

CONSOLIDATED FINANCIAL STATEMENTS

Centro María Mazzarello Alespi, Inc
As of and For the Year Ended June 30, 2021
With Report of Independent Auditors

Centro María Mazzarello Alespi, Inc

Consolidated Financial Statements

Year Ended June 30, 2021

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Report of Independent Auditors

The Board of Directors
Centro María Mazzarello Alespi, Inc.

Report on the Financial Statements

I have audited the accompanying consolidated financial statements of the Centro María Mazzarello Alespi, Inc, which comprise the consolidated statement of financial position as of June 30, 2021 and the related consolidated statement of activities and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Centro María Mazzarello Alespi, Inc, as of June 30, 2021, and the consolidated changes in its net assets and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.



CPA José A. Vélez Díaz

February 3, 2022

License number 6471

Expire on December 1, 2023

The original stamp number E474512 of “Colegio de Contadores Públicos Autorizados de Puerto Rico” was attached to the original of these statements.



Centro María Mazzarello Alespi, Inc.

Consolidated Statement of Financial Position

June 30, 2021

Assets

Cash and cash equivalents	\$	576,175
Accounts receivable, net		141,863
Grants receivable		1,300,000
Inventory		7,358
Property, plant and equipment, net		2,839,898
Other assets		65,439
Total assets	\$	<u>4,930,733</u>

Liabilities and net assets

Liabilities:

Accounts payable and other liabilities	\$	115,469
Total liabilities		<u>115,469</u>

Net assets:

Unrestricted		3,499,940
Restricted		1,315,324
Total liabilities and net assets	\$	<u>4,930,733</u>

See accompanying notes.

Centro María Mazzarello Alespi, Inc.

Consolidated Statement of Activities

Year Ended June 30, 2021

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Revenues and other support:			
Activities	\$ 87,816	\$ -	\$ 87,816
Teaching revenues	667,721	-	667,721
Contributions and grants	290,361	1,300,000	1,590,361
Interest	2,412	-	2,412
Other income	160,332	-	160,332
Total revenues and other support	<u>1,208,642</u>	<u>1,300,000</u>	<u>2,508,642</u>
Expenses and other deductions:			
Activities expense	6,275	-	6,275
Professional services	60,664	-	60,664
Depreciation	121,488	-	121,488
Vehicles expenses	1,952	-	1,952
Repair & Maintenance	23,651	-	23,651
Advertising	100	-	100
Payroll	479,238	-	479,238
Payroll taxes	39,750	-	39,750
Supplies and books	3,598	-	3,598
Uniforms	3,553	-	3,553
Insurance expense	37,959	-	37,959
Kiosk Administration	-	-	-
Office expense	4,971	-	4,971
Utilities	12,782	-	12,782
Food & Entertainment	444	-	444
Housing project	-	-	-
Donations	19,947	-	19,947
Taxes, Licenses and Fees	6,095	-	6,095
Bank charges	6	-	6
Rent	3,647	-	3,647
Proposals	43,988	-	43,988
Bad Debt Expense	43,021	-	43,021
Other expenses	8,700	-	8,700
Total Expenses and other deductions	<u>921,829</u>	<u>-</u>	<u>921,829</u>
Changes in net assets	<u>286,813</u>	<u>1,300,000</u>	<u>1,586,813</u>
Net assets at beginning of year	3,213,127	15,324	3,228,451
Net assets at end of year	<u>\$ 3,499,940</u>	<u>\$ 1,315,324</u>	<u>\$ 4,815,264</u>

See accompanying notes.

Centro María Mazzarello Alespi, Inc.
Consolidated Statement of Cash Flows

Year Ended June 30, 2021

Cash flows from operating activities		
Change in net assets	\$	1,586,813
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		121,488
Changes in:		
Accounts receivable		(26,315)
Grants receivable		(1,300,000)
Inventory		1,366
Other assets		(54,371)
Accounts payable and other liabilities		5,173
Total adjustments		<u>(1,252,659)</u>
Net cash provided by operating activities		334,154
Cash flows from investing activities		
Purchase of property, plant and equipment		<u>(185,989)</u>
Net change in cash and cash equivalents		148,165
Cash and cash equivalents at beginning of year		428,011
Cash and cash equivalents at end of year	\$	<u><u>576,175</u></u>

See accompanying notes.

