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Financial Statements and Report of  
Independent Certified Public Accountants

**Puerto Rico Community Foundation, Inc.**

(A Not-for-Profit Organization)

Single Audit Package

December 31, 2021 and 2020

**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.:

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### Opinion

We have audited the accompanying financial statements of **Puerto Rico Community Foundation, Inc.**, which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

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, 2021 and 2020, and 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.

### Basis for Opinion

We conducted our audit as of and for the year ended December 31, 2021 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 to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements as of and for the year ended December 31, 2020, for which we expressed an unmodified opinion in our report dated June 15, 2021, were not audited in accordance with *Government Auditing Standards*.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

### **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.** had incorporated two wholly-owned subsidiaries that have no financial transactions as of December 31, 2021. 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 subsidiaries had been consolidated with those of the Foundation, its financial position would not suffer changes.

### **Supplementary information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended December 31, 2021, 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of



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the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 August 5, 2022, on our consideration of **Puerto Rico Community Foundation, Inc.**'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.**'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.**'s internal control over financial reporting and compliance.

San Juan, Puerto Rico  
August 5, 2022.

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

**Statements of Financial Position**  
**December 31, 2021 and 2020**

<u>Assets</u>		
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,473,724	\$ 1,156,514
Restricted cash	8,382,354	8,484,283
Pledges receivable	920,075	406,646
Prepaid expenses and others	31,893	30,439
Loans receivable, net of allowance for doubtful accounts		
of \$219,891 in 2021 and 2020	403,796	839,341
Investments, at fair value	31,916,328	28,962,771
Property and equipment, net	1,552,799	1,647,226
Total assets	<u>\$ 45,680,969</u>	<u>\$ 41,527,220</u>
 <u>Liabilities and Net Assets</u>  		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 2,148,467	\$ 1,744,004
Grants payable	1,523,405	2,135,442
Notes payable	2,540,100	1,940,100
Obligations under capital leases	40,887	60,987
Total liabilities	<u>6,252,859</u>	<u>5,880,533</u>
<b>Net assets:</b>		
With donor restrictions	27,893,056	27,954,405
Without donor restrictions	11,535,054	7,692,282
Total net assets	<u>39,428,110</u>	<u>35,646,687</u>
Total liabilities and net assets	<u>\$ 45,680,969</u>	<u>\$ 41,527,220</u>

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

**Statements of Activities and Changes in Net Assets**  
**Years Ended December 31, 2021 and 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, gains and other support:</b>						
Contributions and services revenues	\$ 77,665	\$ 2,839,192	\$ 2,916,857	\$ 93,457	\$ 5,114,856	\$ 5,208,313
Federal grants	-	883,168	883,168	-	114,372	114,372
Interest and dividend income, net of custodian and investment advisor fees of \$179,295 and \$203,842 in 2021 and 2020, respectively	445,526	-	445,526	493,146	-	493,146
In-kind contributions	116,690	-	116,690	-	-	-
Property contributions	-	-	-	10,047	-	10,047
Other support	131,249	-	131,249	177,264	-	177,264
<b>Total revenues, gains and other support</b>	<b>771,130</b>	<b>3,722,360</b>	<b>4,493,490</b>	<b>773,914</b>	<b>5,229,228</b>	<b>6,003,142</b>
<b>Net assets released from restrictions --</b>						
Satisfaction of program restrictions	3,783,709	(3,783,709)	-	6,117,338	(6,117,338)	-
<b>Expenses:</b>						
Field of interest grants	2,002,770	-	2,002,770	2,544,893	-	2,544,893
Puerto Rico Recovery Fund grants	158,920	-	158,920	2,612,304	-	2,612,304
Program related expenses	2,064,222	-	2,064,222	1,619,801	-	1,619,801
Asset development and fund raising	798,760	-	798,760	548,152	-	548,152
General and administrative	733,192	-	733,192	613,163	-	613,163
Philanthropy development programs	423,360	-	423,360	261,175	-	261,175
<b>Total expenses</b>	<b>6,181,224</b>	<b>-</b>	<b>6,181,224</b>	<b>8,199,488</b>	<b>-</b>	<b>8,199,488</b>
<b>Gain on forgiveness of loan</b>	<b>290,100</b>	<b>-</b>	<b>290,100</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Realized and unrealized gains (losses) on investments, net</b>	<b>5,179,057</b>	<b>-</b>	<b>5,179,057</b>	<b>2,775,036</b>	<b>-</b>	<b>2,775,036</b>
<b>Other than temporary impairment of investments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(977,115)</b>	<b>-</b>	<b>(977,115)</b>
<b>Change in net assets</b>	<b>3,842,772</b>	<b>(61,349)</b>	<b>3,781,423</b>	<b>489,685</b>	<b>(888,110)</b>	<b>(398,425)</b>
<b>Net assets, beginning of year</b>	<b>7,692,282</b>	<b>27,954,405</b>	<b>35,646,687</b>	<b>7,202,597</b>	<b>28,842,515</b>	<b>36,045,112</b>
<b>Net assets, end of year</b>	<b>\$ 11,535,054</b>	<b>\$ 27,893,056</b>	<b>\$ 39,428,110</b>	<b>\$ 7,692,282</b>	<b>\$ 27,954,405</b>	<b>\$ 35,646,687</b>

