



ALIANZA MUNICIPAL
DE
SERVICIOS INTEGRADOS, INC.

FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITORS' REPORT

AND SCHEDULES AND REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND THE UNIFORM GUIDANCE

JUNE 30, 2022 AND 2021

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report	1 - 3
Statements of Financial Position	4
Statements of Activities	5 - 6
Statements of Functional Expenses	7 - 8
Statements of Cash Flows	9
Notes to Financial Statements	10 - 23
<u>SINGLE AUDIT SECTION</u>	
Supplementary Information	
Schedule of Expenditures of Federal Awards	25
Notes to Schedule of Expenditures of Federal Awards	26 - 27
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28 - 29
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	30 - 32
Schedule of Findings and Questioned Costs	33
Summary Schedule of Prior Audit Findings	34

INDEPENDENT AUDITORS' REPORT

To the Governing Board and Management of
Alianza Municipal de Servicios Integrados, Inc.

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of Alianza Municipal de Servicios Integrados, Inc. (AMSI), a nonprofit organization, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years 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 Alianza Municipal de Servicios Integrados, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 AMSI, 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 AMSI's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 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 judgment 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 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 AMSI '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 schedule of expenditures of federal awards 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedule of support, revenues, expenses and changes in net assets, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the schedule of support, revenues, expenses and changes in net assets are 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 31, 2023 on our consideration of AMSI'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 AMSI'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 AMSI's internal control over financial reporting and compliance.

Mayagüez, Puerto Rico
March 31, 2023

Rodriguez, Rivera + Toas, PSC

License number 243, which expires on
December 1, 2025.

The stamp number E518387 of the
Puerto Rico Society of Certified Public
Accountants was affixed to the original
of this report.

Alianza Municipal de Servicios Integrados, Inc.
(A nonprofit corporation)

STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2022</u>	<u>2021</u>
Assets		
Cash	\$ 139,432	\$ 1,069,404
Federal grants receivable	2,610,395	2,291,753
Contract service fees receivables, net	2,906,944	634,504
Prepaid expenses	7,492	3,258
Capital assets, net	<u>1,205,881</u>	<u>968,021</u>
Total assets	<u>\$ 6,870,144</u>	<u>\$ 4,966,940</u>
Liabilities		
Accounts payable	3,005,855	1,412,330
Accrued liabilities	448,095	634,823
Deferred grant revenue	24,513	24,513
Compensated absences	583,255	510,252
Notes payable	<u>7,512</u>	<u>530,543</u>
Total liabilities	4,069,230	3,112,461
Net assets		
Without donor restrictions	2,792,307	1,845,872
With donor restrictions	<u>8,607</u>	<u>8,607</u>
Total net assets	<u>2,800,914</u>	<u>1,854,479</u>
Total liabilities and net assets	<u>\$ 6,870,144</u>	<u>\$ 4,966,940</u>

See accompanying notes to financial statements.

Alianza Municipal de Servicios Integrados, Inc.
(A nonprofit corporation)

STATEMENT OF ACTIVITIES

Year ended June 30, 2022

	Without Restrictions	With Restrictions	Total
Revenues and support			
Contributions of cash and other financial assets			
Federal grants	\$ -	\$ 13,039,426	\$ 13,039,426
State grants	71,250	-	71,250
Municipal grant	389,465	100,000	489,465
	460,715	13,139,426	13,600,141
Contributions of nonfinancial assets	-	134,428	134,428
Contract service fees and commissions	6,036,824	-	6,036,824
Gain on extinguishment of debt	524,386	-	524,386
Other income	124,674	-	124,674
Net assets released from restrictions	13,273,854	(13,273,854)	-
	20,420,453	-	20,420,453
Expenses			
Workforce assistance programs			
Youth	2,483,897	-	2,483,897
Adults	3,023,133	-	3,023,133
Dislocated	6,398,043	-	6,398,043
Other	880,904	-	880,904
Temporary employment agency	4,718,087	-	4,718,087
Management and general	1,969,954	-	1,969,954
	19,474,018	-	19,474,018
Change in net assets	946,435	-	946,435
Net assets at beginning of year	1,845,872	8,607	1,854,479
Net assets at end of year	\$ 2,792,307	\$ 8,607	\$ 2,800,914

See accompanying notes to financial statements.

Alianza Municipal de Servicios Integrados, Inc.
(A nonprofit corporation)

STATEMENT OF ACTIVITIES

Year ended June 30, 2021

	Without Restrictions	With Restrictions	Total
Revenues and support			
Contributions of cash and other financial assets			
Federal grants	\$ -	\$ 9,802,948	\$ 9,802,948
Municipal grant	-	100,000	100,000
	-	9,902,948	9,902,948
Contributions of nonfinancial assets	-	119,047	119,047
Contract service fees and commissions	2,763,597	-	2,763,597
Other income	6,717	-	6,717
Net assets released from restrictions	10,024,769	(10,024,769)	-
	12,795,083	(2,774)	12,792,309
Expenses			
Workforce assistance programs			
Youth	2,217,693	-	2,217,693
Adults	2,821,298	-	2,821,298
Dislocated	3,095,661	-	3,095,661
Other	510,522	-	510,522
Temporary employment agency	2,080,193	-	2,080,193
Management and general	2,541,287	-	2,541,287
	13,266,655	-	13,266,655
Change in net assets	(471,572)	(2,774)	(474,346)
Net assets at beginning of year	2,317,443	11,381	2,328,824
Net assets at end of year	\$ 1,845,872	\$ 8,607	\$ 1,854,479

See accompanying notes to financial statements.

