

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

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
AND INDEPENDENT AUDITORS' REPORT  
UNDER THE OMB CIRCULAR A-133 AUDIT

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

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## 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 statement of financial position as of December 31, 2014, and the related statements of activities, 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 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, 2014, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards on pages 13-14 and, Schedule of Finding and Questioned Cost on pages 20-21 and, Summary of Schedule of Prior Year Audit Findings on page 22 required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations be 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.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated on March 24, 2015 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.

March 24, 2015

License No. 197  
Ponce, Puerto Rico

*Ojeda CPA Group, PSC*

Stamp number E179181 was  
affixed to the original report.

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

Statement of Financial Position

December 31, 2014

	Combined Total	Eliminations	Temporarily Restricted			Unrestricted			
			Ryan White Part A	Ryan White Part B	Ryan White Part C	Prevention	Hope	Program Income	Unrestricted
<b>ASSETS</b>									
Cash and cash equivalents	\$ 915,173		\$	\$ 41,726	\$ 57,130	\$ 6,287	\$ 131,822	\$ 640,219	\$ 37,989
Funds receivable	131,089			50,010	25,062	56,017			
Accounts receivable	162,478				17,500			144,978	
Inventory	144,014			1,263				142,751	
Property, plant and equipment - net	1,077,617				111,436	173	19,012	938,570	8,426
Due from related parties	-	\$ (162,631)						162,631	
Other assets	6,000							6,000	
<b>TOTAL</b>	<u>\$ 2,436,371</u>	<u>\$ (162,631)</u>	<u>\$ -</u>	<u>\$ 92,999</u>	<u>\$ 211,128</u>	<u>\$ 62,477</u>	<u>\$ 150,834</u>	<u>\$ 2,035,149</u>	<u>\$ 46,415</u>
<b>LIABILITIES AND NET ASSETS</b>									
Liabilities:									
Accounts payable	\$ 842,473		\$	\$ 3,150	\$ 41,865	\$ 14,650		\$ 782,808	
Accrued expenses and withholdings	24,704			670	208	1,434	\$ 175	1,150	\$ 21,067
Due to related parties	8,078	\$ (162,631)		106,254	3,641	52,736		7,551	527
Total liabilities	<u>875,255</u>	<u>(162,631)</u>	<u>-</u>	<u>110,074</u>	<u>45,714</u>	<u>68,820</u>	<u>175</u>	<u>791,509</u>	<u>21,594</u>
Net assets:									
Unrestricted	1,419,120						150,659	1,243,640	24,821
Temporarily restricted:									
Federal funds, grants and contracts	141,996			(17,075)	165,414	(6,343)			
Total net assets	<u>1,561,116</u>		<u>-</u>	<u>(17,075)</u>	<u>165,414</u>	<u>(6,343)</u>	<u>150,659</u>	<u>1,243,640</u>	<u>24,821</u>
<b>TOTAL</b>	<u>\$ 2,436,371</u>	<u>\$ (162,631)</u>	<u>\$ -</u>	<u>\$ 92,999</u>	<u>\$ 211,128</u>	<u>\$ 62,477</u>	<u>\$ 150,834</u>	<u>\$ 2,035,149</u>	<u>\$ 46,415</u>

See accompanying notes to financial statements.

