



Kevane

Grant Thornton

Financial Statements and Report of
Independent Certified Public Accountants

Puerto Rico Community Foundation, Inc.

(A Not-for-Profit Organization)

December 31, 2020 and 2019

Puerto Rico Community Foundation, Inc.
(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.:**

We have audited the accompanying financial statements of **Puerto Rico Community Foundation, Inc.** (“the Foundation”) which comprise of the statements of financial position as of December 31, 2020 and 2019, 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.

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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, 2020 and 2019, the results of its activities, 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.

San Juan, Puerto Rico,
June 15, 2021.

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

Statements of Financial Position
December 31, 2020 and 2019

Assets

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,156,514	\$ 860,627
Restricted cash	8,484,283	7,776,301
Pledges receivable	406,646	635,550
Prepaid expenses and others	30,439	54,177
Loans receivable, net of allowance for doubtful accounts of \$219,891 in 2020	839,341	1,503,490
Investments, at fair value	28,962,771	27,936,273
Property and equipment, net	<u>1,647,226</u>	<u>1,644,644</u>
Total assets	<u>\$ 41,527,220</u>	<u>\$ 40,411,062</u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$ 1,744,004	\$ 1,487,722
Grants payable	2,135,442	1,188,281
Notes payable	1,940,100	1,650,000
Obligations under capital leases	<u>60,987</u>	<u>39,947</u>
Total liabilities	<u>5,880,533</u>	<u>4,365,950</u>

Net assets:

With donor restrictions	27,954,405	28,842,515
Without donor restrictions	<u>7,692,282</u>	<u>7,202,597</u>
Total net assets	<u>35,646,687</u>	<u>36,045,112</u>
Total liabilities and net assets	<u>\$ 41,527,220</u>	<u>\$ 40,411,062</u>

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

Statements of Activities and Changes in Net Assets
Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:						
Contributions and services revenues	\$ 93,457	\$ 5,229,228	\$ 5,322,685	\$ 143,576	\$ 4,301,070	\$ 4,444,646
Interest and dividend income, net of custodian and investment advisory fees of \$ 203,842 and \$234,603 in 2020 and 2019, respectively	493,146	-	493,146	662,492	-	662,492
In-kind contributions	-	-	-	900,490	-	900,490
Property contributions	10,047	-	10,047	22,505	-	22,505
Other support	177,264	-	177,264	115,638	-	115,638
Total revenues, gains and other support	773,914	5,229,228	6,003,142	1,844,701	4,301,070	6,145,771
Net assets released from restrictions --						
Satisfaction of program restrictions	6,117,338	(6,117,338)	-	4,226,199	(4,226,199)	-
Expenses:						
Field of interest grants	2,544,893	-	2,544,893	1,402,254	-	1,402,254
Puerto Rico Recovery Fund Grants	2,612,304	-	2,612,304	1,583,788	-	1,583,788
Program related expenses	1,619,801	-	1,619,801	2,606,874	-	2,606,874
Asset development and fund raising	548,152	-	548,152	455,932	-	455,932
General and administrative	613,163	-	613,163	614,130	-	614,130
Philanthropy development programs	261,175	-	261,175	288,972	-	288,972
Total expenses	8,199,488	-	8,199,488	6,951,950	-	6,951,950
Realized and unrealized gains (losses) on investments, net	2,775,036	-	2,775,036	3,847,251	-	3,847,251
Other than temporary impairment of investments	(977,115)	-	(977,115)	-	-	-
Change in net assets	489,685	(888,110)	(398,425)	2,966,201	74,871	3,041,072
Net assets, beginning of year	7,202,597	28,842,515	36,045,112	4,236,396	28,767,644	33,004,040
Net assets, end of year	\$ 7,692,282	\$ 27,954,405	\$ 35,646,687	\$ 7,202,597	\$ 28,842,515	\$ 36,045,112

The accompanying notes are an integral part of these statements.

