Kevane
Grant Thornton

Consolidated Financial Statements and Reports of Independent Certified Public Accountants

Puerto Rico Community Foundation, Inc. and Subsidiary

(A Not-for-Profit Organization)

Single Audit Package

December 31, 2023 and 2022

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

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Report of Independent Certified Public Accountants

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

Opinion

We have audited the accompanying consolidated financial statements of **Puerto Rico Community Foundation, Inc. and Subsidiary**, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, 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 consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of **Puerto Rico Community Foundation, Inc. and Subsidiary** as of December 31, 2023 and 2022, and the results of its activities and changes in its net assets, its functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits as of and for the years ended December 31, 2023 and 2022 in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Puerto Rico Community Foundation, Inc. and Subsidiary** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 1(a) to the financial statements, during the year ended December 31, 2021, **Puerto Rico Community Foundation, Inc.** incorporated two wholly-owned subsidiaries. There were no financial transactions for one of the subsidiaries, Fondo de Inversión Comunitaria, Inc., as of December 31, 2023 and 2022.

In our opinion, accounting principles generally accepted in the United States of America require that all majority-owned subsidiaries be accounted for as consolidated subsidiaries. If the financial statements of the Fondo de Inversión Comunitaria, Inc. as of and for the years ended December 31, 2023, had been consolidated with those of the **Puerto Rico Community Foundation, Inc.**, its financial position would not suffer changes.

Responsibilities of Management for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 and *Government 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 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 **Puerto Rico Community Foundation, Inc. and Subsidiary**'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Puerto Rico Community Foundation, Inc. and Subsidiary**'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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Supplementary information

Our audit as of and for the year ended December 31, 2023, was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended December 31, 2023, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2024, on our consideration of **Puerto Rico Community Foundation, Inc. and Subsidiary**'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of **Puerto Rico Community Foundation, Inc. and Subsidiary**'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Puerto Rico Community Foundation, Inc. and Subsidiary**'s internal control over financial reporting and compliance.

Kevane Grant Thornton LLP

San Juan, Puerto Rico
June 20, 2024.

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

Consolidated Statements of Financial Position
December 31, 2023 and 2022

Assets

	2023	2022
Cash and cash equivalents	$ 1,025,916	$ 1,841,109
Restricted cash	3,924,538	6,257,703
Grants receivable	2,349,797	1,911,712
Pledges receivable	43,307	643,307
Prepaid expenses and others	50,325	72,729
Loans receivable, net	193,076	332,430
Investments, at fair value	31,146,282	27,834,729
Property and equipment, net	2,103,150	2,175,224
Total assets	$ 40,836,391	$ 41,068,943

Liabilities and Net Assets

	2023	2022
Liabilities:		
Accounts payable and accrued expenses	$ 2,057,315	$ 1,938,383
Grants payable	1,057,892	1,323,795
Notes payable	1,250,000	1,750,000
Obligations under finance leases	73,359	86,963
Total liabilities	4,438,566	5,099,141
Net assets:		
With donor restrictions	28,376,499	29,211,243
Without donor restrictions	8,021,326	6,758,559
Total net assets	36,397,825	35,969,802
Total liabilities and net assets	$ 40,836,391	$ 41,068,943

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

Consolidated Statements of Activities and Changes in Net Assets
Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:						
Contributions and services revenues	$ 76,838	$ 2,192,543	$ 2,269,381	$ 318,773	$ 3,439,087	$ 3,757,860
Federal grant revenues	830,058	-	830,058	1,787,279	-	1,787,279
Interest and dividend income, net of custodian and advisory fees of $193,378 and $225,758 in 2023 and 2022, respectively	499,742	-	499,742	468,227	-	468,227
Other support	24,177	-	24,177	13,109	-	13,109
Total revenues, gains and other support	1,430,815	2,192,543	3,623,358	2,587,388	3,439,087	6,026,475
Net assets released from restrictions --						
Satisfaction of program restrictions	3,027,287	(3,027,287)	-	2,120,900	(2,120,900)	-
Expenses:						
Field of interest grants	1,970,786	-	1,970,786	1,656,395	-	1,656,395
Puerto Rico Recovery Fund Grants	606,814	-	606,814	762,627	-	762,627
Program related expenses	1,560,956	-	1,560,956	1,598,714	-	1,598,714
Asset development and fund raising	574,480	-	574,480	431,572	-	431,572
General and administrative	815,085	-	815,085	685,393	-	685,393
Philanthropy development programs	589,312	-	589,312	394,955	-	394,955
Total expenses	6,117,433	-	6,117,433	5,529,656	-	5,529,656
Gain on forgiveness of loan	-	-	-	290,100	-	290,100
Realized and unrealized gains (losses) on investments, net	2,922,098	-	2,922,098	(4,245,227)	-	(4,245,227)
Change in net assets	1,262,767	(834,744)	428,023	(4,776,495)	1,318,187	(3,458,308)
Net assets, beginning of year	6,758,559	29,211,243	35,969,802	11,535,054	27,893,056	39,428,110
Net assets, end of year	$ 8,021,326	$ 28,376,499	$ 36,397,825	$ 6,758,559	$ 29,211,243	$ 35,969,802

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

Consolidated Statements of Functional Expenses
Years Ended December 31, 2023 and 2022

