

CENTRO MARÍA MAZZARELLO ALESPI, INC

(A Non-Profit Corporation)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

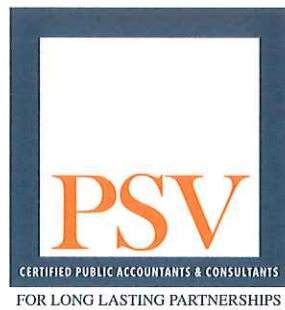
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INDEPENDENT AUDITOR'S REPORT

CENTRO MARIA MAZZARELLO ALESPI INC.  
(Non-Profit Corporation)

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023

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Francisco J. Perdomo CPA | Carlos R. Vélez CPA



## INDEPENDENT AUDITOR'S REPORT

To the Governing Board of,  
Centro María Mazzarello Alespi Inc.  
Orocovis, Puerto Rico

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying consolidated financial statements of Centro María Mazzarello Alespi Inc. (a nonprofit organization) (the Organization) , which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Centro María Mazzarello Alespi Inc. as of June 30, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Centro María Mazzarello Alespi Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

## Responsibilities of Management for the Financial Statements (Cont'd)

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Centro María Mazzarello Alespi Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Centro María Mazzarello Alespi Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Centro María Mazzarello Alespi Inc.**'s ability to continue as a going concern for a reasonable period of time.



## **Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)**

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Supplementary and Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules – combining statements of activities are presented for purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of functional expenses are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200 Uniform Administration Requirements, Cost Principles and Audit Requirements*, 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 March 15, 2024, on our consideration of the Institution'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 solely 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 the effectiveness of the Institution's 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 Institution's internal control over financial reporting and compliance.

San Juan, Puerto Rico  
March 15, 2024

Stamp E559721 of the P.R.  
Society of Certified Public  
Accountants has been affixed  
to the file copy of this report.

PSV & W PSC



CENTRO MARÍA MAZZARELLO ALESPI, INC  
(A Non-Profit Corporation)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2023

- ASSETS -

CURRENT ASSETS:	
Cash .....	\$ 368,622
Accounts receivable, net .....	120,068
Grants receivable .....	322,051
Inventory .....	31,291
Prepaid expenses .....	<u>60,512</u>
Total current assets .....	902,544
NON-CURRENT ASSETS:	
Property, plant, and equipment, net .....	3,639,752
Accounts receivable - other .....	155,374
Other assets .....	<u>10,668</u>
Total non-current assets .....	<u>3,805,794</u>
TOTAL .....	<u>\$ 4,708,338</u>

- LIABILITIES AND NET ASSETS -

CURRENT LIABILITIES:	
Accounts payable:	
Trade .....	\$ 28,716
Other .....	297,720
Accrued expenses .....	<u>6,642</u>
Total current liabilities .....	333,078
NON-CURRENT LIABILITIES:	
Accounts payable:	
Affiliate .....	1,000
Retainage .....	<u>78,939</u>
Total non-current liabilities .....	79,939
Total liabilities .....	413,017
NET ASSETS:	
Without donor restrictions	
Undesignated .....	<u>4,295,321</u>
TOTAL .....	<u>\$ 4,708,338</u>

CENTRO MARÍA MAZZARELLO ALESPI, INC  
(A Non-Profit Corporation)

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Without donor</u> <u>Restrictions</u>	<u>With donor</u> <u>Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUES:			
Activities . . . . .	\$ 720,386	\$ -	\$ 720,386
Donations . . . . .	11,650	-	11,650
Teaching revenues . . . . .	757,651	-	757,651
Contributions and grants . . . . .	56,564	909,415	965,979
Interest . . . . .	1,272	-	1,272
Other revenues . . . . .	42,571	-	42,571
Net assets released from restrictions:			
Satisfaction of program restrictions . . . . .	<u>1,113,493</u>	<u>(1,113,493)</u>	<u>-</u>
Total revenues and other support . . . . .	2,703,587	(204,078)	2,499,509
EXPENSES:			
Support services:			
Activities . . . . .	18,440	-	18,440
Donations . . . . .	18,153	-	18,153
General and administrative expenses . . . . .	<u>600,705</u>	<u>-</u>	<u>600,705</u>
Total support services . . . . .	<u>637,298</u>	<u>-</u>	<u>637,298</u>
Program services:			
Teaching program . . . . .	898,755	-	898,755
Social Interest Housing Program (CDBG-DR) . . . . .	<u>33,622</u>	<u>-</u>	<u>33,622</u>
Total program services . . . . .	<u>932,377</u>	<u>-</u>	<u>932,377</u>
Total expenses . . . . .	<u>1,569,675</u>	<u>-</u>	<u>1,569,675</u>
INCREASE IN NET ASSETS . . . . .	<u>1,133,912</u>	<u>(204,078)</u>	<u>929,834</u>
NET ASSETS AT:			
BEGINNING OF YEAR . . . . .	3,161,409	1,568,341	4,729,750
PRIOR PERIOD ADJUSTMENT . . . . .	<u>-</u>	<u>(1,364,263)</u>	<u>(1,364,263)</u>
BEGINNING OF YEAR, RESTATED . . . . .	<u>3,161,409</u>	<u>204,078</u>	<u>3,365,487</u>
END OF YEAR . . . . .	<u>\$ 4,295,321</u>	<u>\$ -</u>	<u>\$ 4,295,321</u>

