Kevane
Grant Thornton

Financial Statements and Report of Independent Certified Public Accountants

Puerto Rico Community Foundation, Inc.

(A Not-for-Profit Organization)

December 31, 2016 and 2015

Puerto Rico Community Foundation, Inc.
(A Not-for-Profit Organization)

Table of Contents

Kevane
Grant Thornton

Report of Independent Certified Public Accountants

Kevane Grant Thornton LLP
33 Calle Bolivia, Ste 400
San Juan, Puerto Rico 00917-2013

T +1 787 754 1915
F +1 787 751 1284
www.kevane.com

To the Board of Directors of
Puerto Rico Community Foundation, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of **Puerto Rico Community Foundation, Inc.** ("the Foundation") which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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.

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 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 Foundation'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 Foundation'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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Puerto Rico Community Foundation, Inc.** as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kevane Grant Thornton LLP

San Juan, Puerto Rico,
May 24, 2017.

E275766
COLEGIO DE CONTADORES PUBLICOS AUTORIZADOS DE PUERTO RICO
KEVANE GRANT THORNTON LLP
CERTIFIED PUBLIC ACCOUNTANTS
PUERTO RICO LICENSE NO. 217

Puerto Rico Community Foundation, Inc.
(A Not-for-Profit Organization)

Statements of Financial Position
December 31, 2016 and 2015

Assets

	2016	2015
Cash and cash equivalents	$ 1,847,230	$ 2,666,184
Receivables from service contracts	3,754,042	4,848,055
Pledges receivable	364,539	23,019
Prepaid expenses and others	42,935	26,854
Loans receivable	303,586	255,000
Investments, at fair value	21,516,360	21,691,675
Property and equipment, net	1,837,113	1,974,125
Total assets	$ 29,665,805	$ 31,484,912

Liabilities and Net Assets

	2016	2015
Liabilities:		
Accounts payable and accrued expenses	$ 1,088,180	$ 1,847,313
Margin account	158,313	1,686,136
Grants payable	516,683	477,626
Notes payable	600,000	600,000
Obligations under capital leases	45,002	57,627
Total liabilities	2,408,178	4,668,702
Net assets:		
Unrestricted	5,931,318	6,025,602
Temporarily restricted	414,040	222,493
Permanently restricted	20,912,269	20,568,115
Total net assets	27,257,627	26,816,210
Total liabilities and net assets	$ 29,665,805	$ 31,484,912

Puerto Rico Community Foundation, Inc.
(A Not-for-Profit Organization)

Statements of Activities and Changes in Net Assets
Years Ended December 31, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:								
Contributions and services revenues	$ 3,300,911	$ 1,230,150	$ 344,154	$ 4,875,215	$ 5,303,166	$ 900,510	$ 264,728	$ 6,468,404
Interest and dividend income, net of custodian and investment advisory fees of $143,967 and $181,940 in 2016 and 2015, respectively	461,045	-	-	461,045	473,454	-	-	473,454
In-kind contributions	212,599	-	-	212,599	56,722	-	-	56,722
Property contribution	-	-	-	-	110,770	-	-	110,770
Other support	9,531	-	-	9,531	7,241	-	-	7,241
Total revenues, gains and other support	3,984,086	1,230,150	344,154	5,558,390	5,951,353	900,510	264,728	7,116,591
Net assets permanently restricted under matching agreement	-	-	-	-	(50,000)	-	50,000	-
Net assets released from restrictions --								
Satisfaction of program restrictions	1,038,603	(1,038,603)	-	-	870,856	(870,856)	-	-
Expenses:								
Field of interest grants	1,048,497	-	-	1,048,497	949,056	-	-	949,056
Economic community development grants	51,876	-	-	51,876	75,000	-	-	75,000
Program related expenses	3,167,939	-	-	3,167,939	5,165,565	-	-	5,165,565
Fund raising	753,261	-	-	753,261	698,980	-	-	698,980
General and administrative	546,051	-	-	546,051	522,998	-	-	522,998
Philanthropy development programs	341,622	-	-	341,622	320,728	-	-	320,728
Total expenses	5,909,246	-	-	5,909,246	7,732,327	-	-	7,732,327
Realized and unrealized gains/(losses) on investments, net	792,273	-	-	792,273	(781,749)	-	-	(781,749)
Change in net assets	(94,284)	191,547	344,154	441,417	(1,741,867)	29,654	314,728	(1,397,485)
Net assets, beginning of year	6,025,602	222,493	20,568,115	26,816,210	7,767,469	192,839	20,253,387	28,213,695
Net assets, end of year	$ 5,931,318	$ 414,040	$ 20,912,269	$ 27,257,627	$ 6,025,602	$ 222,493	$ 20,568,115	$ 26,816,210

