

CENTRO ARARAT, INC.
(A non-profit organization)

FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
AND INDEPENDENT AUDITORS' REPORT
UNDER THE UNIFORM GUIDANCE AUDIT

CENTRO ARARAT, INC.
(A non-profit organization)

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Ojeda CPA Group, P.S.C.

PMB 204 PO Box 7105
Ponce, PR 00732-7105

Phone: 787-843-7866
Fax: 787-843-7867
E-mail: ejedacpa@hotmail.com

Plazoleta Morell Campos
Carr. 123 Km 7.2
Ponce, PR 00732

INDEPENDENT AUDITORS' REPORT

Board of Directors
Centro Ararat, Inc.
(A non-profit organization)
Ponce, Puerto Rico

Report on the Financial Statements

We have audited the accompanying financial statements of **Centro Ararat, Inc. (A Non Profit Corporation) (the Center) (a Puerto Rico corporation)**, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, statements of functional expenses and cash flows, for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 Center's** preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **the Center's** internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **the Center's** as of December 31, 2019 and 2018, and the changes in its net assets, statements of functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information on pages 18-31 – combining statements of financial position and combining statements of activities are presented for purpose of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on pages 32-33 and, schedule of finding and questioned cost on pages 39-40 and, summary of schedule of prior year audit findings on page 41 as required Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated on December 15, 2020 on our consideration of **the Center's** 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 **the Center's** internal control over financial reporting and compliance.

December 15, 2020

License No. 197
Ponce, Puerto Rico

Cajeda CPA Group, PSC

Stamp number E428422 was
affixed to the original report

CENTRO ARARAT, INC.
(A non-profit organization)

Statements of Financial Position

December 31, 2019 and 2018

ASSETS	2019	2018
Current assets:		
Cash and cash equivalents	\$ 1,208,303	\$ 1,798,823
Funds receivable	339,484	332,330
Accounts receivable	1,121,464	170,712
Inventory	182,836	145,484
Prepaid expenses	<u>26,198</u>	<u>36,706</u>
Total current assets	2,878,285	2,484,055
Property, plant and equipment - net	1,390,787	1,546,180
Other assets	<u>17,332</u>	<u>15,157</u>
TOTAL	<u><u>\$ 4,286,404</u></u>	<u><u>\$ 4,045,392</u></u>
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Checks drawn in excess of cash balances	\$ 679	\$
Accounts payable	1,319,049	1,091,521
Accrued expenses and withholdings	26,147	23,841
Unearned revenue	<u> </u>	<u>17,797</u>
Total liabilities	<u>1,345,875</u>	<u>1,133,159</u>
Net assets:		
With donor restrictions	18,933	305,193
Without donor restrictions	<u>2,921,596</u>	<u>2,607,040</u>
Total net assets	<u>2,940,529</u>	<u>2,912,233</u>
TOTAL	<u><u>\$ 4,286,404</u></u>	<u><u>\$ 4,045,392</u></u>

CENTRO ARARAT, INC.
(A non-profit organization)

Statement of Activities

For the year ended December 31, 2019

	Total	Eliminations	Without Donor Restrictions	With Donor Restrictions
Operating activities:				
Current year award	\$ 1,465,537			\$ 1,465,537
Operational revenues	19,589,644		\$ 19,589,644	
Other	316,856	\$(13,399,581)	2,238,744	11,477,693
Net assets released from restrictions			13,266,106	(13,266,106)
	<hr/>	<hr/>	<hr/>	<hr/>
Total support and revenues	21,372,037	(13,399,581)	35,094,494	(322,876)
	<hr/>	<hr/>	<hr/>	<hr/>
Expenses and losses:				
Ryan White Part B	162,949		162,949	
Ryan White Part C	12,584,315		12,584,315	
Ryan White Part F-Tweet	195,846		195,846	
Ryan White Part A - San Juan	51,224		51,224	
Ryan White Part F - Bupre	133,841		133,841	
Prep	74,678		74,678	
Translucent Project	63,253		63,253	
Management and general	8,140,279	(13,399,581)	21,539,860	
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	21,406,385	(13,399,581)	34,805,966	
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets from operating activities	(34,348)		288,528	(322,876)
Net assets, beginning of year	2,912,233		2,607,040	305,193
Transfers between funds			(27,580)	27,580
Net assets adjustments	62,644		53,608	9,036
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets, end of year	<u>\$ 2,940,529</u>	<u>\$</u>	<u>\$ 2,921,596</u>	<u>\$ 18,933</u>

CENTRO ARARAT, INC.
(A non-profit organization)

Statement of Activities

For the year ended December 31, 2018

	Total	Eliminations	Without Donor Restrictions	With Donor Restrictions
Operating activities:				
Current year award	\$ 1,354,958			\$ 1,354,958
Operational revenues	14,800,177		\$ 14,800,177	
Other	164,597	\$ (11,931,418)	3,226,341	8,869,674
Net assets released from restrictions			10,271,814	(10,271,814)
	<hr/>	<hr/>	<hr/>	<hr/>
Total support and revenues	16,319,732	(11,931,418)	28,298,332	(47,182)
	<hr/>	<hr/>	<hr/>	<hr/>
Expenses and losses:				
Ryan White Part B	178,322		178,322	
Ryan White Part C	9,589,438		9,589,438	
Ryan White Part F-Tweet	112,896		112,896	
Ryan White Part A - San Juan	51,531		51,531	
Ryan White Part F - Bupre	204,396		204,396	
Prep	38,201		38,201	
Translucent Project	97,030		97,030	
Management and general	5,855,215	(11,931,418)	17,786,633	
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	16,127,029	(11,931,418)	28,058,447	
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets from operating activities	192,703		239,885	(47,182)
Net assets, beginning of year	2,575,434		2,224,068	351,366
Transference between funds			(1,110)	1,110
Net assets adjustments	144,096		144,197	(101)
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets, end of year	<u>\$ 2,912,233</u>	<u>\$</u>	<u>\$ 2,607,040</u>	<u>\$ 305,193</u>

CENTRO ARARAT, INC.
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Functional Expenses