CENTRO MARÍA MAZZARELLO ALESPL INC  
(A Non-Profit Corporation)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2023

	<b>- PROGRAM SERVICES -</b>		<b>- SUPPORT SERVICES -</b>			
	Social Interest Housing Program	<u>School</u> <u>Program</u>	<u>Activities</u>	<u>Donations</u>	General and administrative <u>expenses</u>	<u>Total</u>
<b>FUNCTIONAL EXPENSES:</b>						
Salaries and related . . . . .	\$ 33,622	\$ 834,363	\$ -	\$ -	\$ 21,121	\$ 889,106
Professional services . . . . .	-	5,483	-	-	156,731	162,214
Material and equipment . . . . .	-	1,751	-	-	-	1,751
Uniform . . . . .	-	43,790	-	-	2,650	46,440
Membership and Subscription . . . . .	-	13,368	-	-	250	13,618
Vehicles . . . . .	-	-	-	-	27,456	27,456
Meals and entertainment . . . . .	-	-	-	-	50	50
Office and maintenance materials . . . . .	-	-	-	-	10,708	10,708
Insurance . . . . .	-	-	-	-	61,006	61,006
Advertising . . . . .	-	-	-	-	22	22
Repair and maintenance . . . . .	-	-	-	-	14,388	14,388
Security . . . . .	-	-	-	-	11,500	11,500
Taxes, licenses, and fees . . . . .	-	-	-	-	7,369	7,369
Equipment rental . . . . .	-	-	-	-	1,736	1,736
Travel expenses . . . . .	-	-	-	-	3,396	3,396
Purchase . . . . .	-	-	-	-	56,238	56,238
Utilities . . . . .	-	-	-	-	15,920	15,920
Depreciation . . . . .	-	-	-	-	152,770	152,770
Bad debts expenses . . . . .	-	-	-	-	18,833	18,833
Other . . . . .	-	-	18,440	18,153	38,561	75,154
<b>TOTAL . . . . .</b>	<b>\$ 33,622</b>	<b>\$ 898,755</b>	<b>\$ 18,440</b>	<b>\$ 18,153</b>	<b>\$ 600,705</b>	<b>\$ 1,569,675</b>

SEE NOTES TO FINANCIAL STATEMENTS

CENTRO MARÍA MAZZARELLO ALESPL INC  
(A Non-Profit Corporation)

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets .....	\$	929,834
Adjustments to reconcile change in net asset to net cash provided by operating activities:		
Depreciation .....		152,774
Provision for allowance for doubtful accounts .....		18,833
Increase in:		
Accounts receivable:		
Contributions .....		(87,691)
Grant .....		(309,234)
Other .....		(155,374)
Prepaid expenses .....		(1,133)
Inventories .....		(138)
(Decrease) increase in:		
Accounts payable:		
Trade .....		(2,939)
Other .....		376,659
Accrued expenses .....		(4,922)
Net cash provided by operating activities .....		<u>916,669</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditure:		
Equipment .....		(52,638)
Construction in progress .....		<u>(875,793)</u>
Net cash used in investing activities .....		<u>(928,431)</u>
NET DECREASE IN CASH .....		(11,762)
CASH AT:		
BEGINNING OF YEAR .....		<u>380,384</u>
END OF YEAR .....	\$	<u><u>368,622</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

CENTRO MARÍA MAZZARELLO ALESPI, INC.