The accompanying notes are an integral part of these statements.

Puerto Rico Community Foundation, Inc.
(A Not-for-Profit Organization)

Statements of Functional Expenses
Years Ended December 31, 2016 and 2015

	2016					2015				
	Program Services		Support Services			Program Services		Support Services		
Functional Expense Description	Program Related	Philanthropy Development	General and Administrative	Fund Raising	Total	Program Related	Philanthropy Development	General and Administrative	Fund Raising	Total
Salaries	$ 642,759	$ 78,149	$ 117,072	$ 287,483	$ 1,125,463	$ 658,590	$ 80,513	$ 156,333	$ 323,770	$ 1,219,206
Payroll taxes and fringe benefits	161,471	75,183	133,690	145,754	516,098	131,759	48,852	93,446	140,595	414,652
Total salaries and related expenses	804,230	153,332	250,762	433,237	1,641,561	790,349	129,365	249,779	464,365	1,633,858
Program activities and technical assistance	846,461	59,548	1,281	4,091	911,381	1,622,067	80,586	5,179	37,632	1,745,464
Professional fees and contractual services	1,270,519	7,284	130,280	36,229	1,444,312	1,925,105	15,618	104,490	15,640	2,060,853
Utilities	25,050	9,331	20,652	10,816	65,849	26,711	6,582	22,263	11,735	67,291
Repairs and maintenance	6,788	705	52,141	-	59,634	10,704	299	42,649	235	53,887
Advertising	6,477	15,341	-	214,692	236,510	5,459	9,222	-	132,838	147,519
Travel	2,081	23,135	652	1,638	27,506	9,972	34,047	689	2,799	47,507
Office supplies and equipment	45,441	1,753	14,247	5,189	66,630	641,573	3,208	10,694	5,758	661,233
Insurance	-	1,388	16,962	-	18,350	21,115	2,488	21,316	-	44,919
Security	16,946	-	1,879	-	18,825	28,351	-	2,776	-	31,127
Others	103,139	30,977	26,256	16,443	176,815	54,009	12,962	22,961	6,237	96,169
Total	3,127,132	302,794	515,112	722,335	4,667,373	5,135,415	294,377	482,796	677,239	6,589,827
Depreciation and amortization	40,807	38,828	30,939	30,926	141,500	30,150	26,351	40,202	21,741	118,444
Total expenses	$ 3,167,939	$ 341,622	$ 546,051	$ 753,261	$ 4,808,873	$ 5,165,565	$ 320,728	$ 522,998	$ 698,980	$ 6,708,271

The accompanying notes are an integral part of these statements.