The accompanying notes are an integral part of these statements.

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

**Statements of Functional Expenses**  
**Years Ended December 31, 2021 and 2020**

Functional Expense Description	2021					2020				
	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	\$ 1,283,519	\$ 213,557	\$ 329,502	\$ 457,616	\$ 2,284,194	\$ 748,496	\$ 136,895	\$ 278,982	\$ 373,791	\$ 1,538,164
Payroll taxes and fringe benefits	176,179	36,449	89,833	92,285	394,746	109,252	33,339	79,408	87,667	309,666
Total salaries and related expenses	1,459,698	250,006	419,335	549,901	2,678,940	857,748	170,234	358,390	461,458	1,847,830
Program activities and technical assistance	281,739	13,129	3,704	5,028	303,600	248,395	3,439	2,018	3,253	257,105
Professional fees and contractual services	151,027	65,909	144,871	33,358	395,165	205,883	2,914	132,981	37,982	379,760
Utilities	15,508	5,867	25,689	19,024	66,088	13,610	6,045	11,819	16,828	48,302
Repairs and maintenance	-	-	63,921	-	63,921	517	1,174	47,618	-	49,309
Advertising	4,872	21,044	-	151,794	177,710	3,196	20,000	-	5,301	28,497
Travel	19,400	3,820	160	433	23,813	2,807	83	160	507	3,557
Office supplies and equipment	9,020	2,199	10,424	2,944	24,587	4,218	1,954	6,171	4,182	16,525
Insurance	14	3,700	30,187	-	33,901	-	3,006	23,475	-	26,481
Security	-	-	7,130	-	7,130	349	-	6,022	-	6,371
Bad debts expense	-	-	-	-	-	219,891	-	-	-	219,891
Rent expenses	63,400	-	-	-	63,400	-	-	-	-	-
Others	37,191	33,682	10,896	20,914	102,683	42,493	29,971	10,118	4,250	86,832
Total	2,041,869	399,356	716,317	783,396	3,940,938	1,599,107	238,820	598,772	533,761	2,970,460
Depreciation and amortization	22,353	24,004	16,875	15,364	78,596	20,694	22,355	14,391	14,391	71,831
Total expenses	\$ 2,064,222	\$ 423,360	\$ 733,192	\$ 798,760	\$ 4,019,534	\$ 1,619,801	\$ 261,175	\$ 613,163	\$ 548,152	\$ 3,042,291

The accompanying notes are an integral part of these statements.



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

**Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 3,781,423	\$ (398,425)
Adjustments to reconcile change in net assets to net cash used in operating activities -		
Depreciation and amortization	78,596	71,831
Bad debts expense	-	219,891
Realized and unrealized (gains) losses on investments, net	(5,179,057)	(2,775,036)
Gain on forgiveness of loan	(290,100)	-
Other than temporary impairment of investments	-	977,115
Gain on disposition of vehicle	-	(10,049)
Loss on sale of property	7,891	-
Contributions restricted for long-term investments	(20,946)	(340,090)
Changes in assets and liabilities from operating activities-		
(Increase) decrease in operating assets:		
Pledges receivable	(513,429)	228,904
Loans receivable	435,545	444,258
Prepaid expenses and others	(1,454)	23,739
Increase (decrease) in operating liabilities:		
Grants payable	(612,037)	947,161
Accounts payable and accrued expenses	404,463	256,282
Total adjustments	<u>(5,690,528)</u>	<u>44,006</u>
Net cash used in operating activities	<u>(1,909,105)</u>	<u>(354,419)</u>
<b>Cash flows from investing activities:</b>		
Payments for acquisition of property and equipment	(24,059)	(18,262)
Proceeds from sale of property and equipment	32,000	-
Proceeds from sale of investments	28,932,418	9,121,274
Payments for acquisition of investments	<u>(26,685,973)</u>	<u>(8,009,762)</u>
Net cash provided by investing activities	<u>2,254,386</u>	<u>1,093,250</u>