For the years ended December 31, 2019 and 2018

	2019								2018		
	Program Activities							Supporting Activities			
	Ryan White Part B	Ryan White Part C	Ryan White Part F- Tweet	Ryan White Part A- San Juan	Ryan White Part F- Bupre	Prep	Translucent Project	Total Program	Management and General	Total Expenses	Total Expenses
Medicines		\$ 7,055,204			\$ 12,915	\$ 3,766		\$ 7,071,885	\$ 3,769,704	\$ 10,841,589	\$ 7,514,538
Salaries and wages	\$ 49,997	3,092,929	\$ 137,669	\$ 43,880	52,158	53,081	\$ 25,239	3,454,953	1,412,072	4,867,025	4,052,114
Fringe benefits	4,800	262,014	13,442	4,119	5,415	6,850	3,409	300,049	121,117	421,166	377,124
Professional services		1,079,818			2,254			1,082,072	511,193	1,593,265	1,165,584
Ryan White Part C matching									13,399,581	13,399,581	11,931,418
Other services					280			280		280	17,065
Travel		96,456			22,690		750	119,896	286,587	406,483	351,791
Telephone	933	15,872			2,702			19,507	106,481	125,988	125,710
Utilities - patients	7,511	13,261						20,772	50,208	70,980	78,989
Insurance	6,368	312,214	12,001	2,679	5,800	9,682		348,744	259,430	608,174	433,706
Repairs and maintenance		42,545			135			42,680	232,705	275,385	214,164
Vehicle maintenance	935							935	10,542	11,477	8,652
Medical services	32,006							32,006	3,158	35,164	57,462
Transportation	55,075	17,135	19,968		19,450			111,628	1,107	112,735	85,563
Interest and taxes	17	202						663	11,120	11,783	9,304
Advertising			340					340	44,031	44,371	108,894
Patents and licenses									15,868	15,868	20,838
Office	89	22,758	879	546	551	1,299		26,606	114,113	140,719	132,497
Building repairs and maintenance									5,747	5,747	11,832
Rent	1,968	246,159	6,660		5,250			260,037	314,882	574,919	426,446
Depreciation		16,813						16,813	252,760	269,573	242,785
Laboratories		67,985						87,276	58,348	145,624	139,612
Medicines supplies	3,250	13,170						16,420	239,337	255,757	210,439
Supplements									98,910	98,910	72,801
Miscellaneous		229,780	4,887		4,241			252,544	220,859	473,403	269,119
	<u>\$ 162,949</u>	<u>\$ 12,584,315</u>	<u>\$ 195,846</u>	<u>\$ 51,224</u>	<u>\$ 133,841</u>	<u>\$ 74,678</u>	<u>\$ 63,253</u>	<u>\$ 13,266,106</u>	<u>\$ 21,539,860</u>	<u>\$ 34,805,966</u>	<u>\$ 28,058,447</u>

See accompanying notes to financial statements.

CENTRO ARARAT, INC.
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Statements of Cash Flows

For the years ended December 31, 2019 and 2018

Increase (Decrease) in Cash

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (34,348)	\$ 192,703
Adjustments to reconcile net assets to net cash used in operating activities:		
Depreciation and amortization	269,573	242,785
Change in operating assets and liabilities:		
(Increase) decrease in:		
Funds receivable	(7,154)	(14,251)
Accounts receivable	(950,752)	(79,741)
Inventories	(37,352)	15,453
Prepaid expenses	10,508	(36,706)
Other assets	(2,175)	(9,182)
Increase (decrease) in:		
Checks drawn in excess of cash balances	679	(20,721)
Accounts payable	227,528	(457,047)
Accrued expenses and withholdings	2,306	4,438
Unearned revenues	(17,797)	17,797
Net assets adjustments	<u>62,643</u>	<u>144,096</u>
Total adjustments	<u>(441,993)</u>	<u>(193,079)</u>
Net cash used in operating activities	<u>(476,341)</u>	<u>(376)</u>
CASH FLOWS FROM INVESTING ACTIVITIES -		
Capital expenditures	<u>(114,179)</u>	<u>(481,158)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(590,520)	(481,534)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,798,823</u>	<u>2,280,357</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,208,303</u>	<u>\$ 1,798,823</u>

CENTRO ARARAT, INC.
(A non-profit organization)

Notes to Financial Statements

December 31, 2019 and 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General - **Centro Ararat, Inc. (the Center)** is a nonprofit institution organized under the laws of the Commonwealth of Puerto Rico in September 21, 2001. **The Center** is exempt from payment of corporate income taxes (Section 1101(4) of Puerto Rico Internal Revenue Code of 1994, as amended). **The Center** provides assistance to HIV patients, principally sponsored by federal grants.

Basis of accounting - **The Center** prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Non-for-Profit Organizations" (the "Guide"). Accounting Standards Codification was effective January 1, 2018.

Basis of presentation – Under the provisions of the Guide, net assets and revenues, and gain and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of **the Center** and changes therein are classified as follows:

Net assets without donor restrictions - Net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of **the Center**. **The Center's** Board of Directors may designate assets without restrictions for specific operational purpose from time to time.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of **the Center** or by passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

The assets, liabilities and net assets are recorded in two balancing fund groups as follows:

- Donor restricted funds represent the portion of expendable funds from Department of Health and Human Services (HRSA) for HIV Emergency Relief Programs (Ryan White Title I) thru San Juan EMA-Ryan White Programs Part A as a sub-recipient available for the operations and services of **the Center**, and Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease (Ryan White HIV/Aids Program Part C) as direct program. Other funds are received from Puerto Rico Health Department for Ryan White Part B, Ryan White Part F-Tweet, Prevention Program, Believe Program and Translucent Project. Also received from AIDS United.
- Non-restricted donor funds represent funds raised through revenues from services or nonprofit entrepreneurial activities and other private operational revenue.

CENTRO ARARAT, INC.
(A non-profit organization)

Notes to Financial Statements

December 31, 2019 and 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. The most significant management estimates and assumptions relate to the determination of receivables, and useful lives of property and equipment, and the reported fair values of certain of **the Center's** assets and liabilities. Actual results could differ from the estimates.

Receivable – No provision for doubtful accounts has been made since all receivables were considered collectible.

Inventories – Inventories are stated at the lower of standard cost, which approximates average cost, or market determined by the first-in, first out method.

Support and revenues - **The Center** received its federal funds from San Juan EMA – Ryan White Program Part A (“the Program”) by means of contract signed by “Municipality of San Juan”. The program is a pass-through entity for funds received from Health Resources and Services Administration (HRSA). Other funds received are from Puerto Rico Health Department – Ryan White Part B, Ryan White Part F-Tweet, Prevention Program, Believe Program and Translucent Project, received Ryan White Part C directly from Health Resources and Service Administration and received from AIDS United.

