

**PUERTO RICO INDUSTRIES FOR THE BLIND, CORP.
AND SUBSIDIARY
(A NOT-FOR PROFIT ORGANIZATION)
CONSOLIDATED AUDITED FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION IN
ACCORDANCE WITH THE UNIFORM GUIDANCE
FOR THE YEAR ENDED
DECEMBER 31, 2021
WITH INDEPENDENT AUDITORS' REPORT**

**PUERTO RICO INDUSTRIES FOR THE BLIND, CORP. AND SUBSIDIARY
FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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INDEPENDENT AUDITORS' REPORT
ON CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors
Puerto Rico Industries for the Blind, Corp.
Mayaguez, Puerto Rico

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Puerto Rico Industries for the Blind, Corp. (PRIFB) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statement of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Puerto Rico Industries for the Blind, Corp. (a not-for-profit organization) as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of the report. We are required to be independent of Puerto Rico Industries for the Blind, Corp. organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT ON
CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

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 Puerto Rico Industries for the Blind, Corp.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 Puerto Rico Industries for the Blind, Corp.'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Puerto Rico Industries for the Blind, Corp.'s ability to continue as 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.

INDEPENDENT AUDITORS' REPORT ON
CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2023 on our consideration of Puerto Rico Industries for the Blind, Corp. 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 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 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 Puerto Rico Puerto Rico Industries for the Blind, Corp.. internal control over financial reporting and compliance.

San Juan, Puerto Rico
March 20, 2023

Díaz & Candelaria, P.S.C.



Díaz & Candelaria, CPA, PSC.

License No. 34, expire December 1, 2025
The CPA Stamp No. E506566 of P.R. State
Society of Certified Public Accountants was
affixed to the record copy of this report.

PUERTO RICO INDUSTRIES FOR THE BLIND, CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

Current Assets:	
Cash	\$ 14,785
Account Receivables, trade	1,959,485
Other Receivables	1,070,613
Other Current Assets	422,964
Inventory	4,023,013
Total Current Assets	7,490,860
Property and Equipment, net	2,358,420
Total Assets	\$ 9,849,280

LIABILITIES AND NET ASSETS

Liabilities

Current Liabilities:	
Bank Overdraft	39,052
Account Payable	2,688,038
Accrued Expenses	2,501,103
Current Portion of Long Term Debt	7,193,716
Total Current Liabilities	12,421,909
Long Term Debt	857,395
Total Liabilities	13,279,304
Net Assets	
without donor restrictions	(3,430,024)
Total Net Assets	(3,430,024)
Total Liabilities and Net Assets	\$ 9,849,280

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

PUERTO RICO INDUSTRIES FOR THE BLIND, CORP. AND SUBSIDIARY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS

SUPPORT AND REVENUES

Support:

Federal Grants 856,426

Other Contributions 579,900

Total Support **1,436,326**

Program Income:

Sales of Manufactured Goods 29,911,153

Other Income 31,656

Total Program Income **29,942,809**

Total Support and Revenues \$ 31,379,135

COSTS AND SUPPORTING SERVICES EXPENSES

Program Services:

Costs of Manufactured Goods Sold 22,729,055

Manufacturing Expenses 7,151,288

29,880,343

Management and General Expenses 4,010,907

Total Costs and Supporting Services Expenses 33,891,250

Decrease in Net Assets Without Donor Restrictions **(2,512,115)**

NET ASSETS WITHOUT DONOR RESTRICTIONS,
BEGINNING OF YEAR (917,909)

NET ASSETS WITHOUT DONOR RESTRICTIONS,
END OF YEAR \$ (3,430,024)

