

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FILANTROPIA PUERTO RICO, INC.

(A NON-PROFIT ORGANIZATION)

December 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Filantropia Puerto Rico, Inc. (A non-profit organization)
San Juan, Puerto Rico

We have audited the accompanying balance sheets of Filantropia Puerto Rico, Inc. (A non-profit organization) as of December 31, 2019 and 2018 and the related statements of activities and change in net assets and cash flows for the years then ended, and the related notes to 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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 risk 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 an opinion on the effectiveness of the entity's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audits' opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Filantropia Puerto Rico, Inc. (A non-profit organization) as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America.

UHY Del Valle & Nieves PSC

UHY DEL VALLE & NIEVES PSC

License # PSC-55

San Juan, Puerto Rico

August 31, 2020

Stamp No. E425126 of Puerto Rico

Society of Certified Public

Accountants was adhered to the
original of this report.

Filantropia Puerto Rico, Inc.

(A non-profit organization)

STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,867,383	\$ 1,991,108
Certificate of deposit	105,028	5,028
Grant receivable	806,666	1,570,397
Prepaid expenses	<u>5,000</u>	<u>5,000</u>
Total current assets	<u>\$ 4,784,077</u>	<u>\$ 3,571,533</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 15,147
Grants payable	225,000	-
Accrued liabilities	5,456	5,321
Deferred revenues	<u>2,247,227</u>	<u>1,969,800</u>
Total current liabilities	<u>2,477,683</u>	<u>1,990,268</u>
NET ASSETS		
Without donor restrictions	244,824	166,906
With donor restrictions	<u>2,061,570</u>	<u>1,414,359</u>
Total net assets	<u>2,306,394</u>	<u>1,581,265</u>
Total liabilities and net assets	<u>\$ 4,784,077</u>	<u>\$ 3,571,533</u>

The accompanying notes are an integral part of these statements.

Filantropia Puerto Rico, Inc.

(A non-profit organization)

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

Year ended December 31, 2019 and 2018

	<u>2 0 1 9</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support Revenues			
Grants	\$ -	\$ 2,482,251	\$ 2,482,251
Members contributions	<u>140,000</u>	<u>-</u>	<u>140,000</u>
Total revenues	<u>140,000</u>	<u>2,482,251</u>	<u>2,622,251</u>
Operating Expenses			
Program expenses	-	(1,835,040)	(1,835,040)
Support and administrative expenses	<u>(62,082)</u>	<u>-</u>	<u>(62,082)</u>
	<u>(62,082)</u>	<u>(1,835,040)</u>	<u>(1,897,122)</u>
Increase in net assets	77,918	647,211	725,129
Net assets at the beginning of year	<u>166,906</u>	<u>1,414,359</u>	<u>1,581,265</u>
Net assets at the end of the year	<u>\$ 244,824</u>	<u>\$ 2,061,570</u>	<u>\$ 2,306,394</u>

The accompanying notes are an integral part of these statements.

Filantropia Puerto Rico, Inc.

(A non-profit organization)

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS - CONTINUED

Year ended December 31, 2019 and 2018

	<u>2 0 1 8</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support Revenues			
Grants	\$ 200,000	\$ 3,536,422	\$ 3,736,422
Members contributions	<u>140,000</u>	<u>-</u>	<u>140,000</u>
Total revenues	<u>340,000</u>	<u>3,536,422</u>	<u>3,876,422</u>
Operating Expenses			
Program expenses	-	(2,147,063)	(2,147,063)
Support and administrative expenses	<u>(186,984)</u>	<u>-</u>	<u>(186,984)</u>
Total operating expenses	<u>(186,984)</u>	<u>(2,147,063)</u>	<u>(2,334,047)</u>
Increase in net assets	153,016	1,389,359	1,542,375
Net assets at the beginning of year	<u>13,890</u>	<u>25,000</u>	<u>38,890</u>
Net assets at the end of the year	<u>\$ 166,906</u>	<u>\$ 1,414,359</u>	<u>\$ 1,581,265</u>

The accompanying notes are an integral part of these statements.

Filantropia Puerto Rico, Inc.

(A non-profit organization)

STATEMENTS OF CASH FLOWS

Year ended December 31,

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 725,129	\$ 1,542,375
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Decrease (increase) in assets:		
Grants receivable	763,731	(1,570,397)
Prepaid expenses	-	(5,000)
Increase in liabilities:		
Accounts payable	209,853	14,000
Deferred revenues	277,427	1,969,800
Accrued expenses	<u>135</u>	<u>5,321</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,976,275	1,956,099
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in certificate of deposit	<u>(100,000)</u>	<u>(28)</u>
NET INCREASE IN CASH AND CASH EQUIVALETS	1,876,276	1,956,071
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,991,108</u>	<u>35,037</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,867,383</u>	<u>\$ 1,991,108</u>

The accompanying notes are an integral part of these statements.

Filantropia Puerto Rico, Inc.

(A non-profit organization)

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE A - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

1. Organization

The entity was organized under the laws of the Commonwealth of Puerto Rico on February 12, 2009, as a nonprofit organization, Red de Fundaciones de Puerto Rico, Inc. On July 8, 2019 the company amended its certificate of incorporation as to its corporate name. Consequently the company continued its existence, with the same rights and obligations under corporate name of Filantropia Puerto Rico, Inc. 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 exempt from both Puerto Rico and Federal income taxes.

A summary of the significant accounting policies followed in the United States of America and consistently applied in the preparation of the accompanying financial statements judged by management to be the most appropriate in the circumstances to present fairly the company's financial position and results of operations in accordance with accounting principles generally accepted in the United States of America follows:

2. Use of estimates

The preparation of the 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. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Accordingly, actual results could differ from those estimates.