All grants and contracts are considered to be available for none restriction use unless specifically restricted by the grantor. Amounts received that are designated for future periods or restricted by the grantor for specific purposes are reported as with donor restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Property, plant and equipment and depreciation - Property, plant and equipment are recorded at cost. Depreciation is computed on the straight-line method based on the estimated useful life of each class of depreciable assets. **The Center** follows the capitalization policy of the federal government which considers as property and equipment tangible nonexpendable property, including exempt property having a useful life of more than one year. Repair and maintenance are expensed as incurred. Expenses that increase the value or productive capacity of assets are also capitalized. Depreciation expense for the year was \$269,573.

CENTRO ARARAT, INC.
(A non-profit organization)

Notes to Financial Statements

December 31, 2019 and 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

Leasehold improvements or equipment is reported as without restriction support, and is excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the assets must be used. In accordance with the provision of FASB ASC 958-360-35-8 and 360-10-35-17, "Impairment or Disposal of Long-Lived Assets" **the Center** reviews for the impairment of long-lived assets whenever events of changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Cash and cash equivalents - For purposes of the statements of cash flows, **the Center** considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Measure of operations – The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to **the Center's** ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing cost, and other activities to be of a more unusual or nonrecurring nature.

Recent accounting pronouncements -**The Center** adopted the provisions of Financial Accounting Standards Board (FASB) ASC Topics 2016-14 (Presentation of Financial Statements of Not-for-Profit Entities) for the year ended December 31, 2018. The update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. **The Center** has adjusted the presentation of these statements accordingly. The Accounting Standards Update has been applied retrospectively to all periods presented.

The Center adopted the provisions of FASB ASC Topic 820-10 (formerly FAS No. 157, Fair Value Measurements and Disclosures). The topic defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measures that are required under other accounting pronouncements, but did not change existing guidance as to whether or not a financial instrument is carried at fair value. **The Center** adoption of ASC Topic 820-10 in year 2017 did not have a material impact on **the Center's** financial statements.

Additionally, from time to time, **the Center** may be required to measure certain assets and liabilities at fair value on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. These adjustments to fair value would usually result from the application of the lower-of-cost-or-market accounting or write-down of individual assets. **The Center** did not measure any assets or liabilities at fair value on a nonrecurring basis during the year ended December 31, 2019.

CENTRO ARARAT, INC.
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Notes to Financial Statements

December 31, 2019 and 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

Functional expenses – The cost of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain cost has been allocated among clinical services and supporting services. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expenses</u>	<u>Method of Allocation</u>
Grants	Time and effort
Salaries and benefits	Time and effort
Professional services	Full time equivalent
Travel	Reimbursement
Depreciation	Straight-line
Other	Time and effort

2. ACCOUNTS RECEIVABLE

As of December 31, 2019 and 2018, accounts receivable consist of the following:

	2019	2018
Health plans	\$ 1,119,461	\$ 170,712
Other	2,003	
	<u>\$ 1,121,464</u>	<u>\$ 170,712</u>

CENTRO ARARAT, INC.
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Notes to Financial Statements

December 31, 2019 and 2018

3. PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2019 and 2018, property, plant and equipment consist of the following:

2019	Combined Total	With Donor Restrictions	CAP	Without Donor Restriction
Office equipment	\$ 688,693	\$ 91,685	\$ 536,998	\$ 60,010
Other office equipment	458,821	20,467	432,191	6,163
Leasehold improvements	1,296,723	50,226	1,246,497	
Vehicles	89,572		89,572	
Total property	2,533,809	162,378	2,305,258	66,173
Less accumulated depreciation	(1,143,022)	(111,848)	(984,745)	(46,429)
Property, plant and equipment -net	<u>\$ 1,390,787</u>	<u>\$ 50,530</u>	<u>\$ 1,320,513</u>	<u>\$ 19,744</u>

2018	Combined Total	With Donor Restrictions	CAP	Without Donor Restriction
Office equipment	\$ 632,437	\$ 95,807	\$ 476,619	\$ 60,011
Other office equipment	492,709	105,087	381,459	6,163
Leasehold improvements	1,204,912	50,226	1,154,686	
Vehicles	89,572		89,572	
Total property	2,419,630	251,120	2,102,336	66,174
Less accumulated depreciation	(873,450)	(95,035)	(740,928)	(37,487)
Property, plant and equipment -net	<u>\$ 1,546,180</u>	<u>\$ 156,085</u>	<u>\$ 1,361,408</u>	<u>\$ 28,687</u>

CENTRO ARARAT, INC.
(A non-profit organization)

Notes to Financial Statements

December 31, 2019 and 2018

4. NET ASSETS WITH DONOR RESTRICTIONS

The donor's restricted net assets as of December 31, 2019 and 2018, consist of following:

	2019	2018
Subject to the Center's appropriation and spending policy:		
Ryan White Part B	\$ 1,229	\$ (23,029)
Ryan White Part C	83,657	370,424
Ryan White Part F-Tweet	(196)	3,155
Ryan White Part A	3,963	3,964
Ryan White Part F - Buprenorfina		2,419
Prep	1,975	(699)
Translucent Project	<u>(71,695)</u>	<u>(51,041)</u>
Total net assets with donor restrictions	<u>\$ 18,933</u>	<u>\$ 305,193</u>

5. NET ASSETS ADJUSTMENTS

Net assets adjustments for the year ended December 31, 2019 and 2018 consist of the following:

	Combined Total	With Donor Restrictions	CAP	Without Donor Restrictions
Overstatement of revenue	\$ (167,339)			\$ (167,339)
Overstatement of expenses	229,983	\$ 9,036	\$ 220,947	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 62,644</u>	<u>\$ 9,036</u>	<u>\$ 220,947</u>	<u>\$ (167,339)</u>

Net assets adjustments for the year ended December 31, 2018 consist of the following:

	Combined Total	With Donor Restrictions	CAP	Without Donor Restrictions
Overstatement of revenue	\$ (10,446)	\$ (101)		\$ (10,345)
Overstatement of expenses	154,542		\$ 154,542	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 144,096</u>	<u>\$ (101)</u>	<u>\$ 154,542</u>	<u>\$ (10,345)</u>

CENTRO ARARAT, INC.
(A non-profit organization)

Notes to Financial Statements

December 31, 2019 and 2018

6. LIQUIDITY

The Center financial assets available within one year of the balance sheet date for general expenditures are as follows:

	2019	2018
Cash and cash equivalents	\$ 1,208,303	\$ 1,798,823
Funds receivable	339,484	331,540
Accounts receivable, net	1,121,464	170,712
Inventories	182,836	145,484
Prepaid expenses	26,198	36,706
	<hr/>	<hr/>
	<u>\$ 2,878,285</u>	<u>\$ 2,483,265</u>

7. COMMITMENT AND CONTINGENCIES

Federal grants and contracts - Amounts received and expended by **the Center** under federal programs is subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the financial position of **the Center**.