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

PUERTO RICO INDUSTRIES FOR THE BLIND, CORP. AND SUBSIDIARY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Changes in Net Assets	\$ (2,512,115)
Adjustment to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	501,643
Decrease (Increase) in:	
-Account Receivable Trade	23,922
-Grants and Others receivable	228,445
-Inventory	857,190
-Other Assets	(164,426)
Increase (Decrease) in:	
-Bank Overdraft	31,613
-Accounts Payable	(885,062)
-Accrued Payroll Taxes and Benefits	1,415,632
-Line of Credit	(6,032,566)
Net Cash Used by Operating Activities	<u>(6,535,724)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Furniture and Equipment	(519,000)
Net Cash Used In Investing Activities	<u>(519,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal Payments to Long Term Debt	<u>6,958,410</u>
Net Cash Used By Financing Activities	<u>6,958,410</u>
Net Decrease in Cash	(96,314)
Cash at Beginning of Year	111,099
Cash at End of Year	<u>\$ 14,785</u>

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

PUERTO RICO INDUSTRIES FOR THE BLIND, CORP. AND SUBSIDIARY

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Manufacturing	Management and General	Total
Salaries and Wages	\$ 4,636,585	1,131,801	5,768,386
Employee Benefits	485,678	98,858	584,536
Payroll Taxes	569,283	88,060	657,343
Total Compensation	5,691,546	1,318,719	7,010,265
Costs of Manufactured Goods Sold	22,729,055	-	22,729,055
Depreciation Expense	501,643	-	501,643
Repairs and Maintenance	406,622	-	406,622
Utilities	56,997	532,615	589,612
Bank Services Charges	-	63,506	63,506
Insurance Expense	-	95,575	95,575
Interest Expense	-	685,958	685,958
Office Supplies	-	64,874	64,874
Outside Services	-	122,415	122,415
Rent Expense	146,215	500,147	646,362
Travel Expense	-	242,522	242,522
Overhead Applied	297,436	36,147	333,583
Other Expenses	50,829	348,429	399,258
Total Functional Expense	29,880,343	4,010,907	33,891,250

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

**PUERTO RICO INDUSTRIES FOR THE BLIND, CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE A - GENERAL ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Puerto Rico Industries for the Blind, Corp. (PRIFB) is a nonprofit corporation whose mission is improve the standard of living and the quality of life of people with severe disabilities. PRIFB offers to the severe disabilities community, services of evaluation, vocational training, employment in an industry-type setting and placement in outside employment. PRIFB was organized in 2013 under the laws of the Commonwealth of Puerto Rico.

On 2019 **PRIFB** organized **Hardwick Tactical Corporation (HTC)** under the laws of the State of Delaware as a Corporation under his control. HTC is a regular C Corporation under either Federal Tax Code and Puerto Rico Tax Code. However, it applied for tax exemption under the Manufacturing Incentive Act No. 60-2019, Chapter 6 Subchapter A, Section 2061.01. The management expect it will be approved for the Company. It has operations in Puerto Rico and Tennessee.

For purposed of this consolidated financial statements PRIFB and HTC will be referred collectively as The Organization.

Summary of Significant Accounting Policies

(1) Principles of Consolidation

The consolidated financial statements include the accounts of Puerto Rico Industries for the Blind, Corp, (PRIFB) and Hardwick Tactical Corporation (HTC) (collectively the Organization). All significant inter-organization balances and transactions have been eliminated.

(2) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). According to GAAP, **the Organization** is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Net Assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor restrictions – Net assets that are not subject to donor-imposed stipulations. These assets may, however, be subject to Board designation.

PUERTO RICO INDUSTRIES FOR THE BLIND, CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE A - GENERAL ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets With Donor Restrictions – Net assets that are subject to donor-imposed stipulations. These stipulations either require **PRIFB** to maintain the net asset permanently, generally permitting all or part of the income earned on related investments for general or specific purposes, or be met either by the completion of a stipulated action and/or the passage of time.

The Organization had no net assets with donor restrictions at December 31, 2021.

(3) Cash and Cash Equivalents

For the purpose of the statement of cash flows, the organization considers all highly liquid investments with maturity of three months or less to be cash equivalents.

(4) Provision for Doubtful Accounts

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

(5) Property and Equipment

The Organization reports gifts of equipment as unrestricted support unless explicit donor stipulation specifies how the donated assets must be used. Donations of property, plant and equipment are recorded as support at their estimated fair value.

