

**CARAS OF THE AMERICAS
(D/B/A CARAS CON CAUSA)
(A NON-FOR-PROFIT ORGANIZATION)
AND SUBSIDIARY**

***INDEPENDENT AUDITOR'S REPORT
TOGETHER WITH
CONSOLIDATED AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION***

JUNE 30, 2021

TABLE OF CONTENTS

| | <u>PAGE</u> |
|---|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1-2 |
| FINANCIAL STATEMENTS: | |
| Consolidated Statement of Financial Position..... | 3 |
| Consolidated Statement of Activities and Changes in Net Assets..... | 4 |
| Consolidated Statement of Functional Expenses..... | 5 |
| Consolidated Statement of Cash Flows..... | 6 |
| Notes to Financial Statements..... | 7-20 |
| SUPPLEMENTARY INFORMATION: | |
| Consolidating Statement of Financial Position | 22 |
| Consolidated Statement of Activities and Changes in Net Assets..... | 23 |



Carlos X. Peña García
Certified Public Accountant & Business Advisor

*Member of the Puerto Rico Society of
Certified Public Accountants
License number 6377
PO Box 9076
Caguas, PR 00726
xaviercpa@gmail.com*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Caras of the Americas:

Report on the Financial Statements

I have audited the accompanying consolidated financial statements of Caras of the Americas (d/b/a Caras con Causa) (a non-for-profit corporation) (the "Organization") and subsidiary, which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the fiscal 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I did not audit the financial statements of Escuela con Causa EPA-RCM LLC, a wholly-owned subsidiary, which statements reflect total assets of \$774,866 as of June 30, 2021, and total revenues of \$1,613,945 for the fiscal year then ended. Those statements were audited by other auditors, whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included for Escuela con Causa EPA-RCM LLC, is based solely on the report of the other auditors. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 assessment, 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 purposes of expressing opinion on the effectiveness of the entity's internal control. Accordingly, I 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 financial statements.

To the Board of Directors of
Caras of the Americas
(A Non-For-Profit Organization)
Page 2

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

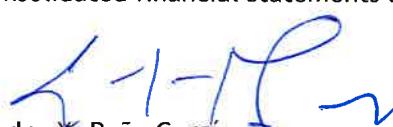
In my opinion, based on my audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Caras of the America (d/b/a Caras con Causa) and its subsidiary as of June 30, 2021, and the changes in its net assets and its cash flows for the year fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The other auditor's report on the June 30, 2021 financial statements of Escuela con Causa EPA-RCM LLC included an emphasis-of-matter paragraph describing conditions where there is no assurance that the subsidiary will be able to raise beyond the 2022-2023 academic year the private contributions necessary to cover deficiencies of the subsidiary, as discussed in Note 9 to the consolidated to the financial statements. My opinion on the consolidated financial statements is not modified with respect to that matter.

Report on Supplementary Information

My audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information shown on pages 22 and 23 is presented for the purpose of additional analysis of the consolidated financial statements and it is not a required part of the consolidated 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 consolidated financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, is fairly stated in all material respects in relation to the consolidated financial statements as a whole.


Carlos X. Peña García
Certified Public Accountant
(of Puerto Rico)
Caguas, Puerto Rico
March 1, 2023
License No. 6377 expires December 1, 2025
Stamp E475165 of the P.R. Society of
Certified Public Accountants has been
affixed to the original of this report



**CARAS OF THE AMERICAS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

| | <u>ASSETS</u> | | |
|--|--|-------------------------------------|---------------------|
| | <u>Without Donors Restrictions</u> | <u>With Donors Restrictions</u> | <u>Total</u> |
| CURRENT ASSETS: | | | |
| Cash | \$ 1,797,301 | \$ 165,502 | \$ 1,962,803 |
| Promises to give | 5,000 | 100,000 | 105,000 |
| Prepaid expenses | 13,131 | - | 13,131 |
| Total current assets | <u>1,815,432</u> | <u>265,502</u> | <u>2,080,934</u> |
| PROPERTY AND EQUIPMENT, net | 134,761 | - | 134,761 |
| Total assets | <u>\$ 1,950,193</u> | <u>\$ 265,502</u> | <u>\$ 2,215,695</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | | |
| CURRENT LIABILITIES: | | | |
| Accounts payable and accrued expenses | \$ 174,291 | \$ - | \$ 174,291 |
| Loan payable-Paycheck Protection Program | 360,900 | - | 360,900 |
| Total liabilities | <u>535,191</u> | <u>-</u> | <u>535,191</u> |
| COMMITMENTS AND CONTINGENCIES | - | - | - |
| NET ASSETS: | | | |
| Without donors restrictions | 1,415,002 | - | 1,415,002 |
| With donors restrictions | - | 265,502 | 265,502 |
| Total net assets | <u>1,415,002</u> | <u>265,502</u> | <u>1,680,504</u> |
| Total liabilities and net assets | <u>\$ 1,950,193</u> | <u>\$ 265,502</u> | <u>\$ 2,215,695</u> |

See accompanying notes to consolidated financial statements.