Legal claims - **The Center** is subject to the possibility of litigation and other claims in the ordinary course of business. In the opinion of management, no provision has been made for such claims.

8. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject **the Center** to concentrations of credit risk consist principally of cash. **The Center** manages the credit risk associated with cash by investing with high-quality institutions and, by policy, limiting the amount of credit exposure to any one institution. **The Center** maintains cash accounts that, at times, may exceed federally insured limits. **The Center** has not experienced any losses from maintaining cash accounts in excess of such limits. Management believes that it is not exposed to any significant risk related to its cash accounts.

CENTRO ARARAT, INC.
(A non-profit organization)

Notes to Financial Statements

December 31, 2019 and 2018

9. FAIR VALUE MEASUREMENTS

As indicated in Note 1, **the Center** adopted FASB ASC 820-10, Fair Value Measurements and Disclosures. There were no financial instruments for which a retrospective application of fair value measurement was required. Therefore, the effect of adopting the provisions of FASB ASC 820-10 is prospective from the beginning of the year.

As defined in FASB ASC 820, fair value is the price that would be received to sell an asset or to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

The Center's assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of fair value of assets and liabilities and their placement within the fair value hierarchy levels.

FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, maximizes the use of observable inputs, and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

Level 1 inputs – Valuation based on quoted prices in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs – Valuation based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets, or liabilities in markets that are not active, that is, markets in which there are few transactions, prices are not current, or prices vary substantially over time.

Level 3 inputs – Valuation based on inputs that are unobservable for an asset or liability and should be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. This input, therefore, reflects the entity's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the value measurement.

CENTRO ARARAT, INC.
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Notes to Financial Statements

December 31, 2019 and 2018

9. FAIR VALUE MEASUREMENTS, Continued

The following table summarizes financial instruments measured at fair value on a recurring basis by classification within the fair value hierarchy as of December 31, 2019:

Assets	Book Value	Fair Value
Cash and cash equivalents	\$ 1,208,303	\$ 1,208,303
Funds receivable	339,484	339,484
Accounts receivable	1,121,464	1,121,464
Inventory	182,836	182,836
Property, plant and equipment	1,390,787	1,182,169
Total	<u>\$ 4,242,874</u>	<u>\$ 4,034,256</u>
Liabilities		
Accounts payable	\$ 1,319,049	\$ 1,319,049
Accrued expenses and withholdings	26,147	26,147
	<u>\$ 1,345,196</u>	<u>\$ 1,345,196</u>

The following table summarizes financial instruments measured at fair value on a recurring basis by classification within the fair value hierarchy as of December 31, 2018:

Assets	Book Value	Fair Value
Cash and cash equivalents	\$ 1,798,823	\$ 1,798,823
Funds receivable	331,540	331,540
Accounts receivable	170,712	170,712
Inventory	145,484	145,484
Property, plant and equipment	1,546,180	1,352,684
Total	<u>\$ 3,992,739</u>	<u>\$ 3,799,243</u>
Liabilities		
Accounts payable	\$ 1,091,521	\$ 1,091,521
Accrued expenses and withholdings	22,969	22,969
	<u>\$ 1,114,490</u>	<u>\$ 1,114,490</u>

CENTRO ARARAT, INC.
(A non-profit organization)

Notes to Financial Statements

December 31, 2019 and 2018

10. UNCERTAINTY

On January 7, 2020, the southwest area of Puerto Rico suffered a major earthquake which significantly affected the structure of many real estate properties. The damage of this earthquake to these real estate has been severe and in some cases the damage suffered makes them uninhabitable. The structures are in the process of being evaluated by structural engineers to be able to value the damages and make the claims of damages to the insurance companies.

For a period of several weeks the southwest area has continued to receive constant and recurring earthworks which have significantly affected the operations of businesses in this area.

As of the date of these financial statements, it is impossible to determine the valuation of the damages and the possible recovery of the expenses that must be incurred to put these structures and businesses into operation. The federal government has recognized the southwest area of Puerto Rico as a disaster zone. Under this classification **the Center** could meet the necessary requirements for submitting a claim for damages to its insurance company.

We have evaluated the consequences of COVID-19 on the operations of **the Center** according to the codification of accounting standards FASB (ASC FASB) 855, Subsequent Events.

As of March 15, 2020, the Governor of Puerto Rico, Honorable Wanda Vazquez Garced, through various administrative orders, has established the closure of government agencies and private businesses, limiting their normal operation. These closings have the main purpose of combating the effects of COVID-19 and controlling the risk of contagion in Puerto Rico. Since the imposition of the limitation imposed by these administrative orders, **the Center** has limited the access of its patients to its facilities. As a result, the economic activity of **the Center** in 2020 has been affected. As of the date of these financial statements, it is difficult to establish what the economic effect, if any, of these changes will be on the operations of the current year.

11. SUBSEQUENT EVENTS

The Center has evaluated and disclosed (if any) the subsequent events through December 15, 2020 the date in which the financial statements were available to be issued

CENTRO ARARAT, INC.