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Statements of Functional Expenses
Years Ended December 31, 2020 and 2019

Functional Expense Description	2020					2019				
	Program Services		Support Services			Program Services		Support Services		
	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	\$ 748,496	\$ 136,895	\$ 278,982	\$ 373,791	\$ 1,538,165	\$ 866,121	\$ 155,167	\$ 286,469	\$ 266,158	\$ 1,573,915
Payroll taxes and fringe benefits	109,252	33,339	79,408	87,667	309,666	136,100	35,175	101,416	74,926	347,618
Total salaries and related expenses	857,748	170,234	358,390	461,458	1,847,831	1,002,221	190,342	387,886	341,085	1,921,533
Program activities and technical assistance	248,395	3,439	2,018	3,253	257,105	220,469	59,258	11,596	5,692	297,015
Professional fees and contractual services	205,883	2,914	132,981	37,982	379,760	245,796	1,543	90,968	39,147	377,454
Utilities	13,610	6,045	11,819	16,828	48,302	9,807	6,591	7,929	15,570	39,897
Repairs and maintenance	517	1,174	47,618	-	49,309	735	613	47,729	-	49,078
Advertising	3,196	20,000	-	5,301	28,497	1,017,961	-	-	24,383	1,042,344
Travel	2,807	83	160	507	3,556	32,355	4,273	838	6,985	44,451
Office supplies and equipment	4,218	1,954	6,171	4,182	16,525	6,913	1,590	7,446	5,771	21,721
Insurance	-	3,006	23,475	-	26,481	-	1,893	23,491	-	25,384
Security	349	-	6,022	-	6,371	215	-	6,654	-	6,869
Bad debts expense	219,891	-	-	-	219,891	-	-	-	-	-
Others	42,494	29,970	10,117	4,250	86,830	48,118	2,564	17,191	4,895	72,767
Total	1,599,107	238,820	598,772	533,761	2,970,460	2,584,590	268,667	601,727	443,530	3,898,513
Depreciation and amortization	20,694	22,355	14,391	14,391	71,831	22,285	20,305	12,403	12,403	67,395
Total expenses	\$ 1,619,801	\$ 261,175	\$ 613,163	\$ 548,152	\$ 3,042,291	\$ 2,606,874	\$ 288,972	\$ 614,130	\$ 455,932	\$ 3,965,909

The accompanying notes are an integral part of these statements.

Puerto Rico Community Foundation, Inc.
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Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (398,425)	\$ 3,041,072
Adjustments to reconcile change in net assets to net cash used in operating activities -		
Depreciation and amortization	71,831	67,395
Bad debts expense	219,891	-
Realized and unrealized (gains) losses on investments, net	(2,775,036)	(3,847,251)
Other than temporary impairment of investments	977,115	-
Gain on disposition of vehicle	(10,049)	-
Contributions restricted for long-term investments	(340,090)	(671,103)
Changes in assets and liabilities from operating activities-		
(Increase) decrease in operating assets:		
Pledges receivable	228,904	(149,354)
Loans receivable	444,258	(75,841)
Prepaid expenses and others	23,739	(10,653)
Increase (decrease) in operating liabilities:		
Grants payable	947,161	(1,191,093)
Accounts payable and accrued expenses	256,282	260,918
Total adjustments	<u>44,006</u>	<u>(5,616,982)</u>
Net cash used in operating activities	<u>(354,419)</u>	<u>(2,575,910)</u>
Cash flows from investing activities:		
Payments for acquisition of property and equipment	(18,262)	(73,846)
Proceeds from sale of investments	9,121,274	8,395,317
Payments for acquisition of investments	<u>(8,009,762)</u>	<u>(7,676,758)</u>
Net cash provided by investing activities	<u>1,093,250</u>	<u>644,713</u>

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Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from financing activities:		
Proceeds from notes payable	\$ 540,100	\$ 650,000
Payments to notes payable	(250,000)	(150,000)
Principal payments of capital lease obligations	<u>(25,062)</u>	<u>(18,936)</u>
Net cash provided by financing activities	<u>265,038</u>	<u>481,064</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	1,003,869	(1,450,133)
Cash, cash equivalents and restricted cash, beginning of year	<u>8,636,928</u>	<u>10,087,061</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 9,640,797</u>	<u>\$ 8,636,928</u>

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:

Cash and cash equivalents	\$ 1,156,514	\$ 860,627
Restricted cash	<u>8,484,283</u>	<u>7,776,301</u>
Total cash, cash equivalents and restricted cash	<u>\$ 9,640,797</u>	<u>\$ 8,636,928</u>

Supplemental disclosure of cash flows information:

Interest paid	<u>\$ 40,168</u>	<u>\$ 44,589</u>
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Supplemental schedule of non-cash investing and financing transactions:

During the year ended December 31, 2020, the Company traded-in a vehicle with a cost of \$47,413 and accumulated depreciation of \$43,462 for a new one and was given a trade-in value of \$14,000, resulting in a gain on disposition of \$10,049.

