

Filantropía Puerto Rico, Inc.

Financial Statements
December 31, 2020

Together with Independent Auditors' Report

Filantropía Puerto Rico, Inc.
December 31, 2020

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AFS CPA GROUP, LLC
Antonio F. Sécota Biascochea, CPA

Independent Auditors' Report

To The Board of Directors of
Filantropía Puerto Rico, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Filantropía Puerto Rico, Inc., (a non profit Corporation) which comprise of the statement of financial position as of December 31, 2020, and the related statement of activities and changes in net assets and 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' judgment, including the assessment of the risks of material misstatements 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 controls. 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Filantropía Puerto Rico, Inc. as of December 31, 2020, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

AFS-CPA Group, LLC

AFS-CPA Group, LLC
License Number LLC-280

San Juan, Puerto Rico.
July 8, 2021



By: Nancy Arismendi
Nancy Arismendi, CPA Lic# 6151

AFS-CPA GROUP, LLC
Certified Public Accountants
License Number LLC-280

Filantropía Puerto Rico, Inc.
Statement of Financial Position
December 31, 2020

Assets

Current Assets:

Cash and Cash Equivalents	\$ 1,135,654
Certificates of Deposits	1,609,312
Grant Receivable	112,500
Prepaid Expenses	<u>3,307</u>
Total Assets	\$ <u>2,860,773</u>

Liabilities and Net Assets

Current Liabilities:

Accounts Payable	\$ 61,117
Deferred Revenues	833,714
Accrued Liabilities	<u>3,481</u>
Total Current Liabilities	<u>898,312</u>

Net Assets:

Without Donor Restrictions	375,295
With Donor Restrictions	<u>1,587,166</u>
Total Net Assets	<u>1,962,461</u>
Total Liabilities and Net Assets	\$ <u>2,860,773</u>

The accompanying notes are an integral part of this financial statement.

Filantropía Puerto Rico, Inc.
Statement of Activities and Changes in Net Assets
For the year ended December 31, 2020

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Revenues:			
Grants	\$ -	\$ 1,701,577	\$ 1,701,577
Members Contributions	174,167	-	174,167
Exempt Income	-	34,400	34,400
Interest Revenue	7,277	-	7,277
COVID Incentives	6,500	-	6,500
Other Income	<u>3,324</u>	<u>-</u>	<u>3,324</u>
Total Revenues	<u>191,268</u>	<u>1,735,977</u>	<u>1,927,245</u>
Expenses:			
Forward Fund Grants to Organizations	-	1,699,762	1,699,762
Professional Services	21,392	247,676	269,068
Salaries, Payroll Taxes and Benefits	28,887	231,758	260,645
Marketing & Communications	364	18,608	18,972
Conference and Meetings	1,124	9,661	10,785
Subscriptions	8,175	-	8,175
Other Expenses	<u>855</u>	<u>2,916</u>	<u>3,771</u>
Total Expenses	<u>60,797</u>	<u>2,210,381</u>	<u>2,271,178</u>
Change in Net Assets	130,471	(474,404)	(343,933)
Net Assets at the beginning of the year	<u>244,824</u>	<u>2,061,570</u>	<u>2,306,394</u>
Net Assets at the end of the year	<u>\$ 375,295</u>	<u>\$ 1,587,166</u>	<u>\$ 1,962,461</u>

The accompanying notes are an integral part of this financial statement.

Filantropía Puerto Rico, Inc.
Statement of Cash Flows
For the year ended December 31, 2020

Cash Flows from Operating Activities:	
Change in net assets	\$ (343,933)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Changes in assets and liabilities:	
Grant Receivable	694,166
Prepaid Expenses	908
Accounts Payable	61,117
Grants Payable	(225,000)
Deferred Revenues	(1,413,513)
Accrued Liabilities	<u>(1,188)</u>
Total Adjustments	(883,510)
Net Cash Used in Operating Activities	(1,227,443)
Cash Flows from Investing Activities:	
Investment in Certificate of Deposits	<u>(1,504,286)</u>
Net Decrease in Cash and Cash Equivalents	(2,731,729)
Cash and Cash Equivalents, beginning of the year	<u>3,867,383</u>
Cash and Cash Equivalents, end of the year	<u>\$ 1,135,654</u>

The accompanying notes are an integral part of this financial statement.