(A non-profit organization)

Supplemental Information - Combining Statement of Financial Position

December 31, 2019

	Combined Total	Eliminations	With Donor Restrictions		
			Ryan White Part B	Ryan White Part C	Ryan White Part F - Tweet
ASSETS					
Cash and cash equivalents	\$ 1,208,303		\$ 8,318	\$ 34,182	\$ 15,008
Funds receivable	339,484		58,331	205,296	33,209
Accounts receivable	1,121,464				
Inventory	182,836		1,263		
Prepaid expenses	26,198			10,000	
Property, plant and equipment - net	1,390,787			50,530	
Due from related parties		\$ (2,412,877)		662,129	3,420
Other assets	17,332			500	2,051
TOTAL	\$ 4,286,404	\$ (2,412,877)	\$ 67,912	\$ 962,637	\$ 53,688
LIABILITIES AND NET ASSETS					
Liabilities:					
Checks drawn in excess of cash balances	\$ 679				
Accounts payable	1,319,049		\$ 5,303	\$ 873,815	
Accrued expenses and withholdings	26,147		506	585	
Unearned revenues					
Due to related parties		\$ (2,412,877)	60,874	4,580	\$ 53,884
Total liabilities	1,345,875	(2,412,877)	66,683	878,980	53,884
Net assets:					
With donor restrictions	18,933		1,229	83,657	(196)
Without donor restrictions	2,921,596				
Total net assets	2,940,529		1,229	83,657	(196)
TOTAL	\$ 4,286,404	\$ (2,412,877)	\$ 67,912	\$ 962,637	\$ 53,688

CENTRO ARARAT, INC.
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Supplemental Information - Combining Statement of Financial Position

December 31, 2019

	With Donor Restrictions			With Donor Restrictions - State	Without Donor Restrictions
	Ryan White Part A -San Juan	Ryan White Part F -Bupre	Prep	Translucent Project	Medical Services - CAP
ASSETS					
Cash and cash equivalents	\$ 12,953	\$	\$ 10,042	\$ 16,447	\$ 49,370
Funds receivable	141		34,913	7,594	
Accounts receivable					
Inventory					
Prepaid expenses					
Property, plant and equipment - net					7,591
Due from related parties					1,380
Other assets					
TOTAL	\$ 13,094	\$	\$ 44,955	\$ 24,041	\$ 58,341
LIABILITIES AND NET ASSETS					
Liabilities:					
Checks drawn in excess of cash balances		\$			
Accounts payable				\$ 1,005	
Accrued expenses and withholdings	\$ 4		\$ 1,050	142	
Unearned revenues					
Due to related parties	9,127		41,930	94,589	
Total liabilities	9,131		42,980	95,736	
Net assets:					
With donor restrictions	3,963		1,975	(71,695)	
Without donor restrictions					\$ 58,341
Total net assets	3,963		1,975	(71,695)	58,341
TOTAL	\$ 13,094	\$	\$ 44,955	\$ 24,041	\$ 58,341

CENTRO ARARAT, INC.
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Supplemental Information - Combining Statement of Financial Position

December 31, 2019

ASSETS	Without Donor Restrictions		
	CAP	Sexual Health Clinic	Unrestricted
Cash and cash equivalents	\$ 1,047,580	\$ 100	\$ 14,303
Funds receivable			
Accounts receivable	1,121,464		
Inventory	181,573		
Prepaid expenses	16,198		
Property, plant and equipment - net	1,320,513	12,153	
Due from related parties	281,184	1,464,764	
Other assets	8,075	6,706	
	<u>\$ 3,976,587</u>	<u>\$ 1,483,723</u>	<u>\$ 14,303</u>
TOTAL	<u>\$ 3,976,587</u>	<u>\$ 1,483,723</u>	<u>\$ 14,303</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Checks drawn in excess of cash balances		\$ 679	
Accounts payable	\$ 309,561	129,365	
Accrued expenses and withholdings	1,338		\$ 22,522
Unearned revenues			
Due to related parties	2,126,893		21,000
	<u>2,437,792</u>	<u>130,044</u>	<u>43,522</u>
Total liabilities	<u>2,437,792</u>	<u>130,044</u>	<u>43,522</u>
Net assets:			
With donor restrictions			
Without donor restrictions	1,538,795	1,353,679	(29,219)
	<u>1,538,795</u>	<u>1,353,679</u>	<u>(29,219)</u>
Total net assets	<u>1,538,795</u>	<u>1,353,679</u>	<u>(29,219)</u>
TOTAL	<u>\$ 3,976,587</u>	<u>\$ 1,483,723</u>	<u>\$ 14,303</u>

CENTRO ARARAT, INC.

(A non-profit organization)

Supplemental Information - Combining Statement of Financial Position

December 31, 2018

	Combined Total	Eliminations	With Donor Restrictions		
			Ryan White Part B	Ryan White Part C	Prevention
ASSETS					
Cash and cash equivalents	\$ 1,798,823		\$ 6,924	\$ 481,213	\$
Funds receivable	332,330		54,227	188,078	
Accounts receivable	170,712				
Inventory	145,484		1,263		
Prepaid expenses	36,706			32,000	
Property, plant and equipment - net	1,546,180			151,963	
Due from related parties		\$ (1,208,255)		131,736	
Other assets	15,157			500	
TOTAL	\$ 4,045,392	\$ (1,208,255)	\$ 62,414	\$ 985,490	\$
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable	\$ 1,091,521		\$ 478	\$ 613,381	\$
Accrued expenses and withholdings	23,841		295	305	
Unearned revenues	17,797				
Due to related parties		\$ (1,208,255)	84,670	1,380	
Total liabilities	1,133,159	(1,208,255)	85,443	615,066	
Net assets:					
With donor restrictions	305,193		(23,029)	370,424	
Without donor restrictions	2,607,040				
Total net assets	2,912,233		(23,029)	370,424	
TOTAL	\$ 4,045,392	\$ (1,208,255)	\$ 62,414	\$ 985,490	\$

CENTRO ARARAT, INC.
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Supplemental Information - Combining Statement of Financial Position

December 31, 2018

With Donor Restrictions

	Ryan White Part F - Tweet	Believe	Ryan White Part A -San Juan	Ryan White Part F - Bupre	Prep
ASSETS					
Cash and cash equivalents	\$ 56,655	\$	\$ 22,620	\$ 9,805	\$ 5,653
Funds receivable	22,474		444	30,464	26,694
Accounts receivable					
Inventory					
Prepaid expenses					
Property, plant and equipment - net				4,122	
Due from related parties	12,903			21,587	
Other assets					
TOTAL	<u>\$ 92,032</u>	<u>\$</u>	<u>\$ 23,064</u>	<u>\$ 65,978</u>	<u>\$ 32,347</u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable	\$	\$		\$ 1,662	
Accrued expenses and withholdings				57	\$
Unearned revenues				17,797	
Due to related parties	88,877		\$ 19,100	44,043	33,046
Total liabilities	<u>88,877</u>		<u>19,100</u>	<u>63,559</u>	<u>33,046</u>
Net assets:					
With donor restrictions	3,155		3,964	2,419	(699)
Without donor restrictions					
Total net assets	<u>3,155</u>		<u>3,964</u>	<u>2,419</u>	<u>(699)</u>
TOTAL	<u>\$ 92,032</u>	<u>\$</u>	<u>\$ 23,064</u>	<u>\$ 65,978</u>	<u>\$ 32,347</u>