Alianza Municipal de Servicios Integrados, Inc.
(A nonprofit corporation)

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2022

	Program Services				Temporary Employment Agency	Supporting Services	Total
	Youth	Adults	Dislocated	Other		Management and General	
Expenses							
Salaries	\$ 419,842	\$ 603,063	\$ 870,238	\$ 752,624	\$ 3,955,831	\$ 967,239	\$ 7,568,837
Employee benefits	136,199	161,890	292,395	70,048	667,975	298,172	1,626,679
Professional services	79,768	38,468	179,015	-	54,251	88,171	439,673
Travel	20,062	8,125	9,937			4,075	42,199
Supplies	11,376	7,746	19,933	14,525	-	40,704	94,284
Utilities	130,591	50,335	98,583	1,850	-	54,194	335,553
Rent	204,866	248,100	309,644	3,000	-	26,020	791,630
Activities and program costs	1,360,286	1,763,613	4,431,359	37,632	-	-	7,592,890
Insurance	14,790	6,352	11,589	-	-	38,016	70,747
Maintenance	82,474	76,288	112,166	430	-	48,484	319,842
Depreciation and amortization	-	-	-	-	823	139,623	140,446
Loss on disposition of assets	-	-	-	-	-	1,160	1,160
Other	23,643	59,153	63,184	795	39,207	264,096	450,078
Total operating expenses	\$ 2,483,897	\$ 3,023,133	\$ 6,398,043	\$ 880,904	\$ 4,718,087	\$ 1,969,954	\$ 19,474,018

See accompanying notes to financial statements.

Alianza Municipal de Servicios Integrados, Inc.
(A nonprofit corporation)

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2021

	Program Services					Supporting Services	Total
	Youth	Adults	Dislocated	Other	Temporary Employment Agency	Management and General	
Expenses							
Salaries	\$ 514,371	\$ 633,192	\$ 860,325	\$ 334,720	\$ 1,566,713	\$ 920,953	\$ 4,830,274
Employee benefits	137,089	129,665	269,704	32,373	199,996	355,435	1,124,262
Professional services	73,429	164,853	184,624	-	6,992	239,299	669,197
Supplies	28,870	6,815	52,089	3,472	-	45,114	136,360
Utilities	69,823	65,864	71,194	303	-	49,744	256,928
Rent	145,479	82,566	157,065	-	127,286	80,907	593,303
WIOA Activities and program costs	1,213,353	1,719,885	1,330,453	136,880	-	-	4,400,571
Insurance	2,299	4,401	51,005	-	-	7,995	65,700
Maintenance	18,395	4,137	77,543	-	-	258,210	358,285
Depreciation and amortization	-	-	-	-	-	292,983	292,983
Loss on disposition of assets	-	-	-	-	-	163,475	163,475
Other	14,585	9,920	41,659	2,774	179,206	127,172	375,316
Total operating expenses	<u>\$ 2,217,693</u>	<u>\$ 2,821,298</u>	<u>\$ 3,095,661</u>	<u>\$ 510,522</u>	<u>\$ 2,080,193</u>	<u>\$ 2,541,287</u>	<u>\$ 13,266,655</u>

See accompanying notes to financial statements.

Alianza Municipal de Servicios Integrados, Inc.
(A nonprofit corporation)

STATEMENTS OF CASH FLOWS

Year ended June 30,

	2022	2021
Increase (decrease) in cash		
Cash flows from operating activities:		
Change in net assets	\$ 946,435	\$ (474,346)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	140,446	292,983
Loss on disposal of capital assets	1,160	163,475
Gain on extinguishment of debt	(524,386)	-
Changes in assets and liabilities:		
Federal grants receivable	(327,771)	(669,526)
Contract service fees receivable	(2,263,311)	(350,806)
Contribution receivable	-	25,000
Prepaid expenses	(4,232)	(3,259)
Accounts payable	1,593,523	154,833
Accrued liabilities	(179,942)	587,847
Unamortized interest	-	(5,848)
Deferred grant revenue	-	24,513
Compensated absences	73,003	141,345
Net cash used in by operating activities	(545,075)	(113,788)
Cash flows from investing activities:		
Acquisitions of property and equipment	(379,466)	(251,209)
Net cash used in investing activities	(379,466)	(251,209)
Cash flows from financing activities:		
Advances from line of credit	-	638,656
Repayments of line of credit	-	(638,656)
Payments of note payable	(5,431)	(4,837)
Net cash used in by financing activities	(5,431)	(4,837)
Net increase (decrease) in cash	(929,972)	(369,834)
Cash, at beginning of year	1,069,404	1,439,238
Cash, at end of year	\$ 139,432	\$ 1,069,404
<u>Cash paid during the year for:</u>		
Interest	\$ 842	\$ 1,259
Income taxes	\$ -	\$ -

Noncash transactions

During the years ended June 30, 2022 and 2021 AMSI retired property and equipment with acquisition costs of \$5,654 and \$531,834 and accumulated depreciation of \$4,494 and \$ \$368,359, respectively.

Financial liability of \$517,600 and related accrued interest of \$6,786 were forgiven as authorized by Section 1106 of the CARES Act as of June 30, 2022.

See accompanying notes to financial statements.

Alianza Municipal de Servicios Integrados, Inc.
(A nonprofit corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Nature of the Organization

Alianza Municipal de Servicios Integrados, Inc. (AMSI) is a not-for-profit corporation organized in March 7, 2006. AMSI is formed by the municipalities of Caguas, Aibonito, Arroyo, Cayey, Gurabo, Trujillo Alto, Aguas Buenas, and Guayama (hereinafter the Municipalities) for the purpose of developing human capital for self-sufficiency and self-management through innovative services and partnerships, according to the changes and trends of the global economy. AMSI serves as a service agency designated by the Commonwealth of Puerto Rico to receive and administer funds in accordance with Title I of the Workforce Innovation and Opportunity Act (WIOA). These funds are received from the U.S. Department of Labor, passed-through the Puerto Rico Department of Economic Development and Commerce, an executive agency of the Commonwealth, which formalizes annual contract agreements with local areas, including non-profit organizations, and delegates funds accordingly.