PUERTO RICO INDUSTRIES FOR THE BLIND, CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE A - GENERAL ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(5) Property and Equipment (Continued)

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. In the absence of donor stipulations regarding how long those donated assets must be maintained, the organization reports expiration of donor restrictions when the donated or acquired assets are placed in service to unrestricted net assets.

Property and equipment are recorded at cost and depreciated using the straight-line method as follows: Leasehold Improvements (5), Building and Improvements (40), Furniture and Equipment (3-10) and Motor Vehicles (5).

(6) Tax Status

THE ORGANIZATION has been determined to be exempt from United States income taxes under Section 501(c)(3) of the Internal Revenue Code and Puerto Rico taxes pursuant to section 101(6) of the Puerto Rico Income Tax Act of 1954, as amended.

THE ORGANIZATION follows the provision of FASB ASC 740-10 "*Income Taxes*", which clarifies the accounting for uncertainty in income taxes recognized in an Organization's financial statements in accordance with FASB ASC 740. Under the provision for this Interpretation, THE ORGANIZATION is required to evaluate its income tax position each year to determine whether the Organization's tax provision is more-likely-than-not to be sustained if examined by the applicable taxing authority.

Management of THE ORGANIZATION has evaluated its tax position and has concluded that this requirement had no effect on the Organization's financial position or changes in its net assets.

THE ORGANIZATION's policy for interest and penalties related to income tax exposures is to recognize interest and penalties as a component of the provision for income taxes in the Statement of Activities and Changes in Net Assets. As of December 31, 2021, THE ORGANIZATION believes that there are no uncertain tax positions and has no accrued income tax related interest and/or penalties in the Statement of Financial Position.

PUERTO RICO INDUSTRIES FOR THE BLIND, CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE A - GENERAL ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(6) Tax Status (Continued)

THE ORGANIZATION is potentially subject to income tax audits in the Commonwealth of Puerto Rico for taxable years from 2017 to 2021, until the applicable statute of limitations expires, as well as, the Internal Revenue Services which has a three (3) years of statute of limitations. Tax audits by their nature are often complex and can require several years to complete.

(7) Vacations and Sick Leave

Employees are entitled to 15 days of vacation and up to 24 days based on years of service and 14 days of sick leave annually. Sick leave is not accrued because it does not vest; employees are not paid for any sick leave balance at termination of employment or any other time. At December 31, 2021 the accrued vacations of \$69,311 were included as accrued payroll taxes and benefits in the statement of financial position.

(8) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

(9) Recognition of Donor Restrictions

The Organization reports cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Federal funds and other assistances received but not earned are classified as refundable advances until restrictions expired. The amount of restrictions expired in excess of receipts are classified

**PUERTO RICO INDUSTRIES FOR THE BLIND, CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE A - GENERAL ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (CONTINUED)**

(10) Functional Allocation Expenses

The costs of providing the activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted based on management's estimates of effort devoted to these activities.

Federal grants revenues are recognized to the extent that the Organization incur in qualifying expenditures under program agreements with federal agencies. Amounts recorded as grants receivables are from program grant expenses incurred in advance of the receipts of the funds. Funds received in advance of program expenses are recorded as deferred revenue-federal grants.

(11) Impairment of Long-Lived Assets

THE ORGANIZATION follows the provisions of "*Impairment and Disposal of Long-Lived Assets-Overall – Subsequent Measurement*" which address financial accounting and reporting for such transactions. This topic requires long-lived assets to be reviewed for impairment whenever vents or changes in circumstances indicate that carrying amount of an asset may not be recoverable. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment change is recognized by the amount by which the carrying amount of the asset exceeds its fair value. Management has reviewed its long-lived assets according to provisions of this topic and believes that no impairment adjustments is deemed necessary over such assets for the year ended December 31, 2021.

