

**Filantropía Puerto Rico, Inc.**

*Financial Statements*  
*December 31, 2021*

*Together with Independent Auditors' Report*

**Filantropía Puerto Rico, Inc.**  
**December 31, 2021**

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## **Independent Auditors' Report**

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

### **Opinion**

We have audited the accompanying financial statements of Filantropía Puerto Rico, Inc., (a non profit Corporation) which comprise of Statement of financial position as of December 31, 2021, and the related Statements of Activities and Changes in Net Assets, and Cash Flows for the year then ended, and the related Notes to the Financial Statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Filantropía Puerto Rico, Inc. as of December 31, 2021, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Filantropía Puerto Rico, Inc. 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.

### **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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Filantropía Puerto Rico, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:


- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Filantropía Puerto Rico, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Filantropía Puerto Rico, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

*AFS-CPA Group, LLC*

AFS-CPA Group, LLC  
License Number LLC-280

Gurabo, Puerto Rico.  
September 30, 2022

By:   
Antonio F, Sécola, CPA Lic# 3550



**Filantropía Puerto Rico, Inc.**  
**Statement of Financial Position**  
**December 31, 2021**

Assets

**Current Assets:**

Cash and Cash Equivalents	\$ 1,971,535
Certificates of Deposits	2,100,450
Prepaid Expenses	<u>2,651</u>
<b>Total Assets</b>	<b>\$ <u>4,074,636</u></b>

Liabilities and Net Assets

**Current Liabilities:**

Accounts Payable	\$ 517,583
Deferred Revenues	1,204,225
Accrued Liabilities	<u>5,173</u>
<b>Total Current Liabilities</b>	<b><u>1,726,981</u></b>

**Net Assets:**

Without Donor Restrictions	2,347,655
With Donor Restrictions	<u>-</u>
<b>Total Net Assets</b>	<b><u>2,347,655</u></b>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>4,074,636</u></b>

*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, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues:</b>			
Grants	\$ -	\$ 2,472,206	\$ 2,472,206
Members Contributions	407,404	-	407,404
Exempt Income	49,074	-	49,074
Interest Revenue	7,277	-	7,277
Individual Contributions	<u>1,899,271</u>	<u>-</u>	<u>1,899,271</u>
<b>Total Revenues</b>	<u>2,363,026</u>	<u>2,472,206</u>	<u>4,835,232</u>
<b>Expenses:</b>			
Forward Fund Grants to Organizations	23,000	2,198,879	2,221,879
Professional Services	24,176	116,247	140,423
Salaries, Payroll Taxes and Benefits	163,732	61,171	224,903
Marketing & Communications	9,803	45,062	54,865
Conference and Meetings	10,295	41,607	51,902
Subscriptions	-	3,500	3,500
Other Expenses	<u>3,569</u>	<u>5,740</u>	<u>9,309</u>
<b>Total Expenses</b>	<u>234,575</u>	<u>2,472,206</u>	<u>2,706,781</u>
<b>Change in Net Assets</b>	2,128,451	-	2,128,451
<b>Net Assets at the beginning of the year</b>	375,295	1,587,166	1,962,461
<b>Prior Period Adjustment</b>	<u>(156,091)</u>	<u>(1,587,166)</u>	<u>(1,743,257)</u>
<b>Net Assets at the end of the year</b>	<u>\$ 2,347,655</u>	<u>\$ -</u>	<u>\$ 2,347,655</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, 2021**

<b>Cash Flows from Operating Activities:</b>	
Change in net assets	\$ <u>2,128,451</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Prior Period Adjustment	(1,743,257)
Changes in assets and liabilities:	
Grant Receivable	112,500
Prepaid Expenses	656
Accounts Payable	456,466
Deferred Revenues	370,511
Accrued Liabilities	<u>1,692</u>
<b>Total Adjustments</b>	<u>(801,432)</u>
<b>Net Cash Provided by Operating Activities</b>	1,327,019
<b>Cash Flows from Investing Activities:</b>	
Investment in Certificate of Deposits	<u>(491,138)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	835,881
<b>Cash and Cash Equivalents, beginning of the year</b>	<u>1,135,654</u>
<b>Cash and Cash Equivalents, end of the year</b>	\$ <u><u>1,971,535</u></u>

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

**Filantropía Puerto Rico, Inc.**  
**Notes to Financial Statements**  
**December 31, 2021**

**(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 on 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.

**(d) Certificates of Deposits**

As of December 31, 2021 the Company, has four certificates of deposit with a financial institution amounting to \$2,100,450.