**CARAS OF THE AMERICAS
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021**

| | Without Donors Restrictions | With Donors Restrictions | Total |
|---|--------------------------------|-----------------------------|---------------------|
| REVENUES AND PUBLIC SUPPORT | | | |
| Public support from the Department of Education | \$ 913,754 | \$ - | \$ 913,754 |
| Contributions and grants | | | |
| Individuals | 254,627 | - | 254,627 |
| Foundations and other | 557,304 | 143,302 | 700,606 |
| Contributed goods and services | 243,135 | - | 243,135 |
| Net assets released from restrictions: | | | |
| Satisfaction of program and operations | 499,907 | (499,907) | - |
| Total revenues and public support | <u>2,468,727</u> | <u>(356,605)</u> | <u>2,112,122</u> |
| EXPENSES | | | |
| Program Expenses | 2,036,078 | - | 2,036,078 |
| Supporting services: | | | |
| Management and general | 417,423 | - | 417,423 |
| Fundraising | 86,375 | - | 86,375 |
| Total supporting services | <u>503,798</u> | <u>-</u> | <u>503,798</u> |
| Total expenses | <u>2,539,876</u> | <u>-</u> | <u>2,539,876</u> |
| Change in net assets before other income: | <u>(71,149)</u> | <u>(356,605)</u> | <u>(427,754)</u> |
| Other income | | | - |
| Loan forgiveness- Paycheck Protection Program | 237,669 | - | 237,669 |
| Total other income | <u>237,669</u> | <u>-</u> | <u>237,669</u> |
| CHANGE IN NET ASSETS | 166,520 | (356,605) | (190,085) |
| NET ASSETS, Beginning of year | <u>1,248,482</u> | <u>622,107</u> | <u>1,870,589</u> |
| NET ASSETS, End of year | <u>\$ 1,415,002</u> | <u>\$ 265,502</u> | <u>\$ 1,680,504</u> |

See accompanying notes to consolidated financial statements.

**CARAS OF THE AMERICAS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

| | Program Expenses | Supporting Services | | | Total |
|---------------------------------------|------------------|------------------------|--------------|----|-----------|
| | | Management and General | Fund Raising | | |
| EXPENSES | | | | | |
| Salaries, payroll taxes and benefits | \$ 1,558,886 | \$ 243,661 | \$ 67,172 | \$ | 1,869,719 |
| Professional fees | 238,464 | 86,887 | 10,783 | | 336,134 |
| Materials and direct service expenses | 55,959 | 24,709 | 1,345 | | 82,013 |
| Meals | 19,143 | - | - | | 19,143 |
| Equipment and technology | 32,181 | 7,878 | 1,269 | | 41,328 |
| Rent | 38,400 | 7,200 | 2,400 | | 48,000 |
| Auto expenses | 1,644 | - | - | | 1,644 |
| Repairs and maintenance | 19,273 | 3,911 | 799 | | 23,983 |
| Utilities and telephone | 3,065 | 575 | 192 | | 3,832 |
| Dues and subscriptions | 10,124 | 9,710 | 176 | | 20,010 |
| Advertising | - | 213 | - | | 213 |
| Insurance | 3,476 | 21,417 | 348 | | 25,241 |
| Bank charges | - | 947 | - | | 947 |
| Interest expense | 369 | - | - | | 369 |
| Depreciation | 46,176 | 6,751 | 1,531 | | 54,458 |
| Miscellaneous | 8,918 | 3,564 | 360 | | 12,842 |
| Total expenses: | \$ 2,036,078 | \$ 417,423 | \$ 86,375 | \$ | 2,539,876 |

See accompanying notes to consolidated financial statements.