As required by WIOA regulations, AMSI is governed by a Board of Chief Elected Officials and a Local Workforce Development Board (LWDB). The Board of Chief Elected Officials, comprised of the Mayors of each member Municipalities, has designated AMSI as the local grant recipient of funds and appoints an Executive Director to administer the organization. The Mayor of the Municipality of Caguas serves as the President, and the mayors of Gurabo and Arroyo serves as Vice-president and Secretary, respectively until the expiration of their terms in 2025. The LWDB is composed of representatives from the private, educational, labor and community groups, and economic development agencies to provide strategic planning, policy development and oversight to the program activities as stated in the local annual plan. Members are selected every two years as stated by WIOA regulations. AMSI's Executive Director is directly responsible to the Board of Chief Elected Officials and to the LWDB.

AMSI administers the WIOA federal program for the purpose of increasing the employment, retention, earnings, and occupational skill attainment of US workers, particularly those individuals with barriers to employment. WIOA programs administered by AMSI is divided into: Youth Activities Program, Adult Activities Program, and Dislocated Worker Program:

Youth Activities Program - The program delivers a comprehensive array of services that focus on assisting out-of-school youth and in-school youth having barriers to employment to empower them for post-secondary education, employment opportunities, attain educational and skills training credentials, and secure employment with career/promotional opportunities.

Adult Activities Program - The program serves adult individuals and helps employers meet their workforce needs. It enables workers to obtain good jobs by providing them with job search assistance and training opportunities. The Adult Program will ensure that both unemployed and other job seekers have access to high-quality workforce services, and that priority for services will be given to those who are public assistance recipients, low-income individuals, and/or basic skills deficient. In addition, the program will provide individuals with disabilities access to high quality workforce services and prepare them for competitive or integrated employment.

Alianza Municipal de Servicios Integrados, Inc.
(A nonprofit corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Dislocated Worker Program - The program helps dislocated workers become reemployed. It provides them with job search assistance, career services, and training that builds their skills to meet labor market needs. Dislocated Worker services are targeted to workers who are unemployed or have lost a job through no fault of their own, or who have exhausted their Unemployment Compensation.

In addition to the WIOA federal program, since June 11, 2008, AMSI has been operating a Temporary Employment Agency Program (TEA). The program provides extended services to the labor force and employers. This service is provided through a cooperative agreement with the LWDB and AMSI's local area management.

2. Basis of Accounting

The financial statements of AMSI have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

3. Basis of Presentation

The financial statements have been prepared in accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 Not-for Profit Entities. Under the provisions of the FASB ASC 958, AMSI is required to report information regarding its financial position and activities according to two (2) classes of net assets:

<i>Net Assets without donor restrictions:</i>	Net assets not subject to donor-imposed restrictions. These net assets may be used at the discretion of AMSI's management and the Board of Chief Elected Officials.
<i>Net Assets with donor restrictions:</i>	Net assets subject to donor-imposed restrictions that may or will be met, either by actions of AMSI or the passage of time. When the donor-imposed restrictions expire, net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as revenue without donor restrictions.

4. Adoption of new accounting pronouncements

Effective July 1, 2021 AMSI adopted the provisions of the Accounting Standards Codification Update (ASU) No. 2020-07 "Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets", issued by the Financial Accounting Standards Board which requires that not-for-profit (NFP) entities that receive contributed nonfinancial assets present them as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and disclose a disaggregation of the amount of these contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets. For each category of contributed nonfinancial assets recognized NFP entities are required to disclose: (a) Qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, an NFP will disclose a description of the programs or other activities in which those assets were used. (b) The NFP's policy (if any) about

Alianza Municipal de Servicios Integrados, Inc.
(A nonprofit corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

monetizing rather than utilizing contributed nonfinancial assets. (c) A description of any donor-imposed restrictions associated with the contributed nonfinancial assets. (d) A description of the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, Fair Value Measurement, at initial recognition. (e) The principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient NFP is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. AMSI has no formal policy to monetize any nonfinancial contribution.

AMSI adopted this standard effective July 1, 2021 on a retrospective basis. The adoption did not have a material impact on AMSI's financial statements, with the exception of increased disclosure.

5. Future adoption of accounting pronouncements

The FASB has issued ASU No. 2016-02 “*Leases (Topic 842)*”, which AMSI has not yet adopted. The ASU, as amended by subsequent ASUs on the topic, sets out the principles for the recognition measurement, presentation and disclosure of leases for both lessees and lessors. The guidance requires lessees to apply a two-method approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase. Lessees are required to record a right-of-use asset and a lease liability for all leases with a term greater than 12 months. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. Lessees will recognize an expense based on the effective interest method for finance leases or on a straight-line basis for operating leases. The accounting applied for by the lessor is largely unchanged from that applied under the existing lease standard. Under the ASU, initial direct costs for both lessees and lessors would include only those costs that are incremental to the arrangement and would not have been incurred if the lease had not been obtained. As a result, AMSI will no longer capitalize internal leasing costs and instead will expense these costs as incurred. The Update was originally effective for AMSI for years commencing on July 1, 2020, but in June 2020, the FASB issued ASU No. 2020-05 which deferred the effective date of this standard. The standard will be effective for AMSI for the year ending June 30, 2023.

6. Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in bank accounts and highly liquid investments without donor restrictions with an initial maturity date of three months or less. Restricted cash and restricted cash equivalents, if any, are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

7. Accounts receivable and allowance for doubtful accounts

Receivables are stated net of estimated allowances for uncollectible accounts, if any, which are determined upon past collection experience and current economic conditions. After all reasonable collection efforts have been exhausted in accordance with AMSI's policies, account receivable is written off and charged against the allowance for doubtful accounts. Bad debt expense is presented as part of operating expenses and not as a reduction of revenues.