	2023					2022				
	Program Services		Support Services			Program Services		Support Services		
Functional Expense Description	Program Related	Philanthropy Development	General and Administrative	Asset Development and Fund Raising	Total	Program Related	Philanthropy Development	General and Administrative	Asset Development and Fund Raising	Total
Salaries	$ 641,491	$ 245,803	$ 296,556	$ 303,193	$ 1,487,043	$ 993,555	$ 180,788	$ 284,285	$ 307,643	$ 1,766,271
Payroll taxes and fringe benefits	185,420	108,000	164,411	150,336	608,167	154,279	(2,896)	66,522	43,340	261,245
Total salaries and related expenses	826,911	353,803	460,967	453,529	2,095,210	1,147,834	177,892	350,807	350,983	2,027,516
Program activities and technical assistance	81,184	66,584	10,739	947	159,454	108,170	88,845	14,882	454	212,351
Professional fees and contractual services	517,943	78,151	170,736	63,576	830,406	377,965	34,921	159,352	32,743	604,981
Utilities	6,252	3,656	20,465	10,670	41,043	8,906	3,613	27,299	14,588	54,406
Repairs and maintenance	-	1,578	78,567	2,333	82,478	39	58	59,700	175	59,972
Advertising	3,246	11,627	-	3,636	18,509	4,037	19,507	-	3,498	27,042
Travel	11,122	19,355	720	465	31,662	16,300	5,282	1,094	805	23,481
Office supplies and equipment	1,797	4,141	10,765	11,598	28,301	8,995	2,831	12,867	2,211	26,904
Insurance	28,266	4,248	29,022	-	61,536	21,200	4,580	24,008	-	49,788
Security	-	-	6,747	-	6,747	-	-	7,427	-	7,427
Bad debt recovery	-	-	-	-	-	(197,219)	-	-	-	(197,219)
Rent expense	12,000	-	-	-	12,000	27,700	-	-	-	27,700
Others	44,952	16,707	10,233	11,602	83,494	50,116	30,848	13,465	11,623	106,052
Total	1,533,673	559,850	798,961	558,356	3,450,840	1,574,043	368,377	670,901	417,080	3,030,401
Depreciation and amortization	27,283	29,462	16,124	16,124	88,993	24,671	26,578	14,492	14,492	80,233
Total expenses	$ 1,560,956	$ 589,312	$ 815,085	$ 574,480	$ 3,539,833	$ 1,598,714	$ 394,955	$ 685,393	$ 431,572	$ 3,110,634

The accompanying notes are an integral part of these statements.

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

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 428,023	$ (3,458,308)
Adjustments to reconcile change in net assets to net cash		
used in operating activities -		
Depreciation and amortization	88,993	80,233
Realized and unrealized (gains) losses on investments, net	(2,922,098)	4,245,227
Gain on forgiveness of loan	-	(290,100)
Loss on disposition of vehicle	-	3,658
Contributions restricted for long-term investments	(131,332)	(112,141)
Changes in assets and liabilities from operating activities-		
(Increase) decrease in operating assets:		
Pledges and grants receivables	161,915	(1,634,944)
Loans receivable	139,354	71,366
Prepaid expenses and others	22,404	(40,836)
Increase (decrease) in operating liabilities:		
Grants payable	(265,903)	(199,610)
Accounts payable and accrued expenses	118,932	(210,084)
Total adjustments	(2,787,735)	1,912,769
Net cash used in operating activities	(2,359,712)	(1,545,539)
Cash flows from investing activities:		
Payments for acquisition of property and equipment	(18,183)	(638,531)
Proceeds from sale of investments	5,957,654	5,783,761
Payments for acquisition of investments	(6,345,896)	(5,954,648)
Net cash used in investing activities	(406,425)	(809,418)
Cash flows from financing activities:		
Proceeds from notes payable	-	500,000
Payments to notes payable	(500,000)	(1,000,000)
Contributions restricted for long-term investments	131,332	112,141
Principal payments of finance lease obligations	(13,553)	(14,450)
Net cash used in financing activities	(382,221)	(402,309)
Net decrease in cash, cash equivalents and restricted cash	(3,148,358)	(2,757,266)
Cash, cash equivalents and restricted cash, beginning of year	8,098,812	10,856,078
Cash, cash equivalents and restricted cash, end of year	$ 4,950,454	$ 8,098,812

The accompanying notes are an integral part of these statements.

The following table provides a reconciliation of cash, cash equivalents and restricted cash in the statements of financial position to the total amounts shown in the statements of cash flows as of December 31, 2023 and 2022:

	2023	2022
Cash and cash equivalents	$ 1,025,916	$ 1,841,109
Restricted cash	3,924,538	6,257,703
Total cash, cash equivalents and restricted cash	$ 4,950,454	$ 8,098,812
Supplemental disclosure of cash flows information:		
Interest paid	$ 51,678	$ 47,590

Supplemental disclosure of non-cash investing transactions:

During the year ended December 31, 2023, the Foundation disposed of equipment no longer in use with a cost and accumulated depreciation of $11,003.

During the year ended December 31, 2022, the Foundation acquired a new vehicle with a cost of $55,136, trading in an existing vehicle with a cost of $51,842, accumulated depreciation of $10,800 and a debt of $37,384, resulting in a loss of disposition of $3,658.

During the year December 31, 2022, right-of-use assets obtained in exchange for new finance lease obligations amounted to $99,277.

During the year ended December 31, 2022, the full amount of the Paycheck Protection Program loan received in year 2021 was forgiven by the bank, resulting in a gain on forgiveness of debt of $290,100 for the year then ended.

(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.

On January 26, 2021, the “Foundation” incorporated Fundación Comunitaria de Puerto Rico Servicios, Inc. (“FCPRS”). This corporation is a wholly-owned subsidiary of the Foundation and it’s a Not-for-Profit Organization established for the sole purpose of providing financial capital, services and resources for the benefit of, performing the functions of, and any other purpose of the Foundation, in which it: (i) administers and implements environmental, economic and social projects with federal, state or private funds; (ii) promotes the establishment of solar communities, as well as manages renewable energy systems for the benefit of the community; (iii) strengthens community aqueducts community engagement, infrastructure and management; and (iv) offers direct services to the community to carry out the purposes of the Foundation and (v) any lawful purpose within the laws of Puerto Rico. This corporation is operated, supervised, and controlled by the Foundation. This corporation is exempt from U.S. income taxes under section 501(c)(3) of the U.S. Internal Revenue Code and 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). The subsidiary has transactions related to revenues and expenses that will be eliminated as part of the consolidation process as of and for the years ended December 31, 2023 and 2022

On March 1, 2021, the “Foundation” incorporated Fondo de Inversión Comunitaria, Inc. (“FIC”). This corporation is a wholly-owned subsidiary of the Foundation and is a Not-for-Profit Organization established for the sole purpose of providing financial capital, services and resources for the benefit of, performing the functions of, and any other purpose of the Foundation, in which it: (i) administers, manages and implements an investment fund to provide access to capital and technical assistance to non-profit corporations and businesses that promote economic and social development in the communities; (ii) offers loans, investments or technical assistance to non-profit organizations or businesses that have an impact on the community and that fulfill the mission, purposes, and strategic direction of the Foundation; (iii) fosters community economic and social development in Puerto Rico; and (vi) offers direct services to carry out the purposes of the Foundation. This corporation is operated, supervised, and controlled by the Foundation. This corporation is exempt from U.S. income taxes under section 501(c)(3) of the U.S. Internal Revenue Code and 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). This subsidiary had no transactions as of December 31, 2023 and 2022 nor for the years then ended.