**CARAS OF THE AMERICAS
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:

CHANGE IN NET ASSETS \$ (190,085)

ADJUSTMENTS TO RECONCILE CHANGES IN NET ASSETS TO NET

CASH PROVIDED BY OPERATING ACTIVITIES:

Depreciation expense 54,458
Paycheck Protection Program loan forgiveness (237,669)
Interest expense on Paycheck Protection Program loan forgiveness 369

Changes in operating assets and liabilities:

(Increase) decrease in operating assets:
Contributions receivable 238,933
Promises to give 256,133
Prepaid expenses (5,911)
Increase (decrease) in operating liabilities
Accounts payable and accrued expenses 51,942
Total adjustments 358,255
Net cash provided by operating activities 168,170

CASH FLOWS USED IN INVESTING ACTIVITIES:

Purchases of fixed assets (82,240)
Net cash used in investing activities (82,240)

CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:

Proceeds from Paycheck Protection Program loan 360,900
Net cash provided by financing activities 360,900

NET INCREASE IN CASH 446,830
CASH, at beginning of year 1,515,973
CASH, at end of year \$ 1,962,803

Supplemental disclosure of non-cash investing and financing activities

Loan Forgiveness-Paycheck Protection Program \$ 237,669

See accompanying notes to consolidated financial statements.

**CARAS OF THE AMERICAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

(See accompanying independent auditor's report)

NOTE 1 - NATURE OF THE ORGANIZATION

The accompanying financial statements present the financial position, activities and cash flows of Caras of the Americas (CARAS) and its subsidiary Escuela con Causa EPA-RCM LLC (EPA), (collectively, the "Organization"). All significant intra-Organization accounts and transactions have been eliminated in consolidation.

CARAS was organized and incorporated under the laws of the District of Columbia on May 5, 2004, and commenced operations during the same year. The Organization had been authorized to conduct business in Puerto Rico on October 31, 2007. The Organization is a non-for-profit and its main operation is to promote the education, economy, and environmental, among others. Currently, the Organization main program is the educational section in which the Organization provides: tutorial, psychological, sports, arts and music education to the children of the Vietnam community sector of Guaynabo, Puerto Rico as well as in the Puente Blanco and Juana Matos communities in Cataño, Puerto Rico. Also, the Organization provides environmental education program at Juana Matos sector of Cataño, Puerto Rico. The Organization also offers several youth services, and leadership development programs for community leaders of the mentioned areas. In addition, the Organization provides relief efforts for natural disasters victims.

CARAS is the sole member of EPA, and accordingly EPA is a consolidated related entity.

EPA is a private non-profit public benefit limited liability corporation incorporated on August 3, 2019 in San Juan, Puerto Rico under the laws of the commonwealth of Puerto Rico. EPA operates a Grade 6 through Grade 12 public-school Rosalina C. Martinez (RCM), a school within the public education system of the Puerto Rico Department of Education, located in Amelia community of Guaynabo. RCM is being operated by EPA pursuant to the Public Schools Alliance program (known as "Escuelas Publicas Alianzas" ins Spanish) established by Act No. 85 of March 29, 2018 (act No. 85-2018) as amended, known as the Act for the Educational Reform of Puerto Rico. Act No. 85-2018 established this alliance program which authorized the Secretary of the Department to approve and verify applications from eligible educational institutions, such as the school, to operate selected public schools under the alliance program and to supervise and monitor the operations of such schools by such educational institutions, among other duties and responsibilities established within the Act and related Regulations.

The operations and administration of RCM by EPA is governed by a contract established with the Department containing a series of compliance requirements, as defined therein. The contract is effective for one year since its signing on August 29, 2019 through July 31, 2020; however the contract could be renewed annually for up to five years. The contract (Constituent Letter) is effective for five years since its signing on August 20, 2019 through July 31, 2024; however, the economic clauses of the contract are effective for one year and renewed annually for up to five years.

CARAS OF THE AMERICAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

(See accompanying independent auditor's report)

Regular employees from the Department who receive and accept employment offer from EPA will become employees of EPA and the Department will grant them a two-year unpaid license for such employees. EPA will guarantee such personnel the same salary scale and marginal benefits that they enjoyed at the Department at the moment of accepting the EPA's employment offer. Upon the end of the two-year license period, if the employees choose to stay as employees of EPA, such employees will resign from the Department; however, EPA will not be able to resume such employee's salaries. EPA did not hire regular employees from the Department.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization financial statements. The financial statements and notes are representations of the Organization management who are responsible for their integrity and objectivity.

The accounting and reporting policies of the Organization conform with accounting principles generally accepted in the United States of America, and, as such, include amounts based on judgments, estimates, and assumptions made by management that affect the reported amounts of assets and liabilities and 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. Management believes that these estimates and assumptions provide reasonable basis for the fair presentation of the financial statements. Following is a description of the more significant accounting policies followed by the Organization:

Basis of Accounting - The accompanying consolidated financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation - The Organization presents its consolidated financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958 Not-for-Profit entities. The Organization financial statement follows the recommendations of the FASB in its ASC topic 958, Not-for-Profit Entities, Accounting Standards Update ASU 2016-14. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017.