**Filantropía Puerto Rico, Inc.**  
**Notes to Financial Statements**  
**December 31, 2021**

(e) *Income Taxes*

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

(f) *Revenue Recognition*

Contributions received are divided between "With Donor Restrictions" or "Without Donor Restrictions", depending on the existence and nature of any restrictions originally imposed by the donor. Contributions classified as "Without Donor Restrictions" are generally recognized as revenues as commitment of funds is received and collection is probable. Management, at its discretion, may differ all or a portion of said revenues if they deemed appropriate under the specific circumstances. Contributions classified as "With Donor Restrictions" are recognized first as a liability "Deferred Revenues" and then, as expenses are incurred consistent with the original donor restrictions, these are simultaneously reclassified to *Revenues* earned in the accompanying *Statement of Activity*.

Contributions of donated services 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 there might be activities which the organization has not been able to account for.

(g) *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, 2021, no allowance for doubtful accounts was considered necessary.

(h) *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.

(i) *Fair Value of Financial Instruments*

The carrying amounts reported in the accompanying statement of financial position for cash and cash equivalents, certificate of deposits, 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, 2021**

**(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, 2021, the amount disbursed from the Fund to these nonprofit organizations amounted to \$2,198,879. As of December 31, 2021, the total commitments pending to the disbursement amounted to \$510 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, 2021, deferred revenues amounted to \$1,204,225. The Company's expectations are to release the total deferred revenue balance during 2022.

Below a summary of the deferred revenues balance during 2021:

	<u>Forward PR Fund</u>	<u>Operational</u>	<u>Total</u>
Beginning Balance	\$ 2,172,188	\$ 404,783	\$ 2,576,971
Less: Funds release	(2,198,879)	(375,578)	(2,574,457)
Add: Funds with pending restrictions	<u>27,201</u>	<u>1,174,510</u>	<u>1,201,711</u>
Ending Balance	<u>\$ 510</u>	<u>\$ 1,203,715</u>	<u>\$ 1,204,225</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, 2021**

**(6) Expenses**

The expenses are presented by both their nature and their function for the year ended December 31, 2021.

	<u>Support Services</u>	<u>Program Services</u>	<u>Total</u>
<b>Expenses:</b>			
Forward Fund Grants to Organizations	\$ -	\$ 2,221,879	\$ 2,221,879
Professional Services	56,805	83,618	140,423
Salaries, Payroll Taxes and Benefits	224,903	-	224,903
Marketing & Communications	46,818	8,047	54,865
Conference and Meetings	15,793	36,109	51,902
Subscriptions	3,500	-	3,500
Other Expenses	9,309	-	9,309
<b>Total Expenses</b>	<b>\$ <u>357,128</u></b>	<b>\$ <u>2,349,653</u></b>	<b>\$ <u>2,706,781</u></b>

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, 2021, the Corporation had \$3,877,773 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 2021, the Company was granted a loan in the amount of \$48,900, 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.

**Filantropía Puerto Rico, Inc.**  
**Notes to Financial Statements**  
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**(9) Prior Period Adjustment**

During the year ended December 31, 2021, management evaluated in more detail the funds received versus the funds disbursed prior to December 31, 2020 consistent with their revenue recognition guidelines as described in Notes 2 (f) and Note 4. In connection therewith, a *Prior Period Adjustment* was deemed appropriate to adjust the beginning *Deferred Revenues* balance as of December 31, 2020 and reverse the effect of excess revenues recognized prior to said date. The net effect of said *Prior Period Adjustment* amounted to \$1,743,257 and is summarized as follows;

	<u>Forward PR Fund</u>	<u>Operational</u>	<u>Total</u>
Deferred revenues, beginning of year, as originally recorded	\$ 739,547	\$ 94,167	\$ 833,714
Prior Period Adjustment	<u>1,432,641</u>	<u>310,616</u>	<u>1,743,257</u>
Deferred Revenues, beginning of year, as revised	2,172,188	404,783	2,576,971
Add: Funds with Pending Restrictions	27,201	1,174,510	1,201,711
Less: Funds released	<u>(2,198,879)</u>	<u>(375,578)</u>	<u>(2,574,457)</u>
Deferred Revenues, end of year	<u>\$ 510</u>	<u>\$ 1,203,715</u>	<u>1,204,225</u>
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Net Assets, beginning of year, as originally recorded	375,295	1,587,166	1,962,461
Prior Period Adjustment	<u>(156,091)</u>	<u>(1,587,166)</u>	<u>(1,743,257)</u>
Net Assets, at beginning of year, as revised	<u>\$ 219,204</u>	<u>\$ -</u>	<u>\$ 219,204</u>

**Filantropía Puerto Rico, Inc.**  
**Notes to Financial Statements**  
**December 31, 2021**

**(10) Subsequent Events**

Management has evaluated subsequent events occurring through September 30, 2022 the date financial statements were available to be issued and concluded that there are no subsequent event that requires disclosure.