Puerto Rico Community Foundation, Inc.
(A Not-for-Profit Organization)

Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ 441,417	$ (1,397,485)
Adjustments to reconcile change in net assets to net cash used in operating activities -		
Depreciation and amortization	141,500	118,444
Realized and unrealized (gains) losses on investments, net	(792,273)	781,749
Contributions restricted for long-term investments	(344,154)	(264,728)
Property contribution revenue	-	(110,770)
Changes in assets and liabilities from operating activities-		
(Increase) decrease in operating assets:		
Receivables from service contracts	1,094,013	(2,450,733)
Pledges receivable, net	(341,520)	28,167
Loans receivable	(48,586)	(75,000)
Prepaid expenses and others	(16,081)	22,982
Increase (decrease) in operating liabilities:		
Grants payable	39,057	26,213
Accounts payable and accrued expenses	(759,133)	638,190
Total adjustments	(1,027,177)	(1,285,486)
Net cash used in operating activities	(585,760)	(2,682,971)
Cash flows from investing activities:		
Payments for acquisition of property and equipment	(4,487)	(23,781)
Proceeds from sale of investments	8,772,937	8,832,806
Payments for acquisition of investments	(7,805,350)	(7,847,632)
Net cash provided by investing activities	963,100	961,393

Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from financing activities:		
(Payments to) advances from margin account	$ (1,527,823)	$ 1,686,136
Proceeds from notes payable	-	600,000
Contributions restricted for long-term investments	344,154	264,728
Principal payments of capital lease obligations	(12,625)	(10,068)
Net cash (used in) provided by financing activities	(1,196,294)	2,540,796
Net (decrease) increase in cash and cash equivalents	(818,954)	819,218
Cash and cash equivalents, beginning of year	2,666,184	1,846,966
Cash and cash equivalents, end of year	$ 1,847,230	$ 2,666,184
Interest paid	$ 64,488	$ 1,879

Supplemental Schedule of Non-Cash Investing Transactions:

During the year ended December 31, 2016, the Foundation retired fully depreciated equipment not longer in use, with a cost of $51,234.

During the year ended December 31, 2015, the Foundation received donated property with a fair market value of $110,770.

During the year ended December 31, 2015, the Foundation acquired a vehicle and equipment with a total cost of $47,413 in exchange of capital lease obligations.

(1) Operations and summary of significant accounting policies:

(a) Incorporation/operations -

Puerto Rico Community Foundation, Inc. ("the Foundation") is a publicly supported not-for-profit organization, incorporated under the laws of the Commonwealth of Puerto Rico on December 18, 1984, governed by a Board of Directors representative of the private and public sectors of the community, for the purpose of administering funds granted by different donors. Each fund has been established with an instrument of gift describing either the general or specific purpose for which grants from the fund are to be made by the Foundation.

Following is a description of the programs and philanthropy initiatives that are supported by the Foundation:

Education Programs - The development of school communities is an essential part of the Foundation's mission. The Foundation believes that education is the cornerstone for personal and social development. The Foundation perceives education as a social action of interdependence and collective responsibility. The accomplishment of significant achievements and the increase of student academic performance will be the result of the continuous collaboration between the public, private and non-profit sectors. This is the climate of collaboration among different sectors promoted by the Foundation to facilitate long term and ongoing support of school improvement at the elementary, middle and high school level.

Economic Community Development Programs - Support the development of economic activity in communities through the enhancement of the leadership and administrative capabilities of various economic development centers throughout Puerto Rico through a consortium of various local banks.

Housing Community Development Programs - Support the development of moderate and low-income housing through the enhancement of the leadership and administrative capabilities of not-for-profit community-based organizations.

Philanthropy Development Programs - Stimulate the use of philanthropy as a tool to improve the quality of life in communities throughout Puerto Rico.

Scholarships and Grants Programs - Provide financial support to students in the fields of engineering, chemistry, industrial engineering, general studies, and community leadership.

Community Investment Fund (CIF) - Social impact investment fund that provide social and economic returns to the investors. The fund provides financing support to not-for-profit organizations. The eligible uses are: community financing programs, acquisition and housing rehabilitation, operational capital and social entrepreneurship initiatives.

Access Fund to Not-for-Profit Organizations (Fondo de Acceso a Organizaciones Sin Fines de Lucro " OSFL") - A program related investment fund created by the Foundation in alliance with the "Red de Fundaciones" to strengthen and enhance the financial administrative capacity of not-for-profit organizations that are facing the challenge of keeping the level of services to low-and-moderate-income communities. These organizations may be at risk of reducing its services, personnel, and even closing its operations due to the reduction of the governmental funding to the non-profit sectors.