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

Statement of Activities

For the year ended December 31, 2014

	Combined Total	Eliminations	Temporarily Restricted		
			Ryan White Part A	Ryan White Part B	Ryan White Part C
Support and revenues:					
Current year award	\$ 1,256,721	\$	\$ 144,583	\$ 169,574	\$ 842,354
Program income	5,061,170				
Other	150,764		299	253	174
Net assets released from restrictions			(253,480)	(174,346)	(677,114)
Total support and revenues	6,468,655	-	(108,598)	(4,519)	165,414
Expenditures:					
Medicines	2,650,769				
Salaries and wages	1,194,973				
Fringe benefits	109,125				
Professional services	836,855				
Matching - Ryan White Part C	477,570				
Other services	4,065				
Travel	81,431				
Telephone and utilities	47,336				
Utilities - patients	14,548				
Insurance	43,412				
Repairs and maintenance	93,112				
Vehicle maintenance	5,301				
Medical services	83,167				
Transportation	24,289				
Interest and taxes	3,263				
Advertising	22,379				
Patents and licenses	3,705				
Office	49,032				
Rent	147,286				
Depreciation	100,099				
Laboratories	40,350				
Medicines supplies	16,404				
Supplements	57,164				
Miscellaneous	62,340				
Total expenditures	6,167,975	-	-	-	-
Change in net assets	300,680		(108,598)	(4,519)	165,414
Net assets, beginning of year	1,260,862		122,661	(12,556)	
Transfers between funds			(13,492)		
Net assets adjustments	(426)		(571)		
Net assets, end of year	\$ 1,561,116	\$	\$ -	\$ (17,075)	\$ 165,414

See accompanying notes to financial statements.

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

Statement of Activities

For the year ended December 31, 2014

	<b>Temporarily Restricted</b>	<b>Unrestricted</b>		
	<b>Prevention</b>	<b>Hope</b>	<b>Program Income</b>	<b>Unrestricted</b>
Support and revenues:				
Current year award	\$ 100,210			
Program income			\$ 5,061,170	
Other	44	\$ 146,069	3,818	\$ 107
Net assets released from restrictions	(105,145)	(43,007)	(4,913,524)	6,166,616
<b>Total support and revenues</b>	<b>(4,891)</b>	<b>103,062</b>	<b>151,464</b>	<b>6,166,723</b>
Expenditures:				
Medicines				2,650,769
Salaries and wages				1,194,973
Fringe benefits				109,125
Professional services				836,855
Matching - Ryan White Part C				477,570
Other services				4,065
Travel				81,431
Telephone and utilities				47,336
Utilities - patients				14,548
Insurance				43,412
Repairs and maintenance				93,112
Vehicle maintenance				5,301
Medical services				83,167
Transportation				24,289
Interest and taxes				3,263
Advertising				22,379
Patents and licenses				3,705
Office				49,032
Rent				147,286
Depreciation				100,099
Laboratories				40,350
Medicines supplies				16,404
Supplements				57,164
Miscellaneous				62,340
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,167,975</b>
Change in net assets	(4,891)	103,062	151,464	(1,252)
Net assets, beginning of year	(1,452)	80,451	1,045,685	26,073
Transfers between funds		(32,854)	46,346	
Net assets adjustments			145	
<b>Net assets, end of year</b>	<b>\$ (6,343)</b>	<b>\$ 150,659</b>	<b>\$ 1,243,640</b>	<b>\$ 24,821</b>

See accompanying notes to financial statements.