(12) Uncertain tax Positions

The Corporation follows the provisions of FASB ASC 740-10, which clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. The FASB ASC 740 required the evaluation of the Organizations income tax position each year to determine whether is more-likely-than-not to be sustained if examined by the applicable taxing authority. The management of the Corporation has evaluated its tax position and has concluded that this requirement has no effect on its financial position or changes in its net assets.

PUERTO RICO INDUSTRIES FOR THE BLIND, CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE A - GENERAL ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(13) Revenue Recognition

The Organization recognizes revenue pursuant to the provisions of ASC No. 606, Revenue from Contracts with Customers. ASC 606 requires that five steps be completed to determine when revenue can be recognized: (1) identify the contract with the customer; (2) identify the performance obligations; (3) determine the transaction price; (4) allocate the transaction price to performance obligations; and (5) recognize revenue when or as each performance obligation is satisfied.

The Organization did not record a cumulative adjustment related to the adoption of ASC 606, and the adoption did not have significant impact on the Organization's financial statements. The organization revenue arrangements generally consist of a single performance obligation to transfer ordered goods to a single customer as established in a contract agreement. Based on the Organization's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption of ASC 606.

Performance obligation is completed when goods are transferred to the customers as ordered and according to the contract, at that point revenue is recorded in the amount that reflects the consideration we expect to receive on exchange of products. Contracts can include various combinations of products, which are generally capable of being distinct and accounted for as separate performance obligation. Revenue is recognized net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities.

(14) New Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This ASU requires contributed nonfinancial assets to be presented as a separate line item in the statement of activities, apart from contributions and other financial assets. This ASU is effective for fiscal years beginning after June 15, 2021. The effects of this ASU on the Organization's consolidated financial statements and the implementation of this pronouncement are still being evaluated by management.

PUERTO RICO INDUSTRIES FOR THE BLIND, CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE A - GENERAL ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(14) New Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU) 2016-02, Leases (Topic 842), which supersedes FASB Accounting Standards Codification (FASB ASC) 840, Leases. In June 2020, the FASB issued ASU 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities. This ASU defers the effective date of Topic 842 to fiscal years beginning after December 15, 2021. ASU 2016-02 is expected to impact the statement of financial position of many entities by adding lease-related assets and liabilities which may affect compliance with contractual agreements and loan covenants. The effects of ASU 2016-02 on the Organization's consolidated financial statements and the implementation of this pronouncement are still being evaluated by management.

NOTE B - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization financial assets available within one year of the statement of financial position date, December 31, 2021, for general expenditures are as follows:

Cash and Cash Equivalents	\$ 14,785
Accounts Receivable Trade	1,959,485
Others Receivables	<u>1,070,613</u>
Total Financial Assets Available within One Year	<u>\$ 3,044,883</u>

As part of the Organization liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. As described in Note G the Organization has committed two lines of credit, which it could draw upon in the event of unanticipated liquidity need.

PUERTO RICO INDUSTRIES FOR THE BLIND, CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE C - ACCOUNT RECEIVABLE (TRADE)

Accounts receivable consist of balances due from customers' sales. For the year ended December 31, 2021, the Organization did not record any allowances for doubtful accounts due to the Company's historical ability to collect substantially all receivables. In determining collectability, historical trends are evaluated, and specific customer issues are reviewed on a periodic basis to arrive at appropriate allowances.

As of December 31, 2021 receivables trade balance consist of the following:

	<u>PRIFB</u>	<u>HTC</u>	<u>Total Organization</u>
Account Receivable Trade	\$ 533,051	1,426,434	\$1,959,485

NOTE D - OTHER RECEIVABLES

	<u>PRIFB</u>	<u>HTC</u>	<u>Total Organization</u>
Other Receivables	\$ 672,415	398,198	\$1,070,613

NOTE E - INVENTORY

The balance of inventory as of December 31, 2021 consists of:

	<u>PRIFB</u>	<u>HTC</u>	<u>Total Organization</u>
Raw Materials	654,005	722,408	1,376,413
Work in Process	1,223,325	1,280,345	2,503,670
Finished Goods	-	142,930	142,930
	<u>\$1,877,330</u>	<u>2,145,683</u>	<u>\$ 4,023,013</u>