Under the provisions of the FASB ASC 958, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Entity and changes therein are classified 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.

CARAS OF THE AMERICAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

(See accompanying independent auditor's report)

- **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.

The Organization has elected to present contributions with donor restrictions that are fulfilled in the same period within the net assets without donor restriction class.

Support and revenues and expense recognition - The Organization main source of revenues comes from donations from organizations and general public support. Expenses are recognized when incurred. Also, the Organization may conduct and host special activities and events, which could provide an ongoing portion support revenue for its programs. The Organization would report the revenue of such activities, net of its related costs in the accompanying statement of activities.

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Unconditional promises to give are recorded at their net realizable value because that amount results in a reasonable estimate of fair value in accordance with Contributions Received section of the FASB ASC 958-605. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as "net assets released from restrictions" (See Note 8). Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Unexpended amounts restricted by donors for a specific purpose are reported as net assets with donor restrictions at end of year.

The Organization may receive services, equipment and material without payment or compensation or at a discount. Donated services are recognized as contributions when the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Those contributions are recorded at their estimated fair value. Contributions restricted for the acquisition of land, property and/or equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

For the year ended June 30, 2021 the Organization recorded use of school premises of \$48,000 which is included as contributed good and services in the statement of activities. Also, the Organization receives donated services from a variety of unpaid volunteers who make significant contributions of their time in conjunction with services.

CARAS OF THE AMERICAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

(See accompanying independent auditor's report)

No amounts have been recognized for those services in the accompanying financial statements because the criteria for recognition of such volunteer effort as contributed services have not been satisfied.

Allowance for Doubtful Pledges - The allowance for doubtful pledges is an amount that management believes will be adequate to absorb possible losses on existing promise to give that may become uncollectible based on evaluations of collectability of the receivables and prior loss experience. Because of uncertainties inherent in the estimation process, management's estimate of losses in the outstanding promise to give and the related allowance may change in the near future.

Promise to give write-offs and recoveries are charged to the allowance for doubtful pledges and to the promise to give. All promises to give, as stated in the financial statements are deemed by the Organization's management to be fully collectible. Accordingly, no allowance for doubtful pledges has been established at June 30, 2021.

Measure of Operations -The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to Organization ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Reporting Period - The Organizations have an accounting fiscal year ending on June 30.

Cash and Cash Equivalents - The Organization considers highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents. No cash equivalents were held by the Organization at June 30, 2021.

Property and equipment - Property and equipment are carried at cost less accumulated depreciation. Depreciation is provided on the straight-line basis over the estimated useful lives of each asset. Maintenance and repair costs that do not improve or extend the life of the respective assets are expensed as incurred. Costs of renewals and betterments which extend the useful life of the respective assets are capitalized. When assets are sold, retired or otherwise or disposed of, their cost of and the related accumulated depreciation are removed from the accounts and any gain or loss is credited or charged to income.

Depreciation of property, plant and equipment is provided utilizing the straight-line method over the estimated useful life of the asset (*See Note 4*).

Impairment of Long-Lived Assets - In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 360-10, "Property Plant and Equipment -Impairment or Disposal of Long-Lived Assets", long-lived assets, such as property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

CARAS OF THE AMERICAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

(See accompanying independent auditor's report)

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

The Organization periodically reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Entity has determined that no events or changes in circumstances have occurred that indicate that long-lived asset values were no longer recoverable at June 30, 2021.

Accrued expenses - Accrued expenses include routine accruals for operating expenses incurred but not paid as of June 30, 2021.

Functional Expenses - The costs of providing the services and other activities have been reported on a functional basis in the accompanying financial statements. Accordingly, expenses that apply to more than one functional category have been allocated between program and supporting services, based on the time spent on these functions as estimated by management on an equitable basis. The remaining costs are charged directly to the appropriate functional category. Supporting services include those expenses that are not identifiable with any specific function but provide for the overall support and direction of the Organization.

Advertising Costs - Advertising costs incurred by the Organization are expensed as incurred.

Income Taxes - CARAS is a non-for-profit organization that is exempt from federal and local income taxes under section 501(c)(3) and 1101.01(a)(2)(B) of the Internal Revenue Code of the United States and Puerto Rico, respectively. EPA is a non-for-profit organization that is exempt from income taxes under Section 1101 of the Puerto Rico Internal Revenue Code and under Section 501(c)(3) of the Internal Revenue Code of the United States. Accordingly, no provision for such taxes has been made in the accompanying financial statements.