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Notes to Financial Statements December 31, 2020 and 2019

(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:

(i) **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.

(ii) **Economic Community Development Programs -**

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 not-profit organizations 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.

(iii) **Community Investment Fund (CIF) -**

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: community financing programs, acquisition and housing rehabilitation, operational capital and social entrepreneurship initiatives.

(iv) **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 by providing grants, capacity building and technical assistance.

(v) **Philanthropy Scholarship and Grants Programs -**

Stimulate philanthropic giving from individuals, families, corporations, foundations and other non-profit to facilitate grants and scholarship funds to the community.

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(vi) **Scholarships and Grants Programs** -

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

(vii) **Puerto Rico Community Recovery Fund** -

The Foundation reactivated its Puerto Rico Community Recovery Fund, once used to address Hurricane Hugo and the emergency of 9/11 in New York. The Fund became a reliable source for donors to facilitate their giving to Puerto Rico and to provide immediate relief and recovery grants to non-profit organizations. After the immediate relief the fund continued the economic support (grants) and technical assistance to promote resilient, equitable and sustainable access and development in four strategic milestones: renewable energy, drinking water by community aqueducts, affordable housing, education and economic activity at a community-based level.

(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 June 15, 2021, 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 two classes of net assets: 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.

(iii) **Recently adopted accounting standards** -

In August 2018, the FASB issued Accounting Standards Update (ASU) 2018-13, Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement, which modified the disclosure requirement for fair value measurements. The Foundation adopted ASU 2018-13 on a retrospective basis as of January 1, 2019. The adoption of this accounting guidance resulted in the removal or modification of certain fair value measurement disclosures presented in the Foundation's financial statements.

(iv) **Contributions and grants** -

Contributions, including unconditional promises to give, are recognized in the period received. Contributions are recorded as 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, restricted net assets 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. Total contributions receivable as of December 31, 2020 and 2019 amounted to \$363,339 and \$314,443, respectively.

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 receivable as of December 31, 2020 and 2019 amounted to \$43,307 and \$321,107, respectively.

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.

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

(v) 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, 2020, the allowance for doubtful accounts had a balance of \$219,891. No allowance for doubtful account was recorded as of December 31, 2019.

(vi) 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 year ended December 31, 2020, there was no in-kind contribution received. During the year ended December 31, 2019, the Foundation received advertising services as in-kind contributions amounting to \$900,490.

(vii) Revenues and support -

Contributions received are recorded as without donor restrictions or 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, 2020 and 2019, the Foundation has designated funds from net assets without donor restrictions for a total of \$1,674,294, for the following purposes:

Institutional development	\$	160,000
Grant making funds established		573,581
Education		254,966
Economic development		33,491
Philanthropic services		144,892
Administration		507,364
Total board designated funds	\$	<u>1,674,294</u>

ii. Assets with donor restrictions -

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, 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.

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There are assets that are required by donor stipulation to be maintained in perpetuity by the Foundation. Investment income is classified as with or without donor restrictions depending upon the donor's intent.

(viii) Investments returns -

The Foundation reports investment returns net of related investment expenses, including both external and direct internal investment expenses. For the years 2020 and 2019, investment returns included interest and dividend income recorded as earned and were presented net of custodian and investment advisory fees.

(ix) 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, 2020 and 2019 consist of money market funds.

(x) Restricted cash -

As of December 31, 2020 and 2019, the Foundation has restricted cash in the amount of \$8,484,283 and \$7,776,301, respectively, corresponding to grant making, Community Investment Fund loans, Puerto Rico Recovery Fund grants and other program and operating expenses.

(xi) Loans receivable -

Loans receivable represent loans to not-for-profit organizations. Anticipated estimated losses, if any (i.e., loan principal which is not repaid by borrower), are recorded, as applicable, as an allowance for doubtful accounts after an analysis made each quarter.

(xii) 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 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.

(xiii) 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.

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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.