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

**Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from financing activities:</b>		
Proceeds from notes payable	\$ 1,790,100	\$ 540,100
Payments to notes payable	(900,000)	(250,000)
Principal payments of capital lease obligations	(20,100)	(25,062)
	<u>870,000</u>	<u>265,038</u>
Net cash provided by financing activities	870,000	265,038
Net increase in cash, cash equivalents and restricted cash	1,215,281	1,003,869
<b>Cash, cash equivalents and restricted cash, beginning of year</b>	<u>9,640,797</u>	<u>8,636,928</u>
<b>Cash, cash equivalents and restricted cash, end of year</b>	<u>\$ 10,856,078</u>	<u>\$ 9,640,797</u>

The following table provides a reconciliation of cash, cash equivalents and restricted cash in the statements of financial position as of December 31, 2021 and 2020 to the total amounts shown in the statements of cash flows:

Cash and cash equivalents	\$ 2,473,724	\$ 1,156,514
Restricted cash	<u>8,382,354</u>	<u>8,484,283</u>
Total cash, cash equivalents and restricted cash	<u>\$ 10,856,078</u>	<u>\$ 9,640,797</u>

**Supplemental disclosure of cash flows information:**

Interest paid	<u>\$ 59,769</u>	<u>\$ 40,168</u>
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**Supplemental disclosure of non-cash investing transactions:**

During the year ended December 31, 2021, the Foundation sold property with a cost of \$77,050 and accumulated depreciation of \$37,159 for a sale price of \$32,000, resulting in a loss on sale of \$7,891. In addition, the Foundation disposed equipment no longer in use with a cost and accumulated depreciation of \$115,905.

During the year ended December 31, 2020, the Foundation 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.

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

**Notes to Financial Statements**  
**December 31, 2021 and 2020**

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**(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, 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.

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 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 shall be operated, supervised, and controlled by Foundation. This corporation is exempt from U.S. income taxes under section 501(c)(3) of the U.S. Internal Revenue Code.

The subsidiaries have no transactions as of December 31, 2021 nor for the year then ended.

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.

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

**Notes to Financial Statements**  
**December 31, 2021 and 2020**

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**(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 organizations to facilitate grants and scholarship funds to the community.

**(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 31<sup>st</sup> 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 August 5, 2022, the date the financial statements were available to be issued.

**(ii) Basis of accounting –**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

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

**Notes to Financial Statements**  
**December 31, 2021 and 2020**

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**(iii) 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.

**(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. There were no receivables from contributions, other than grants and wills as of December 31, 2021. Total contributions receivable as of December 31, 2020 amounted to \$275,001. Total grants receivable as of December 31, 2021 and 2020 amounted to \$876,768 and \$88,338, 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, 2021 and 2020 amounted to \$43,307.

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.

**(v) Government grants -**

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

**(vi) 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, 2021 and 2020, the allowance for doubtful accounts had a balance of \$219,891.

**(vii) 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, 2021, the Foundation received advertising services as in-kind contributions amounting to \$116,690. There was no in-kind contribution received during the year ended December 31, 2020.

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

**Notes to Financial Statements**  
**December 31, 2021 and 2020**

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**(viii) 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, 2021 and 2020, the Foundation has designated funds from net assets without donor restrictions for a total of \$1,901,530 and \$1,674,294, respectively, for the following purposes:

	<u>2021</u>	<u>2020</u>
Institutional development	\$ 210,000	\$ 160,000
Grant making funds established	656,686	573,581
Education	278,199	254,966
Economic development	-	33,491
Philanthropic services	280,943	144,892
Administration	475,702	507,364
Total board designated funds	<u>\$ 1,901,530</u>	<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. 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.

**(ix) Investments returns -**

The Foundation reports investment returns net of related investment expenses, including both external and direct internal investment expenses. For the years 2021 and 2020, investment returns included interest and dividend income recorded as earned and were presented net of custodian and investment advisory fees.