The Organization's policy is to disclose or recognize income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax positions. As of June 30, 2021, management is not aware of any matters that would cause the Organization to lose its tax-exempt status.

CARAS OF THE AMERICAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

(See accompanying independent auditor's report)

Financial instruments - Carrying value of financial instruments includes cash, promises to give, accounts payable and accrued expenses. The recorded value on the statement of financial position approximate fair value due to the short maturity of these instruments.

Principles of consolidation - The accompanying financial statements includes the accounts of Caras and EPA, pursuant to the criterion established by FASB ASC 958-810, Not-for-Profit Entities Consolidation.

Under FASB ASC 958-810, consolidation is required if a separate not-for-profit has control (i.e., major voting interest) and significant economic interest in the other organization. All significant inter-company accounts and transactions have been eliminated in the consolidation.

Recent issued accounting standard updated, pronouncements and interpretations:

Accounting Standard Update 2016-02, Leases (Topic 842), as amended - This guidance is designed to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the consolidated statement of financial position and disclosing key information about leasing arrangements. The effective date of this Topic 842 is fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 31, 2021. The Organization is currently evaluating the impact of this pronouncement.

Other Recent Pronouncements - During the fiscal year ended on June 30, 2021, the FASB and other standard setting bodies issued several other Statements and Interpretations that were not relevant to the Organization's operations.

NOTE 3 - PROMISES TO GIVE

Promise to give, as presented on the statement of financial position, are due in less than one year. Written agreements for promises to give were received stating that amounts will be paid during the next fiscal year. Accordingly, no provision had been made for uncollectible pledges (See Note 2). Unconditional promise to give consist of the following:

| Promise to give: | Total |
|-------------------------|-------------------|
| Educational | \$ 100,000 |
| Community | 5,000 |
| | <u>\$ 105,000</u> |

**CARAS OF THE AMERICAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

(See accompanying independent auditor's report)

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

At June 30, 2021 property, plant and equipment consisted of the following:

| | <u>Useful Lives (in years)</u> | <u>Total</u> |
|---|------------------------------------|-------------------|
| Plant nursery structure | 15 | \$ 17,352 |
| Computers and software | 3-10 | 18,758 |
| Automobile | 1-5 | 87,895 |
| Furniture and equipment | 3-5 | 68,234 |
| Trailer | 5 | 11,039 |
| Leasehold improvements | 1-5 | 34,366 |
| | | <u>237,644</u> |
| Less: accumulated depreciation and amortization | | (102,882) |
| | | <u>\$ 134,762</u> |

Depreciation and amortization expense for the year ended June 30, 2021 was \$54,458.

NOTE 5 - MEMBERSHIP, USE OF FACILITIES AND OPERATING LEASE

The Organization conducts one of its operations related to the educational division of the Organization on a commercial property leased, classified as an operating lease, under a one-year written agreement which expired on October 2018. After such date, the lease is a month to month lease agreement with a de minimis payment amount of \$1 for the whole year. The estimated fair market value of the lease rental approximates \$4,000 per month. For the year ended June 30, 2021 total lease expense under this agreement amounted to \$48,000. Management expects to renew the agreement continuously in the normal course of business.

NOTE 6 - OTHER USE OF FACILITIES

The Organization provides services to the Vietnam community sector located at Guaynabo, Puerto Rico. The services were given by other foundations at a center located at the community. However, the center had collapsed due to expropriations that are being conducted by the government of the Commonwealth of Puerto Rico on the referred zone. The Organization and the community had agreed, into a month to month verbal agreement, the following: the Organization will provide services at the house of one of the members of the community and in exchange the Organization will have to pay the electricity of the house in lieu of rental charges.

CARAS OF THE AMERICAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

(See accompanying independent auditor's report)

NOTE 7 - NOTE PAYABLE-PAYCHECK PROTECTION PROGRAM

During the year ended June 30, 2021, the Organization received loan proceeds for the amounts of \$80,900 and \$280,000 under the Paycheck Protection Program (“PPP”) for Caras and EPA, respectively. The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”). The loan provides to qualifying businesses up to 2.5 times of the average monthly payroll expenses. Principal and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the corresponding period. The loan is uncollateralized and is fully guaranteed by the Federal government.

The unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, it cannot be assured that will not take actions that could cause the Company to be ineligible for forgiveness of the loan, in whole or in part. The loans, which was in the form of a note, matures on February and March, 2026 and bears interest at a rate of 1% per annum, payable monthly commencing on July, 2022.

