

**Financial Statements, Supplementary Information  
with Independent Auditors' Report**

**And Schedules and Reports Required by  
*Government Auditing Standards*  
and the Uniform Guidance**

**ALIANZA MUNICIPAL  
DE  
SERVICIOS INTEGRADOS, INC.**



**June 30, 2023**

**(With comparative financial statements for June 30, 2022)**

## TABLE OF CONTENTS

	<u>Page</u>
<b><u>FINANCIAL SECTION</u></b>	
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
<b><u>SINGLE AUDIT SECTION</u></b>	
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 - 34
Summary Schedule of Prior Audit Findings	35

## INDEPENDENT AUDITORS' REPORT

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

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

#### *Opinion*

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, 2023 and 2022, 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, 2023 and 2022, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 AMSI's ability to continue as a going concern for a reasonable period of time.

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

#### ***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*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2024, 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 27, 2024

Rodríguez, Rivera + Toso, PSC

The stamp number E565633 of the Puerto Rico Society of Certified Public Accountants was affixed to the original of this report.

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

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

**STATEMENTS OF FINANCIAL POSITION**

June 30,

	2023	2022
<b>Assets</b>		
Cash	\$ 692,310	\$ 139,432
Federal grants receivable	2,698,384	2,610,395
Contract service fees receivables, net	3,384,730	2,906,944
Prepaid expenses	8,323	7,492
Capital assets, net	1,169,540	1,205,881
Operating lease - right of use assets	1,033,684	-
Finance lease - right of use assets	82,619	-
	<b>\$ 9,069,592</b>	<b>\$ 6,870,144</b>
 <b>Liabilities</b>		
Accounts payable	2,532,333	3,005,855
Accrued liabilities	1,048,158	448,095
Deferred grant revenue	1,183	24,513
Compensated absences	780,662	583,255
Notes payable	1,816	7,512
Operating lease liabilities	1,033,684	-
Finance lease liabilities	83,529	-
	5,481,367	4,069,230
 <b>Net assets</b>		
Without donor restrictions	3,579,618	2,792,307
With donor restrictions	8,607	8,607
	3,588,225	2,800,914
 <b>Total liabilities and net assets</b>	<b>\$ 9,069,592</b>	<b>\$ 6,870,144</b>

See accompanying notes to financial statements.

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

**STATEMENT OF ACTIVITIES**

Year ended June 30, 2023

	<b>Without Restrictions</b>	<b>With Restrictions</b>	<b>Total</b>
<b>Revenues and support</b>			
Contributions of cash and other financial assets			
Federal grants	\$ -	\$ 13,164,063	\$ 13,164,063
State grants	64,068	-	64,068
Municipal grant	-	100,000	100,000
	64,068	13,264,063	13,328,131
Contributions of nonfinancial assets	-	149,296	149,296
Contract service fees and commissions	9,550,434	-	9,550,434
Other income	361,724	-	361,724
Net assets released from restrictions	13,413,359	(13,413,359)	-
 Total revenues and support	23,389,585	-	23,389,585
<b>Expenses</b>			
Workforce assistance programs			
Youth	2,912,037	-	2,912,037
Adults	2,422,367	-	2,422,367
Dislocated	4,367,750	-	4,367,750
Other	2,851,129	-	2,851,129
Temporary employment agency	266,502	-	266,502
Management and general	9,782,489	-	9,782,489
 Total expenses	22,602,274	-	22,602,274
 Change in net assets	787,311	-	787,311
Net assets at beginning of year	2,792,307	8,607	2,800,914
 <b>Net assets at end of year</b>	<b>\$ 3,579,618</b>	<b>\$ 8,607</b>	<b>\$ 3,588,225</b>

See accompanying notes to financial statements.