PUERTO RICO INDUSTRIES FOR THE BLIND, CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE F - PROPERTY AND EQUIPMENT

The property and equipment as of December 31, 2021 consist of the following:

	<u>PRIFB</u>	<u>HTC</u>	<u>TOTAL</u>
Machinery and Equipment	\$ 2,923,251	245,266	3,168,517
Leasehold Improvements	378,139	-	378,139
Office Equipment and Computers	216,731	-	216,731
Vehicles	4,000	-	4,000
	<u>3,522,121</u>	<u>245,266</u>	<u>3,767,387</u>
Less: Accumulated Depreciation	<u>1,351,738</u>	<u>57,229</u>	<u>1,408,967</u>
	<u>\$ 2,170,383</u>	<u>\$ 188,037</u>	<u>\$ 2,358,420</u>

NOTE G – Notes Payable

Notes Payable as of December 31, 2021 consists of the following:

	<u>PRIFB</u>	<u>HTC</u>	<u>TOTAL</u>
Revolving credit line up to \$4,000,000 for operating capital related to a specific manufacturing contract; the interest rate is variable, equivalent to two percent (2%) over prime rate, the maturity date is April 30 2022. The revolving credit line balance as of December 31, 2021 is \$2,143,481.	2,143,481	-	2,143,481
Term Loan of \$228,347 – The company has a credit agreement at a seven percent (7.99%) per annum. The term of the note is 54 months due on June, 2024. The loan balance as of December 31, 2021 is \$125,612.	125,612	-	125,612

**PUERTO RICO INDUSTRIES FOR THE BLIND, CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE G – Notes Payable (Continuation)

	<u>PRIFB</u>	<u>HTC</u>	<u>TOTAL</u>
Term Loan of \$205,060 – The company has a credit agreement at a seven percent (7.99%) per annum. The term of the note is 84 months due on November 2026. The loan balance as of December 31, 2021 is \$155,620.	155,620	-	155,620
Term Loan of \$400,000 – The company has a credit agreement at a seven percent (7.99%) per annum. The term of the note is 84 months due on February 2027. The loan balance as of December 31, 2021 is \$315,979.	315,979	-	315,979
Revolving credit line of \$5,300,000 – The company has a credit agreement to seven percent (5.25%) per annum. The note is due on April 30, 2022. The loan balance as of December 31, 2021 is \$4,853,647.	-	4,853,647	4,853,647
Term Loan of \$413,888 – The company has a credit agreement at a seven percent (7.99%) per annum. The term of the note is 60 months due on June 2025. The loan balance as of December 31, 2021 is \$306,772.	-	306,772	306,772

PUERTO RICO INDUSTRIES FOR THE BLIND, CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE G – Notes Payable (Continuation)

	PRIFB	HTC	TOTAL
<p>On June 14, 2020, the Company received proceeds from an Economic Injury Disaster Loan from the Small Business Administration ("SBA"), in the amount of \$150,000. The Loan, which is in the form of a promissory note dated June 14, 2020, matures on June 14, 2050 and bears interest at a rate of 2.75% per annum. Payments are to be made monthly beginning as of December 14, 2021. Each payment is to be applied first to the interest accrued to the date of receipt of each payment, and the remaining balance, if any, will be applied to the principal. The loan terms provide for a collateral interest for the SBA and limits the use of proceeds to working capital to alleviate the effects of COVID-19 on the Company's economic condition. Unlike the Paycheck Protection Program ("PPP"), established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") enacted March 27, 2020, the EIDL program does not currently provide a mechanism for loan forgiveness.</p>	150,000	-	150,000
	2,890,692	5,160,419	8,051,111
Current Portion	2,260,952	4,932,764	7,193,716
Long Term Debt	\$ 629,740	\$ 227,655	\$ 857,395

**PUERTO RICO INDUSTRIES FOR THE BLIND, CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE G – Notes Payable (Continued)