3. Method of accounting

The organization's records are kept using the accrual basis of accounting whereby revenue is recorded as earned and expenses recorded as incurred.

The organization adopted FASB ASC 958-205, Not-For-Profit Entities - *Presentation of Financial Statements*. Under FASB ASC 958-205 the organization is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. In addition, it is required to present a statement of functional expenses and statement of cash flows.

Filantropia Puerto Rico, Inc.

(A non-profit organization)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE A - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES – CONTINUED

4. Cash and cash equivalents

For purposes of the Statement of Cash Flows, the Organization considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase.

5. Contributions

The organization adopted FASB ASC 958-605, Not-For-Profit Entities - *Revenues*, whereby contributions received are recorded as with donor restrictions or without donor restrictions, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in without donor restriction net assets. All other donor restricted support is reported as an increase in with donor restricted net assets, depending on the nature of the restriction. When a restriction expires, when a stipulated time restriction ends or purpose restriction is accomplished, the temporarily restricted net assets are reclassified to without donor restriction net assets and reported in the Statement of Activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in with donor restriction net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received or at values indicated by the donor. Due to the nature of the donated services their might be activities which the organization has not been able to account for.

6. Allowance for doubtful accounts

Provision for losses on accounts receivable is made in amounts required to maintain an adequate allowance to cover anticipated bad debts. Accounts receivable are charged against the allowance when it is determined by the company that payment will not be received, and any subsequent receipts are credited to the allowance. This allowance is adjusted by management based on a review of all accounts receivable. As of December 31, 2019 and 2018, no allowance for doubtful accounts was considered necessary.

7. Prepaid expenses

Expenditures made to secure the use of assets or the receipt of services at a future date are charged to the prepaid expense account and are amortized based on the term and usage of the amounts.

Filantropia Puerto Rico, Inc.

(A non-profit organization)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE A - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES – CONTINUED

8. Financial instruments

The carrying amounts of cash and accounts receivable, accounts payable, deferred revenues and accrued expenses approximate fair value because of the short maturity of these items.

9. Income taxes

The organization is exempt from income, municipal, and property taxes, under section 1101(5) of the Puerto Rico Income Tax Code.

10. Concentration of credit risk

The entity maintains its cash in bank deposit accounts at high credit quality financial institution. As of December 31, 2019 and 2018, the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution, respectively. At various times through the year the company may have maintained cash balances in excess of the insured amounts. As of December 31, 2019 and 2018, cash in financial institution exceeded the federal insurance limits by \$4,246,943 and \$2,072,522, respectively.

11. 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.

Filantropia Puerto Rico, Inc.

(A non-profit organization)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE B - CASH AND CASH EQUIVALENTS

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as investments in certificate of deposit and money market funds, with an original maturity of three months or less when purchased. The following is the composition of the combined amounts appearing in the financial statements:

	<u>2019</u>	<u>2018</u>
Cash	\$ 1,137,820	\$ 1,991,108
Certificate of deposit	<u>2,729,563</u>	<u>-</u>
	<u>\$ 3,867,383</u>	<u>\$ 1,991,108</u>

NOTE C - COMMITMENTS

The Fund “Fondo Adelante” received contributions from various sources with the purposes of rebuilding Puerto Rico following the aftermath of Hurricane María in 2017.

With these funds the entity have approved and disbursed to several nonprofit organizations grants for approximately \$5,772,132. The funds are available for the grantees multiannually beginning upon receipt of the signed agreement. The disbursement of the approved funds is made in various periods. The following disbursements are made after submitting a report of the achievements during the previous period and the favorable review thereof. For the year ended December 31, 2019 and 2018, the amount disbursed from the Fund “Fondo Adelante” to these nonprofit entities amounted to \$3,072,291 and \$687,463, respectively. As of December 31, 2019 and 2018, the total commitments pending to the disbursement amounted to \$1,617,841 and \$684,562, respectively, which were recognized as part of the deferred revenue.

NOTE D - DEFERRED REVENUES

Deferred revenues are related to grants awarded to the organization which are restricted by the donor for a specific expenditures which has not been incurred. The organization’s policy is to release the grant received to the statement of activities when the expenditure is actually spent. As of December 31, 2019 and 2018 the deferred revenues amounted to \$2,247,227 and \$1,969,800, respectively. The organization’s expectations are to release the total deferred revenue balance during the year ending December 31, 2020.

Filantropia Puerto Rico, Inc.

(A non-profit organization)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE E - SUBSEQUENT EVENT

The entity adopted the FASB ASC 855, "*Subsequent Events*", which establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. The standard sets forth the period after the balance sheet date during which management should evaluate events or transactions that may occur for potential recognition events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. It requires the disclosure of the date through which an entity has evaluated subsequent events. The Company has evaluated all events subsequent to the balance sheet date of December 31, 2019 through August 21, 2020, which is the date the financial statements were available for issuance and has determined there are no events that require disclosure.

SUPPLEMENTARY INFORMATION

Filantropia Puerto Rico, Inc.

(A non-profit organization)

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Professional services	\$ 223,593	\$ 428,270
Grants	1,383,729	1,819,281
Salaries and payroll taxes	186,832	-
Audit, legal and accounting	14,897	24,611
Marketing and communications	48,449	15,595
Membership developments	2,817	5,000
Facilities and equipment	5,630	3,763
Conferences and meetings	22,466	19,630
Others	<u>8,709</u>	<u>17,897</u>
	<u>\$ 1,897,122</u>	<u>\$ 2,334,047</u>