During the years ended December 31, 2020 and 2019, purchases of investments classified in Level 3 amounted to \$552,450 and \$1,089,091, respectively. There were no transfers of investments in Level 3 during the years ended December 31, 2020 and 2019.

(xiv) Other-than-temporary impairment losses -

On an annual basis, the Foundation performs an assessment to determine whether there have been any events or circumstances indicating that a security with an unrealized loss has suffered an other-than-temporary impairment ("OTTI"). A security is considered impaired if the fair value is less than its amortized cost basis.

The impairment analysis of the debt investments places special emphasis on the analysis of the cash position of the issuer and its cash and capital generation capacity, which could increase or diminish the issuer's ability to repay its bond obligations, the length of time and the extent to which the fair value has been less than the amortized cost basis and changes in the near-term prospects of the underlying collateral, if applicable, such as changes in default rates, loss severity given default and significant changes in prepayment assumptions. In light of current volatile economic and financial market conditions, the Foundation also takes into consideration the latest information available about the overall financial condition of issuers, credit ratings, recent legislation and government actions

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affecting the issuer's industry and actions taken by the issuers to deal with the present economic climate. OTTI losses are recognized in earnings if the Foundation has the intent to sell the debt security or it is more likely than not that it will be required to sell the debt security before recovery of its amortized cost basis. However, even if the Foundation does not expect to sell a debt security, expected cash flows to be received are evaluated to determine if a credit loss has occurred.

The impairment analysis of equity securities is performed and reviewed on an ongoing basis based on the latest financial information and any supporting research report made by a major brokerage firm. This analysis is very subjective and based, among other things, on relevant financial data such as capitalization, cash flow, liquidity, systematic risk, and debt outstanding of the issuer. Management also considers the issuer's industry trends, the historical performance of the stock, credit ratings as well as the Foundation's intent to hold the security for an extended period. If management believes there is a low probability of recovering book value in a reasonable time frame, then an impairment will be recorded by writing the security down to market value.

For equity securities that do not have readily determinable value and are measured at cost, the Foundation performs a qualitative assessment each reporting period to identify impairment. If the qualitative assessment indicates that an impairment exists, the fair value is estimated, and an impairment loss is recorded in the statement of activities and changes in net assets by the difference between fair value and the carrying amount.

(xv) 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 to forty years for software, equipment, furniture and fixtures, vehicles, building improvements and building.

(xvi) 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, 2020 and 2019.

(xvii) 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.

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(xviii) 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 2020 and 2019 under projects administered by the Foundation amounted to \$5,157,197 and \$2,986,042, respectively.

(xix) Functional expense classification -

The Foundation classifies its expenses as program and support services. Accordingly, certain operating, general and 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, software licenses, postage, project activities and travel.

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.

(xx) 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, 2020 and 2019 amounted to approximately \$28,000 and \$1,042,000, respectively, which are presented as such in the accompanying statements of functional expenses.

(xxi) 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, 2020 and 2019.

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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.

(xxii) 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 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, 2020 and 2019, the balances on deposit exceeded the insured limits by \$8,282,663 and \$8,077,290, 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, 2020 and 2019, 31% and 25%, respectively, of the Foundation's program service support was provided by contributions from two and three foundations, respectively.

(3) Loans receivable:

(a) 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% and balances as of December 31, 2020 and 2019 amounted to \$140,121 and \$155,669, respectively.

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(b) Community Investment Fund -

During the years ended December 31, 2020 and 2019, the Foundation entered into various unsecured loan receivable agreements with not-for-profit organizations, of which the Foundation has disbursed \$ 110,000 and \$180,000 during the years 2020 and 2019, respectively, as agreed among the parties. These loans bear interest at rates ranging from 3.5% to 6.17% and are due at different times through year 2025. Total loans receivable presented in the accompanying statements of financial position as of December 31, 2020 and 2019 amounted to \$879,949 and \$1,134,654, respectively. See Note 1 (a)(iii).

(c) Emergency Loans to Not-for-Profit Organizations -

During the year ended December 31, 2019, the Foundation entered into unsecured emergency loans receivable agreements with five not-for-profit organizations in the amount of \$213,167 and which were all disbursed during 2019. These loans were granted at zero interest rates and principal balances were due in twelve months. Total loans receivable presented in the accompanying statements of financial position as of December 31, 2020 and 2019 amount to \$39,162 and \$213,167, respectively.