CENTRO ARARAT, INC.
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Supplemental Information - Combining Statement of Financial Position

December 31, 2018

	With Donor Restrictions - State	Without Donor Restrictions			
	Translucent Project	Medical Services - CAP	CAP	Sexual Health Clinic	Unrestricted
ASSETS					
Cash and cash equivalents	\$ 47,599	\$ 10,617	\$ 1,156,763	\$ 758	\$ 216
Funds receivable	9,949				
Accounts receivable			170,712		
Inventory			144,221		
Prepaid expenses			4,706		
Property, plant and equipment - net		12,484	1,361,408	16,203	
Due from related parties		5,520	345,042	691,467	
Other assets			8,075	6,582	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	<u>\$ 57,548</u>	<u>\$ 28,621</u>	<u>\$ 3,190,927</u>	<u>\$ 715,010</u>	<u>\$ 216</u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable	\$ 6,920	\$	\$ 451,090	\$ 17,990	
Accrued expenses and withholdings	336		13,530		\$ 9,318
Unearned revenues					
Due to related parties	101,333		814,806		21,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>108,589</u>	<u> </u>	<u>1,279,426</u>	<u>17,990</u>	<u>30,318</u>
Net assets:					
With donor restrictions	(51,041)				
Without donor restrictions		28,621	1,911,501	697,020	(30,102)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total net assets	<u>(51,041)</u>	<u>28,621</u>	<u>1,911,501</u>	<u>697,020</u>	<u>(30,102)</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	<u>\$ 57,548</u>	<u>\$ 28,621</u>	<u>\$ 3,190,927</u>	<u>\$ 715,010</u>	<u>\$ 216</u>

CENTRO ARARAT, INC.
(A non-profit organization)

Supplemental Information - Combining Statement of Activities

For the year ended December 31, 2019

	Combined Total	Eliminations	With Donor Restrictions	
			Ryan White Part B	Ryan White Part C
Support and revenues:				
Current year award	\$ 1,465,537		\$ 162,507	829,879
Program income	19,589,644			
Other	316,856	\$ (13,399,581)	103	
Net assets released from restrictions			(162,949)	(830,547)
Total support and revenues	21,372,037	(13,399,581)	(339)	(668)
Expenditures:				
Medicines	10,841,589			
Salaries and wages	4,867,025			
Fringe benefits	421,167			
Professional services	1,593,265			
Ryan White Part C addition		(13,399,581)		
Other services	280			
Travel	406,483			
Telephone	125,988			
Utilities - patients	70,980			
Insurance	608,174			
Repairs and maintenance	275,385			
Vehicle maintenance	11,477			
Medical services	35,164			
Transportation	112,735			
Interest and taxes	11,783			
Advertising	44,371			
Patents and licenses	15,868			
Office	140,719			
Building repairs and maintenance	5,747			
Rent	574,919			
Depreciation	269,573			
Laboratories	145,624			
Medicines supplies	255,757			
Supplements	98,910			
Miscellaneous	473,402			
Total expenditures	21,406,385	(13,399,581)		
Change in net assets	(34,348)		(339)	(668)
Net assets, beginning of year	2,912,233		(23,029)	370,424
Transfers between funds			24,597	
Net assets adjustments	62,644			
Net assets, end of year	\$ 2,940,529	\$	\$ 1,229	\$ 369,756

CENTRO ARARAT, INC.
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Supplemental Information - Combining Statement of Activities

For the year ended December 31, 2019

	With Donor Restrictions			
	Ryan White Part C Sec. 340	Ryan White Part F-Tweet	Ryan White Part A - San Juan	Ryan White Part F - Bupre
Support and revenues:				
Current year award		192,224	51,177	122,291
Program income				
Other	11,467,669	271	46	95
Net assets released from restrictions	(11,753,768)	(195,846)	(51,224)	(133,841)
Total support and revenues	(286,099)	(3,351)	(1)	(11,455)
Expenditures:				
Medicines				
Salaries and wages				
Fringe benefits				
Professional services				
Ryan White Part C addition				
Other services				
Travel				
Telephone				
Utilities - patients				
Insurance				
Repairs and maintenance				
Vehicle maintenance				
Medical services				
Transportation				
Interest and taxes				
Advertising				
Patents and licenses				
Office				
Building repairs and maintenance				
Rent				
Depreciation				
Laboratories				
Medicines supplies				
Supplements				
Miscellaneous				
Total expenditures				
Change in net assets	(286,099)	(3,351)	(1)	(11,455)
Net assets, beginning of year		3,155	3,964	2,419
Transfers between funds				
Net assets adjustments				9,036
Net assets, end of year	\$ (286,099)	\$ (196)	\$ 3,963	\$ 9,036

CENTRO ARARAT, INC.
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Supplemental Information - Combining Statement of Activities

For the year ended December 31, 2019

	With Donor Restrictions		Without Donor Restrictions	
	Prep	(State Fund) Translucent Project	Medical Services - CAP	CAP
Support and revenues:				
Current year award	74,300	33,159		
Program income				19,589,644
Other	69	9,440	229,291	8,735
Net assets released from restrictions	(74,678)	(63,253)	(32,232)	(20,167,435)
Total support and revenues	(309)	(20,654)	197,059	(569,056)
Expenditures:				
Medicines				
Salaries and wages				
Fringe benefits				
Professional services				
Ryan White Part C addition				
Other services				
Travel				
Telephone				
Utilities - patients				
Insurance				
Repairs and maintenance				
Vehicle maintenance				
Medical services				
Transportation				
Interest and taxes				
Advertising				
Patents and licenses				
Office				
Building repairs and maintenance				
Rent				
Depreciation				
Laboratories				
Medicines supplies				
Supplements				
Miscellaneous				
Total expenditures				
Change in net assets	(309)	(20,654)	197,059	(569,056)
Net assets, beginning of year	(699)	(51,041)	28,621	1,911,501
Transfers between funds	2,983			(24,597)
Net assets adjustments			(167,339)	220,947
Net assets, end of year	\$ 1,975	\$ (71,695)	\$ 58,341	\$ 1,538,795