Alianza Municipal de Servicios Integrados, Inc.
(A nonprofit corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Federal grants receivable - Represent amounts owed to AMSI for the reimbursement of expenditures incurred pursuant to WIOA program or other federal programs.

Contract service fees receivable – Represent billed and unbilled amounts due for performance obligations already satisfied, owed to AMSI for temporary employment services provided to both private and governmental customers for the referrals of skill and non-skill jobseekers. Amounts recognized are AMSI’s unconditional rights to consideration since only the passage of time is required before payment of that consideration is due.

Contribution receivable - Contributions are recognized when, in substance, are unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

8. *Capital assets*

AMSI capitalized all capital asset acquisitions in excess of \$100 and an estimated useful life of more than two years. Capital assets are stated at historical cost when purchased. Donations of equipment are recorded as support at their estimated fair value at the date of donation. Such donations and property acquired are reported as support without donor restrictions unless the donor or grantor has restricted the asset to a specific purpose. Assets donated or acquired with explicit restrictions regarding their use and contributions of cash received for fixed asset acquisitions will be recorded as net assets with donor restrictions. AMSI reports expirations of restrictions when the acquired or donated long-lived assets are placed in service. At that time net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions. Repair and maintenance are expensed as incurred.

Capital assets are carried at cost less depreciation. Depreciation is computed using the straight-line method over the estimated useful lives, which range between 5 to 10 years.

AMSI reviews for the impairment of long-lived assets and certain identifiable intangibles whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of an asset to future net cash flow expected to be generated by the asset. If such assets are impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

9. *Compensated absences*

AMSI recognizes compensated absences under the accrual basis of accounting. The employees accumulate the following compensated absences:

Vacation Leave – Effective December 2020, AMSI restated to 2.5 days the employee vacation leave rate, as approved by the Board of Chief Elected Officials. Unpaid vacation time accumulated is fully vested to the employees from the first day of work.

Alianza Municipal de Servicios Integrados, Inc.
(A nonprofit corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Sick Leave - Effective December 2020, AMSI restated to 1.5 days the employee sick leave rate, up to a maximum of 90 days, for all employees regardless of the date they were hired. Also, unpaid vacation time accumulated is fully vested to the employees from the first day of work, as approved by the Board of Chief Elected Officials.

10. Forgivable loan

AMSI recognizes proceeds from a forgivable loan under the Small Business Administration Paycheck Protection Program (PPP) as financial liability in accordance with FASB ASC 470 and accrue interest in accordance with the interest method under FASB ASC 835-30. Consequently, AMSI recognizes the proceeds from the loan as a liability until either (1) the loan is, in part or wholly, forgiven and AMSI has been legally released or (2) AMSI pays off the loan. Once the loan is, in part or wholly forgiven and legal release is received, AMSI would reduce the liability by the amount forgiven and record a gain on extinguishment of debt.

11. Revenues

AMSI receives its grants primarily from the U.S. Department of Labor passed through from the P.R. Department of Economic Development and Commerce and other federal and state agencies. Based on ASU No. 2018-08 “*Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*”, AMSI classifies amounts received as a contribution (nonreciprocal transactions) or as exchange (reciprocal) transactions and determines whether a contribution is conditional or not. Therefore, grants or contracts are either recorded as contributions or exchange transactions based on criteria contained in the grant award and guidelines established by this ASU. AMSI’s main revenue recognition policies are as follows:

Grant awards that are contributions (Federal, state and municipal grants) - Unconditional grants and contracts contributions are reported as an increase in net assets with donor restrictions depending on the nature of the grantor imposed-restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statements of activities. All other grantor-restricted contributions that are restricted by the grantor are reported as an increase in net assets without donor restrictions if the restrictions expire in the fiscal year in which the grants or contracts are recognized. Conditional grants are recognized only when the conditions on which they depend are substantially met and the grant becomes unconditional. Amounts received in excess of expenses are recorded as refundable advances in the accompanying statement of financial position.

Grant awards that are exchanges - Grants and contracts income received in exchange for specific services provided are recognized at the time AMSI provides the services to which the grants and contracts are limited. Amounts received in advance of services being provided are recorded as deferred revenue in the accompanying statements of financial position.

Contract service fees and commissions - AMSI has fixed-price agreements with private and governmental entities, generally for a one-year term, to provide temporary employment agency services to its customers. Revenue is recognized as the performance obligation is satisfied. Performance

Alianza Municipal de Servicios Integrados, Inc.
(A nonprofit corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

obligation is based on the nature of the services provided and satisfied over the time as control of the promised services is transferred to customers. Under these agreements, control of the promised services is transferred by AMSI as the temporary employee dedicates the working hours to the customer.

AMSI elects the *Right to Invoice* practical expedient to recognize revenue to the extent to which it has a right to consideration from a customer. The amount reflects the consideration AMSI expects to be entitled to, in exchange for those services completed to date. AMSI also elected to exclude certain disclosures about remaining performance obligations in the contracts, as provided in the practical expedient. Therefore, contract fee is recognized as revenue when billed, based on hours of services provided by the temporary employee to a customer. Sales (and similar) taxes, imposed on our sales and collected from customers, are excluded from revenues.

Transaction price is generally stated in the contract based on a cost-plus formula. There is no judgment involved in the price allocation process because AMSI only delivers a single performance obligation at a contractual fixed price.

Contracts with private customers provide for variable consideration in case of late payments which are subject to an additional fee and interest over any overdue balance. This additional fee is recorded as revenue at the point in time it occurs. Credit losses from contracts with customers are mitigated by discontinuing services in the event of non-payment and by imposing these additional fees and interest in the event of late payment. At year-end, the amount of additional fees recorded as revenues and credit losses incurred are not significant to the financial statements.