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

**STATEMENT OF ACTIVITIES**

Year ended June 30, 2022

	<b>Without Restrictions</b>	<b>With Restrictions</b>	<b>Total</b>
<b>Revenues and support</b>			
Contributions of cash and other financial assets			
Federal grants	\$ -	\$ 13,039,426	\$ 13,039,426
State grants	71,250	-	71,250
Municipal grant	-	100,000	100,000
	71,250	13,139,426	13,210,676
Contributions of nonfinancial assets	-	134,428	134,428
Contract service fees and commissions	6,426,289	-	6,426,289
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)	-
 Total revenues and support	 20,420,453	 -	 20,420,453
<b>Expenses</b>			
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
 Total expenses	 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
 <b>Net assets at end of year</b>	 <b>\$ 2,792,307</b>	 <b>\$ 8,607</b>	 <b>\$ 2,800,914</b>

See accompanying notes to financial statements.



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

**STATEMENT OF FUNCTIONAL EXPENSES**

Year ended June 30, 2023

	<u>Program Services</u>				<u>Temporary Employment Agency</u>	<u>Supporting Services</u>	<u>Total</u>
	<u>Youth</u>	<u>Adults</u>	<u>Dislocated</u>	<u>Other</u>		<u>Management and General</u>	
<b>Expenses</b>							
Salaries	\$ 409,254	\$ 394,214	\$ 599,489	\$ 1,455,343		\$ 1,422,247	\$ 4,280,546
Employee benefits	96,831	101,937	159,275	132,479	76,082	7,221,619	7,788,223
Professional services	28,056	86,022	60,404	104,130	13,702	225,846	518,160
Travel	6,035	7,399	18,083	428	-	6,438	38,383
Supplies	7,307	4,634	18,228	10,488	-	7,655	48,312
Utilities	139,466	30,341	50,624	36,977	-	132,712	390,120
Rent	164,877	262,604	319,099	60,694	53,253	118,425	978,954
Activities and program costs	1,981,654	1,406,453	3,092,461	612,248	11,000	-	7,103,817
Insurance	-	31,485	713	2,600	-	161,763	196,561
Maintenance	34,846	83,442	30,747	3,704	12,264	23,689	188,692
Depreciation and amortization	-	-	-	149,783	21,331	11,594	182,707
Bad debt expense	-	-	-	-	-	19,816	19,816
Casualty loss	-	-	-	-	-	109,889	109,889
Loss on disposition of assets	-	-	-	-	-	1,493	1,493
Other	43,712	13,834	18,629	282,255	78,870	319,304	756,603
<b>Total operating expenses</b>	<b><u>\$ 2,912,037</u></b>	<b><u>\$ 2,422,367</u></b>	<b><u>\$ 4,367,750</u></b>	<b><u>\$ 2,851,129</u></b>	<b><u>\$ 266,502</u></b>	<b><u>\$ 9,782,489</u></b>	<b><u>\$ 22,602,274</u></b>

See accompanying notes to financial statements.

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

**STATEMENT OF FUNCTIONAL EXPENSES**

Year ended June 30, 2022

	<u>Program Services</u>				<u>Temporary Employment Agency</u>	<u>Supporting Services</u>	<u>Total</u>
	<u>Youth</u>	<u>Adults</u>	<u>Dislocated</u>	<u>Other</u>		<u>Management and General</u>	
<b>Expenses</b>							
Salaries	\$ 419,842	\$ 603,063	\$ 870,238	\$ 752,624	\$ 3,955,831	\$ 967,238	\$ 7,568,837
Employee benefits	136,200	161,890	292,393	70,049	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	9,938			4,075	42,199
Supplies	11,376	7,746	19,933	14,525	-	40,704	94,284
Utilities	130,591	50,334	98,584	1,850	-	54,194	335,553
Rent	204,866	248,100	309,643	3,000	-	26,021	791,630
Activities and program costs	1,360,285	1,763,615	4,431,358	37,632	-	-	7,592,890
Insurance	14,790	6,352	11,589	-	-	38,016	70,746
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
<b>Total operating expenses</b>	<b><u>\$ 2,483,896</u></b>	<b><u>\$ 3,023,133</u></b>	<b><u>\$ 6,398,042</u></b>	<b><u>\$ 880,905</u></b>	<b><u>\$ 4,718,087</u></b>	<b><u>\$ 1,969,953</u></b>	<b><u>\$ 19,474,018</u></b>

See accompanying notes to financial statements.