CENTRO ARARAT, INC.
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Supplemental Information - Combining Statement of Activities

For the year ended December 31, 2019

	Without Donor Restrictions	
	Sexual Health Clinic	Unrestricted
Support and revenues:		
Current year award		
Program income		
Other	1,999,809	\$ 909
Net assets released from restrictions	(1,340,167)	34,805,940
Total support and revenues	659,642	34,806,849
Expenditures:		
Medicines		10,841,589
Salaries and wages		4,867,025
Fringe benefits		421,167
Professional services		1,593,265
Ryan White Part C addition		13,399,581
Other services		280
Travel		406,483
Telephone		125,988
Utilities - patients		70,980
Insurance		608,174
Repairs and maintenance		275,385
Vehicle maintenance		11,477
Medical services		35,164
Transportation		112,735
Interest and taxes		11,783
Advertising		44,371
Patents and licenses		15,868
Office		140,719
Building repairs and maintenance		5,747
Rent		574,919
Depreciation		269,573
Laboratories		145,624
Medicines supplies		255,757
Supplements		98,910
Miscellaneous		473,402
Total expenditures	659,642	34,805,966
Change in net assets	659,642	883
Net assets, beginning of year	697,020	(30,102)
Transfers between funds	(2,983)	
Net assets adjustments		
Net assets, end of year	\$ 1,353,679	\$ (29,219)

CENTRO ARARAT, INC.
(A non-profit organization)

Supplemental Information - Combining Statement of Activities

For the year ended December 31, 2018

	Combined Total	Eliminations	With Donor Restrictions	
			Ryan White Part B	Ryan White Part C
Support and revenues:				
Current year award	\$ 1,354,958		\$ 176,763	\$ 724,644
Program income	14,800,177			
Other	164,597	\$ (11,931,418)	137	
Net assets released from restrictions			(178,322)	(724,654)
Total support and revenues	16,319,732	(11,931,418)	(1,422)	(10)
Expenditures:				
Medicines	7,514,539			
Salaries and wages	4,052,115			
Fringe benefits	377,123			
Professional services	1,165,585			
Ryan White Part C addition		(11,931,418)		
Other services	17,064			
Travel	351,792			
Telephone	125,710			
Utilities - patients	78,987			
Insurance	433,704			
Repairs and maintenance	214,164			
Vehicle maintenance	8,652			
Medical services	57,461			
Transportation	85,563			
Interest and taxes	9,303			
Advertising	108,895			
Patents and licenses	20,838			
Office	132,499			
Building repairs and maintenance	11,833			
Rent	426,445			
Depreciation	242,785			
Laboratories	139,612			
Medicines supplies	210,440			
Supplements	72,801			
Miscellaneous	269,119			
Total expenditures	16,127,029	(11,931,418)		
Change in net assets	192,703		(1,422)	(10)
Net assets, beginning of year	2,575,434		(21,607)	380,271
Transfers between funds				
Net assets adjustments	144,096			
Net assets, end of year	\$ 2,912,233	\$	\$ (23,029)	\$ 380,261

CENTRO ARARAT, INC.
(A non-profit organization)

Supplemental Information - Combining Statement of Activities

For the year ended December 31, 2018

	With Donor Restrictions			
	Ryan White Part C Sec. 340	Prevention	Ryan White Part F-Tweet	Believe
Support and revenues:				
Current year award		\$	\$ 115,950	\$
Program income				
Other	\$ 8,863,253		101	
Net assets released from restrictions	(8,864,784)		(112,896)	
Total support and revenues	(1,531)		3,155	
Expenditures:				
Medicines				
Salaries and wages				
Fringe benefits				
Professional services				
Ryan White Part C addition				
Other services				
Travel				
Telephone				
Utilities - patients				
Insurance				
Repairs and maintenance				
Vehicle maintenance				
Medical services				
Transportation				
Interest and taxes				
Advertising				
Patents and licenses				
Office				
Building repairs and maintenance				
Rent				
Depreciation				
Laboratories				
Medicines supplies				
Supplements				
Miscellaneous				
Total expenditures				
Change in net assets	(1,531)		3,155	
Net assets, beginning of year	(8,306)	(7,808)		6,799
Transfers between funds		7,909		(6,799)
Net assets adjustments		(101)		
Net assets, end of year	\$ (9,837)	\$	\$ 3,155	\$

CENTRO ARARAT, INC.
(A non-profit organization)

Supplemental Information - Combining Statement of Activities

For the year ended December 31, 2018

	With Donor Restrictions			
	Ryan White Part A - San Juan	Ryan White Part F - Bupre	Prep	(State Fund) Translucent Project
Support and revenues:				
Current year award	\$ 51,714	\$ 203,706	\$ 37,493	\$ 44,688
Program income				
Other	55	131	9	5,988
Net assets released from restrictions	(51,531)	(204,396)	(38,201)	(97,030)
Total support and revenues	238	(559)	(699)	(46,354)
Expenditures:				
Medicines				
Salaries and wages				
Fringe benefits				
Professional services				
Ryan White Part C addition				
Other services				
Travel				
Telephone				
Utilities - patients				
Insurance				
Repairs and maintenance				
Vehicle maintenance				
Medical services				
Transportation				
Interest and taxes				
Advertising				
Patents and licenses				
Office				
Building repairs and maintenance				
Rent				
Depreciation				
Laboratories				
Medicines supplies				
Supplements				
Miscellaneous				
Total expenditures				
Change in net assets	238	(559)	(699)	(46,354)
Net assets, beginning of year	3,726	2,978		(4,687)
Transfers between funds				
Net assets adjustments				
Net assets, end of year	\$ 3,964	\$ 2,419	\$ (699)	\$ (51,041)

CENTRO ARARAT, INC.
(A non-profit organization)

