

**RED DE FUNDACIONES DE PUERTO RICO INC.**

**AUDITED FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

**DECEMBER 31, 2017**

# **SERGIO HERNÁNDEZ**

**Certified Public Accountant**

To the Board of Directors  
Red de Fundaciones de Puerto Rico Inc.  
San Juan, Puerto Rico

## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the Financial Statements**

I have audited the accompanying financial statements of Red de Fundaciones de Puerto Rico Inc. (a not-for-profit organization) (the Entity), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and change in net assets, of functional expenses, and of cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. 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. My responsibility is to express an opinion on these financial statements based on my audit.

### **Auditor's Responsibility**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing opinion on the effectiveness of the entity's internal control. Accordingly, I express no such

opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Red de Fundaciones de Puerto Rico Inc. as of December 31, 2017, and the activities and change 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.

A handwritten signature in blue ink, appearing to read "Sergio Hernández", with a stylized flourish at the end.

Sergio Hernández  
Certified Public Accountant  
License No. 2470

Trujillo Alto, Puerto Rico  
September 24, 2018

Stamp No. 02762588 of the Puerto Rico Society of Certified  
Public Accountants has been affixed to the original of this report

**Red de Fundaciones de Puerto Rico, Inc.**  
**Statement of Financial Position**  
**December 31, 2017**

**Assets**

**Current Assets**

Cash	\$ 35,037
Certificate of Deposit	<u>5,000</u>
Total Current Assets	<u>40,037</u>
Total Assets	<u><u>\$ 40,037</u></u>

**Liabilities and Net Assets**

**Liabilities**

**Current Liabilities -**

Accounts Payable and Accrued Expenses	<u>\$ 1,147</u>
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**Net Assets**

Unrestricted	13,890
Temporarily Restricted	<u>25,000</u>
Total Net Assets	<u>38,890</u>
Total Liabilities and Net Assets	<u><u>\$ 40,037</u></u>

The accompanying notes are an integral part of these financial statements

**Red de Fundaciones de Puerto Rico, Inc.**  
**Statement of Activities and Change in Net Assets**  
**For the Year Ended on December 31, 2017**

	Unrestricted	Temporarily Restricted	Total
<b>Revenues</b>			
Support Revenues			
Grants		\$ 50,000	\$ 50,000
Members Contributions	\$ 160,000		160,000
Subtotal	160,000	50,000	210,000
Transfer of Temporarily Restricted Revenues	25,000	(25,000)	
Total Revenues	185,000	25,000	210,000
<b>Operating Expenses</b>			
Program Expenses	176,985		176,985
Support and Administrative Expenses	21,165		21,165
Total Operating Expenses	198,150	-	198,150
Change in Net Assets	(13,150)	25,000	11,850
Net Assets at the beginning of the year	27,040		27,040
Unrestricted Net Assets	13,890		13,890
Temporarily Restricted Net Assets		25,000	25,000
Net Assets at the end of the year	\$ 13,890	\$ 25,000	\$ 38,890

The accompanying notes are an integral part of these financial statements

**Red de Fundaciones de Puerto Rico, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended on December 31, 2017**

	<b>Program Services</b>	<b>Support and Administrative</b>	<b>Total</b>
Professional services	\$ 141,008	\$19,376	\$ 160,384
Grants	28,000		28,000
Travel and Meetings	6,521		6,521
Meals and Entertainment	1,410		1,410
Bank charges		1,151	1,151
Rent and Utilities		375	375
Fees		160	160
Telephone		81	81
Other	46	22	68
Total Expenses	<u>\$ 176,985</u>	<u>\$21,165</u>	<u>\$ 198,150</u>

The accompanying notes are an integral part of these financial statements

**Red de Fundaciones de Puerto Rico, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended on December 31, 2017**

Cash Flows from Operating Activities	
Change in Net Assets	\$ 11,850
Adjustments to reconcile change in net assets with net cash flows provided by operating activities	
Changes in assets and liabilities:	
Accounts Payable and Accrued Expenses	<u>(2,018)</u>
Net cash flows provided by operating activities	<u>9,832</u>
Net increase in cash	9,832
Cash and Cash Equivalents at the beginning of the year	<u>30,205</u>
Cash and Cash Equivalents at the end of the year	<u><u>\$ 40,037</u></u>

The accompanying notes are an integral part of these financial statements



# **RED DE FUNDACIONES DE PUERTO RICO INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

### **NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Organization**

Red de Fundaciones de Puerto Rico Inc. (the Entity) is a not-for profit corporation located in San Juan, Puerto Rico organized and existing under the laws of the Commonwealth of Puerto Rico on February 12, 2009. The Entity is an association of grant makers for joint learning and action with the objective of creating opportunities for coordinated, aligned, and collaborative grant making to improve the lives of vulnerable populations in Puerto Rico. The Entity is run by a board of directors, a professional-services executive director, and other professionals. The Entity is exempt from both Puerto Rico and Federal income taxes.