Consideration is not affected for a financing component since agreements are generally for a one-year term. The contract does not provide for returns or refunds or similar obligations but provides for replacement of employees provided to customers in case of absences, vacations and illness. Neither contract with governmental customers nor with private customers provides for collections in advance.

12. Expense Recognition and functional allocation

Expenses are recognized when the related liability is incurred. The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Program service expenses are the costs related to providing AMSI's programs and services and which mainly consist of WIOA programs and the temporary employment agency program, or the costs of the activities for which purpose the organization exists. Management and general expenses relate to the overall direction of AMSI. Compensation and benefits expenses are allocated based on estimates of time and effort, as well as depreciation and amortization and occupancy, which are allocated on a square footage basis. Telephone costs are allocated based on line counts by functional category.

13. Risk Management

AMSI carries commercial insurance covering casualty, theft, tort claims, and other losses. AMSI carries insurance coverage for death and bodily injuries caused by automobile accidents. This insurance is obtained through the Automobile Accidents Compensation Administration (ACAA), a component unit of the

Alianza Municipal de Servicios Integrados, Inc.
(A nonprofit corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Commonwealth of Puerto Rico (the Commonwealth). **AMSI** obtains workers' compensation insurance coverage through the State Insurance Fund Corporation (SIFC), a component unit of the Commonwealth.

This insurance covers workers against injuries, disability, or death because of work or employment-related accidents or because of illness suffered because of their employment. **AMSI** obtains non-occupational disability, and drivers' insurance coverage for its employees through various insurance programs administered by the Puerto Rico Department of Labor and Human Resources (DOL). These insurance programs cover workers against unemployment and provide supplementary insurance coverage for temporary disability, or death because of work or employment-related accidents or because of illness suffered because of their employment. **AMSI** also obtains medical insurance coverage from two health insurance companies, one for medical and other for dental coverage, for its employees.

AMSI does not carry federal and state unemployment insurance. Instead, **AMSI** refunds the Puerto Rico DOL for unemployment compensation paid to former **AMSI** employees, mostly former TEA employees. It is impracticable to determine the amount to be refunded to the Puerto Rico DOL, accordingly, such costs are recognized when they are billed. **AMSI** has insurance coverage for its facilities, primarily, to provide protection from catastrophic losses. Also, principal officials of the entity are covered under various surety bonds.

14. Tax Status

AMSI is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 1101 of the 2011 Puerto Rico Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for income taxes. In addition, it is also exempt from property and municipal license taxes.

Accounting principles generally accepted in the United States of America requires **AMSI's** management to evaluate its income tax position each year to determine whether **AMSI's** tax position is more-likely-than-not to be sustained if examined by applicable taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2022 and 2021 there are no other uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. **AMSI** is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. **AMSI's** management believes it is no longer subject to income tax examinations for years prior to 2018.

15. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

16. Reclassifications

Certain amounts in the 2021 financial statements have been reclassified for comparative purposes to conform with the 2022 financial statement's presentation.

Alianza Municipal de Servicios Integrados, Inc.
(A nonprofit corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE B - CONCENTRATION OF CREDIT RISK

AMSI maintains its cash accounts in a local bank, which is insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2022 and 2021 the significant concentration of credit risk for the uninsured cash in bank amounted to \$72,923 and \$950,735, respectively.

NOTE C – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table discloses AMSI’s financial assets as of June 30, which are available within one year to meet its cash needs:

	2022	2021
Cash	\$ 139,432	\$ 1,069,404
Federal grants receivable	2,610,395	2,291,753
Contract fees and other receivables, net	2,906,944	634,504
 Total financial assets available to meet cash needs for general expenditures within one year	 \$ 5,656,771	 \$ 3,995,661

None of the financial assets are subject to donor or other contractual restrictions, as well as designation from the Board of Chief Elected Officials or the LWDB, that make them unavailable for general expenditures within one year of the statement of financial position date. AMSI’s has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. AMSI does not intend to spend anything other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process.

As described in Notes F and Q, in the event of unanticipated liquidity needs, AMSI could draw upon \$100,000 of an available line of credit and effective November 2022 up to \$250,000 from a credit note.

NOTE D – RECEIVABLES FROM CONTRACT SERVICE FEES

Contract service fees receivables at June 30, 2022 and 2021 consists of the following:

	2022	2021
Public entities:		
P.R. Department of Education	\$ 210,449	\$ 210,449
P.R. Public Housing Administration (PRPHA)	79,358	4,536
P.R. Housing Department	74,985	123,567
P.R. Housing Finance Authority (PRHFA)	35,603	38,736
Municipality of Caguas	92,724	141,672
Private entities:	2,607,086	316,119
	3,100,205	835,079
 Less: allowance for doubtful accounts	 (193,261)	 (200,575)
	\$ 2,906,944	\$ 634,504

Alianza Municipal de Servicios Integrados, Inc.
(A nonprofit corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE E - CAPITAL ASSETS

A summary of the activity of capital assets at June 30, 2022 follows:

	<u>Balance 6/30/2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclassification</u>	<u>Balance 6/30/2022</u>
Computer and peripherals	\$ 14,777	\$ 40,562	\$ -	\$ 258,423	\$ 313,762
Leasehold improvements	-	8,805	-	-	8,805
Vehicles	94,498	-	-	-	94,498
Office equipment and furniture	1,450,668	327,070	(5,654)	(207,985)	1,564,098
Communication equipment	428,984	3,032	-	(48,018)	383,998
Software	174,909	-	-	(2,420)	172,489
	<u>2,163,836</u>	<u>379,468</u>	<u>(5,654)</u>	<u>-</u>	<u>2,537,649</u>
Less: accumulated depreciation	<u>(1,195,815)</u>	<u>(140,447)</u>	<u>4,494</u>	<u>-</u>	<u>(1,331,768)</u>
Capital assets, net	<u><u>\$ 968,021</u></u>	<u><u>\$ 239,021</u></u>	<u><u>\$ (1,160)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,205,881</u></u>

NOTE F - LINE OF CREDIT

AMSI has a demand bank line of credit totaling \$100,000 at 2.50% over prime rate (prime rate 4.75% and 3.25% at June 30, 2022 and 2021, respectively) with a commercial bank in Puerto Rico. As of June 30, 2022 and 2021, the unused amount of the line of credit amounted to \$100,000, respectively.

