

Kevane

Grant Thornton

Financial Statements and Report of
Independent Certified Public Accountants

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

December 31, 2014 and 2013

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

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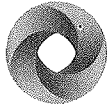
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Report of Independent Certified Public Accountants

To the Board of Directors of
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Report on the Financial Statements

We have audited the accompanying financial statements of **Puerto Rico Community Foundation, Inc.** (“the Foundation”) which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Puerto Rico Community Foundation, Inc.** as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

San Juan, Puerto Rico,
May 19, 2015.

Kevane Grant Thornton LLP



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

Statements of Financial Position
December 31, 2014 and 2013

	<u>Assets</u>	
	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 1,846,966	\$ 1,537,833
Receivables from service contract	2,397,322	1,702,183
Pledges receivable	51,186	-
Prepaid expenses	49,836	41,550
Loan receivable	180,000	-
Investments, at fair value	23,458,597	23,738,847
Property and equipment, net	<u>1,910,605</u>	<u>1,986,164</u>
Total assets	<u>\$ 29,894,512</u>	<u>\$ 29,006,577</u>
	<u>Liabilities and Net Assets</u>	
Liabilities:		
Accounts payable and accrued expenses	\$ 1,209,123	\$ 788,927
Grants payable	451,413	453,924
Obligations under capital leases	<u>20,281</u>	<u>23,127</u>
Total liabilities	<u>1,680,817</u>	<u>1,265,978</u>
Net assets:		
Unrestricted	7,767,469	7,425,294
Temporarily restricted	192,839	118,018
Permanently restricted	<u>20,253,387</u>	<u>20,197,287</u>
Total net assets	<u>28,213,695</u>	<u>27,740,599</u>
Total liabilities and net assets	<u>\$ 29,894,512</u>	<u>\$ 29,006,577</u>

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

Statements of Activities and Changes in Net Assets
Years Ended December 31, 2014 and 2013

	2014			2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:							
Contributions and service revenues	\$ 4,278,289	\$ 1,090,089	\$ 56,100	\$ 2,098,273	\$ 1,110,638	\$ 66,281	\$ 3,275,192
Interest and dividend income, net of custodian and investment advisory fees of \$175,737 and \$144,942 in 2014 and 2013, respectively	548,321	-	-	526,622	-	-	526,622
In-kind contributions	10,080	-	-	8,789	-	-	8,789
Other support	12,278	-	-	12,524	-	-	12,524
Total revenues, gains and other support	4,848,968	1,090,089	56,100	2,646,208	1,110,638	66,281	3,823,127
Net assets released from restrictions --							
Satisfaction of program restrictions	1,015,268	(1,015,268)	-	1,344,578	(1,344,578)	-	-
Expenses:							
Program related expenses	3,360,352	-	-	1,188,566	-	-	1,188,566
Field of interest grants	1,069,912	-	-	1,140,367	-	-	1,140,367
General and administrative	538,326	-	-	570,542	-	-	570,542
Fund raising	487,338	-	-	380,425	-	-	380,425
Philanthropy development programs	273,882	-	-	258,880	-	-	258,880
Economic community development grants	59,500	-	-	62,300	-	-	62,300
Total expenses	5,789,310	-	-	3,601,080	-	-	3,601,080
Realized and unrealized gains on investments, net							
	267,249	-	-	2,610,396	-	-	2,610,396
Changes in net assets							
	342,175	74,821	56,100	3,000,102	(233,940)	66,281	2,832,443
Net assets, beginning of year							
	7,425,294	118,018	20,197,287	4,425,192	351,958	20,131,006	24,908,156
Net assets, end of year							
	\$ 7,767,469	\$ 192,839	\$ 20,253,387	\$ 7,425,294	\$ 118,018	\$ 20,197,287	\$ 27,740,599