Based on the above, the accompanying consolidated financial statements as of and for the years ended December 31, 2023 and 2022, include the accounts and transactions of FCPRS.

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

(i) <u>Education Programs</u> -
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.

(ii) <u>Economic Development Programs</u> -
Empower economic activity stemming from the community base through the support of community-based organizations that stimulate incubation and acceleration of micro-enterprises through grants, capacity building and technical assistance. Provide access to financial capital in the form of loans, through the Community Investment Fund (CIF), to non-profit organizations.

(iii) <u>Community Investment Fund (CIF)</u> -
Social impact investment fund that provides social and economic returns to the investors. The fund provides financing support to not-for-profit organizations. The eligible uses are for the purposes of: (i) community loan programs for microenterprises of small businesses; (ii) affordable housing rehabilitation, pre-development, and development cost; (iii) projects with an identified repayment source (contracts, grants, etc.), known as “bridge loans”; (iv) feasible activities with projected financial and social return.

(iv) <u>Philanthropic Advisory for the establishment of funds</u> -
Advise individuals, families, corporations, foundations, and other non-profit organizations in the establishment of funds to facilitate their philanthropic giving through grants and scholarship to the community.

(v) <u>Puerto Rico Community Recovery Fund</u> -
The Foundation reactivates its Puerto Rico Community Recovery Fund, once used to address Hurricane Hugo and the emergency of 9/11 in New York, in the wake of events with catastrophic consequences. The Fund has become a reliable source for donors to facilitate their giving to Puerto Rico and to provide immediate relief and recovery grants to non-profit organizations. The fund provides immediate relief during a certain period determined by the nature of the event and then focuses on a sustainable recovery process. The fund supports grants, technical assistance and capacity building to promote resilient, equitable and sustainable access to energy, water, and food, stimulate economy and support housing rehabilitation.

(b) <u>Significant accounting policies</u> -

(i) <u>Principles of consolidation</u> -
The consolidated financial statements as of and for the years ended December 31, 2023 and 2022, include the accounts of the Foundation and FCPRS. All significant intercompany accounts and transactions have been eliminated in consolidation.

(ii) <u>Basis of presentation</u> -
The Foundation’s fiscal year ends on December 31st of each year. All references to years in these notes to the consolidated financial statements, represent the calendar years then ended, unless otherwise noted. The Foundation has evaluated subsequent events through June 20, 2024, the date the consolidated financial statements were available to be issued.

(iii) **Basis of accounting** -
The accompanying consolidated financial statements as of and for the years ended December 31, 2023 and 2022, have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

(iv) **Financial statements presentation** -
The Foundation reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions. The Foundation has classified its financial statements to present the applicable classes of net assets.

(v) **Change in accounting principle** -
In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2016-13 ("ASU 2016-13"), Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. On January 1, 2023, the Foundation adopted ASU 2016-13, and subsequent ASUs issued to clarify its application, on a prospective basis. By applying ASU 2016-13 at the adoption date, the presentation of credit losses for periods prior to January 1, 2023 remains unchanged and in accordance with Receivables (Topic 310). The Foundation does not expect ASC 326 to have a significant impact on its financial condition or changes in net assets on an ongoing basis.

(vi) **Contributions and grants** -
Contributions, including unconditional promises to give, are recognized in the period received. Contributions are recorded with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Restricted revenues increase net assets with donor restrictions. Contributions received without donor-imposed restrictions are recorded as increases in net assets without donor restrictions support.
All grant funds awarded in excess of related expenses incurred are designated for use in future periods.

(vii) **Pledge receivables** -
Pledge receivables are expected from contributions and wills. On December 31, 2023, all pledge receivables are expected to be collected during the next year. There were $600,000 receivable from contributions as of December 31, 2022. There were no such receivables as of December 31, 2023.

Pledges receivables are stated at the amount management expects to be collected from the outstanding balance. As of December 31, 2023, and 2022, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for credit losses is necessary.

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 wills receivable as of December 31, 2023, and 2022 amounted to $43,307.

(viii) Grants receivable -
Grants receivables represent consideration from state and federal agencies, of which the Foundation has an unconditional right to receive. Total grants receivable as of December 31, 2023, and 2022 amounted to $2,349,797 and $1,911,712, respectively.

(ix) Government grants -
Revenues from United States government grants are recognized as revenue when these are spent in accordance with the grant agreements.

(x) Allowance for credit losses -
An allowance for credit losses is provided on the Foundation’s financial instruments, primarily loans receivable. The expected credit losses are based on historical collection activity, the nature of the financial instrument and current and forecasted business conditions. The Foundation periodically assesses its methodologies for estimating credit losses in consideration of actual experience, trends, and changes in the overall economic environment. The Foundation write off receivables as a charge to the allowance for credit losses when, in its estimation, it is probable that the receivable is worthless. As of December 31, 2023 and 2022, the balance for the allowance of credit losses amounted to $22,672.

(xi) 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. There were no in-kind contribution received during the years ended December 31, 2023 and 2022.

(xii) Revenues and support -
Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Accordingly, net assets and changes therein are classified as follows:

i. Assets without donor restrictions -

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.

As of December 31, 2023 and 2022, the Foundation has designated funds from net assets without donor restrictions for a total of $1,968,168 and $1,914,864, respectively, for the following purposes:

	2023	2022
Institutional development	$ 93,746	$ 210,000
Grant making funds established	-	656,686
Education and other programs	301,344	291,533
Philanthropic services	700,179	280,943
Institutional philantropic government	354,936	-
Administration	517,963	475,702
Total board designated funds	$ 1,968,168	$ 1,914,864

ii. Assets with donor restrictions -

Designated and other - Funds restricted by donors to support specific organizations or programs. 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, assets with donor restrictions are reclassified to assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. There are assets that are required by donor stipulation to be maintained in perpetuity by the Foundation.

