2,807,198)	-
Total Revenues and Other Support	<u>2,988,374</u>	<u>(42,121)</u>	<u>2,946,253</u>
EXPENDITURES			
Program Services:			
Case Management and Outpatient Intervention	832,263	-	832,263
Education and Prevention	1,039,365	-	1,039,365
Housing, Treatment and Rehabilitation	159,781	-	159,781
Local Communities Support	84,021	-	84,021
Overseas Communities Support ("Brigadas de Paz")	151,664	-	151,664
Total Program Services	<u>2,267,094</u>	<u>-</u>	<u>2,267,094</u>
Support Services:			
General and Administrative	720,654	-	720,654
Fund Raising Activities	6,816	-	6,816
Total Support Services	<u>727,470</u>	<u>-</u>	<u>727,470</u>
Total Expenditures	<u>2,994,564</u>	<u>-</u>	<u>2,994,564</u>
Changes in Net Assets	(6,190)	(42,121)	(48,311)
Net Assets, Beginning of Year	(754,271)	1,780,773	1,026,502
Net Assets, End of Year	<u>\$ (760,461)</u>	<u>\$ 1,738,652</u>	<u>\$ 978,191</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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in Net Assets	\$ (48,311)
Adjustment to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation and Amortization	105,652
Decrease (Increase) in:	
-Grants, Contract and Other Receivable	125,219
Increase (Decrease) in:	
-Accounts Payable	(17,326)
-Accrued Expenses	7,460
-Accrued Vacations	(1,220)
-Deferred Revenue	202,082
Net Cash Provided by Operating Activities	<u>373,556</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Property and Equipment	(156,717)
Net Cash Used in investing activities	<u>(156,717)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Net Decrease in Line of Credit	(2,598)
Principal Payments on Mortgage Payable	(18,672)
Net Cash Used in Financing Activities	<u>(21,270)</u>

Net Increase in Cash	195,569
Cash at Beginning of Year	<u>535,062</u>
Cash at End of Year	<u><u>\$ 730,631</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, 2018

Description	Program Expenses	General & Administrative	Total
Personnel compensation	\$ 1,193,168	413,361	\$ 1,606,529
Payroll taxes	203,893	69,222	273,115
Other employee benefits	43,829	-	43,829
Staff training	10,544	620	11,164
Travel	19,929	274	20,203
Professional & Contractual Services	419,640	37,863	457,503
Administrative Professional Services	-	193	193
Material and office supplies	28,510	3,109	31,619
Printing and publications	2,634	1,788	4,422
Advertising	6,594	1,071	7,665
Outreach and educational materials	21,097	-	21,097
Nutritional supports	8,778	2,146	10,924
Prescribed drugs and medications	1,807	-	1,807
Laboratories and patients test	97,346	-	97,346
Communications	6,248	27,890	34,138
Postage and shipping	3,202	671	3,873
Dues and Subscriptions	4,311	1,391	5,702
Occupancy	78,994	80,003	158,997
Equipment rental and maintenance	6,755	7,170	13,925
Insurance expense	10,741	12,301	23,042
Interest and bank services	2,992	10,266	13,258
Depreciation	58,270	47,382	105,652
Vehicle Expenses	27,535	3,828	31,363
Fund raising activities	7	6,816	6,823
Other expenses	10,270	105	10,375
Total Expenditures	\$ 2,267,094	\$ 727,470	\$ 2,994,564

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

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

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 Financial statements presentation follows the recommendations of FASB ASC 2016-14 – *Non for Profit Entities* (ASC). Under ASC, the Organization is required to report information regarding its financial position and activities according to two classes of net assets, as follows:

With donor restrictions - Net assets subject to donor-imposed stipulations that may be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.

Without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

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

(2) Financial Statement Presentation (Continuation)

Revenues from sources other than contribution are reported as increases in without donor restrictions net assets. Expenses are reported as decreases in without donor restrictions net assets. Expirations of temporary restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from with donor restrictions net assets to without donor restrictions net assets.