Centro María Mazzarello Alespi, Inc

Notes to Consolidated Financial Statements

Year Ended June 30, 2021

1. Reporting Entity

The "Centro María Mazzarello, Alespi, Inc." (the "Organization") is a non-profit institution established since 1987 as part of the commitment of the Salesian Sisters of Orocovis, Puerto Rico, to the integral development of their immediate community. The Organization is an educational center that promotes, joy, study and integral development. The philosophy is to keep children, youth and other participants in an environment where joy, study and values prevail through activities at the service of the whole community. It aims to offer a varied program that includes: academic support and tutoring, sports activities, music and art, values, health and physical exercises while promoting civic leadership and community wellbeing.

The "Colegio San Juan Bautista Inc. de Orocovis Puerto Rico" (the "School"), is an educational institution and located since August 10, 2008 in the new facilities of the Organization in Barros neighborhood in Orocovis, Puerto Rico. The School currently provides educational services at the pre-school, elementary, intermediate and higher levels.

The School's Board of Directors is composed solely of the individuals serving from time to time as officers of the Organization. Therefore, the Organization controls the School through a majority voting interest in the Board of School and is consolidated with the Organization.

2. Summary of Significant Accounting Policies

The accounting and reporting policies of the Organization conform with U.S. generally accepted accounting principles (U.S. GAAP) and, as such, include amounts based on judgments, estimates, and assumptions made by management that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Following is a description of the more significant accounting policies followed by the Organization:

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with U.S. GAAP and include the accounts of the Organization and the School. All intercompany transactions have been eliminated in the consolidation.

Centro María Mazzarello Alespi, Inc

Notes to Consolidated Financial Statements

Year Ended June 30, 2021

2. Summary of Significant Accounting Policies (continued)

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

Restricted – Net assets subject to donor-imposed stipulations.

Revenues from sources other than contributions are reported as increases in unrestricted net assets. Contributions are reported as increases in the appropriate category of net assets, except contributions that impose restrictions that are met in the same fiscal year they are received, which are included in unrestricted revenues. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions recognized on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets.

Liquidity

Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash. Liabilities are presented according to the nearness of their maturity and resulting use of cash.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, inventory and accounts payable and other liabilities approximate fair value because of the short-term maturity of these financial instruments.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and highly liquid debt instruments with original maturities of three-month or less.

Centro María Mazzarello Alespi, Inc

Notes to Consolidated Financial Statements

Year Ended June 30, 2021

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable are reported at the estimated net realizable amount. An allowance for doubtful accounts is provided, if necessary, based upon management's judgment including factors such as prior collection history and nature of accounts receivable.

Contributions

Contributions, including unconditional promises to give, are recorded as revenue in the period received. Contributions received with donor-imposed restrictions that are met in the same fiscal year are reported as revenue from unrestricted net assets.

Conditional promises to give are not recognized as revenue until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are discounted, if practicable, at an appropriate discount rate commensurate with the risk involved.

Property, Plant and Equipment

Property, plant and equipment is stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. If donors stipulate how long the assets must be used, the contributions are recorded as temporarily restricted support. In the absence of such stipulation, contributions of property and equipment are recorded as unrestricted support. Depreciation is computed using straight-line method based on the estimated useful lives of the related assets (5-40 years). Routine repairs and maintenances are expensed as incurred.

Impairment

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and exceed its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. 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 long-lived assets exceeds its fair value.

The Organization's insurance coverage provides reimbursement for the replacement cost for the damage to the Organization's properties, which includes certain clean-up and repair costs, exceeding the applicable deductible.

Centro María Mazzarello Alespi, Inc

Notes to Consolidated Financial Statements

Year Ended June 30, 2021

2. Summary of Significant Accounting Policies (continued)

Income Taxes

The Organization and School are both exempt from the payment of federal and state income taxes under the U.S. Internal Revenue Code Section 501(c)(3) and the Puerto Rico Internal Revenue Code Section 1101.01(a)(2).