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

**STATEMENTS OF CASH FLOWS**

Year ended June 30,

	2023	2022
Increase (decrease) in cash		
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 787,311	\$ 946,435
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	175,216	140,446
Amortization right-of-use assets - Finance lease	21,330	-
Loss on disposal of capital assets	1,493	1,160
Gain on extinguishment of debt	-	(524,386)
Changes in assets and liabilities:		
Federal grants receivable	(87,990)	(327,771)
Contract service fees receivable	(477,785)	(2,263,311)
Prepaid expenses	(831)	(4,232)
Accounts payable	(473,522)	1,593,523
Accrued liabilities	600,063	(179,942)
Deferred grant revenue	(23,330)	-
Compensated absences	197,407	73,003
<b>Net cash provided by (used in) operating activities</b>	<b>719,362</b>	<b>(545,075)</b>
<b>Cash flows from investing activities:</b>		
Acquisitions of property and equipment	(140,368)	(379,466)
<b>Net cash used in investing activities</b>	<b>(140,368)</b>	<b>(379,466)</b>
<b>Cash flows from financing activities:</b>		
Payments of notes payable	(5,696)	(5,431)
Payments of finance lease liabilities	(20,420)	-
<b>Net cash used in by financing activities</b>	<b>(26,116)</b>	<b>(5,431)</b>
<b>Net increase (decrease) in cash</b>	<b>552,878</b>	<b>(929,972)</b>
Cash, at beginning of year	139,432	1,069,404
<b>Cash, at end of year</b>	<b>\$ 692,310</b>	<b>\$ 139,432</b>
<b><u>Supplemental disclosure of cash flows information:</u></b>		
Interest	\$ 2,092	\$ 842
Income taxes	\$ -	\$ -
<b><u>Supplemental disclosure of information related to leases:</u></b>		
Right-of-use assets acquired in exchange for finance lease liabilities:	\$ 102,415	\$ -
Right-of-use assets acquired in exchange for operating lease liabilities:	\$ 1,643,569	\$ -

**Supplemental disclosure of non-cash investing activities:**

During the years ended June 30, 2023 and 2022 AMSI retired property and equipment with acquisition costs of \$11,370 and \$5,654, and accumulated depreciation of \$9,877 and \$4,494, respectively.

**Supplemental disclosure of non-cash financing activities:**

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, 2023 and 2022

**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 Administrator for 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 Administrator 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, 2023 and 2022

**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. Currently AMSI is also operating other programs funded by state and federal contributions as well as providing services to commercial entities.

**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.
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<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.
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**4. Adoption of new accounting pronouncements**

**Accounting Standards Codification Update (ASU) No. 2016-02 "Leases (Topic 842)"**

Topic 842 sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both lessors and lessees.

The accounting applied as a lessor is almost unchanged from that applied under previous GAAP. Operating leases remain classified as such, and lease income will continue to be recognized on a generally straight-line basis over the lease term. The guidance requires lessees to apply a two-method approach, classifying leases as either finance or operating leases based on the principle of whether the lease is effectively a financed purchase.

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023 and 2022

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

Lessees are required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months. Right-of-use assets and lease liabilities are recognized based on the present value of future minimum lease payments over the lease term at commencement date. If the lease agreements do not provide an explicit rate, AMSI management will use the U.S. Treasury risk-free rate based on the applicable at commencement date in determining the present value of future payments.