(3) Revenue Recognition

Revenues are recognized at the time the corresponding grant and donations requirements are fully satisfied.

(4) Contribution

ICI also has elected to adopt FASB ASC-958-605, "Contributions Received and Contributions Made". Contributions received are recorded as without donor restrictions or with donor restrictions support depending on the existence and/or nature of any donor restrictions.

(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.

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

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

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

(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, 2018 the accrued vacations of \$44,057 were included in the statement of financial position.

(10) Impairment of Long-Lived Assets

Long-lived assets, such as property, plant and equipment, are reviewed for impairment whenever events or charges in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the assets. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less cost to sell, and no longer depreciated. During the year ended December 31, 2018, the recognition of an impairment loss was not considered necessary.

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

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

(11) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. According, certain costs have been allocated among the programs and supporting services benefited.

NOTE B – LIQUIDITY AND AVAILABILITY

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

Cash and equivalents	\$ 730,631
Grant Receivable	72,827
Others Receivable	<u>20,429</u>
Total Financial Assets Available within one year	<u>\$ 823,887</u>

As part of ICI's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. As described in Note E, ICI also has committed two lines of credit in the amount of \$125,000, which it could draw upon in the event of unanticipated liquidity need.

NOTE C - ACCOUNTS RECEIVABLE - GRANTS AND CONTRACTS

As of December 31, 2018, 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. Health Department (OCASET) –PASET	\$ 42,245
Puerto Rico Administration of Mental Health and Anti-Addiction Services (ASSMCA)	13,258
Municipality of San Juan – HOPWA	16,990
P.R. Family Department (ESGP)	335
Health Services Claims	597
P.R. Treasury Department (tax erroneously withhold)	13,712
Other receivable	<u>6,119</u>
Total Account Receivable	<u>\$ 93,256</u>

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE D - PROPERTY AND EQUIPMENT

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

Without Donor Restrictions:

<u>Description</u>	<u>Useful Life</u>	<u>Costs</u>	<u>Accumulated Depreciation</u>	<u>Net Value</u>
Land	-	\$ 10,000	-	\$ 10,000
Buildings	30 years	\$ 599,500	\$527,935	\$ 71,565
Building Improvements	15 years	479,328	205,195	274,133
Motor Vehicles	5 years	431,929	338,882	93,047
Capitalized Equipment	5 years	70,270	70,270	-
Equipment	5 years	<u>767,294</u>	<u>708,942</u>	<u>58,352</u>
		\$2,358,321	\$ 1,851,225	\$ 507,096

With Donor Restrictions:

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>\$ 91,000</u>	<u>\$ 104,000</u>
TOTAL PROPERTY AND EQUIPMENT		<u>\$2,553,321</u>	<u>\$ 1,942,225</u>	<u>\$ 611,096</u>

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE E - 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, 2018 the principal balances on both lines of credit was \$72,567.

NOTE F - DEFERRED REVENUE

Represent funds received in advance during the current year net of any portion of invoices receivable as of December 31, 2018. As of December 31, 2018, the deferred revenue balance was:

PACTO- Medical Science Campus (Drug Abuse and Additions Research Program)	\$ 177,177
Various Private Foundations – With specific use for specific programs	130,718
Fundación Banco Popular – “Brega Bien” - Building	17,953
ASSMCA – (Integral Access to Treatment, Recovery and Integration to the Community Program “Pitirre”)	569,516
PR State Legislature Donation	<u>33,048</u>
Total Deferred Revenue	<u>\$ 928,412</u>

NOTE G - 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 February 2019. 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, 2018 was \$3,320 and was paid in total in March 2019.

Principal maturities for years subsequent to December 31, 2018, are as follow:

<u>Years Ending December 31,</u>	<u>Amount</u>
2019	\$ <u>3,320</u>
Total	3,320
Less current portion	<u>3,320</u>
Long-term debt	<u><u>\$ -0-</u></u>

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE H - 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 I -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 J - LEASE COMMITMENT

ICI conducts their operations in various leased facilities with unrelated third parties, all contracts have been renovated on a year or a month to month basis. Rent expense for year ended December 31, 2018 amounted to \$27,765.