NOTE G - COMPENSATED ABSENCES

Compensated absences as of June 30, 2022 were as follows:

	<u>Balance July 1, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2022</u>
Vacations leave	\$ 283,153	\$ 400,419	\$ (344,348)	\$ 339,225
Sick leave	227,099	354,138	(337,206)	244,030
	<u><u>\$ 510,252</u></u>	<u><u>\$ 754,557</u></u>	<u><u>\$ (681,554)</u></u>	<u><u>\$ 583,255</u></u>

Alianza Municipal de Servicios Integrados, Inc.
(A nonprofit corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE H - NOTES PAYABLE

Notes payable at June 30, consist of the following:

	2022	2021
8.10% note payable to a financial institution for acquisition of a vehicle, payable in 59 monthly payments of \$508, with an initial payment of \$648 (including interest), maturing in October 2023. This note is guaranteed with the vehicle.	\$ 7,512	\$ 12,943
Paycheck Protection Program (PPP) loan payable to Banco Popular of PR at 1% interest rate with a maturity term of two years from the date of first disbursement of the loan. This loan was forgiven in accordance with the Coronavirus Aid, Relief and Economic Security (CARES) Act on August 16, 2021.	-	517,600
	\$ 7,512	\$ 530,543

Aggregate maturities of the note payable for the next years are as follows:

Year ending June 30,	Amount
2023	\$ 5,696
2024	1,816
	\$ 7,512

NOTE I – REVENUES FOR CONTRACT SERVICE FEES AND COMMISSIONS

The following table shows AMSI’s revenues for contract service fees and commissions disaggregated by type of customers served:

	2022	2021
Governmental	\$ 1,055,548	\$ 1,433,112
Private	4,981,276	1,330,485
	\$ 6,036,824	\$ 2,763,597

During the fiscal year AMSI signed a services agreement with a private organization, which represented approximately 40% of total year billing and 78% of TEA’s receivables.

Alianza Municipal de Servicios Integrados, Inc.
(A nonprofit corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE J - CONTRIBUTED NONFINANCIAL ASSETS

AMSI recognized contributed nonfinancial assets within revenues. The following table summarizes nonfinancial assets recognized within the statement of activities for the year ended June 30, 2022:

Description	Revenue Recognized	Utilization in Programs / Activities	Donor Restrictions	Valuation Techniques and Inputs
Salaries and fringe benefits	\$ 23,048	WIOA activities	Restricted to provide services to WIOA participants	Contributed services are valued at current cost incurred by donor.
Office space	63,100	WIOA activities	Restricted to use in WIOA activities	Office spaces are valued at current cost incurred by donor.
Utilities	32,000	WIOA activities	Restricted to use in WIOA activities	Utilities are valued at current cost incurred by donor.
Supplies	9,320	WIOA activities	Restricted to use in WIOA activities	Supplies are valued at current cost incurred by donor.
Other	6,960	WIOA activities	Restricted to use in WIOA activities	Miscellaneous contributions are valued at current cost incurred by donor.
	<u>\$ 134,428</u>			

NOTE K – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor-imposed restrictions were released from restrictions either by incurring the related expenses to satisfy the restricted purposes or by occurrence of other events specified by donors. During the year ended June 30, 2022 and 2021 the amount of net assets released from restrictions are as follows:

	<u>2022</u>	<u>2021</u>
Satisfaction of restrictions for specific purposes related to program and support expenses	\$ 13,186,215	\$ 9,786,382
Satisfaction of restrictions for specific purposes related to capital expenditures	87,639	238,387
	<u>\$ 13,273,854</u>	<u>\$ 10,024,769</u>

Such net assets were contributed to AMSI through conditional governmental programs and private contributions in the form of grants, awards and contracts, which are recorded as revenues with donor restrictions until specified conditions are met.

Alianza Municipal de Servicios Integrados, Inc.
(A nonprofit corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE L - RELATED PARTY TRANSACTIONS

AMSI's is governed by a Board of Chief Elected Officials composed of Mayors of the eight member municipalities and a Local Workforce Development Board (LWDB). The Municipalities may make "in kind" contributions for certain organization's operational expenses and may receive employment services from AMSI. Annually, the Autonomous Municipality of Caguas (the Municipality) contributes funds through a Municipal Grant for the payment of rent. The annual assignment of these funds is not indicative that the Municipality has a commitment for the assignment of future funds. The most significant related party transactions as of June 30, are as follows:

	<u>2022</u>	<u>2021</u>
Municipality of Caguas – municipal grant for the payment of rent	\$ 100,000	\$ 100,000
Temporary employment services to Municipality of Caguas	232,778	104,538
Temporary employment services to Municipality of Aibonito	80,045	-

AMSI also has a lease agreement with the Municipality of Trujillo Alto for the rental of a municipal facility for the operation of the American Job Center (also known as One Stop Career Center) in that municipality. Annual rent expense for this facility amounted to \$24,011 as of June 30, 2022 and 2021.