In the loan is not forgiven, after the deferment period, the future schedule maturities of the loan are as follows:

| <u>Year ending</u> | <u>Amount</u> |
|--------------------|-------------------|
| 2022 | \$ - |
| 2023 | 87,909 |
| 2024 | 99,077 |
| 2025 | 100,073 |
| 2026 | 73,841 |
| | <u>\$ 360,900</u> |

During the fiscal year ended June 30, 2021 Caras and its subsidiary, applied and was approved a PPP loan forgiveness in the amount of \$62,300 and \$175,000, respectively and interest of \$369. This is presented as non-operating revenue in the accompanying statement of Activities.

CARAS OF THE AMERICAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

(See accompanying independent auditor's report)

NOTE 8- NET ASSETS

The Organization adopted FASB ASC 958, Accounting for contributions received and made. In accordance with FASB ASC 958, contributions received are recorded and classify as net assets with donor restrictions and net assets without donor restrictions based on the existence of donor-imposed restrictions. Net assets consist for the following purposes as of June 30, 2021:

Net assets without donor restrictions:

| | |
|---|---------------------|
| Undesignated | \$ 1,415,002 |
| Total net assets without donor restrictions | <u>\$ 1,415,002</u> |

Net assets with donor restrictions:

| | |
|--|-------------------|
| Education-Laboratory | \$ 109,750 |
| Education-Teacher development | 50,000 |
| Counseling program | 13,628 |
| Robotic League | 22,088 |
| Christmas bonus and medical insurance | 55,036 |
| Women empowerment | 15,000 |
| Total net assets with donor restrictions | <u>\$ 265,502</u> |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. As discussed in Note 1, when a purpose or time restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as "Net assets released from restrictions". The following schedule summarizes the net assets releases from restrictions for the year ended June 30, 2021:

Net Assets Releases

Releases from restrictions:

| | |
|---|-------------------|
| Subject to expenditure for specified purpose: | \$ 499,907 |
| Total net assets released from restrictions | <u>\$ 499,907</u> |

**CARAS OF THE AMERICAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

(See accompanying independent auditor's report)

NOTE 9- LIQUIDITY AND FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS

The following reflects the Organization financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual, donor-imposed restrictions or Board designations within one year of the statement of financial position date:

Financial Assets

Financial assets at June 30, 2021

| | |
|---|---------------------|
| Cash | \$ 1,962,803 |
| Promises to give | 105,000 |
| Total financial assets at June 30, 2021 | <u>2,067,803</u> |
| Less: those unavailable for general expenditure within one year, due to: | |
| Donor-imposed purpose restrictions | <u>(265,502)</u> |
| Total financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,802,301</u> |

The Organizations financial assets have been reduced by amounts not available for general use because of donor or board designation restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The Organization is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period the Organization must maintain enough resources to meet those responsibilities to its donors. The Organization financial assets available to meet cash needs for general expenditures within one year amounts to \$1,802,301.

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization did not invest cash in excess of daily requirements.

The funds received from the Department of Education based in the rate per student pre-established are not sufficient to cover EPA's operating needs; therefore, EPA depends on raising contributions from individuals and private foundations in order to complement the revenue necessary to meet its operating needs and obligations. There is no assurance that EPA will be able to raise beyond the 2022-2023 academic year the private contributions necessary to cover any deficiencies from the Department annual funding. EPA regularly monitors the liquidity required to meet its operating needs and other contractual commitments.

**CARAS OF THE AMERICAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

(See accompanying independent auditor's report)

NOTE 10- ECONOMIC DEPENDENCE & CONCENTRATION OF RISK

The Organization receives a significant portion of its revenues and support each year from various donors. The Organization is dependent upon these donations for its continued existence and ability to carry out its normal activities. For the year ended June 30, 2021, approximately 73% of the Organization revenues were generated from 2 donors and governmental agencies. As of June 30, 2021, 100% of the Organization promises to give were due by 2 donors. The inability to maintain the donor's and or governmental relationship in the future under existing terms could have a material adverse effect on the Organization's operations and financial condition.

During the year ended June 30, 2021, the Organization maintained its cash accounts at a high credit quality financial institution. The accounts are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000. While the Organization attempts to limit any financial exposure, its deposits' balances may, at times, exceed federally insured limits. At June 30, 2021, the Organization's uninsured cash balance approximates \$1,672,000.

Mostly all of the Organization's business activity is with donors located throughout Puerto Rico, and as such it is subject to the risks of the Puerto Rico economy and the financial crisis. Furthermore, the industry can be significantly affected by many factors, including fluctuations in the disposable income of its donors, demographic trends, changes in laws, consumer concerns about educational issues and changes in the operation number and locations of other organizations.