NOTE K - NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with donor restrictions balance for the year ended December 31, 2018 was \$1,738.652.

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, 2018 the amount of net assets released from restrictions aggregated \$2,807,198. 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.

Net Assets with donor restrictions 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 2018 by Activity Programs are as follows:

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE K - NET ASSETS WITH DONOR RESTRICTIONS (Continuation)

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

Other Assistance Program (“Brigadas de Paz”):

- Private Donations and Contributions

NOTE L - SUPPLEMENTAL DISCLOSURE OF CASH FLOWS STATEMENT

Non Cash-Transaction:

Interest and bank charges:

General Program-Unrestricted

\$ 13,258

NOTE M – SUBSEQUENT EVENTS

ICI’s management has evaluated subsequent event through June 28, 2019, 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, 2018

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Federal Grantor Pass-through Grantor Program Title	Federal CFDA Number	Passes-through Grantor's Number	Expenditures
<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 *	N/A	\$ 171,064
			<u>171,064</u>
<u>Directly:</u>			
HIV Prevention Activities- Health Department Based HIV Prevention Program	93.940	N/A	986
<u>Passed-through University of Puerto Rico - Medical Science Campus</u>			
Drug Abuse and Addiction Research Programs	93.279 *	N/A	521,324
<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	N/A	38,759
<u>Passed-through P.R. Department of Families:</u>			
Emergency Shelter Grants Program (ESG)	14.231	N/A	23,135
<u>DEPARTMENT OF JUSTICE</u>			
<u>Passed-through P.R. Department of Justice:</u>			
Edward Byrne Memorial Assistance Grant Program (JAG)	16.738	N/A	41,174
TOTAL EXPENDITURES OF FEDERAL AWARD			<u>\$ 796,442</u>

* 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, 2018

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	\$ 2,994,564
Plus: Purchase of Equipment with Federal Funds	<u>2,991</u>
Less: Non-federal expenses including depreciation	<u>(2,201,113)</u>
Total Federal Expenditures	<u>\$ 796,442</u>

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.

**Notes to Schedule of Expenditures of Federal Awards
For the year ended December 31, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY
(Continuation)**

(5) Pass-Through Grantor's Number

State or local government and private entities includes within their federal proposal award the related amount of federal awards granted to ICI, also known as "pass-through awards". ICI should consider these federal funds as though they were received directly from the federal government. Uniform Guidance requires that the schedule should include the name and the identifying number assigned for federal awards received as a sub recipient. Numbers identified as NA are not applicable or not available.

(6) Indirect Cost Rate

ICI has elected not to use the 10% de minimis indirect cost rate as allowed under the uniform guidance.

(7) Pass-Through to Subrecipients

ICI did not delegate or transferred any federal grant to a subrecipient.



**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, 2018, 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 June 27, 2019.

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
June 27, 2019

Díaz & Candelaria, P.S.C.



License number 34, Expire December 1, 2019
The stamp No. O2767207 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, 2018. 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, 2018.

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
June 27, 2019

Díaz Candalaria, P.S.C.



License number 34, Expire December 1, 2019
The stamp No. 02767208 of Puerto Rico State
Society of Certified Public Accountants was
affixed to the record copy of this report.

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.

Schedule of Findings and Questioned Costs

For The Year Ended December 31, 2018

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
93.914	HIV Emergency Relief Project Grants

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

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.

Schedule of Findings and Questioned Costs

For The Year Ended December 31, 2018

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 INVESTIGACION, INC.

Schedule of Findings and Questioned Costs

For The Year Ended December 31, 2018

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

INICIATIVA COMUNITARIA DE INVESTIGACION, INC.

Summary Schedule of Prior Year Findings

For The Year Ended December 31, 2018

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