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

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2021	\$ 547,547
2022	124,907
2023	123,589
2024	197,362
2025	37,846
Thereafter	<u>27,981</u>
Total loans receivable	1,059,232
Less: allowance for doubtful accounts	<u>(219,891)</u>
Total loans receivable, net	<u><u>\$ 839,341</u></u>

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(4) Investments:

Investments as of December 31, 2020 and 2019 are summarized as follows:

2020			
Description	Cost	Unrealized holding gains (losses)	Estimated fair value
Equity securities	\$ 14,100,011	\$ 4,336,858	\$ 18,436,869
Fixed income:			
Corporate bonds	1,906,207	173,224	2,079,431
Municipal bonds	425,420	51,932	477,352
Foreign bonds	118,528	3,321	121,849
Government bonds - US and International	204,376	(29,856)	174,520
Government assets	1,304,344	(20,329)	1,284,015
Preferred/Fixed rate cap securities	505,400	36,167	541,567
Diversified funds	1,590,346	(76,778)	1,513,568
Private equity	3,856,010	477,590	4,333,600
Total	<u>\$ 24,010,642</u>	<u>\$ 4,952,129</u>	<u>\$ 28,962,771</u>
2019			
Description	Cost	Unrealized holding gains (losses)	Estimated fair value
Equity securities	\$ 15,403,511	\$ 2,947,708	\$ 18,351,219
Fixed income:			
Corporate bonds	1,887,050	90,387	1,977,437
Municipal bonds	301,382	21,398	322,780
Foreign bonds	38,018	1,532	39,550
Government bonds - US and International	208,765	15,944	224,709
Government assets	1,444,497	(40,249)	1,404,248
Preferred/Fixed rate cap securities	542,102	23,082	565,184
Diversified funds	1,554,984	(97,821)	1,457,163
Private equity	3,348,889	245,094	3,593,983
Total	<u>\$ 24,729,198</u>	<u>\$ 3,207,075</u>	<u>\$ 27,936,273</u>

The investments serve as collateral for the margin account. See Note (7).

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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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividend income, net	\$ 493,146	\$ 662,492
Net realized and unrealized gains:		
Realized gains on investments	995,309	1,177,745
Unrealized gains on investments	<u>1,779,727</u>	<u>2,669,506</u>
Total net realized and unrealized gains	<u>2,775,036</u>	<u>3,847,251</u>
Total return on investments, net	<u>\$ 3,268,182</u>	<u>\$ 4,509,743</u>

(5) Impairment of investments:

The Foundation invests in debt and equity securities, and other investments in private equity funds. Management evaluates investment securities for other-than temporary (“OTTI”) declines in fair value on a regular basis. Once a decline in value is determined to be other-than temporary, the value of a debt security is reduced and a corresponding charge to earnings is recognized for anticipated credit losses. Also, for equity securities that are considered other-than temporary impaired, the excess of the security’s carrying value over its fair value at the evaluation date is accounted for as a loss in the results of its activities.

The OTTI analysis requires management to consider various factors, which include, but are not limited to: (1) the length of time and the extent to which fair value has been less than the amortized costs basis, (2) the financial condition of the issuer or issuers, (3) actual collateral attributes, (4) the payment structure of the debt security and the likelihood of the issuer being able to make payments, (5) any rating changes by a rating agency, (6) adverse conditions specifically related to the security, industry, or a geographic area, and (7) management’s intent to sell the debt security or whether it is more likely than not that the Foundation would be required to sell the debt security before a forecasted recovery occurs. During the year ended December 31, 2020, the Foundation recorded an impairment loss amounting to \$977,115, as a result of this analysis. No impairment loss was recorded during the year ended December 31, 2019.

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(6) Property and equipment:

The following schedule summarizes the cost and accumulated depreciation of property and equipment as of December 31, 2020 and 2019:

Description	Estimated Useful Life (Years)	2020	2019
Land		\$ 867,078	\$ 867,078
Buildings	40	968,102	968,102
Building improvements	10	198,038	196,903
Furniture and fixtures	5	148,165	145,865
Office equipment	3 -5	323,108	300,021
Computer equipment and software	3 -5	264,335	264,335
Vehicles	5	51,842	47,413
		2,820,668	2,789,717
Less -- accumulated depreciation		(1,173,442)	(1,145,073)
Property and equipment, net		\$ 1,647,226	\$ 1,644,644

Depreciation and amortization expense of property and equipment for the years ended December 31, 2020 and 2019 amounted to \$71,831 and \$67,395, respectively.