Supplemental Information - Combining Statement of Activities

For the year ended December 31, 2018

	Without Donor Restrictions			
	Medical Services - CAP	CAP	Sexual Health Clinic	Unrestricted
Support and revenues:				
Current year award				
Program income		\$ 14,800,177		
Other	\$ 118,223	14,092	\$ 3,093,525	\$ 501
Net assets released from restrictions	(47,159)	(14,637,528)	(3,101,918)	28,058,419
Total support and revenues	<u>71,064</u>	<u>176,741</u>	<u>(8,393)</u>	<u>28,058,920</u>
Expenditures:				
Medicines				7,514,539
Salaries and wages				4,052,115
Fringe benefits				377,123
Professional services				1,165,585
Ryan White Part C addition				11,931,418
Other services				17,064
Travel				351,792
Telephone				125,710
Utilities - patients				78,987
Insurance				433,704
Repairs and maintenance				214,164
Vehicle maintenance				8,652
Medical services				57,461
Transportation				85,563
Interest and taxes				9,303
Advertising				108,895
Patents and licenses				20,838
Office				132,499
Building repairs and maintenance				11,833
Rent				426,445
Depreciation				242,785
Laboratories				139,612
Medicines supplies				210,440
Supplements				72,801
Miscellaneous				269,119
Total expenditures				<u>28,058,447</u>
Change in net assets	71,064	176,741	(8,393)	473
Net assets, beginning of year	21,661	1,519,143	705,413	(22,149)
Transfers between funds	(62,185)	61,075		
Net assets adjustments	(1,919)	154,542		(8,426)
Net assets, end of year	<u>\$ 28,621</u>	<u>\$ 1,911,501</u>	<u>\$ 697,020</u>	<u>\$ (30,102)</u>

CENTRO ARARAT, INC.
(A non-profit organization)

Schedule of Expenditures of Federal Awards

Year ended December 31, 2019

Federal Grantor	Federal CFDA Number	Pass-through Entity Identifying Number	Pass-through to Sub-recipients	Federal Expenditures
<u>U.S. Department of Health and Human Services:</u>				
Pass-through from State and Local Government and Other Organizations				
Municipality of San Juan				
HIV Emergency Relief Project Grants (Ryan White Part A)	93.914			\$ 51,224
Puerto Rico Health Department				
HIV Care Formula Grants (Ryan White Part B)	93.917			162,949
Prep - CDC	93.940			74,678
Health Resources and Services Administration				
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease (Ryan White Part C)	93.918			830,547
AIDS United (Special Projects of National Significance)	93.918			133,841
AIDS United (Special Projects of National Significance)	93.918			<u>195,846</u>
Total federal expenditures				<u>\$ 1,449,085</u>

CENTRO ARARAT, INC.
(A non-profit organization)

Notes to Schedule of Expenditures of Federal Awards
For the year ended December 31, 2019

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **the Center** 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 Regulation Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the combined financial statements.

2. INDIRECT COST RATE

The Center has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. MATCHING COSTS

The matching costs, the nonfederal share of certain program costs, are not included in the Schedule of Expenditure of Federal Awards. At December 31, 2019, matching cost amounted \$11,753,768.

	Ryan White Title C
Federal expenditures as per statement of activities	\$ 12,584,315
Amount matched by unrestricted programs	<u>(11,753,768)</u>
Total federal awards expended	<u><u>\$ 830,547</u></u>



Ojeda CPA Group, P.S.C.

PMB 204 PO Box 7105
Ponce, PR 00732-7105

Phone: 787-843-7866
Fax: 787-843-7867
E-mail: ejedacpa@hotmail.com

Plazoleta Morell Campos
Carr. 123 Km 7.2
Ponce, PR 00732

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
Centro Ararat, Inc.

We have audited, in accordance with the 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 **the Center**, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise **the Center's** basic financial statements, and have issued our report thereon dated December 15, 2020.

Internal Control Over Financial Reporting

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

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 **the Center's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement 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 Center'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 Center's** internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

December 15, 2020

License number 197
Ponce, Puerto Rico

Ojeda CPA Group, PSC

Stamp number E428423 was
affixed to the original report.



Ojededa CPA Group, P.S.C.

PMB 204 PO Box 7105
Ponce, PR 00732-7105

Phone: 787-843-7866
Fax: 787-843-7867
E-mail: ejedacpa@hotmail.com

Plazoleta Morell Campos
Carr. 123 Km 7.2
Ponce, PR 00732

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM REPORT ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Centro Ararat, Inc.

Report on Compliance for Each Major Federal Program

We have audited **Centro Ararat, Inc. (A Non-Profit Corporation) (The Center)** compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of **the Center's** major federal programs for the year ended December 31, 2019. **The Center'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 federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of **the Center'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 requirements of Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Those standards and the 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 **the Center'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 **the Center's** compliance.

Opinion on Each Major Federal Program

In our opinion, **the Center's** 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, 2019.

Report on Internal Control Over Compliance

Management of **the Center** 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 **the Center'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 **the Center'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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of **the Center's** as of and for the year ended December 31, 2019 and have issued our report thereon dated December 15, 2020 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the audit committee, management, others within **the Center**, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

December 15, 2020

License number 197
Ponce, Puerto Rico

Ojeda CPA Group, PSC

Stamp number E428424 was
affixed to the original report.

CENTRO ARARAT, INC.
(A Non Profit Corporation)

Schedule of Findings and Questioned Costs
For the year ended December 31, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- **Material weaknesses identified?** _____ yes X no
- **Significant deficiency (ies) identified that are not considered to be material weaknesses?** _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- **Material weakness (es) identified?** _____ yes X no
- **Significant deficiency (ies) identified that are not considered to be material weaknesses?** _____ yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? _____ yes X no

Identification of major programs:

CFDA Number

93.914
93.917
93.940

Name of Federal Program

U.S. Department of Health and Human Services
HIV Emergency Relief Project Grants
HIV Care Formula Grants
HIV Prevention Activities Health Department
Based

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes _____ no

**CENTRO ARARAT, INC.
(A Non Profit Corporation)**

Schedule of Findings and Questioned Costs
For the year ended December 31, 2019

SECTION II- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

All of the following findings are considered to be significant deficiencies. Those that are material weaknesses (MW) are labeled as such. A letter at the end of the finding title refers to the type of compliance requirement as per OMB Compliance Supplement.

None noted

CENTRO ARARAT, INC.
(A Non Profit Corporation)

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

Findings related to financial statements which are required to be reported in accordance with generally accepted government auditing standard of United State of America (GAGAS).

Federal awards audit findings and questioned costs.

None prior period findings.