**(x) 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, 2021 and 2020 consist of money market funds.

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(xi) **Restricted cash** -

As of December 31, 2021 and 2020, the Foundation has restricted cash in the amount of \$8,382,354 and \$8,484,283, respectively, corresponding to grant making, Community Investment Fund loans, Puerto Rico Recovery Fund grants and other program and operating expenses.

(xii) **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.

(xiii) **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.

(xiv) **Fair value measurement** -

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

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

The hierarchy is broken down into three levels as follows:

- Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 – Valuations based on one or more quoted prices in active markets for similar assets or quoted prices for identical or similar assets in markets that are not active which all significant inputs are observable, either directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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

**Corporate equities, diversified funds and preferred/fixed rate cap securities** -

Exchange-traded equity securities are generally valued based on quoted prices from the exchange. To the extent these securities are actively traded, valuation adjustments are not applied, and they are categorized in Level 1 of the fair value hierarchy.

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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, 2021 and 2020, purchases of investments classified in Level 3 amounted to \$490,000 and \$552,450, respectively. There were no transfers of investments in Level 3 during the years ended December 31, 2021 and 2020.

**(xv) 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 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.



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**(xvi) 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 software, equipment, furniture and fixtures, vehicles, building improvements and building.

**(xvii) 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, 2021 and 2020.

**(xviii) 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.

**(xix) 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 2021 and 2020 under projects administered by the Foundation amounted to \$2,161,690 and \$5,157,197, respectively.

**(xx) 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.

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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.

**(xxi) 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, 2021 and 2020 amounted to approximately \$178,000 and \$28,000, respectively, which are presented as such in the accompanying statements of functional expenses.

**(xxii) 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, 2021 and 2020.

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.

**(xxiii) 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.

**(xxiv) Reclassifications -**

Certain amounts in the 2020 financial statements have been reclassified to conform with the 2021 presentation.

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#### (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, 2021 and 2020, the balances on deposit exceeded the insured limits by \$8,329,663 and \$8,282,663, 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, 2021 and 2020, 25% and 31%, respectively, of the Foundation's program service support was provided by contributions from two donors and two foundations, respectively.

#### (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 "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 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 years ended December 31, 2021 and 2020, reimbursements requests in the amount of \$116,631 and \$60,772, respectively, were submitted and revenues for the same amount were recorded during the years 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 to be up to \$250,000 from the Foundation. RCDI will make disbursements under this award on a reimbursement basis only. During the years ended December 31, 2021 and 2020, reimbursements requests in the amount of \$76,769 and \$53,455, respectively, were submitted and revenues for the same amount were recorded during the years then ended.

##### (c) Hazard Mitigation Grant Program /Non-PRASA Backup Energy -

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 the Phase I for Non PRASA Aqueducts Backup Energy. COR3, as the grant recipient, will administer this sub-grant award for the

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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. For the year ended December 31, 2020, there were no disbursements made, therefore, no revenues were recognized. During the year ended December 31, 2021, reimbursements requests in the amount of \$689,768 were submitted and revenues for the same amount were recorded during the year then ended. Subsequently, 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.

**(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.

During the year ended December 31, 2021, there were no disbursements made in connection to these two grant contracts, therefore, no revenues were recorded.

**(4) 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, 2021 and 2020 amounted to \$117,743 and \$140,121, respectively.

**(b) Community Investment Fund -**

During the year ended December 31, 2020, the Foundation entered into various unsecured loan receivable agreements with not-for-profit organizations, of which the Foundation disbursed \$110,000 during the year 2020, as agreed among the parties. There was no new loan or disbursement during the year ended December 31, 2021. 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, 2021 and 2020 amounted to \$ 505,944 and \$879,949, respectively. See Note 1 (a)(iii).

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

During the year 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 that year. 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 amounted to \$39,162. As of December 31, 2021, these loans were collected in full.

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

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2022	\$ 369,396
2023	123,911
2024	68,734
2025	34,725
2026	<u>26,921</u>
Total loans receivable	623,687
Less: allowance for doubtful accounts	<u>(219,891)</u>
Total loans receivable, net	<u>\$ 403,796</u>

**(5) Investments:**

Investments as of December 31, 2021 and 2020 are summarized as follows:

<u>Description</u>	<u>2021</u>		
	<u>Cost</u>	<u>Unrealized holding gains (losses)</u>	<u>Estimated fair value</u>
Equity securities	\$ 18,772,062	\$ 2,817,991	\$ 21,590,053
Fixed income:			
Corporate bonds	1,684,252	9,626	1,693,878
Municipal bonds	602,045	42,805	644,850
Government assets	1,948,584	(8,299)	1,940,285
Private equity	<u>4,232,241</u>	<u>1,815,021</u>	<u>6,047,262</u>
Total	<u>\$ 27,239,184</u>	<u>\$ 4,677,144</u>	<u>\$ 31,916,328</u>

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Description	2020		
	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>

The investments as of December 31, 2020 served as collateral for the margin account as of that date. See Note (8).