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

Statements of Functional Expenses
Years Ended December 31, 2014 and 2013

Functional Expense Description	2014				2013				
	Program Services		Support Services		Program Services		Support Services		
	Program Related	Philanthropy Development	General and Administrative	Fund Raising	Program Related	Philanthropy Development	General and Administrative	Fund Raising	
Salaries	\$ 425,091	\$ 92,110	\$ 163,550	\$ 271,060	\$ 195,383	\$ 90,931	\$ 185,801	\$ 211,455	\$ 683,570
Payroll taxes and fringe benefits	107,487	54,129	108,179	116,147	83,097	65,895	111,980	100,984	361,956
Total salaries and related expenses	532,578	146,259	271,729	387,207	278,480	156,826	297,781	312,439	1,045,526
Program activities and technical assistance	1,067,981	48,956	7,286	24,218	695,995	16,272	-	-	712,267
Professional fees and contractual services	704,845	16,987	108,939	16,770	134,219	5,529	108,083	24,454	272,285
Utilities	16,084	9,367	23,697	11,434	6,990	7,465	19,423	9,591	43,469
Repairs and maintenance	11,251	1,340	47,078	55	-	1,061	50,472	-	51,533
Advertising	14,348	4,888	-	13,164	10,357	17,701	-	2,158	30,216
Travel	7,024	17,977	1,136	5,834	6,784	21,783	1,039	320	29,926
Office supplies and equipment	910,951	1,794	16,880	3,620	8,957	1,287	9,547	2,007	21,798
Bad debts	-	-	-	-	-	-	-	767	767
Insurance	34,022	2,439	19,109	-	12,907	-	18,195	-	31,102
Security	18,579	-	6,070	-	440	-	7,730	-	8,170
Other	16,094	2,539	15,046	3,680	6,178	7,830	34,351	5,932	54,291
Total	3,333,757	252,526	516,970	465,982	1,161,307	235,754	546,621	357,668	2,301,350
Depreciation and amortization	26,595	21,356	21,356	21,356	27,259	23,126	23,921	22,757	97,063
Total expenses	\$ 3,360,352	\$ 273,882	\$ 538,326	\$ 487,338	\$ 1,188,566	\$ 258,880	\$ 570,542	\$ 380,425	\$ 2,398,413

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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 473,096	\$ 2,832,443
Adjustments to reconcile change in net assets to net cash used in operating activities -		
Depreciation and amortization	90,663	97,063
Bad debts	-	767
Loss on disposition of equipment, net	-	4,105
Realized and unrealized gains on investments, net	(267,249)	(2,610,396)
Contributions restricted for long-term investments	(56,100)	(66,281)
Changes in assets and liabilities that increase (decrease) cash flows from operating activities -		
Receivables from service contract	(695,139)	(1,374,883)
Pledges receivable, net	(51,186)	120,238
Loan receivable	(180,000)	-
Prepaid expenses	(8,286)	(18,990)
Grants payable	(2,511)	(40,327)
Accounts payable and accrued expenses	420,196	212,919
Total adjustments	<u>(749,612)</u>	<u>(3,675,785)</u>
Net cash used in operating activities	<u>(276,516)</u>	<u>(843,342)</u>
Cash flows from investing activities:		
Payments for acquisition of property and equipment	(11,254)	(41,346)
Proceeds from sale of investments	8,574,647	8,837,257
Payments for acquisition of investments	<u>(8,027,638)</u>	<u>(7,806,100)</u>
Net cash provided by investing activities	<u>535,755</u>	<u>989,811</u>
Cash flows from financing activities:		
Contributions restricted for long-term investments	56,100	66,281
Principal payments of capital lease obligations	<u>(6,206)</u>	<u>(14,930)</u>
Net cash provided by financing activities	<u>49,894</u>	<u>51,351</u>
Net increase in cash and cash equivalents	309,133	197,820
Cash and cash equivalents, beginning of year	<u>1,537,833</u>	<u>1,340,013</u>
Cash and cash equivalents, end of year	<u>\$ 1,846,966</u>	<u>\$ 1,537,833</u>
Interest paid	<u>\$ 7,136</u>	<u>\$ 1,879</u>

The accompanying notes are integral part of these statements.

Puerto Rico Community Foundation, Inc.
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Statements of Cash Flows
Years Ended December 31, 2014 and 2013

Supplemental Schedule of Non-Cash Investing Transactions:

During the year ended December 31, 2014, the Foundation acquired equipment with a cost of \$3,662 in exchange of capital lease obligation.