(7) Margin account:

The Foundation has available a margin account secured by its investment portfolio as of December 31, 2020 and 2019. 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 (2.50% in 2020 and 2019). There is no balance outstanding as of December 31, 2020 and 2019.

(8) Grants payable:

The following summarizes the changes in grants payable during the years ended December 31, 2020 and 2019:

	2020	2019
Grants payable, beginning of year	\$ 1,188,281	\$ 2,379,374
Additions - unconditional grants awarded	5,157,197	2,986,042
Deductions - payments made	(4,210,036)	(4,177,135)
Grants payable, end of year	\$ 2,135,442	\$ 1,188,281

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(9) Notes payable:

(a) Promissory notes -

During the years ended December 31, 2020 and 2019, the Foundation entered into two new unsecured promissory notes, each year, with different accredited investors. These notes bear interest between .65% to 3.17% per annum and each will be paid in full in one lump sum payment at their maturity dates between July 2021 to April 2024. The total principal for these notes as of December 31, 2020 and 2019 amounted to \$1,650,000, respectively.

In March 2020, the Foundation paid in full one year promissory note entered during March 2019, in the amount of \$150,000, plus interest at 3.07%.

Minimum principal payments due during the next years as of December 31, 2020 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2021	\$ 900,000
2022	-
2023	250,000
2024	500,000
Total	<u>\$ 1,650,000</u>

(b) Loan payable -

On March 27, 2020, the President of the United States signed into law the Coronavirus Aid Relief, and Economic Security (CARES) Act to provide emergency assistance and health care response for individuals, families, and businesses affected by the COVID-19 pandemic. Section 1102 of the CARES Act grants the Small Business Administration (SBA) funding and authority to modify existing loan programs and establish a Paycheck Protection Program (PPP) to assist entities impacted by the COVID-19. PPP loans are available to "eligible recipients" as defined by the program from February 15, 2020 to June 30, 2020 and loan proceeds must be used to pay employee salaries and other payroll costs, as well as rent, utilities, and interest on mortgage debts (these other costs not associated with payroll must not exceed 40% of the loan). Section 1106 of the CARES Act provides for forgiveness of up to the full principal amount, provided the borrower does not reduce its number of employees or significantly cut salaries after the amounts are borrowed.

The Foundation applied for the loan and was approved on June 19, 2020 for a total amount of \$290,100. Interest on the loan will accrue at 1% annual rate. There is a deferral period on the payment of principal and interest, with interest accruing during that term. The full amount of the loan is eligible for loan forgiveness, provided that no more than 40% of the loan proceeds are attributable to non-payroll costs. The Foundation is in process to request the forgiveness of this loan, however, as of the date of issuance of the financial statements, no determination has been made by the financial institution with respect to this matter. Management reasonably estimates that, provided that the Foundation abides to the forgiveness parameters, the loan will be eligible for forgiveness up to the full principal amount and any accrued interest.

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(10) Obligations under capital leases:

The Foundation leases equipment under non-cancelable capital lease obligations, bearing interest rate at 9.75%, which are due on February 28, 2022.

On April 22, 2015, the Foundation acquired a corporate vehicle under an obligation, bearing interest at 2.49%. It was payable on seventy-two (72) monthly payments and was due on May 5, 2021. On November 23, 2020, the Foundation entered into a new capital lease obligation to replace this vehicle as a trade-in and to acquire another vehicle. The old debt balance was paid off as part of this transaction.

This new capital lease obligation, bears interest at 3.99%; it is payable on seventy-two (72) monthly payments and is due on November 23, 2026.