(b) Significant accounting policies -

(i) Basis of presentation -
The Foundation's fiscal year ends on December 31st of each year. All references to years in these notes to the financial statements represent the calendar years then ended, unless otherwise noted. The Foundation has evaluated subsequent events through May 24, 2017, the date the financial statements were available to be issued.

(ii) Financial statements presentation -
The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The Foundation has classified its financial statements to present the applicable classes of net assets.

(iii) Contributions and grants -
Contributions, including unconditional promises to give, are recognized in the period received. Contributions are recorded as restricted revenues only if they are received with donor stipulations that limit the use of the donated assets. When donor restrictions expire, that is, when time restrictions end or purpose restrictions are accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Wills represent contributions which are recognized as pledges receivable and contribution revenues at the fair value of its interest in the estate at the date the probate court declares the will as valid. Total will's revenues for the year ended December 31, 2016 amounted to $321,107, which remains uncollected as of December 31, 2016.

Restricted revenues increase temporarily or permanently restricted net assets. Contributions received without donor-imposed restrictions are recorded as unrestricted support that increase unrestricted net assets.

All grant funds awarded in excess of related expenses incurred are designated for use in future periods.

(iv) Allowance for doubtful accounts -
The Foundation estimates losses for uncollectible accounts based on the aging of the accounts receivable and the evaluation of the likelihood of success in collecting the receivable. An allowance for doubtful accounts is established based on this estimate. As of December 31, 2016 and 2015, the allowance for doubtful accounts had a balance of $0.

(v) **In-kind contributions** -
The Foundation recognizes as revenue and expense certain contributions of supplies and specialized services which are recorded in the accompanying statements of activities and changes in net assets at the fair value of such items. During the years ended December 31, 2016 and 2015, the Foundation received in-kind contributions of approximately $212,600 and $56,700, respectively.

(vi) **Restricted and unrestricted revenues and support** -
Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets -

Discretionary - Funds over which the Board of Directors has discretionary control and which are available for grants and other purposes.

Board designated - Funds designated by the Board of Directors for long-term purposes.

Temporarily restricted net assets -

Designated and other - Funds restricted by donors to support specific organizations. The Foundation reports gifts of 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 the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Permanently restricted net assets -

Net assets that are required by donor stipulation to be maintained in perpetuity by the Foundation.

Investment income is classified as unrestricted or restricted, either temporarily or permanently, depending upon the donor's intent.

(vii) **Cash and cash equivalents** -
For purposes of the statements of cash flows, the Foundation considers all highly liquid instruments in which it has invested, that have a maturity of three months or less, to be cash equivalents.

(viii) **Loans receivable** -
Loans receivable represent loans to not for profit organizations. Anticipated actual losses, if any (i.e., loan principal which is not repaid by borrower), are recorded as grant voted after an analysis made each quarter.

(ix) Investments -
Investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values in the statements of financial position. Realized and unrealized gains and losses are reported in the statements of activities and changes in net assets. Interest and dividend income restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income is recognized.

(x) Fair value measurement -
Accounting guidance defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

There is an established hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs by requiring their use when available and minimizing the use of unobservable inputs. Observable inputs are used by market participants to price assets or liabilities based on market data obtained from sources independent of the Foundation. Unobservable inputs are those that reflect the Foundation's assumptions based on the best information available in the circumstances. The hierarchy is broken down into three levels as follows:

- Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

- Level 2 – Valuations based on one or more quoted prices in active markets for similar assets or quoted prices for identical or similar assets in markets that are not active which all significant inputs are observable, either directly or indirectly.

- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

A description of the valuation techniques applied to the Foundation's investments which are measured at fair value on a recurring basis follows:

Corporate equities, diversified funds and preferred/fixed rate cap securities –
Exchange-traded equity securities are generally valued based on quoted prices from the exchange. To the extent these securities are actively traded, valuation adjustments are not applied and they are categorized in Level 1 of the fair value hierarchy.

Corporate, municipal, foreign, government bonds and government asset backed securities –
Exchange-traded bonds are generally valued based on quoted prices from the exchange. To the extent these bonds are actively traded, valuation adjustments are not applied and they are categorized in Level 2 of the fair value hierarchy.

Private equity investments –
The transaction price is generally considered by the fund as the exit price and is the fund's best estimate of fair value, as provided by the securities trader from the latest bid price for the share. These non-public shares are included in Level 3 of the fair value hierarchy because they trade infrequently, and, therefore, their fair value is unobservable.

The following schedule summarizes the reconciliation of the changes in fair value for investments categorized as Level 3:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Fair value, December 31, 2014	$ 745,477
Purchases	307,326
Distributions	(236,055)
Net unrealized/realized gain	84,867
Fair value, December 31, 2015	901,615
Purchases	639,278
Distributions	(130,000)
Net unrealized/realized gain	87,281
Fair value, December 31, 2016	$ 1,498,174

(xi) **Property and equipment** -
Purchased property and equipment are stated at cost. Donations of property and equipment are recorded as contributions at their estimated fair values. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. 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 contributions. For absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Assets are depreciated using the straight-line method over their estimated useful lives, which range from three to forty years for software, equipment, furniture and fixtures, vehicles, building improvements and building.

(xii) Long-lived assets -
Management reviews the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Measurement of the impairment loss is based on the fair value of the asset. Generally, fair value will be determined using valuation techniques such as the present value of expected future cash inflows. The provisions of this statement did not affect the accompanying financial statements.

(xiii) Grants payable -
Unconditional grants made by the Foundation are recognized as expense at the time of approval by the Board of Directors and notification to the grantees. Grants that are conditioned upon the performance of specified acts by the grantee are not recognized until the grantee meets the conditions.

(xiv) Projects administered by the Foundation -
Grants approved by the Board of Directors for projects administered by the Foundation are reclassified to Board Designated net assets until the Foundation notifies the grantees, at which time they are charged to expense.

Grants awarded during 2016 and 2015 under projects administered by the Foundation amounted to approximately $1,100,000 and $1,024,000, respectively.

(xv) Functional expense classification -
The Foundation classifies its expenses as program and support services. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(xvi) Advertising costs -
The Foundation expenses the costs of all advertising campaigns and promotions as they are incurred. Total advertising expense, for the years, ended December 31, 2016 and 2015 amounted to approximately $237,000 and $148,000, respectively, which are presented as such in the accompanying statements of functional expenses.

(xvii) Income taxes -
The Foundation is exempt from Puerto Rico income taxes under section 1101.01(d)(2) of the Internal Revenue Code of a New Puerto Rico (Puerto Rico Internal Revenue Code of 2011). It is also exempt from U.S. income taxes under section 501(c)(3) of the U.S. Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. However, if applicable, income from unrelated business activities would be taxable. No such income was earned by the Foundation during the years ended December 31, 2016 and 2015.

The Foundation follows the accounting standard on accounting for uncertainty in income taxes which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more-likely- than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addressed de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

(xviii) 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 disclosures 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.

(2) Concentration of credit risk and major contribution providers:

Financial instruments that potentially expose the Foundation to concentration of credit risk include cash, investments and pledges receivable. The Foundation maintains its deposits and investment accounts with high-quality financial institutions and investment brokers that are responsible for custody and investment management. While management attempts to limit any financial exposure, the deposit balances may, at times, exceed federally insured limits. The Foundation has not experienced any losses on such accounts.

The Board of Directors is responsible for establishing investment policies to be followed by investment managers and for reviewing investment managers' performance. The Foundation's pledges receivable result primarily from contributions from donors, including unconditional promises to give, which may be received from United States and/or Puerto Rico local government agencies, individuals, corporations or other not-for-profit organizations. The Foundation routinely assesses the financial strength of its major donors.