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

Statement of Cash Flows

For the year ended December 31, 2014

Increase (Decrease) in Cash

	Combined Total	Temporary Restricted			Unrestricted			
		Ryan White Part A	Ryan White Part B	Ryan White Part C	Prevention	Hope	Program Income	Unrestricted
CASH FLOWS FROM OPERATING ACTIVITIES:								
Change in net assets	\$ 300,680	\$ (108,598)	\$ (4,519)	\$ 165,414	\$ (4,891)	\$ 103,062	\$ 151,464	\$ (1,252)
Adjustments to reconcile net assets to net cash provided by (used in) operating activities:								
Depreciation and amortization	100,099			9,936		5,827	82,988	1,348
Change in operating assets and liabilities:								
(Increase) decrease in:								
Funds receivable	13,507	76,366	5,975	(25,062)	(43,772)			
Accounts receivable	(92,050)			(17,500)			(74,550)	
Inventories	(67,160)	28,391					(95,551)	
Prepaid expenses	1,277				902		375	
Other assets	(4,161)	1,839					(6,000)	
Increase (decrease) in:								
Accounts payable	288,641	(10,940)	(7,673)	41,865	12,806		252,583	
Accrued expenses and withholdings	1,041		169	208	(486)		1,150	
Net assets adjustments	(426)	(571)					145	
Total adjustments	240,768	95,085	(1,529)	9,447	(30,550)	5,827	161,140	1,348
Net cash provided by (used in) operating activities	541,448	(13,513)	(6,048)	174,861	(35,441)	108,889	312,604	96
CASH FLOWS USED IN INVESTING ACTIVITIES - Capital expenditures	(220,049)			(121,372)		(15,328)	(83,349)	
CASH FLOWS USED IN FINANCING ACTIVITIES:								
Cash received from (paid to) related parties	2,779	552	37,058	3,641	36,066		(62,816)	(11,722)
Transfers between funds	-	(13,492)				(32,854)	46,346	
Net cash provided by (used in) financing activities	2,779	(12,940)	37,058	3,641	36,066	(32,854)	(16,470)	(11,722)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	324,178	(26,453)	31,010	57,130	625	60,707	212,785	(11,626)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	590,995	26,453	10,716		5,662	71,115	427,434	49,615
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 915,173	\$ -	\$ 41,726	\$ 57,130	\$ 6,287	\$ 131,822	\$ 640,219	\$ 37,989

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2014

**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.

*Basis of presentation* – In accordance with the FASB ASC 958-205-45, Financial Statements for Not-for-Profit Organizations, **the Center** reflect practices common to nonprofit organizations and conform to accounting principles generally accepted in the United States of America. The more significant accounting policies are summarized below:

*Unrestricted*- Net assets not subject to donor-imposed stipulations.

*Temporarily Restricted*- Net assets subject to donor-imposed stipulations that will be met by action of **the Center** and/or the passage of time.

*Permanently Restricted*- Net assets subject to donor-imposed stipulations that they be maintained permanently by **the Center**. No permanently restricted net assets at financial statement date.

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

- Federal 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 Ponce TGA-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 and Prevention Program.
- Unrestricted funds represent funds raised through revenues from services or nonprofit entrepreneurial activities and other private program income.

*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.

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

Notes to Financial Statements

December 31, 2014

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,**  
Continued

*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 Ponce TGA – Ryan White Program Part A (“the Program”) by means of contract signed by “Municipality of Ponce”. 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 and Prevention Program and received Ryan White Part C directly from Health Resources and Service Administration.

All grants and contracts are considered to be available for unrestricted 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 temporarily restricted or permanently restricted. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. **The Center** had no permanently restricted net assets in year 2014.

*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 \$100,099.

Leasehold improvements or equipment is reported as unrestricted 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.

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

Notes to Financial Statements

December 31, 2014

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,**  
Continued

Recent accounting pronouncements -**The Center** adopted the provisions of Financial Accounting Standards Board (FASB) ASC Topics 958-205-45 and 958-205-50 (Not-for-Profits - Presentation of Financial Statements — Other Presentation Matters and Disclosures) for the year ended December 31, 2014. The topics provide guidance on classifying net assets associated with donor-restricted funds held by not-for-profit organizations the only impact to **the Center** is expanded disclosures about all donor-restricted funds.

**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 2014 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, 2014.

In January 2010, the FASB issued ASU No. 2011-06, Improving Disclosures about Fair Value Measurements. This amends ASC 820 (formerly FAS 157-4) to require additional disclosures. The guidance requires entities to disclose transfers of assets in and out of Levels 1 and 2 of the fair value hierarchy, and the reasons for those transfers. ASU No. 2011-06 is effective for year 2011. In addition, the guidance requires separate presentation of purchases and sales in the Level 3 asset reconciliation, which is effective for fiscal year 2011. The adoption of this guidance is not expected to have a material impact on **the Center's** financial statements.