#### **Summary of significant accounting policies**

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles under the statements of the Financial Accounting Standards Board of the United States of America. The statements require that all not-for-profit organizations provide a statement of financial position, a statement of activities, a statement of functional expenses, a statement of cash flows, and the corresponding notes to these financial statements. The standards also require that the net assets are presented in the statement of financial position based on the donor-imposed restrictions (i.e., permanently restricted, temporarily restricted, and unrestricted) and that the amounts of change in each of those classes of net assets are presented in the statement of activities.

Contributions received or made, including unconditional promises to contribute, are recognized as revenues or expenses in the period made at fair market value. Contributions that are received subject to certain restrictions imposed by the donors are reported as increases in unrestricted net assets if the restrictions expire or are satisfied within the year in which contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When restrictions expire, temporarily restricted revenues and net assets are reclassified to unrestricted revenues and net assets.



Conditional promises to pay or receive are recognized when the conditions have been substantially met. In accordance with the standards, the Entity makes distinctions between contributions received which permanently increase restricted net assets, temporarily restricted net assets, and unrestricted net assets. Furthermore, the standards provide guidance on the accounting for donations of services and certain other assets. Such in-kind donations are recognized as revenues and expenses at estimated fair market value at the time of the donation if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Expenses are recognized when incurred.

#### Cash and Cash Equivalents

The Entity considers highly liquid investments with original maturities at the time of purchase of three months or less to be cash equivalents. At December 31, 2017, the Entity has a certificate of deposit in the amount of \$5,000 considered by management of the Entity as cash equivalent.

#### Property and Equipment

Property and Equipment is recorded at cost, if purchased and at fair value at date of receipt if contributed, net of accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Major additions, renewals, and betterments are capitalized, while minor additions and repair and maintenance costs are charged to expense as incurred. When property and equipment is sold or otherwise disposed of, the asset cost and the related accumulated depreciation are removed from the books and the resulting gain or loss, if any, is credited or charged to operations.

The Entity periodically evaluates its property and equipment in order to determine impairment when specific events or circumstances indicate that their carrying amounts cannot be recovered.

#### Allocation of Expenses

The Entity allocates its expenses on a functional basis among its programs and activities. Expenses and support services that can be identified with a specific program or activity are allocated directly based on the natural expense classification. Other expenses that are common to various programs and activities are allocated based on various relationships.

## Use of Estimates

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

## NOTE 2 - DONATIONS

The Entity receives donations restricted as to the use which may be given to the funds, the time in which they may be used, and other requirements. Once the funds are utilized for the specified purposes and the requirements satisfied, they are transferred to unrestricted revenues.

Effective on October 10, 2017, the Entity entered into a fiscal sponsorship agreement (the Agreement) with another not-for-profit organization (the Sponsor). The objective of the Agreement is to facilitate the receipt of donations to support an Entity's charitable project known as "Adelante Puerto Rico" ("Forward Puerto Rico Fund") (the Project). Under the terms of the Agreement, the Sponsor is to receive donations, deposit them in a restricted fund under the exclusive control of the Sponsor to pursue the objectives of the Entity's Project.

The Sponsor has complete discretion and control with respect to any request from the Entity for disbursements from the restricted fund. The Entity shall use funds provided by the Sponsor to fulfill objectives of the Project and is solely responsible for all activities related to the Project and supported by those funds. The Sponsor acknowledged that during the year ended on December 31, 2017 received \$2,668,004 in donations for the Project and made grants attributable to the Project amounting to \$617,500. Neither the donations nor the grants are included in the accompanying financial statements as they were managed, controlled, and recognized by the Sponsor in accordance with the Agreement.

The Agreement has several other terms and conditions as well as required responsibilities and obligations for both the Entity and the Sponsor. The Agreement provides for various potential termination events, some relate to the objectives of the Project, as determined by the Sponsor, and another one relates to the Entity obtaining federal tax-exempt status including the receipt of a determination letter to such effect. Under any of the termination events, the balance of assets in Sponsor's restricted fund earmarked for the Project shall be transferred to the Entity or to a successor if one is selected as provided by one of the termination alternatives.



### NOTE 3 - CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Entity to concentrations of credit risk consist principally of cash and a certificate of deposit. As of December 31, 2017, the Entity has cash deposits with a financial institution, amounting to \$35,037 covered by the Federal Deposit Insurance Corporation. The Entity monitors the credit quality of the financial institution and does not anticipate its nonperformance. During the year, the Entity received donations from two contributors each representing approximately 12% of its total revenues.

### NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

During the year, net assets in the amount of \$25,000 were released from donor restrictions through their use for services and operating expenses. At December 31, 2017, an additional \$25,000 of the Entity's net assets were restricted.

### NOTE 5 - SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION

During the year, the Entity paid no interest and no income taxes.

### NOTE 6 - SUBSEQUENT EVENTS

The Entity evaluated subsequent events, through September 24, 2018, the date on which the financial statements were available to be issued. During such subsequent period, the Entity obtained its federal tax-exempt status effective for the year ended on December 31, 2017.