(A Non-Profit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of activities

The Centro Maria Mazzarella, 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.

Basis of presentation

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods.

CENTRO MARÍA MAZZARELLO ALESPI, INC.

(A Non-Profit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Basis of presentation (Cont'd)

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.

Management estimates and assumptions

In preparing the consolidated financial statements, the Company makes numerous estimates and assumptions that affect the amounts reported in these consolidated financial statements and accompanying notes. The Company must make these estimates and assumptions because certain information used is dependent on future events, cannot be calculated with a high degree of precision from data available, or simply cannot be readily calculated based on generally accepted methodologies. The actual results may differ significantly from the estimates.

Advertising

Advertising costs are expensed in the period in which they are incurred. Advertising costs include educational and promotion events. During the year ended June 30, 2023 the Organization incurred advertising costs amounting to \$22.

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.

CENTRO MARÍA MAZZARELLO ALESPI, INC.

(A Non-Profit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

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.

Allowance for doubtful accounts

The allowance for doubtful accounts is an amount that management believes is adequate to absorb possible losses on existing receivables that may become uncollectible based on evaluations of collectability of the receivables and prior credit loss experience. Because of uncertainties inherent to the estimation process, the related allowance may change in the future.

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.

Federal grants and contracts

The Organization receives its grants and contracts support and revenues from the U.S. Department of Housing and Urban Development.

Grant awards that are contributions - Unconditional grants to the Organization are reported at fair value at the date the grant is received. Conditional grants are recognized only when the conditions on which they depend are substantially met and the grant becomes unconditional. Grants that qualify as conditional contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses are recorded as refundable advances and included in deferred revenue and refundable advances in the accompanying statements of financial position.

CENTRO MARÍA MAZZARELLO ALESPI, INC.  
(A Non-Profit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Prepaid expenses

Prepaid expenses consist of expenditures made to secure the use of assets or the receipt of services at a future date and are amortized based on the term and usage of the related asset or service.

Property 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 of long-lived asset

The Organization evaluated for impairment long-lived asset and certain identifiable intangible asset held and used whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, an estimate of the future cash flows expected to result from the use of the assets and its eventual disposition must be made. If the sum of the future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized for the difference, if any, between the undiscounted future cash flows and the carrying value of the asset. As of June 30, 2023 management believes that long-lived assets are not impaired at the individual asset or group level.

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.

CENTRO MARÍA MAZZARELLO ALESPI, INC.  
(A Non-Profit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023

**NOTE B - ACCOUNTS RECEIVABLE**

The following is a summary of accounts receivable as of June 30, 2023:

Accounts receivable - trade . . . . .	\$	142,724
Less: allowance for doubtful accounts . . . . .		<u>22,656</u>
Accounts receivable - net . . . . .	\$	<u><u>165,380</u></u>

Changes in the allowance for doubtful accounts for the year ended June 30, 2023 as follows:

Balance, beginning of year . . . . .	\$	3,823
Provision charged to operations . . . . .		<u>18,833</u>
Balance, end of year . . . . .	\$	<u><u>22,656</u></u>

**NOTE C - PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment as of June 30, 2023:

		<u>2023</u>
Land . . . . .	\$	92,700
Building and improvements . . . . .		3,077,475
Equipment . . . . .		279,972
Vehicles . . . . .		<u>230,750</u>
Total . . . . .		3,680,897
Less: accumulated depreciation . . . . .		<u>960,138</u>
Total . . . . .		2,720,759
Construction in progress . . . . .		<u>918,993</u>
Property and equipment - net . . . . .	\$	<u><u>3,639,752</u></u>

**NOTE D - CONCENTRATION OF CREDIT RISK**

The Organization maintains its cash balances in commercial banks. Interest bearing accounts at the institution are guaranteed by the Federal Deposit Insurance Corporation (FDIC) or COSSEC up to \$250,000. At June 30, 2023, the Organization exceeded the insured limit by \$3,323.

CENTRO MARÍA MAZZARELLO ALESPI, INC.  
(A Non-Profit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023

**NOTE E - 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.

**NOTE F - PRIOR PERIOD ADJUSTMENT**

Unrestricted net asset at the beginning of 2022 has been adjusted to modify the balance recorded in the accounts receivable grants and property and equipment.