The Organization follows the guidance contained in ASC Topic 740-10-25, *Accounting for Uncertainty in Income Taxes*. ASC Topic 740-10-25 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken. Based upon its evaluation, the Organization concluded that there are no significant uncertain tax positions requiring recognition in its financial statements.

3. Property, Plant and Equipment, net

Property, plant and equipment at June 30, 2021 is summarized as follows:

Buildings and improvements	\$	3,049,271
Equipment		229,705
Vehicles		132,004
		<hr/>
		3,410,980
Less: Accumulated depreciation		663,782
		<hr/>
		2,747,198
Land		92,700
		<hr/>
Property, plant and equipment, net	\$	<u>2,839,898</u>

Centro María Mazzarello Alespi, Inc

Notes to Consolidated Financial Statements

Year Ended June 30, 2021

4. Accounts Payable and Other Liabilities

Accounts payable and other liabilities at June 30, 2021 is summarized as follows:

Payroll taxes payable	\$	6,051
Accounts payable		18
PPP Loan Second Draw		109,400
Accounts payable and other liabilities	\$	<u>115,469</u>

On March 4, 2021, the School received a notice from the Small Business Administration (SBA) indicating that a total of \$ 108,600 in principal and \$ 911.03 in interest of the First Draw PPP Loan were forgiven and the payment was remitted to the lender Banco Popular de Puerto Rico.

On February 12, 2021 the School received a Second Draw PPP Loan in the amount of \$109,400 under the Paycheck Protection Program (“PPP”). The Second Draw PPP Loan program provides loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, rent and utilities, and maintains its payroll levels. The amount of the loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period and if they’re not covered by any of the safe harbor clauses.

The unforgiven portion of the Second Draw PPP Loan is payable over five years, at an interest rate of 1%, with a deferral of payments for the first six months. The School intends to use the proceeds for purposes consistent with the Second Draw PPP Loan. While the School currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, we cannot assure you that we will not take actions that could cause the School to be ineligible for forgiveness of the loan, in whole or in part.

5. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of risk consist primarily of cash and cash equivalents. The Organization places their cash in high quality institutions where deposits are insured by either the FDIC or COSSEC up to a maximum of \$250,000.

Centro María Mazzarello Alespi, Inc

Notes to Consolidated Financial Statements

Year Ended June 30, 2021

6. Commitments and Contingencies

From time to time, the Organization may become subject to legal proceedings in the conduct of its operations. The Organization's policy is to accrue the portion of these cost not covered by insurance when it is both probable that a material liability has been incurred and the amount can be reasonably estimated. As of February 3, 2022, there are no claims seeking damages from the Organization that would require accrual of a contingent amount.

7. Prior-Period Adjustments

A prior-period adjustment was made to adjust Unrestricted Net Assets beginning balance to \$3,213,127 because Cash and cash equivalents as of June 30, 2020 was overstated by \$ 21,309 and Property, plant and equipment, net was understated by \$ 52,359. Management understands that the likelihood of it reoccurring is low.

8. Subsequent Events

In connection with the preparation of the financial statements and in accordance with ASC 855, *Subsequent Events*, management has evaluated and reviewed the affairs of the Organization for subsequent events that would impact the financial statements for the year ended June 30, 2021 through February 3, 2022, the date the financial statements were available to be issued.

After the year ended June 30, 2021 through the date of this report the Organization has been awarded approximately \$372,900 in grants. Some of the grantors are: USAC-ECF, Tina Hills and Koch Foundation.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency due to a virus originated in Wuhan, China ("COVID-19") and the risks to the international community as the virus spread globally beyond its origin. Mid-March 2020, the WHO classified COVID-19 as a pandemic and its full impact continues to evolve as of the date of the issuance of the financial statements.

It is uncertain as to the full impact that COVID-19 will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation and adapting to mitigate the impact. However, due to the constant change of COVID-19 and the global responses to control the spread, the Organization cannot estimate the effects of COVID-19 on its results of operations, financial condition, or liquidity for fiscal year 2022.