

PROYECTO NACER, INC.
(a not-for-profit Puerto Rico Corporation)

FINANCIAL STATEMENTS AS OF AND
FOR THE YEAR ENDED SEPTEMBER 30, 2023
AND
INDEPENDENT AUDITOR'S REPORT

PROYECTO NACER, INC.

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September 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Proyecto Nacer, Inc.:

Opinion

We have audited the accompanying financial statements of Proyecto Nacer, Inc. (the "Organization"), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2023, and the results of its operations 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. 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 the Organization, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Organization'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 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 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 the Organization'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Organization's ability to continue as a going concern for a reasonable period of time.

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.



Restriction of Use

This report is intended solely for the information and use of the board of directors, management of the Organization, and the agencies of the Commonwealth of Puerto Rico responsible for the administration of the municipal license tax, property tax or income tax and is not intended to be and should not be used by anyone other than these specified parties.



UP CPA Group, LLC

UP CPA Group, LLC

Lic. No. LLC-331, expires on December 1, 2024

San Juan, Puerto Rico
May 1, 2024

PROYECTO NACER, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2023

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS:			
Cash	\$ 1,123,168	\$ 1,075,111	\$ 2,198,279
Contribution receivable	-	1,760,000	1,760,000
Prepaid expenses	7,675	-	7,675
Total current assets	<u>1,130,843</u>	<u>2,835,111</u>	<u>3,965,954</u>
PROPERTY AND EQUIPMENT, net	<u>413,990</u>	<u>-</u>	<u>413,990</u>
Total assets	<u>\$ 1,544,833</u>	<u>\$ 2,835,111</u>	<u>\$ 4,379,944</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities	\$ 25,235	\$ -	\$ 25,235
Other liabilities	6,314	-	6,314
Total current liabilities	<u>31,549</u>	<u>-</u>	<u>31,549</u>
NET ASSETS:			
Net assets without donor restrictions	1,513,284	-	1,513,284
Net assets with donor restrictions	-	2,835,111	2,835,111
Total net assets	<u>1,513,284</u>	<u>2,835,111</u>	<u>4,348,395</u>
Total liabilities and net assets	<u>\$ 1,544,833</u>	<u>\$ 2,835,111</u>	<u>\$ 4,379,944</u>

The accompanying notes are an integral part of these financial statements.

PROYECTO NACER, INC.
STATEMENT OF ACTIVITIES
For the year ended September 30, 2023

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
REVENUES:			
Grants	\$ -	\$ 2,431,273	\$ 2,431,273
Donations and contributions - Private entities	132,303	-	132,303
Donated rent and utilities	265,280	-	265,280
Donated equipment	68,687	-	68,687
Interest and other	1,739	-	1,739
Total revenues	<u>468,009</u>	<u>2,431,273</u>	<u>2,899,282</u>
NET ASSETS RELEASED FROM RESTRICTION	<u>1,029,625</u>	<u>(1,029,625)</u>	<u>-</u>
EXPENSES:			
Salaries and wages	1,278,418	-	1,278,418
Payroll taxes	149,668	-	149,668
Consulting and professional services	115,776	-	115,776
Supplies	50,115	-	50,115
Depreciation and amortization	162,960	-	162,960
Food	42,250	-	42,250
Cultural activities	14,773	-	14,773
Scholarships	7,310	-	7,310
Uniforms	4,818	-	4,818
Insurance	44,867	-	44,867
Repairs and maintenance	34,737	-	34,737
Vehicle expenses	30,299	-	30,299
Rent and utilities	265,280	-	265,280
Utilities	33,545	-	33,545
Trainings	2,479	-	2,479
Promotions	7,146	-	7,146
Bank charges	3,077	-	3,077
License and permits	3,586	-	3,586
Dues and subscriptions	4,919	-	4,919
Miscellaneous	41,294	-	41,294
Total expenses	<u>2,297,317</u>	<u>-</u>	<u>2,297,317</u>
Changes in net assets	<u>(799,683)</u>	<u>1,401,648</u>	<u>601,965</u>
Net assets, at beginning of year	2,312,967	1,433,463	3,746,430
Net assets, at end of year	<u>\$ 1,513,284</u>	<u>\$ 2,835,111</u>	<u>\$ 4,348,395</u>

The accompanying notes are an integral part of these financial statements.