The Future principal payments for the long-term debt are detailed as follows: For year ended December 31,

2022	\$ 2,260,952	4,932,764	7,193,716
2023	127,015	85,675	212,690
2024	123,344	92,747	216,091
2025	115,291	49,233	164,524
2026	120,319	-	120,319
After 2026	143,771	-	143,771
	<u>\$ 2,890,692</u>	<u>\$ 5,160,419</u>	<u>\$ 8,051,111</u>

NOTE H - SUPPLEMENTAL DISCLOSURE OF CASH FLOW STATEMENT

Non-Cash Transaction

Interest Paid \$ 685,958

NOTE I - CONTINGENCIES

(1) Federal and State Grants

THE ORGANIZATION participates in various state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, refunds of any money received may be required. However, THE ORGANIZATION's management expects such amounts, if any, to be immaterial.

PUERTO RICO INDUSTRIES FOR THE BLIND, CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE J – CONTINUED OPERATIONS AND MANAGEMENT PLANS

At December 31, 2021, the Company had a total accumulated deficit of \$3,430,024, and used, rather than provided, cash from operating activities of \$6,535,724. This accumulated loss is mainly the effect of the COVID-19 pandemic on the operations, principally business interruption and difficulty or delay on completing orders. Management believes that steps taken underway will increase revenues. This includes continuing expansion of its customer base by acquiring new contracts and utilization of a Revolving Line of credit.

NOTE K – CONCENTRATION OF REVENUES

The Organization has one major customer that accounted for approximately 75% of sales and \$22,337,335. The Organization expect to maintain this relationship with the customer.

NOTE L – SUBSEQUENT EVENTS

The Organization applied for the Employee Retention Credit (ERC) a program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The Organization in 2022 already receives a Credit of \$1,973,170 for salaries paid on 2020 and 2021 and are pending of analysis and application \$1,723,536.

Management has evaluated subsequent events through March 20, 2023, the date that the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying consolidated financial statements.

Supplementary Information

**PUERTO RICO INDUSTRIES FOR THE BLIND, CORP.
SCHEDULE OF REVENUE AND EXPENDITURES BY PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor Pass-through Grantor Program Title	Federal CFDA Number	Federal Expenditures	Pass-through to Subrecipients
<u>U.S. DEPARTMENT OF COMMERCE:</u>			
<u>DIRECTLY:</u>			
ECONOMIC DEVELOPMENT CLUSTER			
* ECONOMIC ADJUSTMENT ASSISTANCE PROGRAM	11.307	\$ 527,890	-
Total Economic Development Cluster		\$ 527,890	
<u>U.S. DEPARTMENT OF LABOR (DOL):</u>			
<u>PASS-THROUGH FROM:</u>			
P.R. DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE(Work Force Development Program): Workforce Innovation Opportunity Act (WIOA) Cluster			
* WIOA Adult Program	17.258	328,536	-
Total Workforce Innovation Opportunity Act (WIOA) Cluster		\$ 328,536	
TOTAL FEDERAL FUNDS		\$ 856,426	\$ -
Major Programs		\$ 856,426	
		\$ 856,426	

The Accompanying Notes are an Integral Part of This
Schedule of Expenditures of Federal Awards

PUERTO RICO INDUSTRIES FOR THE BLIND, CORP.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of PUERTO RICO INDUSTRIES FOR THE BLIND, CORP. (the Organization). All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies to the organization are included in the accompanying schedule.

(2) Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations.

(3) Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports. However, certain federal financial reports are filed based on cash expenditures. As such, certain timing differences may exist in the recognition of revenue and expenditures between the schedule of Expenditures of Federal Awards and the federal financial reports.

(4) Federal CFDA Number

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

The CFDA numbers included in this report were determined based on the program name, review of grant contract information, and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

PUERTO RICO INDUSTRIES FOR THE BLIND, CORP.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY (Continuation)

(5) Pass-Through Grantor's Number

State or local government and private entities includes within their federal proposal award the related amount of federal awards granted to the Organization, also known as "pass-through awards". The organization should consider these federal funds as though they were received directly from the federal government. Uniform Guidance requires that the schedule should include the name and the identifying number assigned for federal awards received as a sub recipient. Numbers identified as NA are not applicable or not available.