(xiii) Investments returns -

The Foundation reports investment returns net of related investment expenses, including both external and direct internal investment expenses. For the years 2023 and 2022, investment returns included interest and dividend income recorded as earned and were presented net of custodian and investment advisory fees.

(xiv) 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. Cash equivalents as of December 31, 2023, and 2022 consist of money market funds.

(xv) Restricted cash -

As of December 31, 2023, and 2022 the Foundation has restricted cash in the amount of $3,924,538 and $6,257,703, respectively. This cash is not restricted for legal nor regulatory purposes, it is designated by the Foundation to be used for grantmaking, Community Investment Fund loans, Puerto Rico Recovery Fund grants, other programs, and operating expenses.

(xvi) <u>Loans receivable</u> -
Loans receivables represent loans to not-for-profit organizations. Interest on loans is recognized over the term of the loan and is calculated using the interest method on principal amounts outstanding. Anticipated estimated losses, if any (i.e., loan principal which is not paid by borrower), are recorded, as applicable, as an allowance for credit losses after an analysis made each quarter. As of December 31, 2023, and 2022, the loans receivable allowance for credit losses had a balance of $22,672. During the year ended December 31, 2022, the Foundation collected $197,219 of loans receivable previously reserved in 2021.

(xvii) <u>Investments</u> -
Investments in marketable securities with readily determinable fair value and all investments in debt securities are registered at their fair values in the statements of financial position under the provisions of ASC 958-320, investments – Debt Securities and ASC 658-321, Investments – Equity Securities. 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 net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income is recognized. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

(xviii) <u>Fair value measurement</u> -
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:

- <u>Level 1</u> – 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.
- <u>Level 2</u> – 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.
- <u>Level 3</u> – 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, U.S. government bonds and preferred/fixed rate cap securities - Exchange-traded equity securities and U.S. government bonds 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 and foreign bonds -
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 (alternative investments) -
Alternative investments fair values have been estimated by management in the absence of readily determinable fair values. The estimated fair value of alternative investments is based on valuations provided by the external investment manager as of December 31. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Certain other alternative investments are measured at fair value using the net asset value (NAV) per share practical expedient, mostly provided by the associated external investment managers, as reported by such funds' independent audits. In accordance with ASC 820, alternative investments that are measured at fair value using the NAV per share practical expedient have not been classified in the fair value hierarchy.

There were no transfers between level of investments during the years ended December 31, 2023 and 2022.

(xix) 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 contributions without donor restrictions 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 contributions with donor restrictions. 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 the net assets at that time.

Assets are depreciated using the straight-line method over their estimated useful lives, which range from three (3) to forty (40) years for computer equipment and software, equipment, furniture and fixtures, vehicles, building improvements and building.

(xx) 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. No impairment loss was recorded during the years ended December 31, 2023 and 2022.

(xxi) **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.

(xxii) **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 the years 2023 and 2022 under projects administered by the Foundation amounted to $2,577,600 and $2,419,022 respectively.

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

The costs and expenses of the Foundation are summarized in the accompanying statements of activities and changes in net assets by functional classification. Program services include the costs of providing technical assistance and other direct activities in the execution of the Foundation's mission in the areas of education, economic development, housing, philanthropy development and Puerto Rico recovery efforts after hurricanes Irma and María. Asset development and fundraising expenses are costs related to the communications efforts, asset development and fundraising, donor services that include the necessary due diligence to recommend, approve and follow up the Foundation’s grant making process. General and administrative expenses include executive, financial, administration, personnel costs, facilities maintenance and repairs, audit expenses, information management services and software licenses, office supplies and other related operating expenses.

The Foundation’s operating, general and administrative expenses are allocated to the corresponding programs and functions based on the number of employees assigned to the programs or projects, the time spent, and the specific budget approved for each grant agreement. The related expenses subject to allocation include depreciation, utilities, repairs and maintenance, office supplies, insurance, project activities and travel, among others.

Certain executive and administrative staff salaries are allocated among the different programs and fund-raising classification based on the proportional time spent by these executives on the applicable functions. Unallocated portions remain presented within the general and administrative classification.

(xxiv) **Advertising costs** -
The Foundation expenses the costs of all advertising campaigns and promotions as they are incurred. Total advertising expenses for the years ended December 31, 2023 and 2022 amounted to approximately $15,000, and $27,000, respectively, which are presented as such in the accompanying statements of functional expenses.

(xxv) **Income taxes** -
The Foundation is exempt from 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, 2023, and 2022.

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.

(xxvi) **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.

(xxvii) **Reclassifications** -
Certain amounts in the 2022 financial statements have been reclassified to conform with the 2023 consolidated presentation. These reclassifications had no impact on the previously reported change in net assets.

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

Financial instruments that potentially expose the Foundation to the concentration of credit risk include cash, investments, grants receivable and pledges receivable. The Foundation maintains its investment accounts with high-quality financial institutions and investment brokers that are responsible for custody and investment management.

The Foundation maintains its cash accounts in banking institutions, whose accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") and the "Corporación Pública para Supervisión y Seguro de Cooperativas de Puerto Rico" ("COSSEC") up to $250,000, per banking institution. While management attempts to limit any exposure, the deposit balances may, at times, exceed insured limits. As of December 31, 2023 and 2022, the balances on deposit exceeded the insured limits by $3,894,438 and $6,219,755, respectively. 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, 2023, and 2022, 40% and 35%, respectively, of the Foundation's program service support was provided by contributions from one donor and two federal agencies. During the year ended December 31, 2023, 98% of the Foundation's receivable are from three federal agencies. During the year ended December 31, 2022, 89% of the Foundation's receivable are from one donor and two federal agencies.