NOTE M - RETIREMENT PLAN

Effective January 1, 2021, AMSI (the Plan Sponsor) established AMSI Employees Retirement Plan (the Plan), a defined and deferred contribution retirement plan covering all AMSI's employees already employed who has completed one year of service and has reached who are 21 years and older.

Pursuant to the applicable adoption agreement, participants may elect to have his/her compensation reduced by an amount up to the maximum deferral amount applicable as specified in Section 1081.01 of the Puerto Rico Internal Revenue Code of 2011, as amended. The Employer may match pre-tax contributions in amounts but shall not exceed two percent (2%) of the participant's compensation. Catch-up, after-tax contributions, employer matching contributions and employee's rollover contributions were allowed as well.

Participants will be immediately vested in their contributions plus actual earnings thereon. Vesting in the Plan Sponsor's matching of their accounts plus actual earnings thereon will be based on years of continuous service. However, all participants will be 100% vested attaining age 65 (normal retirement age) or after reaching the sixth year of service. Individual accounts will be maintained for each Plan's participant. Participants may direct the trustee to invest any portion of their account in the specific funds selected for investment under the Plan. Each participant's account will be credited with the participant's contribution and allocations of: (a) the Retirement Plan Sponsor's matching contribution, (b) investment earnings, (c) participant forfeitures and charged with an allocation of withdrawals.

The Local Workforce Development Board serves as the Plan's trustee and Empower Retirement is responsible for custodian and recordkeeping services. AMSI's Chief Executive Officer is responsible for the oversight of the Plan.

Sponsor contributions for the year ended June 30, 2022 amounted to \$13,524. The Plan has 65 participants at year-end.

Alianza Municipal de Servicios Integrados, Inc.
(A nonprofit corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE N - COMMITMENTS

Operating leases - AMSI occupies facilities and uses photocopiers under non-cancelable operating leases. Operating leases do not give rise to property rights or lease obligation, and therefore the results of the lease agreement are not reflected in AMSI's property and equipment accounts. Rental expenses for all operating leases for the year ended June 30, 2022 and 2021 amounted to \$748,688 and \$534,245, respectively. The future minimum annual rentals are as follows:

Minimum Rent Schedule				
<u>Year</u>	<u>Office</u>	<u>Locations</u>	<u>Equipment</u>	<u>Total</u>
2023	\$ 454,284	\$ 193,211	\$ 16,959	\$ 664,454
2024	454,284	169,200	16,919	640,403
2025	454,284	67,200	16,366	537,850
2026	454,284	67,200	16,366	537,850
2027	454,284	67,200	4,092	525,576
	<u>\$ 2,271,420</u>	<u>\$ 564,011</u>	<u>\$ 70,702</u>	<u>\$ 2,906,133</u>

NOTE O - CONTINGENCIES

Federal and Commonwealth Grants

Programs supported by Federal and Commonwealth grants are subject to program compliance audits by the grantor agencies to determine compliance with requirements and conditions of such grants. If expenditures are disallowed because of a noncompliance with such requirements, funds may be required to be reimbursed to the applicable grantor agencies. Nevertheless, it is the Management's opinion that no material liabilities from disallowed costs will arise from audits previously performed or to be performed.

NOTE P - UNUSUAL EVENT

Coronavirus Pandemic (COVID-19)

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) spread across the world, including the United States of America (USA). On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the USA, including the Commonwealth, have declared a state of emergency. The immediate impact to AMSI's operations includes disruptions or restrictions on our employees' ability to work. Changes to the operating environment may increase operating costs. It is anticipated that these impacts will continue for some time.

In response to the economic impact of COVID 19, on April 28, 2020, AMSI obtained a loan from Banco Popular of Puerto Rico (BPPR) in the amount of \$517,600 pursuant to the Paycheck Protection Program (PPP loan) authorized under the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The PPP Loan proceeds received have been recorded as a note payable in the accompanying financial statements (See Note G). The PPP loan includes a provision of forgiveness whereby borrowers are not responsible for both loan repayment and accrued interest if the proceeds are utilized for forgivable purposes described in the CARES Act.

Alianza Municipal de Servicios Integrados, Inc.
(A nonprofit corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE P - UNUSUAL EVENT – Continued

On August 16, 2021, and as authorized by Section 1106 of the CARES Act, the Small Business Administration remitted AMSI's Lender a payment amount of \$524,386 for forgiveness of the loan. The amount includes accrued interest of \$6,786. Due to the amount forgiven, AMSI's records related to the expenses claimed under the PPP loan are subject to be audited by the regulatory agencies. Management recorded this loan in accordance with FASB ASC 470 which provides that the forgiveness be accounted as an extinguishment of debt.

NOTE Q - SUBSEQUENT EVENTS

Management of AMSI has evaluated subsequent events through March 31, 2023, which is the date the financial statements were available to be issued. Management is not aware of any subsequent event that requires adjustment or disclosure either in the financial statements or its related notes, except for the following:

Line of credit agreement

On November 3, 2022 AMSI entered into an agreement with a financial institution for a line of credit of \$250,000 at 4.5% over prime rate due on April 30, 2023. This line of credit is guaranteed with an agreement signed on the same date to assign AMSI's present and future accounts receivable on behalf of the creditor.