PROYECTO NACER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended September 30, 2023

Functional Expenses	Program Services	General and Administrative	Total
Salaries and wages	\$ 1,048,303	\$ 230,115	\$ 1,278,418
Payroll taxes	122,728	26,940	149,668
Consulting and professional services	103,776	12,000	115,776
Supplies	50,115	-	50,115
Depreciation and amortization	162,960	-	162,960
Food	42,250	-	42,250
Cultural activities	14,773	-	14,773
Scholarships	7,310	-	7,310
Uniforms	4,818	-	4,818
Insurance	14,357	30,510	44,867
Repairs and maintenance	34,737	-	34,737
Vehicle expenses	30,299	-	30,299
Rent and utilities	225,488	39,792	265,280
Utilities	28,513	5,032	33,545
Trainings	2,479	-	2,479
Promotions	7,146	-	7,146
Bank charges	-	3,077	3,077
License and permits	-	3,586	3,586
Dues and subscriptions	-	4,919	4,919
Miscellaneous	41,294	-	41,294
Total expenses	<u>\$ 1,941,346</u>	<u>\$ 355,971</u>	<u>\$ 2,297,317</u>

The accompanying notes are an integral part of these financial statements.

PROYECTO NACER, INC.
STATEMENT OF CASH FLOWS
For the year ended September 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:	
CHANGES IN NET ASSETS	\$ 601,965
ADJUSTMENTS TO RECONCILE CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation and amortization	162,960
Changes in assets and liabilities:	
(Increase) decrease in:	
Contributions receivable	(351,373)
Prepaid expense	24,153
Increase (decrease) in:	
Accounts payable and accrued liabilities	(3,043)
Other liabilities	(1,569)
Total adjustments	<u>(168,872)</u>
Net cash provided by operating activities	<u>433,093</u>
 CASH FLOWS USED IN INVESTING ACTIVITIES -	
Capital expenditures	<u>(186,174)</u>
 NET INCREASE IN CASH	246,919
 CASH, beginning of year	<u>1,951,360</u>
CASH, end of year	<u>\$ 2,198,279</u>

The accompanying notes are an integral part of these financial statements.

NOTE 1 - ORGANIZATION

Proyecto Nacer, Inc. (the "Organization") was organized as a non-profit organization under the laws of the Commonwealth of Puerto Rico on June 16, 2000, to contribute to the integral development of adolescent parents to help finish their high school education and assist their children by providing parenting skills.

The Organization operates on premises of the Municipality of Bayamón at no cost.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization's net assets and changes therein are classified and reported as follows:

- **Net assets without donor restrictions** – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.
- **Net assets with donor restrictions** – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

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 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.

Cash and Cash Equivalents – Consists of demand deposit accounts with banks. Cash equivalents represent short-term, highly liquid investments with original maturities of three months or less at the date of acquisition. There were no cash equivalents as of September 30, 2023.

Contributions Receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received.

Property and Equipment, Net – Property and equipment are recorded at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the individual assets. Cost of maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed

PROYECTO NACER, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023

as incurred. Costs of renewals and betterments are capitalized. When assets are sold or disposed of, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in the statement of activities.

Impairment of Long-Lived Assets - The Organization's 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. In performing the review for recoverability, an estimate of the future cash flows expected to result from the use of the asset 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 fair value and the carrying value of the asset. There were no such impairment losses for the year ended September 30, 2023.

Contributions – Contributions received are recorded as net assets without donor restrictions unless their use is limited by donor-imposed restrictions, in which they will be reported as net assets with donor restrictions. Contributions that are conditioned are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction.

Contributions are recognized as revenue when the Organization has met the related condition in compliance with the specific terms and conditions of the grant or contract. Grant or contract funds received for which the condition has not yet been met are accounted for as deferred revenue. Performance of conditions made in advance of funds received are recorded as grants and accounts receivable.

A contribution is conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. Conditional promises to give are not recognized until they become unconditional, that is, when the barriers on which they depend are met.

Donated goods and services that meet the criteria for recognition in accordance with U.S. GAAP are reported as gifts in kind revenue and expenses in amounts equal to their estimated fair value on the date of receipt. For the year ended September 30, 2023, the Organization recorded donated rent and associated utilities amounting to \$265,280 with respect to the facilities used which are owned by the Municipality of Bayamon.