(3) Federal grants:

(a) Culebra Renewable Energy -
In June 2019, the U.S. Department of Commerce's Economic Development Administration ("EDA") awarded a three-years grant, with a two-year extension option, "Economic Adjustment Assistance" amounting to $ 4,128,000 for disaster emergency preparedness assistance (renewable energy systems) for small businesses in the municipality of Culebra, which were impacted by the hurricanes Irma and María in 2017. The total project cost was estimated to be $5,160,000 and required share of costs of $1,032,000 from the Foundation. After amendment to financial assistance award, on January 31, 2024, total estimated project costs will be $4,528,000 and no share of costs will be assumed by the Foundation. EDA will make disbursements under this award on a reimbursement basis only. During the year ended December 31, 2023, there were no expenditures made in connection to this grant, therefore, no revenues were recorded. During the year ended December 31, 2022, expenditures from federal share amounted to $755,413 and revenues for the same amount were recorded during the year then ended.

(b) Recovery RCDI for Puerto Rico -
In August 2019, the U.S. Department of Agriculture awarded a three years grant "Rural Community Development Initiative ("RCDI")" amounting to $249,604. These grant funds will be used to support three grassroots not-for-profit organizations in rural, low income and sparsely populated communities. The total project cost is estimated to be $500,000 and requires share of costs up to $250,000 from the Foundation. RCDI will make disbursements under this award on a reimbursement basis only. During the year ended December 31, 2022, expenditures from federal share amounted to $88,591 and revenues for the same amount were recorded during the year then ended. RCDI grant was closed during the year ended December 31, 2022.

(c) Hazard Mitigation Grant Program -
In May 2020, the Federal Emergency Management Agency ("FEMA"), an agency of the U.S. Department of Homeland Security, approved a sub application submitted by Central Recovery and Reconstruction Office of Puerto Rico ("COR3") on behalf of the Foundation, for DR-4339-PR grant funds under the Hazard Mitigation Grant Program (HMGP). The grant approval is for Phase I of Non PRASA Aqueducts Backup Energy. COR3, as the grant recipient, will administer this sub-grant award for the Foundation, as subrecipient. On December 1, 2020, FEMA approved a budget amendment and the funding for this phase was obligated in the amount of $1,785,000. During the years ended December 31, 2023, and 2022, expenditures from federal share amounted to $638,505 and $733,858, respectively, and revenues for the same amount were recorded during the years then ended. On May 3, 2022, a budget amendment was approved to increase the project costs for Phase I to $2,644,592 and to extend the period of performance of this project up to February 7, 2023. During year ended December 31, 2023, additional extensions were granted to extend period of performance up to December 31, 2024.

In January 2023, FEMA approved a sub application submitted by COR3 on behalf of the Foundation, for DR-4473-PR grant funds under the HMGP. The grant approval is for Phase I of wind retrofit of the Foundation's headquarters facility, as well as the purchase and installation of an energy backup system with photovoltaic solar panels and batteries. During the year ended December 31, 2023, there were no expenditures made in connection to this grant, therefore, no revenues were recorded

(d) Community Development Block Grant -
On April 20, 2021, the Puerto Rico Department of Housing (PRDOH) awarded the Foundation an initial contract in the amount of $1,960,000 of CDBG-DR-NOFA-2020-01 (NOFA) funds for Small Business Incubators and Accelerators Program (SBIA Program) under the Community Development Block Grant for Disaster Recovery Program (CDBG-DR Program). The program seeks to provide technical assistance

and training in solidarity economies, to community leaders, identification of community assets, basic legal structures aligned with the solidarity economy funding sources and complement in the development of a solidarity economic ecosystem.

In addition, on May 5, 2021, the Puerto Rico Department of Housing awarded to the Foundation an initial contract in the amount of $1,289,927 of CDBG-DR-NOFA-2020-02 (NOFA) funds for Workforce Training Program (WFT Program) under the Community Development Block Grant for Disaster Recovery Program (CDBG-DR Program). In alliance with the Center for Puerto Rican Studies, the Foundation proposes to offer 300 certifications in Post-Disaster Economic Recovery to the unemployed, emphasizing in participants from Aguadilla, Mayagüez, Bayamón, Carolina, Guaynabo, San Juan, Arecibo, Caguas, Humacao and Ponce. Among the courses are reconstruction methodologies, planning, risk mitigation, economic development, housing, community sustainability and search for federal funds, among others. On July 14, 2023, this subrecipient agreement was amended to decrease the budget to $1,273,740.

During the years ended December 31, 2023, and 2022, expenditures from federal share amounted to $328,507 and $209,417, respectively, and revenues for the same amount were recorded during the years then ended.

(4) <u>Loans receivable</u>:

(a) <u>Access Fund to Not-for-Profit Organizations</u> -
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% and balances as of December 31, 2023, and 2022 amounted to $73,745 and $96,019, respectively.

(b) <u>Community Investment Fund</u> -
During prior years the Foundation had granted loans under the Community Investment Fund, which remained outstanding. There was no new loan or disbursement during the year ended December 31, 2023. During the year ended December 31, 2022, the Foundation entered into an unsecured loan receivable agreement with a not-for-profit organization, in the amount of $74,308. The outstanding loans receivable balances bear interest at rates ranging from 3.5% to 6.17% and are due at different times through year 2032 and amounted to $142,003 and $259,083 as of December 31, 2023 and 2022, respectively, see note 1 (a)(iii).

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

Year Ending December 31,	Amount
2024	$ 75,073
2025	47,999
2026	36,424
2027	11,614
2028	7,407
Thereafter	37,231
Total loans receivable	215,748
Less: allowance for credit losses	(22,672)
Total loans receivable, net	$ 193,076

(5) Investments:

Investments as of December 31, 2023 and 2022 are summarized as follows:

2023			
Description	**Cost**	**Unrealized holding gains (losses)**	**Estimated fair value**
Equity securities	$ 17,321,746	$ 2,036,972	$ 19,358,718
Fixed income:			
Corporate bonds	1,831,552	(82,963)	1,748,589
Municipal bonds	434,018	40,182	474,200
U.S. government bonds	3,121,358	(74,556)	3,046,802
Private equity	5,097,046	1,420,927	6,517,973
Total	$ 27,805,720	$ 3,340,562	$ 31,146,282

2022			
Description	**Cost**	**Unrealized holding gains (losses)**	**Estimated fair value**
Equity securities	$ 18,792,169	$ (748,421)	$ 18,043,748
Fixed income:			
Corporate bonds	1,498,868	(173,511)	1,325,357
Municipal bonds	509,645	21,589	531,234
U.S. government bonds	2,131,352	(155,208)	1,976,144
Private equity	4,484,231	1,474,015	5,958,246
Total	$ 27,416,265	$ 418,464	$ 27,834,729

The investments as of December 31, 2023 and 2022, served as collateral for the credit facility as of that date, see note (7).