	<u>Property and Equipment</u>	<u>Accounts Receivable Grant</u>	<u>Restricted Net Asset</u>
At the beginning of year as previously reported . . . . .	\$ 3,628,259	\$ 1,420,280	\$ 1,568,341
Adjustment to correct prior year accounts receivable grants . . . . .	<u>43,200</u>	<u>(1,407,463)</u>	<u>(1,364,263)</u>
At beginning of year as restated . . . . .	<u>\$ 3,671,459</u>	<u>\$ 12,817</u>	<u>\$ 204,078</u>

**NOTE G - SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2023 have been evaluated is March 15, 2024 which is the date the financial statements were available to be issued.

**SINGLE AUDIT SECTION**

CENTRO MARÍA MAZZARELLO ALESPL INC  
(A Non-Profit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal Entity CFDA No.	Pass- Through Entity	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>				
Pass-Through the Puerto Rico Department of Housing:				
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii .	14.228	N/A	\$ -	\$ 909,415
Total of Expenditures of the Federal Awards . . . . .			<u>\$ -</u>	<u>\$ 909,415</u>

CENTRO MARÍA MAZZARELLO ALESPI, INC.  
(A Non-Profit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of Centro Maria Mazzarella, Alespi, Inc. (the "Organization") under programs of the federal government for the year ending in June 30, 2023. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the SEFA presents only a selected portion of the operation of the Institution, it is not intended to and does not present the financial position, changes in net assets or cash flow of the Organization.

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

State or local government redistributions of federal awards to the Organization, known as "pass-through awards", should be treated by the Organization as though they were received directly from the federal government. The Uniform Guidance requires the SEFA to include the name of the pass-through entity and the identifying number assigned by the pass-through entity for the federal awards received as a sub recipient. Numbers identified as N/A are not applicable and numbers identified as N/AV are not available.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain type of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented when available.

**NOTE C - INDIRECT COST RATE**

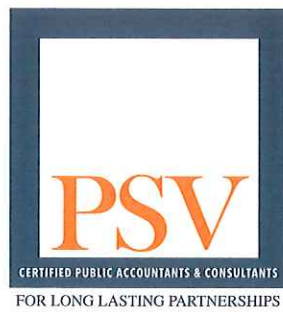
The Organization has elected not to use the 10-percent of de minimis indirect cost rate as allowed under the Uniform Guidance.

CENTRO MARÍA MAZZARELLO ALESPI, INC.  
(A Non-Profit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023

**NOTE D – RECONCILIATION OF EXPENDITURES IN THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO THE EXPENSES PRESENTED IN THE STATEMENT OF ACTIVITIES**

<u>Description</u>	Social Interest Housing Program <u>(CDBG-DR)</u>
Expenses per SEFA .....	\$ 909,415
Less: Net capitalized expenditures. ....	(875,793)
Total. ....	<u>\$ 33,622</u>



INDEPENDENT AUDITOR'S 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 of  
Centro María Mazzarello Alespi Inc.  
Orocovis, Puerto Rico

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 **Centro María Mazzarello Alespi Inc** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 15, 2024.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered **Centro María Mazzarello Alespi Inc'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Centro María Mazzarello Alespi Inc's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Centro María Mazzarello Alespi Inc's** internal control.

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

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 **Centro María Mazzarello Alespi Inc'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

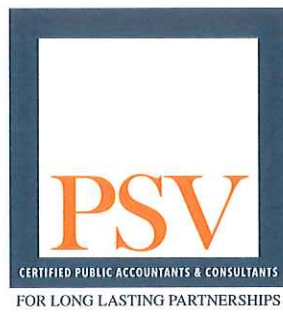
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed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

San Juan, Puerto Rico  
March 15, 2024

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Society of Certified Public  
Accountants has been affixed  
to the file copy of this report.

PSV & Co PSC





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

To the Board of Directors of  
Centro María Mazzarello Alespi Inc.  
Orocovis, Puerto Rico

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited **Centro María Mazzarello Alespi Inc (CMMA)**'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of **CMMA**'s major federal programs for the year ended June 30, 2023. **CMMA**'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Qualified Opinion on Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions Section of our report, **CMMA** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Assistance Listing Number 14.228 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii for the year ended June 30, 2023.

**Basis for Qualified Opinion**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United State of America; The standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of **CMMA** and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of **CMMA**'s compliance with the compliance requirements referred to above.