Gifts in kind and contributions of fixed assets and materials for program purposes are reported as contributions at their estimated fair values on the date of receipt and reported as expenses when utilized.

Commitments and Contingencies - Liabilities for loss contingencies, arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability will be incurred, and the amount of the assessment and/or remediation can be reasonably estimated.

Income Taxes – The Organization was granted with a state tax exemption for income taxes, under the provision of Section 1101.01, of the Puerto Rico Internal Revenue Code of 2011, as amended.

Operating Expenses - Operating costs are recognized as expenses in the period in which they are incurred.

Functional Expense Allocation - The Organization allocates expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are charged directly. Other expenses that are common to several functions are allocated using various statistical bases such as headcount or hours worked and effort.

PROYECTO NACER, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023

NOTE 3 - CONTRIBUTIONS RECEIVABLE

At September 30, 2023, contributions receivable consisted of:

	<u>Amount</u>
Unconditional promise to give:	
Due within one year	\$ 1,760,000

NOTE 4 - PROPERTY AND EQUIPMENT, NET

At September 30, 2023, property and equipment consists of:

	Useful Lives (in years)	
Equipment	5-10	\$ 664,591
Building improvements	10	151,061
School trucks and vehicle	5	<u>321,236</u>
		1,136,888
Less: Accumulated depreciation		<u>(722,898)</u>
Property and equipment, net		<u>\$ 413,990</u>

NOTE 5 - LIQUIDITY

The Organization manages its liquidity by operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. As of September 30, 2023, the Organization has \$3,965,954 in current assets to fund near-term operating needs.

NOTE 6 – CONCENTRATION RISKS

Credit Risk

The Organization maintains cash in bank deposits accounts in Puerto Rico which at times may exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC) of \$250,000. As of September 30, 2023, the Organization had cash deposits of approximately \$1.2 million that were in excess of the limits insured by the FDIC. The accounts have been placed with high credit quality financial institutions; as such, the Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash.

Contributions

On September 30, 2023, one donor represents 100% of the total contributions' receivable. This receivable is unconditional in nature and does not represent a risk of collection.

NOTE 7 - SUBSEQUENT EVENTS

The Organization evaluated subsequent events through May 1, 2024, the date at which the financial statements were available to be issued. There were no subsequent events requiring disclosure to these financial statements.

SUPPLEMENTARY INFORMATION

PROYECTO NACER, INC.
SUPPLEMENTAL SCHEDULE OF EXPENSES BY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Funds					Total
	Unidos	ICC	Private	Legislative	Alianza	
EXPENSES						
Salaries and wages	\$ -	\$ 2,024	\$ -	\$ -	\$ 1,276,394	\$ 1,278,418
Payroll taxes	-	-	-	-	149,668	149,668
Consulting and professional services	-	-	605	31,690	83,481	115,776
Supplies	-	-	170	16,729	33,216	50,115
Depreciation and amortization	13,602	-	39,715	50,331	59,312	162,960
Food	-	-	-	22,600	19,650	42,250
Cultural activities	-	-	-	-	14,773	14,773
Scholarships	-	-	-	-	7,310	7,310
Uniforms	-	-	-	4,818	-	4,818
Insurance	-	-	-	-	44,867	44,867
Repairs and maintenance	-	-	200	11,479	23,058	34,737
Vehicle expenses	-	-	-	10,700	19,599	30,299
Rent and utilities	-	-	-	-	265,280	265,280
Utilities	-	-	-	17,910	15,635	33,545
Trainings	-	-	-	1,209	1,270	2,479
Promotions	-	-	1,320	3,451	2,375	7,146
Bank charges	-	28	68	212	2,769	3,077
License and permits	-	-	500	-	3,086	3,586
Dues and subscriptions	-	-	-	-	4,919	4,919
Miscellaneous	-	-	28,131	2,252	10,911	41,294
Total expenses	<u>\$ 13,602</u>	<u>\$ 2,052</u>	<u>\$ 70,709</u>	<u>\$ 173,381</u>	<u>\$ 2,037,573</u>	<u>\$ 2,297,317</u>