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, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Equipment	\$ 55,492	\$ 55,492
Vehicle	51,842	47,413
	107,334	102,905
Less - accumulated depreciation	<u>(43,264)</u>	<u>(67,663)</u>
	<u>\$ 64,070</u>	<u>\$ 35,242</u>
Depreciation expense	<u>\$ 19,062</u>	<u>\$ 19,000</u>

The following is a schedule of the future minimum annual payments required under these capital lease obligations at December 31, 2020, and their present value:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2021	\$ 22,719
2022	10,997
2023	8,653
2024	8,653
2025	8,653
Thereafter	<u>7,931</u>
Total minimum lease payments	67,606
Less - Amount representing interest	<u>(6,619)</u>
Present value of minimum lease payments	<u>\$ 60,987</u>

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(11) Net assets without donor restrictions:

The following summarizes the changes in net assets without donor restrictions during the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Net assets, beginning of year	\$ 7,202,597	\$ 4,236,396
Investment interest income	493,146	662,492
Realized net gains on investments	995,309	1,177,745
Unrealized net gains (losses) on investments	1,779,727	2,669,506
Other than temporary impairment	(977,115)	-
Spending	<u>(1,801,382)</u>	<u>(1,543,542)</u>
Total net assets without donor restrictions	<u>\$ 7,692,282</u>	<u>\$ 7,202,597</u>

The Board designated funds as of December 31, 2020 and 2019 amounted to \$1,674,294.

(12) Assets with donor restrictions:

Assets with donor restrictions as of December 31, 2020 and 2019 amounted to \$27,954,405 and \$28,842,515, respectively. The amounts designated to established funds, from total assets with donor restrictions, amounted to \$4,464,443 and \$5,692,643 as of December 31, 2020 and 2019, 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, 2020 and 2019 amounted to \$23,489,962 and \$23,149,872, respectively.

(13) Program expenses:

Program related expenses for the years ended December 31, 2020 and 2019 were incurred in connection with the following programs:

	<u>2020</u>	<u>2019</u>
Education Programs	\$ 322,987	\$ 267,996
Puerto Rico Community Recovery Fund	974,960	2,161,196
Economic Community Development	43,988	-
Community Investment Fund	268,936	59,556
Others	<u>8,930</u>	<u>118,126</u>
	<u>\$ 1,619,801</u>	<u>\$ 2,606,874</u>

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(14) 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, 2020 and 2019, amounted to approximately \$62,300 and \$78,100, respectively.

(15) 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, 2020 and 2019, 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, 2020 and 2019, and the corresponding compensation liability for the Foundation amounted to \$1,489,117 and \$1,321,585, respectively. Total expense for the years ended December 31, 2020 and 2019 amounted to approximately \$167,500 and \$247,300, respectively.

(16) 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.

(17) Federal grants:

(a) Culebra Renewable Energy -

In June 2019, the Department of Commerce's Economic Development Administration (EDA) awarded a three years grant 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 is estimated to be \$5,160,000 and requires share of costs of \$1,032,000 from the Foundation. EDA will make disbursements under this award on a reimbursement basis only. During the year ended December 31, 2020, reimbursements requests in the amount of \$60,772 were submitted and revenues for the same amount were recorded. For the year ended December 31, 2019, there were no disbursements made, therefore, no revenue was recognized.

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(b) Recovery RCDI for Puerto Rico -

In August 2019, Rural Community Development Initiative (RCDI) awarded a three years grant 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 to be 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, 2020, reimbursements requests in the amount of \$53,455 were submitted and revenues for the same amount were recorded. For the year ended December 31, 2019, there were no disbursements made, therefore, no revenue was recognized.

(c) COR3 -

In May 2020, the Federal Emergency Management Agency (FEMA) 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 the Phase I for Non PRASA Aqueducts Backup Energy. COR3, as the grant recipient, will administer this sub-grant award to the Foundation, as subrecipient. On December 1, 2020, FEMA approved a budget amendment and the funding for this phase has been obligated in the amount of \$1,785,000. For the year ended December 31, 2020 there were no disbursements made, therefore, no revenues were recognized.

(18) Contingencies:

(a) 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.

(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.

The Foundation was identified as a potential claimant over the assets of an issuer of a held investment. As of the date the financial statements were available to be issued, no amount nor likelihood of claim settlement can be estimated.

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(19) Availability of financial assets and liquidity:

(a) Endowment fund -

As of December 31, 2020 and 2019, the Foundation has an endowment fund of \$23,489,962 and \$23,149,872, respectively, which is comprised of board designated funds and funds established by donors for specific purposes. Those funds are invested according 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 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, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Endowment net assets, beginning of year	\$ 23,149,872	\$ 22,478,769
Contributions	<u>340,090</u>	<u>671,103</u>
Endowment net assets, end of year	<u><u>\$ 23,489,962</u></u>	<u><u>\$ 23,149,872</u></u>

(b) Other financial assets -

The Community Recovery fund has a cash balance of \$1,800,996 that is budgeted to be used during the year 2021 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 and María, earthquakes and COVID-19.