NOTE 11- COMMITMENTS AND CONTINGENCIES

A) Compliance Requirements

Pursuant to the contract between EPA and the Department of Education for the operation and administration of the School, the School shall meet certain compliance requirements, as defined therein, some of which include the following:

- The filing of annual operational reports, within sixty (60) days of the end of the school year, validating the compliance with the established school programs, certification of teacher's qualifications, personnel training requirements, community and students participation requirements, the timely filling of all reports required by Act No. 85-2018 and related regulations, the tax exempt status of the School, as applicable, among others.
- Maintaining an inventory identification system, and submitting a related inventory report, of all property and equipment acquired with both the Department's funds and with the School's own internal and privately raised funds.

**CARAS OF THE AMERICAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

(See accompanying independent auditor's report)

- Complying with all laws, ordinances and regulations, rules and orders or requirements from the federal, state and municipal governments with respect to the use of public-school properties.

Management understands that the School has complied with the aforementioned requirements or equivalent amended or modified rules mutually agreed upon with the Department.

The School is also subject to an annual evaluation in conformity with the Performance Management Framework (know as MGD for its Spanish acronym), which measures and assigns certain key performance in the School's academic, operational and financial performance. The Department has not performed the annual evaluation.

As per the Constituent Letter, the Department is responsible for the School's physical plant including capital improvements. The current condition of the physical plant is not optimal, and it has been further deteriorated as a result of the recent earthquakes that have affected Puerto Rico during 2020. In this regard, the School's operation has been affected by the current conditions and without the necessary major repairs and capital improvement the School's operation and its academic services could be affected.

As per the Constituent Letter (section 12), the per pupil rate assigned to the School could be subject to periodic revisions throughout the year. In this regard, the School's management received during 2019 three (3) communications from the Department indicating that the per pupil rate assigned for year 2020 was under review and that the School could receive a favorable adjustment of \$166,000 subject to final approval. While approved, this adjustment has not been accrued in the accompanying consolidated financial statements given that such adjustment is still pending final authorization through written consent. Such adjustment would be recognized at the moment such final authorization is executed through written consent.

B) Contingencies

EPA has received public funds from the Department of Education and is subject to the compliance requirements referred to in section A) above. Consequently, the School is subject to review, monitoring and audit by the Department. Although such audits and reviews could generate expenditure disallowances under the terms of the contract with the Department, management believes that the result of such review will not be material to the financial position of the School.

**CARAS OF THE AMERICAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

(See accompanying independent auditor's report)

NOTE 12- OTHER MATTERS

The spread of the Corona Virus (COVID-19) has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening.

Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. While the disruption is currently expected to be temporary, there is a considerable uncertainty around the duration and the impact it will have on the proprietorship operations and financial position. Any financial impact to the Organization cannot be reasonably estimated at this time. The financial statements do not include adjustments related to this pandemic.

The Organization has made a series of administrative, and financial adjustments in order to continue providing the services without interruption and safeguarding the health and safety of all. Among them, they have been working to provide all the necessary protective equipment and disinfection of facilities, and distant learning education.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Organization for future periods.

NOTE 13- SUBSEQUENT EVENTS

The Organization's management evaluated subsequent events through March 1, 2023, which is the date the financial statements were available to be issued and have identified the following events described in the accompanying financial statements which requires disclosure.

During September and October 2021, the Organization received full forgiveness of the PPP loans, in the amounts of \$80,900 and \$280,000.

During October 2021, Caras subsidiary, EPA reached an agreement with the Department of Education over the contract's (Constituent Letter) economic clauses for the fiscal year 2021-2022.

During September 2022, hurricane Fiona made landfall into the island of Puerto Rico causing physical damages to the overall Puerto Rico infrastructure, the people and the region's economy. As a result of the Hurricanes, the overall power grid in Puerto Rico was damaged and the supply of gas and diesel was limited. Due to this situation the President

**CARAS OF THE AMERICAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

(See accompanying independent auditor's report)

of the United States assigned the emergency declaration for all the municipalities of Puerto Rico. This action of the President allows Puerto Rico to request federal funds. The operations of the Company were not affected in relation to this matter.

Management concluded that there were no additional events or transactions that requires recognition or disclosure on the accompanying financial statements.