Filantropía Puerto Rico, Inc.
Notes to Financial Statements
December 31, 2020

(1) Organization and Nature of Operations:

Filantropía Puerto Rico, Inc. (from now on referred to as the "Company") is a non-for-profit corporation organized under the laws of the Commonwealth of Puerto Rico in February 12, 2009. On July 8, 2019, the Company amended its corporate name from Red de Fundaciones de Puerto Rico, Inc. to Filantropía Puerto Rico, Inc. The entity is a philanthropy support organization focused connecting philanthropic entities and amplifying their voice and impact in areas of equity, collaboration, transparency and social justice. As a convener of funders with grant making focus on Puerto Rico, they lead efforts to improve the lives of the marginalized.

(2) Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies followed by the Corporation:

(a) Basis of Accounting

The financial statements of the Company have been prepared based on the accrual method of accounting in adherence to the generally accepted accounting principles of the United States of America. Consequently, revenues are recognized when earned or donor make a promise to give regardless of when cash is received, and expenses are recognized when incurred regardless of when cash is disbursed.

(b) Basis of Presentation

In accordance with Statement of Financial Accounting Standards all not-for-profit organizations are required to provide a statement of financial position, a statement of activities and changes in net assets, and a statement of cash flows. It is also required the classification of an organization's net assets and its revenues, expenses, gains, and losses based on the existence or absence of imposed restrictions. Accordingly, the net assets of the Company and changes therein are generally classified and reported as follows, depending on the circumstances and applicability each year:

- **Net Assets without Donor Restrictions** - This category consists of net assets that are not subject to donor-imposed or legal stipulations.
- **Net Assets with Donor Restrictions** - This category consists of net assets that are subject to donor-imposed or legal stipulations.

(c) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows the Corporation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

As of December 31, 2020 the Company, has three certificates of Deposit with a financial institution amounting \$1,609,312.

Filantropía Puerto Rico, Inc.
Notes to Financial Statements
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(d) *Income Taxes*

The Company is organized as a non-profit corporation; accordingly, no provision for income tax is recognized.

(e) *Revenue Recognition*

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.

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

Memberships, program and services fees are recorded when earned and the related receivable collections is probable. It is reported as an increase in without donor restriction net assets.

(f) *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, 2020, no allowance for doubtful accounts was considered necessary.

(g) *Use of Estimates*

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

(h) *Fair Value of Financial Instruments*

The carrying amounts reported in the accompanying statement of financial position for cash and cash equivalents, certificate of deposits, accounts receivable, prepaid expenses, accounts payable, deferred revenues and accrued liabilities approximate fair value because of the short-term durations of these financial instruments.

Filantropía Puerto Rico, Inc.
Notes to Financial Statements
December 31, 2020

(3) Forward Puerto Rico Fund:

The main source of contributions received and disbursements made by the Company are related to the Forward Puerto Rico Fund. This fund is one of the Company's strategies to develop philanthropic partnerships that help bolster the capacity of nonprofit institutions. Created in 2017, the Fund collects contributions from philanthropic organizations, and also from private sources and individuals. Then, the funds received are distributed in Puerto Rico among nonprofit organizations which activities are align to the Fund's priorities. The disbursement of the approved funds is made usually in various periods. The last disbursements are made after submitting a report of the achievements and the favorable review thereof.

The Fund originally was created to help in the emergency relief, recovery and reconstruction of Puerto Rico after the impact of Hurricane María. The most recent priority is to help the most vulnerable population of the island that has been impact by the earthquakes in the south of Puerto Rico and the COVID-19 outbreak.

For the year ended December 31, 2020, the amount disbursed from the Fund to these nonprofit organizations amounted to \$1,699,762. As of December 31, 2020, the total commitments pending to the disbursement amounted to \$739,547 which were recognized as part of the deferred revenue.

(4) Deferred Revenues

Deferred revenues are related to grants awarded to the Company which are restricted by the donor for a specific expenditures or a timeframe. The Company's policy is to release the grant received to the statement of activities when the expenditure is actually spent or the time restriction elapsed. As of December 31, 2020, deferred revenues amounted to \$833,714. The Company's expectations are to release the total deferred revenue balance during 2021.