The Foundation invests in multiple private equity funds that pursue multiple strategies to invests in diversified portfolios in the U.S., international private equity investments partnerships, and other limited liability vehicles that operate as pooled investments vehicles. The fair values of these investments have been estimated using the net asset value per share of the investments as provided by the fund managers. Redemptions are not permitted during the life of the funds. When the assets are sold, the proceeds, less any incentives due to the fund sponsor, will be distributed to the investors. The sale of the assets is subject to the approval of the fund's manager. Forty-five percent of the total private equity funds investments is planned to be sold within the next three years. However, the individual investments that will be sold have not yet been determined. It is estimated that the underlying assets will be liquidated over the next 1 to 10 years. As of December 31, 2023 and 2022, the Foundation had a total of $ 1,388,874 and $1,713,956, respectively.

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, 2023 and 2022:

	2023	**2022**
Interest and dividend income, net	$ 499,742	$ 468,227
Net realized and unrealized gains (losses):		
Realized (losses) gains on investments	(51,082)	13,453
Unrealized net gain (losses) on investments	2,973,180	(4,258,680)
Total realized and unrealized (losses) gains, net	2,922,098	(4,245,227)
Total return on investments, net	$ 3,421,840	$ (3,777,000)

During the years ended December 31, 2023 and 2022, the Foundation sold investments with a cost of $6,008,736 and $5,770,308 and received cash for $5,957,654 and $5,783,761 resulting in realized (loss) gains on investments of $(51,082) and $13,453, respectively.

(6) Property and equipment:

The following schedule summarizes the cost and accumulated depreciation of property and equipment as of December 31, 2023 and 2022:

Description	Estimated Useful Life (Years)	2023	2022
Land		$ 867,078	$ 867,078
Buildings	40	891,052	891,052
Renewable energy equipment	10	592,710	592,710
Office equipment	3 -5	411,748	404,619
Building improvements	10	204,148	204,148
Computer equipment and software	3 -5	158,419	158,419
Furniture and fixtures	5	149,903	149,903
Vehicles	5	74,490	74,489
		3,349,548	3,342,418
Less -- accumulated depreciation		(1,246,398)	(1,167,194)
Property and equipment, net		$ 2,103,150	$ 2,175,224

Depreciation and amortization expense of property and equipment for the years ended December 31, 2023 and 2022 amounted to $88,993 and $80,233, respectively.

(7) Credit facility:

The Foundation had available a credit facility secured by its investment portfolio as of December 31, 2023 and 2022. The total amount available for borrowing depends on the portfolio’s characteristics and balance. The credit facility account bears interest at a rate determined at the settlement date based on market conditions. There was no balance outstanding as of December 31, 2023 and 2022.

(8) Grants payable:

The following summarizes the changes in grants payable during the years ended December 31, 2023 and 2022:

	2023	2022
Grants payable, beginning of year	$ 1,323,795	$ 1,523,405
Additions - unconditional grants awarded	2,577,600	2,419,022
Deductions - payments made	(2,843,503)	(2,618,632)
Grants payable, end of year	$ 1,057,892	$ 1,323,795

(9) Notes payable:

(a) Promissory notes -
During the year ended December 31, 2022, the Foundation issued one new unsecured promissory note with an accredited investor. There was no promissory note issued during the year ended December 31, 2023. These notes bear interest at rates between 0.57% and 3.25% per annum and each will be paid in full in one lump sum payment at their maturity dates between April 2024 to November 2026. The total principal outstanding for these notes as of December 31, 2023 and 2022 amounted to $1,250,000 and $1,750,000, respectively.

In 2023, the Foundation paid in full an eighteen-month promissory note issued in July 2021 in the amount of $500,000, plus interest at .84%. In 2022, the Foundation paid in full two one-year promissory notes issued in July and October 2021, in the amount of $1,000,000, plus interest at rates between 0.57% and 0.72%.

During the year 2023, the Foundation extended a note payable that was due on November 2023.

Minimum principal payments due during the next years as of December 31, 2023, are as follows:

Year Ending December 31,	Amount
2024	$ 1,000,000
2026	250,000
Total	$ 1,250,000

(b) Loan payable -
On May 5, 2021, the Foundation was approved a loan under the Payment Protection Program of the Small Business Administration (“SBA”) in the amount of $290,100 through Oriental Bank. Interest on the loan accrued at 1% annual rate and there was a sixteen-month deferral on payment of principal and interest, with interest accruing during that term. There was a five-year amortization of the loan. Under the terms of the loan, the Foundation requested the forgiveness of this loan, which was approved on August 22, 2022, for the full amount of principal and interest accrued, since provisions established under the Coronavirus Aid Relief, and Economic Security Act were met. This was recorded as gain on forgiveness of loan in the statement of activities and changes in net assets for the year ended December 31, 2022.

(10) Obligations under finance leases:

The Foundation leased equipment under non-cancelable finance lease obligations, at 9.75% interest rate, which was due on February 28, 2022. On September 1, 2022, the Foundation leased new equipment under a non-cancelable finance lease with a cost of $33,515, bearing interest at 11.50%.

On November 23, 2020, the Foundation acquired a corporate vehicle under an obligation, and bearing interest at 3.99%. It was payable on seventy-two (72) monthly payments and was due on November 23, 2026. On February 17, 2022, the Foundation entered into a new finance lease obligation to replace this vehicle as a trade-in and to acquire another vehicle with a cost of $74,490. The obligation outstanding balance was paid off as part of this transaction. This new finance lease obligation bears interest at 1.98%; it is payable on sixty (60) monthly payments and is due on February 17, 2027.