*Matters Giving Rise to Qualified Opinion on Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii*

As described in the accompanying Schedule of Findings and Questioned Costs, **CMMA** did not comply with requirement regarding Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii as described in Finding Reference Number 2023-001 for reporting.

Compliance with such a requirement is necessary, in our opinion, for **CMMA** to comply with the requirements applicable to this program.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to **CMMA's** federal programs.

**Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on **CMMA's** compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about **CMMA's** compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding **CMMA's** compliance with the compliance requirement referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of **CMMA's** internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 **CMMA's** internal control over compliance. Accordingly, no such opinion is expressed.



- Obtain an understanding of CMMA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 CMMA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Other Matters**

*Government Auditing Standards* requires the auditor to perform limited procedures on CMMA response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questions. CMMA's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The CMMA is responsible for preparing a Corrective Action Plan to address each audit finding included in our auditor's report. The CMMA's Corrective Action Plan was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weakness.

*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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001 to be material weakness.



**Report on Internal Control over Compliance (Cont'd)**

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the CMMA response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The CMMA's response was not subject to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

CMMA's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. CMMA's response was not subject 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 the uniform guidance. Accordingly, this report is not suitable for any other purpose.

San Juan, Puerto Rico  
March 15, 2024

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Society of Certified Public  
Accountants has been affixed  
to the file copy of this report.

PSV & Co PSC



**CENTRO MARIA MAZZARELLO ALESPI INC.**  
(Non-Profit Corporation)

Schedule of Findings and Questioned Costs

For the year ended June 30, 2023

**I. Summary of auditor's results:**

**Part I - Financial Statements**

- |  |  |  |
|--|--|--|
| 1. Type of auditor's report issued:                      | <input checked="" type="checkbox"/> Unmodified opinion | <input type="checkbox"/> Qualified opinion     |
|  | <input type="checkbox"/> Adverse opinion               | <input type="checkbox"/> Disclaimer of opinion |
| 2. Material weakness(es) identified:                     | <input type="checkbox"/> Yes                           | <input checked="" type="checkbox"/> No         |
| 3. Significant deficiency(ies) identified:               | <input type="checkbox"/> Yes                           | <input checked="" type="checkbox"/> No         |
| 4. Noncompliance material to financial statements noted: | <input type="checkbox"/> Yes                           | <input checked="" type="checkbox"/> No         |

**Part II - Federal Awards**

- |  |   |   |
|--|---|---|
| 1. Material weakness(es) identified:                       | <input checked="" type="checkbox"/> Yes     | <input type="checkbox"/> No                           |
| 2. Significant deficiency(ies) identified:                 | <input type="checkbox"/> Yes                | <input checked="" type="checkbox"/> No                |
| 3. Type of report issued on compliance for major programs: | <input type="checkbox"/> Unmodified opinion | <input checked="" type="checkbox"/> Qualified opinion |

Community Development Block  
Grant/State's Program and Non-  
Entitlement Grants in Hawaii

- |   |  |  |
|---|--|--|
|   | <input type="checkbox"/> Adverse opinion | <input type="checkbox"/> Disclaimer of opinion |
| 4. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | <input checked="" type="checkbox"/> Yes  | <input type="checkbox"/> No                    |

- |                    |                |   |
|--------------------|----------------|---|
| 5. Major programs: | CFDA Number(s) | Name of Federal Program or Cluster  |
|                    | 14.228         | Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii |

- |   |   |  |
|---|---|--|
| 6. Dollar threshold used to distinguish | <input checked="" type="checkbox"/> \$750,000 |  |
| 7. Low-risk auditee                     | <input type="checkbox"/> Yes                  | <input checked="" type="checkbox"/> No |

**CENTRO MARIA MAZZARELLO ALESPI INC.**  
(Non-Profit Corporation)

Schedule of Findings and Questioned Costs

For the year ended June 30, 2023

**II. Findings related to the financial statements reported in accordance with GAGAS:**

None reported.