In the statement of financial position, operating leases are included in operating lease - right-of-use assets and operating lease liability. Finance leases are included in finance lease - right-of-use assets and financing lease liability. Right-of-use assets represents AMSI's rights to use lease asset over the term of the lease. Lease liabilities represent the contractual obligation of AMSI to make lease payments over the lease term. For operating leases, lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. For finance leases, lease expense is composed of interest expense and amortization expense. The lease liability of finance leases is subsequently measured at amortized cost using the interest rate method. The right-of-use asset from financing leases is amortized on a straight-line basis and is included as depreciation and amortization expense.

Topic 842 included certain practical expedients that can be elected for new leases that are executed after the adoption of the new pronouncement. AMSI elected the practical expedient of not separating lease and related non-lease components. Also, AMSI elected as an accounting policy to not recognize lease liabilities and right-of-use assets for any future short-term leases (i.e., leases with a lease term of 12 months or less). Instead, payments for these short-term leases will be recognized as expenses. AMSI adopted Topic 842 on July 1, 2022 using the optional transition method. Under this transition method, the application date shall be the beginning of the reporting period. For leases existing at the effective date, reporting comparative periods presented in the year of adoption would continue to be in accordance with prior Topic 840, including the disclosure requirements of that Topic. Also, AMSI elected the package of three transition practical expedients and therefore did not reassess whether an arrangement is or contains a lease, reassess lease classification, and reassess what qualifies as an initial direct cost.

**5. Future adoption of accounting pronouncements**

**Accounting Standards Codification Update (ASU) No. 2016-13** “*Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*”

ASU 2016-13 was issued in June 2016 and provides guidance regarding the treatment of expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. AMSI has not determined the impact to its financial statements from the adoption of this standard.

**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.

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023 and 2022

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

**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.

**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.

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023 and 2022

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

**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.

**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. 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, 2023 and 2022

**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.

***11. 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.

***12. 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, 2023 and 2022

**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.

**13. 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, 2023 and 2022 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 2019.

**14. 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.

**15. Reclassifications**

Certain amounts in the 2022 financial statements have been reclassified for comparative purposes to conform with the 2023 financial statement's presentation.

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023 and 2022

**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, 2023 and 2022 the significant concentration of credit risk for the uninsured cash in bank amounted to \$548,670 and \$72,923, 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:

	<b>2023</b>	<b>2022</b>
Cash	\$ 692,310	\$ 139,432
Federal grants receivable	2,698,384	2,610,395
Contract fees and other receivables, net	3,384,730	2,906,944
 Total financial assets available to meet cash needs for general expenditures within one year	 <b>\$ 6,775,424</b>	 <b>\$ 5,656,771</b>

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 Note F, in the event of unanticipated liquidity needs, AMSI could draw upon \$100,000 of an available line of credit and up to \$250,000 from a credit note.

**NOTE D – RECEIVABLES FROM CONTRACT SERVICE FEES**

Contract service fees receivables on June 30, 2023 and 2022 consists of the following:

	<b>2023</b>	<b>2022</b>
Public entities:		
P.R. Department of Education	\$ 7,665	\$ 210,449
P.R. Public Housing Administration (PRPHA)	66,326	79,358
P.R. Housing Department	221,892	74,985
P.R. Housing Finance Authority (PRHFA)	25,554	35,603
P.R. Vocational Rehabilitation Administration	6,149	10,237
Municipality of Caguas (“Apoyo Criollo Educativo” (Tutorials) program, rent grant and others)	423,064	92,724
 Non-Public entities:	 2,847,157	 2,596,849
	3,597,807	3,100,205
Less: allowance for doubtful accounts	(213,077)	(193,261)
	 <b>\$ 3,384,730</b>	 <b>\$ 2,906,944</b>

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023 and 2022

**NOTE E - CAPITAL ASSETS**

A summary of the activity of capital assets at June 30, 2023 follows:

	<b>Balance</b>				<b>Balance</b>
	<b>July 1, 2022</b>	<b>Additions</b>	<b>Retirements</b>	<b>Reclassification</b>	<b>June 30, 2023</b>
Computer and peripherals	\$ 313,762	\$ 13,578	\$ -	\$ -	\$ 327,340
Leasehold improvements	8,805	47,410	-	-	56,215
Vehicles	94,498	-	-	-	94,498
Office equipment and furniture	1,564,098	79,380	(11,370)	(13,696)	1,618,412
Communication equipment	383,997	-	-	-	383,997
Software	172,489	-	-	-	172,489
	<u>2,537,649</u>	<u>140,368</u>	<u>(11,370)</u>	<u>(13,696)</u>	<u>2,652,951</u>
Less: accumulated depreciation	<u>(1,331,768)</u>	<u>(152,581)</u>	<u>9,877</u>	<u>(8,939)</u>	<u>(1,483,411)</u>
Capital assets, net	<u><b>\$ 1,205,881</b></u>	<u><b>\$ (12,213)</b></u>	<u><b>\$ (1,493)</b></u>	<u><b>\$ (22,635)</b></u>	<u><b>\$ 1,169,540</b></u>

**NOTE F - LINE OF CREDIT**

**Line of credit agreements**

On May 23, 2023 AMSI entered into an agreement with a financial institution for a line of credit of \$250,000 at 4.25% over prime rate (prime rate 4.85% and 4.75% at June 30, 2023 and 2022, respectively) due on December 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.

AMSI also has a demand bank line of credit totaling \$100,000 at 2.50% over prime rate with a commercial bank in Puerto Rico. As of June 30, 2023 and 2022, the unused amount of the line of credit amounted to \$100,000, respectively.

**NOTE G - COMPENSATED ABSENCES**

Compensated absences as of June 30, 2023 were as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2022</b>	<b>Increase</b>	<b>Decrease</b>	<b>June 30, 2023</b>
Vacations leave	\$ 339,225	\$ 490,489	\$ (373,181)	\$ 456,533
Sick leave	<u>244,030</u>	<u>323,079</u>	<u>(242,980)</u>	<u>324,129</u>
	<u><b>\$ 583,255</b></u>	<u><b>\$ 813,568</b></u>	<u><b>\$ (616,161)</b></u>	<u><b>\$ 780,662</b></u>

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023 and 2022

**NOTE H - NOTES PAYABLE**

Notes payable at June 30, consist of the following:

	<b>2023</b>	<b>2022</b>
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.	<u>\$ 1,816</u>	<u>\$ 7,512</u>

**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:

	<b>2023</b>	<b>2022</b>
Governmental	\$ 1,454,671	\$ 2,334,019
Private	8,095,763	4,092,270
	<b>\$ 9,550,434</b>	<b>\$ 6,426,289</b>

During the fiscal year AMSI maintained a service agreement with a private organization, which represented the following proportion of TEA’s annual billings and receivables:

	<b>2023</b>	<b>2022</b>
Accounts receivable	74%	78%
Annual billings	43%	40%

**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, 2023:

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023 and 2022

**NOTE J - CONTRIBUTED NONFINANCIAL ASSETS – Continued**

<u>Description</u>	<u>Revenue Recognized</u>	<u>Utilization in Programs / Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Office space	\$ 87,000	WIOA activities	Restricted to use in WIOA activities	AMSI estimated the fair value based on comparable rental prices.
Utilities	38,200	WIOA activities	Restricted to use in WIOA activities	Utilities are valued at current cost incurred by donor.
Supplies	4,560	WIOA activities	Restricted to use in WIOA activities	Supplies are valued at current cost incurred by donor.
Maintenance	19,536	WIOA activities	Restricted to use in WIOA activities	Miscellaneous contributions are valued at current cost incurred by donor.
	<u>\$ 149,296</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, 2023 and 2022 the amount of net assets released from restrictions are as follows:

	<u>2023</u>	<u>2022</u>
Satisfaction of restrictions for specific purposes related to program and support expenses	\$ 13,344,588	\$ 13,186,215
Satisfaction of restrictions for specific purposes related to capital expenditures	68,771	87,639
	<u>\$ 13,413,359</u>	<u>\$ 13,273,854</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.