The cost, accumulated depreciation and depreciation expense of the vehicle and equipment under finance lease obligations as of and for the years ended December 31, 2023 and 2022, are as follows:

	2023	2022
Equipment	$ 33,515	$ 33,515
Vehicle	74,490	74,490
	108,005	108,005
Less - accumulated depreciation	(37,656)	(14,069)
	$ 70,349	$ 93,936
Depreciation expense	$ 23,587	$ 14,069

The Foundation's lease costs recognized in the accompanying statement of activities and changes in net assets during the years ended December 31, 2023 and 2022, consist of the following:

	2023	2022
Financing leases cost:		
Amortization of right-of-use-assets	$ 23,587	$ 14,069
Interest on lease obligations	$ 4,057	$ 3,395

Other lease information is as follows:

	2023	2022
Right-of-use assets obtained in exchange for new finance lease obligations	$ -	$ 99,277
Weighted-average remaining lease term - financing leases	40 months	52 months
Weighted-average discount rate - financing leases	8.02%	8.02%

The following is a schedule of the future minimum annual payments required under these finance lease obligations at December 31, 2023, and their present value:

Year Ending December 31,	Amount
2024	$ 18,444
2025	18,444
2026	18,444
2027	25,055
Total minimum lease payments	80,387
Less - Amount representing interest	(7,028)
Present value of minimum lease payments	$ 73,359

(11) Net assets without donor restrictions:

The following summarizes the changes in net assets without donor restrictions during the years ended December 31, 2023 and 2022:

	2023	2022
Net assets, beginning of year	$ 6,758,559	$ 11,535,054
Investment interest income	499,742	468,227
Realized net (losses) gains on investments	(51,082)	13,453
Unrealized net gains (losses) on investments	2,973,180	(4,258,680)
Gain on forgiveness of loan	-	290,100
Spending, net	(2,159,073)	(1,289,595)
Total net assets without donor restrictions, end of year	$ 8,021,326	$ 6,758,559

(12) Assets with donor restrictions:

Assets with donor restrictions as of December 31, 2023 and 2022 amounted to $28,376,499 and $29,211,243, respectively. The amounts designated to established funds, from total assets with donor restrictions, amounted to $4,572,118 and $5,538,194 as of December 31, 2023 and 2022, respectively. The remainder balance represents funds from contributions received for the endowment fund. Interest and dividend income generated by the endowment fund investments may be used for operational purposes. Balances for the endowment fund principal as of December 31, 2023 and 2022 amounted to $23,804,381 and $23,673,049, respectively, see note (18).

(13) Program expenses:

Program related expenses for the years ended December 31, 2023, and 2022 were incurred in connection with the following programs:

	2023	2022
Education Programs	$ 198,993	$ 221,119
Puerto Rico Community Recovery Fund	1,183,047	1,086,596
Economic Community Development	-	65,387
Community Investment Fund	70,317	76,507
Others	108,599	149,105
	$ 1,560,956	$ 1,598,714

(14) <u>Employee qualified retirement plan</u>:

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, 2023 and 2022, amounted to approximately $66,054 and $74,910, respectively.

(15) <u>Deferred compensation agreement</u>:

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, 2023 and 2022, the Foundation made contributions of $55,000 each year, applicable to its beneficiaries.

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, 2023 and 2022, and the corresponding compensation liability for the Foundation amounted to $1,905,674 and $1,652,389, respectively. Total expense for the year ended December 31, 2023, amounted to $253,285. There was no expense for the year ended December 31, 2022.

(16) <u>Income taxes</u>:

The Foundation and FCPRS follow 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 consolidated financial statements. The Foundation and FCPRS file income tax returns in the Commonwealth of Puerto Rico and federal income tax returns in the United States of America.

(17) <u>Contingencies</u>:

(a) <u>Regulatory agency requirements</u> -
Amounts received and expended by the Foundation under various federal and state programs are subject to audit by governmental 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. In the opinion of management, adjustments that could result from such audits, if any, will not have a significant effect on the financial position of the Foundation.

The Foundation participates in various federally funded programs that are routinely subject to financial and compliance audits in accordance with the provision of Title *2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) or to compliance audits by the grantors and/or federal agencies. The reports on the audits of these programs, as applicable, which are conducted pursuant to regulatory requirements by the external auditors of the Foundation, are required to be submitted to the corresponding federal agencies. The Foundation also participates in other state grants, the uses of which, may be also subject to financial and compliance audits. Such federal and state agencies have the authority to determine liabilities, if any, as well as, to limit, suspend, or terminate the federal and state grants.

(b) 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.

(18) Endowment fund:

As of December 31, 2023 and 2022, the Foundation has an endowment fund of $23,804,381 and $23,673,049, respectively, which is comprised of board designated funds and funds established by donors for specific purposes. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation classifies as net assets with donor restrictions: the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. Those funds are invested to an Investment Policy that is structured to produce an appropriate investment return over the long-term to fulfill the Foundation's annual cash flows needs. This endowment is also subject to an annual five percent (5%) spending policy to support the annual budget approved by the Board of Directors and primarily designated for the purpose specified by the donor on each component of the fund. Based on the Foundation's spending policy, the investment portfolio should be expected to fund programs and administrative expenses amounting to approximately five percent (5%) of the portfolio's average market value of the prior three years.

Reconciliation of the beginning and ending balances of the endowment fund with donor restrictions as of December 31, 2023 and 2022 is as follows:

	2023	2022
Endowment net assets, beginning of year	$ 23,673,049	$ 23,560,908
Contributions	131,332	112,141
Endowment net assets, end of year	$ 23,804,381	$ 23,673,049

(19) Availability of financial assets and liquidity:

(a) Other financial assets -
The Puerto Rico Community Recovery Fund has a cash balance of $996,280 as of December 31, 2023, that is budgeted to be used during the year 2024 as per the Foundation's annual plan approved by the Board of Directors and for payment of grants payable. These funds are designated to provide economic support and technical assistance to not-for-profit organizations to promote resilient and equitable resources to the Puerto Rico communities' aftermath of hurricanes Irma, María and Fiona, earthquakes and COVID-19, community aqueducts and Culebra Energy Project.