**2. PROPERTY, PLANT AND EQUIPMENT**

As of December 31, 2014, property, plant and equipment consist of the following:

	<b>Combined Total</b>	<b>Temporarily Restricted</b>	<b>Program Income</b>	<b>Unrestricted</b>
Office equipment	\$ 225,936	\$ 75,347	\$ 126,506	\$ 24,083
Other office equipment	94,384	174	88,047	6,163
Leasehold improvements	972,333	46,026	912,825	13,482
Total property	1,292,653	121,547	1,127,378	43,728
Less accumulated depreciation	(215,036)	(9,938)	(188,808)	(16,290)
Property, plant and equipment -net	<u>\$ 1,077,617</u>	<u>\$ 111,609</u>	<u>\$ 938,570</u>	<u>\$ 27,438</u>

**CENTRO ARARAT, INC.**  
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Notes to Financial Statements

December 31, 2014

**3. NET ASSETS RELEASED FROM RESTRICTION**

As of December 31, 2014 consist of the following:

	<b>Temporarily Restricted</b>	<b>Program Income</b>	<b>Hope</b>	<b>Unrestricted</b>
Total expenditures	<u>\$ (1,210,085)</u>	<u>\$ (4,913,524)</u>	<u>\$ (43,007)</u>	<u>\$ 6,166,616</u>

**4. NET ASSETS ADJUSTMENTS**

Net assets adjustments for the year ended December 31, 2014 consist of the following:

	<b>Combined Total</b>	<b>Temporarily Restricted</b>	<b>Program Income</b>	<b>Hope</b>	<b>Unrestricted</b>
Overstatement of revenue	\$ (571)	\$ (571)		\$ -	\$ -
Overstatement of expenses	<u>145</u>	<u></u>	<u>\$ 145</u>	<u></u>	<u></u>
Total	<u>\$ (426)</u>	<u>\$ (571)</u>	<u>\$ 145</u>	<u>\$ -</u>	<u>\$ -</u>

**5. 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.

**6. 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.**  
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Notes to Financial Statements

December 31, 2014

**7. 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, 2014

**7. 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, 2014:

<b>Assets</b>	<b>Book Value</b>	<b>Fair Value</b>
Cash and cash equivalents	\$ 915,173	\$ 915,173
Funds receivable	131,089	131,089
Accounts receivable	162,478	162,478
Inventory	144,014	144,014
Property, plant and equipment	<u>1,077,617</u>	<u>1,016,854</u>
Total	<u>\$ 2,430,371</u>	<u>\$ 2,369,608</u>
 <b>Liabilities</b>		
Accounts payable	\$ 850,551	\$ 850,551
Accrued expenses and withholdings	<u>24,704</u>	<u>24,704</u>
	<u>\$ 875,255</u>	<u>\$ 875,255</u>

**8. SUBSEQUENT EVENTS**

**The Center** has evaluated and disclosed (if any) the subsequent events through March 24, 2015 the date in which the financial statements were available to be issued.

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

Schedule of Expenditures of Federal Awards

Year ended December 31, 2014

<b>Federal Grantor</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<u>U.S. Department of Health and Human Services:</u>		
Pass-through from State and Local Government and Other Organizations		
Municipality of Ponce		
HIV Emergency Relief Project Grants (Ryan White Part A)	93.914	\$ 253,480
Puerto Rico Health Department		
HIV Care Formula Grants (Ryan White Part B)	93.917	174,346
Health Resources and Services Administration		
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease (Ryan White Part C)	93.918	677,114
Puerto Rico Health Department		
HIV Prevention Activities Health Department Based	93.940	<u>105,145</u>
Total federal expenditures		<u><u>\$ 1,210,085</u></u>

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

Notes to Schedule of Expenditures of Federal Awards  
For the year ended December 31, 2014

**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 requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as revised. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the combined financial statements.



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## 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, 2014, and the related notes to the financial statements, which collectively comprise **the Center's** basic financial statements, and have issued our report thereon dated March 24, 2015.