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, 2021 and 2020:

	2021	2020
Interest and dividend income, net	\$ 445,526	\$ 493,146
Net realized and unrealized gains:		
Realized gains on investments	5,664,324	995,309
Unrealized net (losses) gains on investments	(485,267)	1,779,727
Total net realized and unrealized gains, net	<u>5,179,057</u>	<u>2,775,036</u>
Total return on investments, net	<u>\$ 5,624,583</u>	<u>\$ 3,268,182</u>

**(6) 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.

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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. During the year ended December 31, 2021, the Foundation received \$359,476 in proceeds from an investment previously impaired, which were recorded as a realized gain on investment within the statement of activities and changes in net assets for the year then ended. No impairment loss was recorded during the year ended December 31, 2021.

**(7) Property and equipment:**

The following schedule summarizes the cost and accumulated depreciation of property and equipment as of December 31, 2021 and 2020:

Description	Estimated Useful Life (Years)	2021	2020
Land		\$ 867,078	\$ 867,078
Buildings	40	891,052	968,102
Building improvements	10	198,038	198,038
Furniture and fixtures	5	145,195	148,165
Office equipment	3 -5	345,723	323,108
Computer equipment and software	3 -5	152,845	264,335
Vehicles	5	51,842	51,842
		2,651,773	2,820,668
Less -- accumulated depreciation		(1,098,974)	(1,173,442)
Property and equipment, net		\$ 1,552,799	\$ 1,647,226

Depreciation and amortization expense of property and equipment for the years ended December 31, 2021 and 2020 amounted to \$78,596 and \$71,831, respectively.

**(8) Margin account:**

The Foundation had available a margin account secured by its investment portfolio as of December 31, 2020. The total amount available for borrowing depended on the portfolio's characteristics and balance. The margin account bore interest at a rate determined at the settlement date based on market conditions (2.50% in 2020). There was no balance outstanding as of December 31, 2020. This margin account was not available as of December 31, 2021.

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**(9) Grants payable:**

The following summarizes the changes in grants payable during the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Grants payable, beginning of year	\$ 2,135,442	\$ 1,188,281
Additions - unconditional grants awarded	2,161,690	5,157,197
Deductions - payments made	<u>(2,773,727)</u>	<u>(4,210,036)</u>
Grants payable, end of year	<u>\$ 1,523,405</u>	<u>\$ 2,135,442</u>

**(10) Notes payable:**

**(a) Promissory notes -**

During the years ended December 31, 2021 and 2020, the Foundation entered into three and two new unsecured promissory notes, respectively, with different accredited investors. These notes bear interest between .57% to 3.17% per annum and each will be paid in full in one lump sum payment at their maturity dates between July 2022 to April 2024. The total principal for these notes as of December 31, 2021 and 2020 amounted to \$2,250,000 and \$1,650,000, respectively.

In 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%. In 2021, the Foundation paid in full three notes in the amount of \$900,000 plus interest between .65% to 2.96%.

Minimum principal payments due during the next years as of December 31, 2021 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2022	\$ 1,000,000
2023	750,000
2024	<u>500,000</u>
Total	<u>\$ 2,250,000</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.



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A PPP loan was approved on June 19, 2020 for a total amount of \$290,100. Interest on this loan accrued at 1% annual rate. There was a deferral period on the payment of principal and interest, with interest accruing during that term. The full amount of the loan was eligible for loan forgiveness, provided that no more than 40% of the loan proceeds are attributable to non-payroll costs. The Foundation requested the forgiveness of this loan, which was approved on July 27, 2021 for the full amount of principal and interest accrued. 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, 2021.

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 SBA in the amount of \$290,100 through Oriental Bank. Interest on this 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 60% 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. The balance of this loan as of December 31, 2021 amounts to \$290,100.

**(11) 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. As of the date of issuance of this report, extension to these capital lease obligations is pending to be formalized.