The Community Investment Fund was funded by an initial contribution of $500,000 from the Foundation's funds without donor restrictions and $1,750,000 from four investors for a total of $2,250,000. This fund grants loans to not-for-profit organizations, with repayment due dates ranging from one to ten years.

(b) Liquidity -

The Foundation's financial assets available as of December 31, 2023 to be spent within a one-year period for general expenditures include the following:

Assets		Amount
Cash, cash equivalents and restricted cash	$	4,950,454
Grants receivable		2,349,797
Pledges receivable		43,307
Endowment investment appropriated for spending in the following year		1,968,168
Loans receivable, net		193,076
Financial assets available within one year for general expenditures	$	9,504,802

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of **Puerto Rico Community Foundation, Inc. and Subsidiary**, which comprise the consolidated statement of financial position as of December 31, 2023 and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements, and have issued our report thereon dated June 20, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered **Puerto Rico Community Foundation, Inc. and Subsidiary**'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Puerto Rico Community Foundation, Inc. and Subsidiary**'s internal control. Accordingly, we do not express an opinion on the effectiveness of **Puerto Rico Community Foundation, Inc. and Subsidiary**'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Foundation's consolidated financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Kevane Grant Thornton

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Puerto Rico Community Foundation, Inc. and Subsidiary**'s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

San Juan, Puerto Rico,
June 20, 2024.

Kevane Grant Thornton LLP

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited **Puerto Rico Community Foundation, Inc. and Subsidiary**'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each **Puerto Rico Community Foundation, Inc. and Subsidiary**'s major federal program for the year ended December 31, 2023. **Puerto Rico Community Foundation, Inc. and Subsidiary**'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, **Puerto Rico Community Foundation, Inc. and Subsidiary** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of **Puerto Rico Community Foundation, Inc. and Subsidiary** and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of **Puerto Rico Community Foundation, Inc. and Subsidiary**'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to **Puerto Rico Community Foundation, Inc. and Subsidiary**'s federal programs.

Auditors' Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on **Puerto Rico Community Foundation, Inc. and Subsidiary**'s compliance based on our audit. 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, *Government Auditing Standards,* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about **Puerto Rico Community Foundation, Inc.**'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 **Puerto Rico Community Foundation, Inc. and Subsidiary**'s compliance with the compliance requirements referred to above and perform such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of **Puerto Rico Community Foundation, Inc. and Subsidiary**'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of **Puerto Rico Community Foundation, Inc. and Subsidiary**'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Kevane
Grant Thornton

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

San Juan, Puerto Rico,
June 20, 2024.

Kevane Grant Thornton LLP

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Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures From Pass-Through Awards	Expenditures From Direct Awards	Expenditures Total	Pass-Through to Subrecipients
Direct Programs						
U.S. Department of Commerce:						
Economic Development Cluster						
Economic Adjustment Assistance	11.307	N/A	$ -	$ (129,777)	$ (129,777)	$ -
Pass-Through Programs						
U.S. Department of Homeland Security:						
Central Recovery of Reconstruction Office of Puerto Rico -						
Hazard Mitigation Grant	97.039	4339-0018-DR-PR	638,505	-	638,505	-
U.S. Department of Housing and Urban Development:						
Puerto Rico Department of Housing -						
CDBG-Disaster Recovery Grants-Pub. L.No. 113-2 Cluster						
Community Development Block Grant - Disaster Recovery Grants	14.269	191438720	328,507	-	328,507	129,000
Total expenditures of federal awards			$ 967,012	$ (129,777)	$ 837,235	$ 129,000

See accompanying notes to schedule of expenditures of federal awards.

(1) Basis of presentation:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grants activity of **Puerto Rico Community Foundation, Inc. and Subsidiary** (the "Foundation"). The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance").

Because the Schedule presents only a portion of the activities of the Foundation, it is not intended to, and does not present the financial position, changes in net assets, and cash flows of the Foundation.

(2) Summary of significant accounting policies:

The Schedule is prepared from the Foundation's accounting records and is not intended to present its financial position or the results of its operations. The financial transactions are recorded by the Foundation in accordance with the terms and conditions of the grants, which are consistent with accounting principles generally accepted in the United States of America.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Federal Assistance Listing Numbers ("FALN"):

The FALN numbers included in the Schedule are determined based on the program name, review of grant contract information and the assistance listings in the System for Award Management (SAM.gov) website. FALN numbers are presented for those programs for which such numbers were available.

(4) Major federal programs:

Major programs are identified in the summary of auditors' results section in the Schedule of Findings and Questioned Costs. Federal programs are presented by federal agency.

(5) Matching costs:

Matching costs, such as the nonfederal share of certain program costs, are not included in the accompanying Schedule.

(6) Indirect cost:

The Foundation has federally negotiated indirect cost agreements applicable to various programs with approved rates ranging from 5% to 10%.

(7) Program clusters:

The Uniform Guidance defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to this definition, the Economic Development and CDBG – Disaster Recovery Grants – Pub. L. No. 113-2 were identified as clusters.

Section I - Summary of Auditors' Results

Consolidated Financial Statements:

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Significant deficiencies identified?	_____ yes __X__ none reported
• Material weakness identified?	_____ yes __X__ no
Noncompliance that is material to consolidated financial statements noted?	_____ yes __X__ no

Federal Awards:

Internal control over major federal programs:	
• Significant deficiencies identified?	_____ yes __X__ none reported
• Material weakness identified?	_____ yes __X__ no
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	_____ yes __X__ no

Identification of Major Federal Programs:

Name of Federal Program or Cluster	Federal Assistance Listing Numbers
Community Development Block Grant - Disaster Recovery Grants	14.269
Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualify as low-risk auditee?	__X__ yes ____ no

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023

Section II – Consolidated Financial Statements Findings

The audit report for the year ended December 31, 2023 dated, June 20, 2024 has no consolidated financial statements findings.

Section III - Federal Award Findings and Questioned Costs

The audit report for the year ended December 31, 2023, dated June 20, 2024 has no federal award findings.

Puerto Rico Community Foundation, Inc.
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Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2023

None.