During the years ended December 31, 2016 and 2015, 62% and 80%, respectively, of the Foundation's program service support was provided by contributions from a state governmental agency. In addition, 100% of the accounts receivable from service contracts, as of December 31, 2016 and 2015, were related to this same state governmental agency.

During the years 2016 and 2015, the Foundation performed services under professional services contracts with a state governmental agency. As of December 31, 2015, services in the amount of approximately $3,650,000 remained unbilled. This amount was presented within the receivables from service contracts in the accompanying statements of financial position as of December 31, 2015 and as services revenues in the accompanying statements of activities and changes in net assets for the year ended December 31, 2015. As of December 31, 2016 there were no unbilled services.

(3) Loans receivable:

Access Fund to Not-for-Profit Organizations -
On November 20, 2014, the Foundation entered into an unsecured loan receivable agreement with a not-for-profit organization in the amount of $180,000. The loan will be collected in ninety-six (96) monthly installments during eight (8) years starting on October 20, 2018 and ending on November 20, 2026. Interest was imputed at a rate of 2.50%. See Note 1 (a).

Community Investment Fund -
On December 21, 2015, the Foundation entered into an unsecured loan receivable agreement with a not-for-profit organization in the amount of $75,000. The loan was collected in full on June 21, 2016. Interest was imputed at a rate of 5.5%. See Note 1 (a).

During the year ended December 31, 2016, the Foundation entered into three additional unsecured loan receivable agreements with three not-for-profit organizations for principal balances totaling $130,200. These loans bear interest at rates ranging from 5.5% to 6.17% and are due in year 2017. Total loans receivable presented in the accompanying statements of financial position as of December 31, 2016 amount to $123,589. See Note 1 (a).

Future installments of principal to be received during the next five years and in total thereafter, in connection to all loans receivable described above, are as follows:

Year Ending December 31,	Amount
2017	$ 123,589
2018	4,663
2019	20,283
2020	20,796
2021	21,322
Thereafter	112,933
Total	$ 303,586

(4) Investments:

Investments as of December 31, 2016 and 2015 are summarized as follows:

2016

Description	Cost	Unrealized holding gains (losses)	Estimated fair value
Equity securities	$ 11,466,736	$ 1,670,088	$ 13,136,824
Fixed income:			
Corporate bonds	1,608,974	(29,973)	1,579,001
Municipal bonds	213,965	84	214,049
Foreign bonds	32,886	(936)	31,950
Government bonds	225,472	(6,250)	219,222
Government assets	1,054,815	(52,445)	1,002,370
Preferred/Fixed rate cap securities	1,058,648	(10,077)	1,048,571
Diversified funds	2,594,728	(186,630)	2,408,098
Private equity	1,545,550	330,725	1,876,275
Total	$ 19,801,774	$ 1,714,586	$ 21,516,360

2015

Description	Cost	Unrealized holding gains (losses)	Estimated fair value
Equity securities	$ 12,681,136	$ 926,081	$ 13,607,217
Fixed income:			
Corporate bonds	947,854	(8,723)	939,131
Municipal bonds	122,665	3,916	126,581
Foreign bonds	48,248	(862)	47,386
Government bonds	379,777	(3,738)	376,039
Government assets	760,175	(31,125)	729,050
Preferred/Fixed rate cap securities	1,182,633	42,683	1,225,316
Diversified funds	3,805,663	(443,960)	3,361,703
Private equity	1,025,809	253,443	1,279,252
Total	$ 20,953,960	$ 737,715	$ 21,691,675

The investments serve as collateral for the margin account. See Note (6).