**CENTRO MARIA MAZZARELLO ALESPLINC.**

(Non-Profit Corporation)

Schedule of Findings and Questioned Costs

For the year ended June 30, 2023

**III. Findings and Questioned Costs for Federal Awards:**

<b>FINDING REFERENCE NUMBER</b>	<b>2023-001</b>
<b>FEDERAL PROGRAM</b>	<b>Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii</b>
<b>AWARD NUMBER</b>	<b>B-18-DP-72-0001</b>
<b>COMPLIANCE REQUIREMENT</b>	<b>ALLOWABLE COSTS/COST PRINCIPLES</b>
<b>TYPE OF FINDING</b>	<b>MATERIAL NONCOMPLIANCE AND MATERIAL WEAKNESS</b>
<b>CRITERIA</b>	§ 200.403 Factors affecting allowability of costs. (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles. (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
<b>STATEMENT OF CONDITION</b>	Centro María Mazzarello Alespi (CMMA) issued two payments to the Puerto Rico Treasury Department (PRTD) for professional services tax withheld to the building contractor by error. Puerto Rico's Internal Revenue Code exempts payments made to building contractors from income tax withholding. However, CMMA was required to retain a 10% of each invoice (Certification) until the building has been finished, inspected, and accepted.

**CENTRO MARIA MAZZARELLO ALESPLINC.**

(Non-Profit Corporation)

Schedule of Findings and Questioned Costs

For the year ended June 30, 2023

**III. Findings and Questioned Costs for Federal Awards:**

<b>FINDING REFERENCE NUMBER</b>	2023-001 (continued)
<b>QUESTIONED COSTS</b>	None
<b>PERSPECTIVE INFORMATION</b>	CMMA withheld and paid to PRTD professional services income tax instead of retaining 10% of two invoices until the construction was finished and accepted.
<b>STATEMENT OF CAUSE</b>	CMMA did not have a supervision and review procedure in place to assure the correctness and compliance with Allowable Costs/Costs Principles of its payments.
<b>POSSIBLE ASSERTED EFFECT</b>	CMMA did not comply with the Allowable Costs/Costs Principles in this instance. Should PRTD not reimburse in time for contractor retainer payment, CMMA would have to pay the retainer finds from its own account which is something CMMA has expressed is willing and able to do.
<b>IDENTIFICATION AS A REPEAT FINDING</b>	This is not a repeated finding.
<b>RECOMMENDATION</b>	CMMA should strength its supervision and review procedures to assure that every payment is made to the proper payee in accordance with applicable laws, regulations, contracts, and industry practices.
<b>VIEWS OF RESPONSIBLE OFFICIALS</b>	CMMA has requested the PRTD to reimburse the funds erroneously paid. Having reviewed the case, PRTD agreed to issue a full refund to CMMA in a timely manner.

**CENTRO MARIA MAZZARELLO ALESPLINC.**  
(Non-Profit Corporation)

Summary Schedule of Prior Findings

For the year ended June 30, 2023

Summary Schedule of Prior Findings:

None.



# CENTRO MARIA MAZZARELLO, ALESPI

Orocovis, PR  
Tel: 787-897-2295

## Single Audit FY 2022-2023 Corrective Action Plan

As required, we hereby submit our response and comments to external auditor findings and recommendations:

### FINDINGS AND QUESTIONED COST FOR FEDERAL AWARD

Reference Number	2023-001
Federal Program	Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii.
Award Number	B-18-DP-72-001
Compliance Requirement	Allowable Cost/Cost Principles
Type of Finding	Material Noncompliance and Material Weakness
Questions costs	None

#### Condition:

Centro María Mazzarello Alespi (CMMA) issued two payments to the Puerto Rico Treasury Department (PRTD) for professional services tax withheld to the building contractor by error. Puerto Rico's Internal Revenue Code exempts payments made to building contractors from income tax withholding. However, CMMA was required to retain 10% of each invoice (Certification) until building has been finished, inspected, and accepted.

#### Action

We agree with the findings. As our corrective action plan to be implemented during the course of the fiscal year 2023-2024, we will require to the accounting staff to take continuing education courses at least 1 every 6 months to stay current and comply with this action plan. In addition, we will hire an external accounting firm to support any technical questions for the accounting staff. Therefore, CMMA will strengthen its supervision and review procedures to assure that every payment is made to the proper payee in accordance with applicable laws, regulations, contracts, and industry practices.

CMMA has requested the PRTD to reimburse the funds erroneously paid. PRTD approved the reimbursement to CMMA, therefore, the Institution will be able to pay the required amount to the building contractor.

Cordially yours,

  
Sor María Ofelia Pérez, Project Director