### 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.

March 24, 2015

License number 197  
Ponce, Puerto Rico

Stamp number E179182 was  
affixed to the original report.

*Ojeda CPA Group, PSC*



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## 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 OMB CIRCULAR A-133

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 Circular A-133 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, 2014. **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 requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in accompanying schedule of findings and questioned cost as item FA-2014-01. Our opinion on each major federal program is not modified with respect to these matters.

**The Center's** response to noncompliance finding identified in our audit is described in the accompanying corrective action plan. **The Center's** response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## 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 OMB Circular A-133, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item FA-2014-01, that we considered to be significant deficiencies.

**The Center's** response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. **The Center's** response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of **the Center's** as of and for the year ended December 31, 2014, and have issued our report thereon dated March 24, 2015 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 OMB Circular A-133 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.

March 24, 2015

License number 197  
Ponce, Puerto Rico

Stamp number E179183 was  
affixed to the original report.

*Ojeda CPA Group, PSC*

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

Schedule of Findings and Questioned Costs  
For the year ended December 31, 2014

**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?**   X   yes \_\_\_\_\_ 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 section 510(a) of Circular A-133?   X   yes \_\_\_\_\_ no

Identification of major programs:

**CFDA Number**

93.914  
93.918

**Name of Federal Program**

**U.S. Department of Health and Human Services**  
HIV Emergency Relief Project Grants  
Grants to Provide Outpatient early Intervention  
Services with Respect to HIV Disease

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes   X   no

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

Schedule of Findings and Questioned Costs  
For the year ended December 31, 2014

**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 Circular A- 133 Compliance Supplement.

<u>Federal Program</u>	<u>Finding/Non Compliance and Recommendation</u>	<u>Questioned Cost</u>
93.918 Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	<b>FA-2014-01 Reporting</b>  <b>CONDITION</b>  As a result of Reporting Test performed to Federal Financial Report – SF-425, submitted by <b>the Center</b> , we found the following:  a. The quarterly report correspondent for June 2014, were submitted five (5) days after its require submission.	None

**CRITERIA**

Reporting Compliance Supplement establish that Federal Financial Report – SF-425, has to be filled quarterly by **the Center**.

**CAUSE**

As per conversation with management, the situation occurs because Program was awarded on June 4, 2014, and they did not know that they have to submit such report to the reporting entity.

**EFFECT**

The failure in compliance with the submission of SF-425, can carry out sanctions and penalties for violation as may be imposed by the administering agency or the Secretary of Labor pursuant to Part II, Subpart D of the Executive order.

**RECOMMENDATION**

We recommend that management assign the filling duty to someone in **the Center**, as part of their regular duties, in order to file it on timely basis.

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

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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.**



Corrective Action Plan  
Single Audit  
Centro Ararat, Inc 2014

<u>Federal Program</u>	<u>Finding/Non Compliance and Recommendation</u>	<u>Questioned Cost</u>
93.918 Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	<b>FA-2014-01 Reporting</b>  CONDITION  As a result of Reporting Test performed to Federal Financial Report - SF-425, submitted by the Center, we found the following:	None

- a. The quarterly report correspondent for June 2014, were submitted five (5) days after it's require submission.

CRITERIA

Reporting Compliance Supplement establish that Federal Financial Report - SF-425, has to be filled quarterly by the Center.

CAUSE

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EFFECT

The failure in compliance with the submission of SF- 425, can carry out sanctions and penalties for violation as may be imposed by the administering agency or the Secretary of Labor pursuant to Part II, Subpart D of the Executive order.

RECOMMENDATION

We recommend that management assign the filling duty to someone in the Center, as part of their regular duties, in order to file it on timely basis.

**Corrective Action Plan FA-2014-01**  
**Centro Ararat has update their written procedure and notify appropriated staff. Management will monitor this issue regularly during the year to ensure compliance.**

*Iván Melendez-Rivera, Chief Operating Officer - June 30, 2015*