The following schedule summarizes the investments return and classification in the statements of activities and changes in net assets for the years ended December 31, 2016 and 2015:

	2016	2015
Interest and dividend income, net	$ 461,045	$ 473,454
Net realized and unrealized gains (losses):		
Realized (loss) gain on investments	(118,080)	820,085
Unrealized gain (loss) on investments	910,353	(1,601,834)
Total net realized and unrealized gains (losses)	792,273	(781,749)
Return gain (loss) on investments	$ 1,253,318	$ (308,295)

(5) Property and equipment:

The following schedule summarizes the cost and accumulated depreciation of property and equipment as of December 31, 2016 and 2015:

Description	Estimated Useful Life (Years)	2016	2015
Land		$ 867,078	$ 867,078
Building	40	1,017,052	1,017,052
Building improvements	10	133,417	131,422
Furniture and fixtures	5	146,840	153,570
Office equipment	3 -5	272,987	275,083
Computer equipment and software	3 -5	264,335	262,941
Vehicles	5	47,413	88,724
		2,749,122	2,795,870
Less -- accumulated depreciation		(912,009)	(821,745)
Property and equipment, net		$ 1,837,113	$ 1,974,125

(6) Margin account:

The Foundation has an available margin account secured by its investment portfolio as of December 31, 2016 and 2015. The total amount available for borrowing depends on the portfolio's characteristics and balance. The margin account bears interest at a rate determined at the settlement date based on market conditions (3% and 2.75% as of December 31, 2016 and 2015, respectively). As of December 31, 2016 and 2015 the outstanding balance of the margin account amounted to $158,313 and $1,686,136, respectively.

(7) Grants payable:

The following summarizes the changes in grants payable during the years ended December 31, 2016 and 2015:

	2016	2015
Grants payable, beginning of year	$ 477,626	$ 451,413
Additions - unconditional grants awarded	1,100,379	1,024,056
Deductions - payments made	(1,061,322)	(997,843)
Grants payable, end of year	$ 516,683	$ 477,626

(8) Notes payable:

In March 2015, the Foundation entered into three promissory notes with three different accredited investors. The proceeds from these promissory notes will provide support to the CIF, see Note 1(a) and (3). These notes bear interest at 1.5% per annum and the principal will be paid in full in one lump sum payment at maturity, in March 2018. The total amount for the three notes principal is $600,000.

(9) Obligations under capital leases:

The Foundation leases equipment under non-cancelable capital lease obligations, bearing interest at rates ranging from 10.25% to 11.50%, which were due at various dates through year 2019.

On April 22, 2015 the Foundation acquired a corporate vehicle under an obligation, bearing interest at 2.49%. It is payable on seventy two (72) monthly payments starting on June 5, 2015.

The cost, accumulated depreciation and depreciation expense of the vehicle and equipment under capital lease obligations as of and for the years ended December 31, 2016 and 2015, are as follows:

	2016	2015
Equipment	$ 28,349	$ 28,349
Vehicle	47,413	47,413
	75,762	75,762
Less - accumulated depreciation	(31,370)	(17,761)
	$ 44,392	$ 58,001
Depreciation expense	$ 13,609	$ 10,317

The following is a schedule of the future minimum annual payments required under the capital lease obligations at December 31, 2016, and its present value:

Year Ending December 31,	Amount
2017	$ 15,038
2018	12,324
2019	8,523
2020	8,523
2021	3,551
Total minimum lease payments	47,959
Less - Amount representing interest	(2,957)
Present value of minimum lease payments	$ 45,002

(10) Unrestricted net assets:

The following summarizes the changes in unrestricted net assets during the years ended December 31, 2016 and 2015:

	2016	2015
Discretionary -		
Net assets, beginning of year	$ 4,706,844	$ 4,528,149
Changes in net assets	(544,644)	178,695
Net assets, end of year	4,162,200	4,706,844
Board designated -		
Net assets, beginning of year	1,318,764	3,239,320
Investment interest income	461,045	473,454
Realized net gains on investments	(118,080)	820,085
Unrealized net losses on investments	910,353	(1,601,834)
Spending	(802,964)	(1,612,267)
Net assets, end of year	1,769,118	1,318,758
Total unrestricted net assets	$ 5,931,318	$ 6,025,602

(11) Temporarily restricted net assets:

Temporarily restricted net assets as of December 31, 2016 and 2015 are available for established funds amounting to $414,040 and $222,493, respectively.