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, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 55,492	\$ 55,492
Vehicle	51,842	51,842
	<u>107,334</u>	<u>107,334</u>
Less - accumulated depreciation	(63,002)	(43,264)
	<u>\$ 44,332</u>	<u>\$ 64,070</u>
Depreciation expense	<u>\$ 19,738</u>	<u>\$ 19,062</u>

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

**Notes to Financial Statements**  
**December 31, 2021 and 2020**

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The following is a schedule of the future minimum annual payments required under these capital lease obligations at December 31, 2021, and their present value:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 10,997
2023	8,653
2024	8,653
2025	8,653
2026	7,931
Total minimum lease payments	44,887
Less - Amount representing interest	(4,000)
Present value of minimum lease payments	<u>\$ 40,887</u>

**(12) Net assets without donor restrictions:**

The following summarizes the changes in net assets without donor restrictions during the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Net assets, beginning of year	\$ 7,692,282	\$ 7,202,597
Investment interest income	445,526	493,146
Realized net gains on investments	5,664,324	995,309
Unrealized net (losses) gains on investments	(485,267)	1,779,727
Other than temporary impairment	-	(977,115)
Gain on forgiveness of loan	290,100	-
Spending, net	(2,071,911)	(1,801,382)
Total net assets without donor restrictions	<u>\$ 11,535,054</u>	<u>\$ 7,692,282</u>

The Board designated funds as of December 31, 2021 and 2020 amounted to \$1,901,530 and \$1,674,294, respectively.

**(13) Assets with donor restrictions:**

Assets with donor restrictions as of December 31, 2021 and 2020 amounted to \$27,893,056 and \$27,954,405, respectively. The amounts designated to established funds, from total assets with donor restrictions, amounted to \$4,382,148 and \$4,464,443 as of December 31, 2021 and 2020, 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, 2021 and 2020 amounted to \$23,510,908 and \$23,489,962, respectively.

**Puerto Rico Community Foundation, Inc.**  
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**Notes to Financial Statements**  
**December 31, 2021 and 2020**

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**(14) Program expenses:**

Program related expenses for the years ended December 31, 2021 and 2020 were incurred in connection with the following programs:

	<u>2021</u>	<u>2020</u>
Education Programs	\$ 369,796	\$ 322,987
Puerto Rico Community Recovery Fund	1,585,720	974,960
Economic Community Development	58,794	43,988
Community Investment Fund	49,062	268,936
Others	850	8,930
	<u>\$ 2,064,222</u>	<u>\$ 1,619,801</u>

**(15) Employee qualified retirement plan:**

The Foundation sponsors a qualified defined contribution retirement plan (the "Plan"), which covers all eligible employees who are at least 18 years of age and that have completed 480 hours of service during a three-month period of continuous active employment. The Plan provides for a matching contribution feature to be made by the Foundation of 100% up to a maximum of 10% of before-tax contributions made by the participant employees. Retirement plan contributions for the years ended December 31, 2021 and 2020, amounted to approximately \$71,600 and \$62,300, respectively.

**(16) Deferred compensation agreement:**

Effective on January 1, 2008, the Foundation established a non-qualified deferred compensation plan (the "Plan"), for the purpose of providing deferred compensation for a selected group of management or highly compensated employees and their beneficiaries (the "Participants"). At the beginning of each plan year, the Foundation may make discretionary contributions to the Plan. For the years ended December 31, 2021 and 2020, 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, 2021 and 2020, and the corresponding compensation liability for the Foundation amounted to \$1,817,793 and \$1,489,117, respectively. Total expense for the years ended December 31, 2021 and 2020 amounted to approximately \$328,677 and \$167,500, respectively.

**(17) Income taxes:**

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

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

**Notes to Financial Statements**  
**December 31, 2021 and 2020**

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**(18) Contingencies:**

**(a) Regulatory agency requirements -**

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.

**(19) Availability of financial assets and liquidity:**

**(a) Endowment fund -**

As of December 31, 2021 and 2020, the Foundation has an endowment fund of \$23,510,908 and \$23,489,962, 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, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of year	\$ 23,489,962	\$ 23,149,872
Contributions	20,946	340,090
Endowment net assets, end of year	<u>\$ 23,510,908</u>	<u>\$ 23,489,962</u>

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

**Notes to Financial Statements**  
**December 31, 2021 and 2020**

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**(b) Other financial assets -**

The Puerto Rico Community Recovery Fund has a cash balance of \$1,322,882 as of December 31, 2021, that is budgeted to be used during the year 2022 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, 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 \$2,250,000 from four investors for a total of \$2,750,000. This fund grants loans to not-for-profit organizations, with repayment due dates ranging from one to five years.