The Community Investment Fund is funded by an initial contribution of \$500,000 from the Foundation's funds without donor restrictions and \$1,650,000 from five investors for a total of \$2,150,000. This fund grants loans to not-for-profit organizations, with repayment due dates ranging from 1 to 5 years.

(c) Liquidity -

The Foundation's financial assets available as of December 31, 2020 to be spent within a one-year period for general expenditures include the following:

<u>Assets</u>	<u>Amount</u>
Cash and cash equivalents	\$ 9,640,797
Pledges receivable	406,646
Loans receivable, net	<u>839,341</u>
Total assets	<u><u>\$ 10,886,784</u></u>

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(20) COVID 19:

As a result of the outbreak of a novel coronavirus (COVID-19), first identified in Wuhan, China in December 2019, and that has been spreading rapidly, Puerto Rico, like most of the world, faces an unprecedented reality in light of COVID-19. In response to the global outbreak, the Governor of Puerto Rico signed on March 12, 2020 an Executive Order for the closure and lockdown of all government and private businesses, except for those related to essential services, which started on March 15, 2020 until March 30, 2020. Such order was then extended several times. The Executive Order included a curfew for citizens that allowed them to travel along public roads during specific times and for certain circumstances.

Given the achievements in controlling the spreading of COVID-19 due to the measures taken by the government, additional Executive Orders were then issued which included plans to restart the economy and allowed certain commercial businesses and activities to reopen.

Different parts of the countries are seeing different levels of COVID-19 activity and establishing measures to control the spreading and re-establish their economy, but the COVID-19 continues to disperse and affecting the global economy.

The Foundation immediately took the necessary steps to ensure the continuity of the operations and the financial well-being of the Foundation. Among these measures were a very strong and strict COVID-19 protocol which includes the rotation of their administrative employees in terms of which days they will be working in the premises and the days they will work remotely. As of the date the financial statements were available to be issued, neither the duration nor scope of the disruption can be predicted.

(21) Subsequent events:

(a) 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 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.

On May 5, 2021, the Puerto Rico Department of Housing awarded to the Foundation an initial contract in the amount of \$1,289,927 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.

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(b) Fundación Comunitaria de Puerto Rico Servicios, Inc. -

On January 26, 2021, it was incorporated Fundación Comunitaria de Puerto Rico Servicios, Inc. 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 shall be operated, supervised, and controlled by the Foundation.

(c) Fondo de Inversión Comunitaria, Inc. -

On March 1, 2021, it was incorporated Fondo de Inversión Comunitaria, Inc. 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 nonprofit 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 shall be operated, supervised, and controlled by Foundation.

(d) Paycheck Protection Program -

On January 6, 2021, the SBA and the Department of Treasury released an Interim Final Rule called "Business Loan Program Temporary Changes; Paycheck Protection Program Second Draw Loans" ("Second Draw PPP loans"). These rules announced the implementation of section 311 of the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act. Second Draw PPP loans can be used to help fund payroll costs, including benefits. Funds can also be used to pay for mortgage interest, rent, utilities, worker protection costs related to COVID-19, uninsured property damage costs caused by looting or vandalism during the year 2020, and certain supplier costs and expenses for operations.

On May 5, 2021, the Foundation was approved a loan under the Second Draw PPP loans of the Small Business Administration ("SBA") in the amount of \$290,100 through Oriental Bank. Interest on the loan will accrue at 1% annual interest rate and there is a sixteen-month deferral on payment of principal and interest, with interest accruing during that term. There is a five-year amortization of the loan. The full amount of the loan is eligible for loan forgiveness, provided that not more than 40% of the loan proceeds are attributable to non-payroll costs. Management reasonably considers that, provided that the Foundation abides to the forgiveness parameters, the loan will be eligible for forgiveness up to the full principal amount and any accrued interest.

(e) Sale of property -

On May 18, 2021, the Foundation sold a real estate property with a book value of \$39,282 for a sale price of \$32,000, resulting in a loss on disposition of \$7,282 in year 2021.