(6) Indirect Cost Rate

PRIFB has elected not to use the 10% de minimis indirect cost rate as allowed under the uniform guidance.



**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 Board of Directors
Puerto Rico Industries for the Blind, Corp..
Mayaguez, Puerto Rico

We have audited, 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, the financial statements of Puerto Rico Industries for the Blind, Corp. (PRIFB) (a nonprofit organization) which comprise the statement of financial position as of December 31, 2021, 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 20, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered PRIFB'S internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the PRIFB's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

**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
(CONTINUED)**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PRIFB's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

San Juan, Puerto Rico
March 20, 2023

Diaz & Candelaria, P.S.C.

Diaz & Candelaria, P.S.C.



License No. 34, expire December 1, 2025
The CPA Stamp No. E506567 of P.R. State
Society of Certified Public Accountants was
affixed to the record copy 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 Board of Directors
Puerto Rico Industries for the Blind, Corp.
Mayaguez, Puerto Rico

Report on Compliance for Each Major Federal Program

We have audited Puerto Rico Industries for the Blind, Corp. (PRIFB) (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Puerto Rico PRIFB'S major federal programs for the year ended as of December 31, 2021. PRIFB's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of PRIFB'S major federal programs based on our audit of the types of compliance requirements referred to above. 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about PRIFB'S compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of PRIFB'S compliance.

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

Opinion on Each Major Federal Program

In our opinion, Puerto Rico Industries for the Blind, Corp. 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 December 31, 2021.

Report on Internal Control Over Compliance

Management of Puerto Rico Industries for the Blind, Corp. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered PRIFB'S internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of PRIFB'S 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.

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

San Juan, Puerto Rico
March 20, 2023

Diaz & Candelaria, P.S.C.

Diaz & Candelaria, PSC.



License No. 34, expire December 1, 2025
The CPA Stamp No. E506568 of P.R. State
Society of Certified Public Accountants was
affixed to the record copy of this report.

PUERTO RICO INDUSTRIES FOR THE BLIND, CORP.

Schedule of Findings and Questioned Costs
For The Year Ended December 31, 2021

Section I - Summary of Auditors Results

Financial Statements

Types of auditors' report issued: Unmodified

Internal Control over financial reporting:

- Material Weakness (es) identified? No
- Significant deficiency (ies) identified that are not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material Weakness(es) identified? No
- Significant deficiency (ies) that are not considered to be material weaknesses? No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200.516(a) of Uniform Guidance? No

Mayor Program

<u>CFDA Number(s)</u>	<u>Name of Federal Program(s)</u>
11.307	U.S. Department of Commerce: Economic Adjustment Assistance Program
17.258	U.S. Department of Labor: WIOA Adult program

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

Auditee qualified as low-risk auditee? Yes

PUERTO RICO INDUSTRIES FOR THE BLIND, CORP.
Schedule of Findings and Questioned Costs
Section II – Financial Statements Findings
For The Year Ended December 31, 2021

<u>Program</u>	<u>Findings / Non-Compliance</u>	<u>Questioned Costs</u>
	None	

PUERTO RICO INDUSTRIES FOR THE BLIND, CORP.
Schedule of Findings and Questioned Costs
Section III – Federal Awards Finding and Questioned Costs
For The Year Ended December 31, 2021

<u>Program</u>	<u>Findings / Non-Compliance</u>	<u>Questioned Costs</u>
	None	

PUERTO RICO INDUSTRIES FOR THE BLIND, CORP.
Summary Schedule of Prior Audit Findings
For The Year Ended December 31, 2021

<u>Program</u>	<u>Findings / Non-Compliance</u>	<u>Questioned Costs</u>
	None	
	TOTAL PRIOR YEAR QUESTIONED COST	<u>\$ -0-</u>