Below a summary of the deferred revenues balance during 2020:

	<u>Forward PR Fund</u>	<u>Operational</u>	<u>Total</u>
Beginning Balance	\$ 1,795,709	\$ 451,518	\$ 2,247,227
Less: Funds release	(1,795,709)	(474,518)	(2,270,227)
Add: Funds with pending restrictions	<u>739,547</u>	<u>117,167</u>	<u>856,714</u>
Ending Balance	<u>\$ 739,547</u>	<u>\$ 94,167</u>	<u>\$ 833,714</u>

(5) Income Taxes:

On March 10, 2016 the Company requested tax exemption from Puerto Rico Income Taxes under the provisions of Chapter 10, Subchapter A, Section 1101.01 of the Puerto Rico Internal Revenue Code, as amended. Under this exemption, the Company is exempt from income, property and municipal taxes. Department of Treasury approved the exemption with effective date on January 1, 2016.

The Company is also exempt from federal income taxes under the provisions of Section 501(c)(3) of Internal Revenue Code of the United States of America.

Filantropía Puerto Rico, Inc.
Notes to Financial Statements
December 31, 2020

(6) Expenses

The expenses are presented by both their nature and their function for the year ended December 31, 2020.

	<u>Support Services</u>	<u>Program Services</u>	<u>Total</u>
Expenses:			
Forward Fund Grants to Organizations	\$ -	\$ 1,699,762	\$ 1,699,762
Professional Services	79,645	189,423	269,068
Salaries, Payroll Taxes and Benefits	260,645	-	260,645
Marketing & Communications	13,954	5,018	18,972
Conference and Meetings	6,261	4,524	10,785
Subscriptions	8,175	-	8,175
Other Expenses	<u>3,771</u>	<u>-</u>	<u>3,771</u>
Total Expenses	\$ <u>372,451</u>	\$ <u>1,898,727</u>	\$ <u>2,271,178</u>

The financial statements report certain categories of expenses that are attributable to support services or program services. Support services include those expenses that are not identifiable to any specific function, provide for the overall support and direction of the Company, and whose funding by grantors carries no restrictions but rather rely on management’s discretion. Program services, on the other hand, include specific expenses for the Company’s mission, and are incurred using funding assigned by the grantors with a specific mandate. Direct identifiable expenses are charged to supporting services or programs, while indirect expenses are allocated – with such allocation done on a reasonable basis that is consistently applied.

(7) Concentrations

The Company maintains its cash account with one financial institution secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2020, the Corporation had \$2,507,638 of uninsured cash balance.

(8) COVID - 19:

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (Covid-19) a global pandemic and recommended containment and mitigation measures worldwide. The Company’s operations have been significantly impacted by lockdown measures and the imposition of related public health measures resulting from quarantines, self-isolations, governmental closure orders and partial or full closures of business and government offices. The United States and Puerto Rico governments had implemented different acts to provide relief to small business.

During 2020, the Company was granted a loan in the amount of \$34,400, pursuant to the Paycheck Protection Program (PPP), under the CARES Act, which was enacted on March 27, 2020. Loan may be prepaid by the Company at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Company has requested the forgiveness of the loan and it was approved. The forgive amount is presented as Exempt Income in the Statement of Activities.

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Notes to Financial Statements
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(8) COVID - 19 (Continued):

The Government of Puerto Rico has granted an incentive to aid companies from the funds received under the Coronavirus Relief Fund legislated by the United States Congress of \$5,000 to companies with fewer than 50 employees or \$10,000 for those with between 50 and 500 employees. The incentive received by the Company of \$5,000, is presented under the COVID Incentive caption in the Statement of Activities and Changes in Net Assets.

The Department of Economic Development and Commerce (DEDC) granted an incentive to aid companies with 50 or fewer employees and with a volume of business of no more than \$10,000,000. The incentive received by the Company of \$1,500, is presented under the COVID Incentive caption in the Statement of Activities and Changes in Net Assets.

(9) Subsequent Events:

Management has evaluated subsequent events occurring through July 8, 2021 the date financial statements were available to be issued and concluded that there are no subsequent event that requires disclosure.