SUPPLEMENTARY FINANCIAL INFORMATION

**CARAS OF THE AMERICAS
SUPPLEMENTARY FINANCIAL INFORMATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

(See accompanying independent auditor's report)

| | <u>ASSETS</u> | | Consolidating Eliminations | Consolidated Total |
|---------------------------------------|---------------------|-------------------|-------------------------------|-----------------------|
| | <u>CARAS</u> | <u>EPA</u> | | |
| CURRENT ASSETS: | | | | |
| Cash | \$ 1,616,474 | \$ 346,329 | \$ - | \$ 1,962,803 |
| Contributions receivable | - | - | - | - |
| Promises to give | 105,000 | - | - | 105,000 |
| Due from Caras of the Americas/EPA | 57,581 | 383,112 | (440,693) | - |
| Prepaid expenses | 8,068 | 5,063 | - | 13,131 |
| Total current assets | <u>1,787,123</u> | <u>734,504</u> | <u>(440,693)</u> | <u>2,080,934</u> |
| PROPERTY AND EQUIPMENT, net | 94,399 | 40,362 | - | 134,761 |
| Total assets | <u>\$ 1,881,522</u> | <u>\$ 774,866</u> | <u>\$ (440,693)</u> | <u>\$ 2,215,695</u> |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES: | | | | |
| Accounts payable and accrued expenses | \$ 40,795 | \$ 133,496 | \$ - | \$ 174,291 |
| Current portion of Loan payable-PPP | 80,900 | 280,000 | - | 360,900 |
| Due to Caras of the Americas/EPA | 383,112 | 57,581 | (440,693) | - |
| Total liabilities | <u>504,807</u> | <u>471,077</u> | <u>(440,693)</u> | <u>535,191</u> |
| COMMITMENTS AND CONTINGENCIES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET ASSETS: | | | | |
| Without donors restrictions | 1,111,213 | 253,789 | 50,000 | 1,415,002 |
| With donors restrictions | 265,502 | 50,000 | (50,000) | 265,502 |
| Total net assets | <u>1,376,715</u> | <u>303,789</u> | <u>-</u> | <u>1,680,504</u> |
| Total liabilities and net assets | <u>\$ 1,881,522</u> | <u>\$ 774,866</u> | <u>\$ (440,693)</u> | <u>\$ 2,215,695</u> |

See accompanying notes to consolidated financial statements.

CARAS OF THE AMERICAS
SUPPLEMENTARY FINANCIAL INFORMATION
CONSOLIDATING STATEMENT OF ACTIVITIES
JUNE 30, 2021

(See accompanying independent auditor's report)

| | CARAS | | EPA | | Consolidating Eliminations | Consolidated Total |
|--|-----------------------------|--------------------------|-----------------------------|--------------------------|----------------------------|--------------------|
| | Without Donors Restrictions | With Donors Restrictions | Without Donors Restrictions | With Donors Restrictions | | |
| REVENUES AND PUBLIC SUPPORT | | | | | | |
| Public support from the Department of Education Contributions and grants | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 913,754 |
| Individuals | 254,627 | - | - | - | - | 254,627 |
| Foundations and other | 52,249 | 143,302 | 505,055 | - | - | 700,606 |
| Contributed goods and services | 47,999 | - | 195,136 | - | - | 243,135 |
| Net assets released from restrictions: | | | | | | |
| Satisfaction of program and operations | 499,907 | (499,907) | - | - | - | - |
| Total revenues and public support | 854,782 | (356,605) | 1,613,945 | - | - | 2,112,122 |
| EXPENSES | | | | | | |
| Program Expenses | 471,805 | - | 471,805 | - | - | 2,036,078 |
| Supporting services: | | | | | | |
| Management and general | 102,449 | - | 102,449 | - | - | 417,423 |
| Fundraising | 12,781 | - | 12,781 | - | - | 86,375 |
| Total supporting services | 115,230 | - | 115,230 | - | - | 503,798 |
| Total expenses | 587,035 | - | 587,035 | - | - | 2,539,876 |
| Change in net assets before other income (expenses): | | | | | | |
| Loan forgiveness- Paycheck Protection Program | 62,669 | - | 62,669 | - | - | 237,669 |
| Total other income | 62,669 | - | 62,669 | - | - | - |
| CHANGE IN NET ASSETS | 330,416 | (356,605) | (26,189) | - | - | (190,085) |
| NET ASSETS, Beginning of year | 780,797 | 622,107 | 1,402,904 | 50,000 | - | 1,870,589 |
| NET ASSETS, End of year | \$ 1,111,213 | \$ 265,502 | \$ 1,376,715 | \$ 50,000 | \$ - | \$ 1,680,504 |

See accompanying notes to consolidated financial statements.