**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 contributions for certain organization's operational expenses and may receive employment services from AMSI. The most significant related party transactions as of June 30, are as follows:

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023 and 2022

**NOTE L - RELATED PARTY TRANSACTIONS – Continued**

	<b>2023</b>	<b>2022</b>
Municipality of Caguas – municipal grant for the payment of rent	\$ 100,000	\$ 100,000
Municipality of Caguas – temporary employment services for “Apoyo Criollo Educativo” (Tutorials) program	553,071	389,465
Temporary employment services to Municipality of Caguas	63,100	232,778
Temporary employment services to Municipality of Aibonito	82,116	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, 2023 and 2022.

**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 Executive Administrator is responsible for the oversight of the Plan.

Sponsor contributions for the year ended June 30, 2023 and 2022 amounted to \$113,102 and \$13,524, respectively. The Plan has 90 participants at year-end.

**NOTE N - COMMITMENTS**

**Leases**

As a result of adoption of Topic 842 (Leases) on July 1, 2022 using the optional transition method, AMSI recognizes right-of-use (ROU) assets and lease liabilities for their operating and finance leases. Operating leases consist of office spaces. Finance leases consist of various copying machines. The effective date of all leases is July 1, 2022 except for the agreement for a copy machine which is dated October 1, 2022.

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023 and 2022

**NOTE N – COMMITMENTS – Continued**

The following presents the components of our lease cost for the year ended June 30, 2023:

<b>Lease expense</b>	<b>Amount</b>
Finance lease expense	
Amortization of ROU assets	\$ 21,331
Interest on lease liabilities	2,092
Operating lease expense	647,494
<b>Total</b>	<b><u>\$ 670,917</u></b>

Lease cost is recognized as applicable in the accompanying 2023 statement of activities. Other information related to leases on June 30, 2023 is as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from finance leases (interest)	\$ 1,892
Financing cash flows from finance leases (principal portion)	\$ 19,085
Operating cash flows from operating leases	\$ 647,494
ROU assets obtained in exchange for new finance lease liabilities	\$ 102,415
ROU assets obtained in exchange for new operating lease liabilities	\$ 1,643,569
Weighted-average remaining lease term in years for finance leases	3.92
Weighted-average remaining lease term in years for operating leases	3.58
Weighted-average discount rate for finance leases	2.88%
Weighted-average discount rate for operating leases	2.88%

Future maturities of lease liabilities on June 30, 2023 are as follows:

<b>March 31,</b>	<b>Finance</b>	<b>Operating</b>
2024	\$ 26,500	\$ 640,495
2025	19,739	105,057
2026	18,965	67,200
2027	18,412	67,200
2028	4,602	67,200
Thereafter	-	140,400
Total undiscounted cash flows	88,218	1,087,552
Less: present value discount	(4,689)	(53,868)
<b>Total lease liabilities</b>	<b><u>\$ 83,529</u></b>	<b><u>\$ 1,033,684</u></b>

In accordance with the optional transition method, for leases existing at the effective date, reporting comparative periods presented in the year of adoption would continue to be in accordance with prior Topic 840, including the disclosure requirements of that Topic. The following is a schedule, by year, of future minimum rental payments required under any operating lease that has a lease term in excess of one year as of June 30, 2022:



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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023 and 2022

**NOTE N – COMMITMENTS – Continued**

Year	Minimum Rent Schedule			
	Office	Locations	Equipment	Total
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
	<b>\$ 2,271,420</b>	<b>\$ 564,011</b>	<b>\$ 70,702</b>	<b>\$ 2,906,133</b>

**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 - SUBSEQUENT EVENTS**

Management of AMSI has evaluated subsequent events through March 27, 2024, 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.