**(c) Liquidity -**

The Foundation's financial assets available as of December 31, 2021 to be spent within a one-year period for general expenditures include the following:

<u>Assets</u>	<u>Amount</u>
Cash, cash equivalents and restricted cash	\$ 10,856,078
Pledges receivable	920,075
Loans receivable, net	403,796
Total assets	<u>\$ 12,179,949</u>

**(20) COVID 19:**

In March 2020, the World Health Organization declared the outbreak of a novel COVID-19 as a pandemic, which continues to spread throughout the United States and abroad. As a result of the outbreak, that has been spreading rapidly, Puerto Rico, like most of the world, faces an unprecedented reality in light of COVID-19.

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 the 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.

**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of 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 financial statements of **Puerto Rico Community Foundation, Inc.** (the "Foundation"), which comprise the statement of financial position as of December 31, 2021 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated August 5, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered **Puerto Rico Community Foundation, Inc.**'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Puerto Rico Community Foundation, Inc.**'s internal control. Accordingly, we do not express an opinion on the effectiveness of **Puerto Rico Community Foundation, Inc.**'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 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.

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**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether **Puerto Rico Community Foundation, Inc.**'s 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 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,  
August 5, 2022.



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**Independent Auditor's Report on  
Compliance for Each Major Federal Program  
and Report 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.**'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.**'s major federal program for the year ended December 31, 2021. **Puerto Rico Community Foundation, Inc.**'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.** 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, 2021.

***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 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.**'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.**'s federal programs.

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### ***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.**'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.**'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.**'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.**'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.

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,  
August 5, 2022.



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**(A Not-for-Profit Organization)**

**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2021**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Expenditures		
			From Pass- Through Awards	From Direct Awards	Total
<b><u>Direct Programs</u></b>					
<b>U.S. Department of Commerce:</b>					
Economic Adjustment Assistance	11.307	N/A	\$ -	\$ 116,631	\$ 116,631
<b>U.S. Department of Agriculture:</b>					
Rural Community Development Initiative	10.446	N/A	-	76,769	76,769
<b><u>Pass-Through Program</u></b>					
<b>U.S. Department of Homeland Security:</b>					
<b><u>Central Recovery and Reconstruction Office of Puerto Rico -</u></b>					
Hazard Mitigation Grant Program	97.039	4339-0018-DR- PR	689,768	-	689,768
Total expenditures of federal awards			\$ 689,768	\$ 193,400	\$ 883,168

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

**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2021**

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**(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.** (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.

There are no awards passed through sub-recipients.

**(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) Indirect cost:**

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

**(6) Contingencies:**

The Foundation participates in various federally funded programs including the U.S. Department of Homeland Security, U.S. Department of Commerce and U.S. Department of Agriculture, including programs of research and development. These financial assistance programs are routinely subject to compliance audits by the grantor and/or federal agency. Such grantor and/or federal agencies have the authority to determine liabilities as well as to limit, suspend, or terminate federal research and development programs.

Other federal programs are also subject to audits. Such audits could result in claims against the resources of the Foundation. No provision has been made for any liabilities, which may arise from such audits since the amount, if any, cannot be determined at this date.

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

**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2021**

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**Section I - Summary of Auditors' Results**

**Financial Statements:**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Significant deficiencies identified?  yes  no
- Material weakness identified?  yes  none reported

Noncompliance that is material to financial statements noted?  yes  no

**Federal Awards:**

Internal control over major federal programs:

- Significant deficiencies identified?  yes  no
- Material weakness identified?  yes  none reported

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  no

**Identification of Major Federal Programs:**

**Name of Federal Program or Cluster** **Federal Assistance Listing Numbers**

Hazard Mitigation Grant Program 97.039

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualify as low-risk auditee?  yes  no

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

**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2021**

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**Section II - Financial Statement Findings**

The audit report for the year ended December 31, 2021, dated August 5, 2022 has no financial statements findings.

**Section III - Federal Award Findings and Questioned Costs**

The audit report for the year ended December 31, 2021, dated August 5, 2022 has no federal award findings.

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

**Summary Schedule of Prior Audit Findings**  
**For the Year Ended December 31, 2021**

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None.