SINGLE AUDIT SECTION

Alianza Municipal de Servicios Integrados, Inc.
(A nonprofit corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2022

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>				
Pass-through program from:				
<u>P.R. Department of Housing</u>				
Community Development Block Grant-Disaster Recovery (CDBG-DR) Workforce Training Program	14.228	CDBG-DR "r01e17wtp-edc-lm" CDBG-DR "r01e17wtp-edc-un"	\$ -	\$ 128,379
Total U.S. Department of Housing and Urban Development			-	128,379
<u>U.S. Department of Labor</u>				
Direct program:				
COVID-19 WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	N/A	-	187,806
Pass-through programs from:				
<u>P.R. Department of Economic Development and Commerce (Workforce Development Program)</u>				
WIOA Cluster:				
WIOA Adult Program	17.258	2021-000040 2022-000072	-	3,192,857
WIOA Youth Activities	17.259	2021-000023 2021-000038 2022-000113	-	2,565,248
WIOA Dislocated Worker Formula Grant	17.278	2021-000040, 2022-000072	-	5,400,069
COVID-19 WIOA Dislocated Worker Formula Grant	17.278	2021-000345 2021-000345B 2021-000345C 2021-000345D	-	1,464,446
Total WIOA Cluster			-	12,622,620
Total U.S. Department of Labor			-	12,810,426
<u>Corporation For National and Community Service (CNCS)</u>				
Pass-through program from:				
<u>P.R. Office of the Governor</u>				
Americorps	94.006	2021-000045	-	100,621
Total CNCS			-	100,621
Total Expenditures of Federal Awards			\$ -	\$ 13,039,426

See accompanying notes to this Schedule

Alianza Municipal de Servicios Integrados, Inc.
(A nonprofit corporation)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2022

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal grant activity of AMSI under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operation of AMSI, it is not intended to and does not present the financial position, changes in net assets or cash flows of AMSI.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – ASSISTANCE LISTING NUMBER

The Assistance Listing Number (ALN), formerly known as the Catalog of Federal Domestic Assistance (CFDA) Number, is a five-digit number assigned in the awarding document for all federal assistance award mechanisms, including federal grants and cooperative agreements. Assistance listings are detailed public descriptions of federal programs that provide grants, loans, scholarships, insurance, and other types of assistance awards. The SAM.GOV assistance listing is the public online database showing all available federally funded programs.

NOTE D - PASS-THROUGH ENTITY IDENTIFYING NUMBER

State or local government redistributions of federal awards to AMSI, known as pass-through awards, should be treated by AMSI as though they were received directly from the federal government. The Uniform Guidance requires the schedule 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. Pass-through entity identifying numbers are presented when available. Numbers identified as N/A are not applicable and numbers identified as N/AV are not available.

NOTE E - PROGRAM CLUSTERS

The Uniform Guidance defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to this definition, the U.S. Office of Management and Budget has identified the WIOA Program as a cluster.

NOTE F - INDIRECT COST RATE

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

Alianza Municipal de Servicios Integrados, Inc.
(A nonprofit corporation)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2022

NOTE G - RECONCILIATION OF EXPENDITURES PRESENTED IN THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO THE EXPENSES PRESENTED IN THE FINANCIAL STATEMENTS

<u>Description</u>	<u>Amount</u>
Total expenditures per SEFA:	\$ 13,039,426
Less: Expenditures for capital assets	(87,639)
Plus: Depreciation expense	140,446
Other non-federal expenses	<u>6,381,785</u>
Total expenses per financial statements:	<u><u>\$ 19,474,018</u></u>

INDEPENDENT AUDITORS' 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 Governing Board and Management of
Alianza Municipal de Servicios Integrados, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Alianza Municipal de Servicios Integrados, Inc. (AMSI), a nonprofit organization, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered AMSI's internal control over financial reporting (internal control) as a basis for designing 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 AMSI's internal control. Accordingly, we do not express an opinion on the effectiveness of AMSI'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 the 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether AMSI'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 financial statements. 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 AMSI’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AMSI’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mayagüez, Puerto Rico
March 31, 2023

Rodriguez, Rivera + Toas, PSC

License number 243, which expires on
December 1, 2025.

The stamp number E518388 of the Puerto Rico Society of Certified Public Accountants was affixed to the original of this report.

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

To the Governing Board and Management of
Alianza Municipal de Servicios Integrados, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Alianza Municipal de Servicios Integrados, Inc. (AMSI)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of AMSI's major federal programs for the year ended June 30, 2022. AMSI's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Alianza Municipal de Servicios Integrados, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 AMSI 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 AMSI's compliance with the compliance requirements referred to above.

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 AMSI's federal programs.

Auditors' Responsibility 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 AMSI'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 AMSI'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 AMSI's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of AMSI'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 AMSI'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.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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. Given these limitations, during our audit we did not identify any deficiencies in

internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

Mayagüez, Puerto Rico
March 31, 2023

Rodriguez, Rivera + Toas, PSC

License number 243, which expires on
December 1, 2025.

The stamp number E518389 of the Puerto Rico Society of Certified Public Accountants was affixed to the original of this report.

Alianza Municipal de Servicios Integrados, Inc.
(A nonprofit corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2022

I. Summary of audit results:

Part I - Financial Statements

- Type of auditor's report issued: Unmodified opinion Qualified opinion
 Adverse opinion Disclaimer of opinion
- Internal control over financial reporting:
 Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Part II - Federal Awards

- Internal control over major federal programs:
 Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified? Yes None reported
- Type of auditor's report issued on compliance for major federal programs: Unmodified opinion Qualified opinion
 Adverse opinion Disclaimer of opinion
- Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)? Yes No

Identification of major federal programs:	<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>
	<u>WIOA Cluster:</u>	
	WIOA Adult Program	17.258
	WIOA Youth Activities	17.259
	WIOA Dislocated Worker Formula Grant	17.278
	Covid-19 WIOA Dislocated Worker Formula Grant	17.278

- Dollar threshold used to distinguish Type A and Type B programs: \$750,000
- Low-risk auditee Yes No

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

None reported

III. Findings and Questioned Costs for Federal Awards:

None reported.

Alianza Municipal de Servicios Integrados, Inc.
(A nonprofit corporation)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2022

Fiscal year Ended	No.	Condition	Status
------------------------------	------------	------------------	---------------

No prior year audit findings to follow-up.