**SINGLE AUDIT SECTION**

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2023

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<b><u>U.S. Department of Housing and Urban Development</u></b>				
<b>Pass-through program from:</b>				
<b><u>P.R. Department of Housing</u></b>				
Community Development Block Grant-Disaster Recovery (CDBG-DR) Workforce Training Program	14.228	CDBG-DR "r01e17wtp-edc-lm" CDBG-DR "r01e17wtp-edc-un"	\$ -	\$ 312,118
<b>Total U.S. Department of Housing and Urban Development</b>			-	312,118
<b><u>U.S. Department of Labor</u></b>				
<b>Direct program:</b>				
COVID-19 WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	N/A	-	1,538,788
Homeless Veterans' Reintegration Program (HVRP)	17.805	N/A	-	150,411
<b>Pass-through programs from:</b>				
<b><u>P.R. Department of Economic Development and Commerce (Workforce Development Program)</u></b>				
<b>WIOA Cluster:</b>				
WIOA Adult Program	17.258	2021-000040 2022-000072 2023-000134	-	2,704,859
WIOA Youth Activities	17.259	2021-000023 2021-000038 2022-000113 2023-000089	-	2,915,494
WIOA Youth Activities - Hurricane Fiona	17.259	N/AV	-	282,725
WIOA Dislocated Worker Formula Grant	17.278	2021-000040 2022-000072 2023-000134	-	4,617,869
WIOA Dislocated Worker - Hurricane Fiona	17.278	N/AV	-	380,776
<b>Total WIOA Cluster</b>			-	10,901,723
<b>Total U.S. Department of Labor</b>			-	12,590,922
<b><u>Corporation For National and Community Service (CNCS)</u></b>				
<b>Pass-through program from:</b>				
<b><u>P.R. Office of the Governor</u></b>				
Americorps	94.006	2023-000078	-	261,023
<b>Total CNCS</b>			-	261,023
<b>Total Expenditures of Federal Awards</b>			<b>\$ -</b>	<b>\$ 13,164,063</b>

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, 2023

**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, 2023. 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 to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance and accordingly, consistently used for all federal awards.

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year ended June 30, 2023

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

Following is a reconciliation of the expenditures reported in the SEFA to the expenses reported in the statement of activities:

<u>Description</u>	<u>Amount</u>
Total expenditures per SEFA	\$ 13,164,063
Less: Expenditures for capital assets	(68,771)
Plus: Depreciation expense	182,707
Bad debts	19,816
Casualty loss	109,889
Loss on disposition of assets	1,493
Other non-federal expenses	<u>9,193,078</u>
Total expenses per financial statements	<u><u>\$ 22,602,274</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, 2023, 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 27, 2024.

### **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 27, 2024

Rodriguez, Rivera + Tono, PSC

The stamp number E565634 of the Puerto Rico Society of Certified Public Accountants was affixed to the original of this report.

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

## 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, 2023. 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, 2023.

#### *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.



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### ***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 27, 2024

*Rodriguez, Rivera + Toro, PSC*

The stamp number E565635 of the Puerto Rico Society of Certified Public Accountants was affixed to the original of this report.

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

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year ended June 30, 2023

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:	Name of Federal Program or Cluster	Assistance Listing Number
<u>WIOA Cluster:</u>		
	WIOA Adult Program	17.258
	WIOA Youth Activities	17.259
	WIOA Youth Activities – Hurricane Fiona	17.259
	WIOA Dislocated Worker Formula Grant	17.278
	WIOA Dislocated Worker – Hurricane Fiona	17.278
	COVID-19 WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277

Dollar threshold used to distinguish Type A and Type B programs:  \$750,000

Low-risk auditee  Yes  No

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year ended June 30, 2023

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, 2023

<b>Fiscal year Ended</b>	<b>No.</b>	<b>Condition</b>	<b>Status</b>
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No prior year audit findings to follow-up.