(12) Permanently restricted net assets:

Permanently restricted net assets as of December 31, 2016 and 2015 represent funds from contributions received for the endowment fund. Interest and dividend income generated by the endowment fund investments may be used for operational purposes. Permanently restricted net assets as of December 31, 2016 and 2015 amounted to $20,912,269 and $20,568,115, respectively.

(13) Property contribution:

During the year ended December 31, 2015, the Foundation received donated property from a private corporation with a fair value of $110,770 which was recorded as property and equipment in the accompanying statements of financial position as of December 31, 2015 and as property contribution revenue in the accompanying statements of activities and changes in net assets for the year ended December 31, 2015.

(14) Program expenses:

Program related expenses for the years ended December 31, 2016 and 2015 were incurred in connection with the following programs:

	2016	2015
Education Programs	$ 2,797,868	$ 4,784,177
Economic Community Development	68,179	47,632
Community Investment Fund	37,443	42,269
Housing Community Development Programs	22,756	39,753
Others	241,693	251,734
	$ 3,167,939	$ 5,165,565

(15) Employee qualified retirement plan:

The Foundation sponsors a qualified defined contribution retirement plan (the "Plan"), which covers all eligible employees who are at least 18 years of age and that have completed 480 hours of service during a three month period of continuous active employment. The Plan provides for a matching contribution feature to be made by the Foundation of 100% up to a maximum of 10% of before-tax contributions made by the participant employees.

Retirement plan contributions for the years ended December 31, 2016 and 2015, amounted to approximately $67,000 and $68,000, respectively.

(16) Deferred compensation agreement:

Effective on January 1, 2008, the Foundation established a non-qualified deferred compensation plan (the "Plan"), for the purpose of providing deferred compensation for a selected group of management or highly compensated employees and their beneficiaries (the "Participants"). At the beginning of each plan year, the Foundation may make discretionary contributions to the Plan. For the years ended December 31, 2016 and 2015, the Foundation made contributions of $90,000 and $55,000, respectively, applicable to its sole participant.

The contributions are invested as part of the Foundation's investment portfolio. The account balance is valued quarterly and adjusted by the earnings or losses of the investment and changes in its value during the valuation period. The Participant's account balance at December 31, 2016 and 2015 and the corresponding compensation liability for the Foundation amounted to $877,770 and $732,155, respectively. Total expense for the years ended December 31, 2016 and 2015 amounted to approximately $146,000 and $41,000, respectively.

(17) Income taxes:

The Foundation follows the accounting standards on accounting for uncertainty in income taxes. Management assessed whether there were any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying financial statements. The Foundation files income tax returns in the Commonwealth of Puerto Rico and federal income tax return in the United States of America.

(18) Contingencies:

Regulatory agency requirements -
The Foundation may be subject to financial and compliance audits by some state and federal agencies. Management understands the Foundation is in compliance with the major requirements set forth by the agencies; however, such audits may result in a disallowance of, or adjustment to, expenses incurred.

Litigation -
The Foundation, at times, may be involved in litigations related to matters arising in the ordinary course of business. Management and legal counsel believe that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Foundation.

(19) Subsequent events:

Revenues -
On January 5, 2017, a donation from a foundation ("the donor") was received in the amount of $1,000,000, which was recognized as a contribution revenue during the year 2017. A new endowment fund was established for the same amount as required by the donor. It was established with the purpose of granting scholarships to students of the municipality of Jayuya, Puerto Rico, interested in agricultural sciences.

Receivables from service contract –
Subsequently, the Foundation collected in full the receivables from service contracts amounting to $3,754,042, presented in the accompanying statements of financial position as of December 31, 2016.