During the year ended December 31, 2013, the Foundation acquired new equipment with a cost of \$24,687 in exchange of a capital lease obligation. As part of the transaction, the Foundation gave old equipment in trade-in with a net book value of \$10,052 and the corresponding capital lease obligation was cancelled. This transaction resulted in a gain of \$659.

During the year ended December 31, 2013, the Foundation retired from books equipment with a cost of \$5,718 and accumulated depreciation of \$954, resulting in a loss on disposition of \$4,764.

During the year ended December 31, 2013, the Foundation retired fully depreciated equipment not longer in use, amounting to \$228,564.

Puerto Rico Community Foundation, Inc.

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Notes to Financial Statements December 31, 2014 and 2013

(1) **Operations and summary of
significant accounting policies:**

(a) **Incorporation/operations -**

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

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

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

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

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

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

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

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

Puerto Rico Community Foundation, Inc.
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Notes to Financial Statements
December 31, 2014 and 2013

(b) Significant accounting policies -

(i) Basis of presentation -

The Foundation's fiscal year ends on December 31st of each year. All references to years in these notes to the financial statements represent the calendar years then ended, unless otherwise noted. The Foundation has evaluated subsequent events through May 19, 2015, the date the financial statements were available to be issued.

(ii) Financial statements presentation -

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

(iii) Contributions and grants -

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

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

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

(iv) Allowance for doubtful accounts -

The Foundation estimates losses for uncollectible accounts based on the aging of the accounts receivable and the evaluation of the likelihood of success in collecting the receivable. An allowance for doubtful accounts is established based on this estimate.

(v) In-kind contributions -

The Foundation recognizes as revenue and expense certain contributions of supplies and specialized services which are recorded in the accompanying statements of activities and changes in net assets at the fair value of such items. During the years ended December 31, 2014 and 2013, the Foundation received in-kind contributions of approximately \$10,000 and \$9,000, respectively.

Puerto Rico Community Foundation, Inc.
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Notes to Financial Statements
December 31, 2014 and 2013

(vi) **Restricted and unrestricted revenues and support** -

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets -

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

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

Temporarily restricted net assets -

Designated and other - Funds restricted by donors to support specific organizations. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Permanently restricted net assets -

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

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

(vii) **Cash and cash equivalents** -

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

(viii) **Investments** -

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

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(ix) **Fair value measurement -**

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

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

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

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

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

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

Corporate, municipal, foreign, government bonds and government asset backed securities –

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

Private equity investments –

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

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Notes to Financial Statements
December 31, 2014 and 2013

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	<hr/>	
Fair value, December 31, 2012	\$	553,170
Purchases		14,882
Net unrealized gain		57,755
	<hr/>	
Fair value, December 31, 2013		625,807
Purchases		158,905
Net unrealized loss		(39,235)
	<hr/>	
Fair value, December 31, 2014	\$	745,477
	<hr/> <hr/>	

(x) Property and equipment -

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

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

(xi) Long-lived assets -

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

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Notes to Financial Statements
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(xii) **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.

(xiii) **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 2014 and 2013 under projects administered by the Foundation amounted to approximately \$1,129,000 and \$1,203,000, respectively.

(xiv) **Functional expense classification** -

The Foundation classifies its expenses as program and support services. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(xv) **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, 2014 and 2013 amounted to approximately \$32,000 and \$30,000, respectively, which are presented as such in the accompanying statements of functional expenses.

(xvi) **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, 2014 and 2013.

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.

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Notes to Financial Statements
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(xvii) **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.

(xviii) **Loan receivable** -

Loan receivables represent loans to a not for profit organization. Anticipated actual losses, if any (i.e., loan principal which is not repaid by borrower), are recorded as contribution expense after an analysis made each quarter.

(xix) **Reclassification** -

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 presentation.

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

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

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

During the years ended December 31, 2014 and 2013, 77% and 64%, respectively, of the Foundation's program service support was provided by contributions from a state governmental agency. In addition, 100% of the accounts receivables from service contract, as of December 31, 2014 and 2013, were related to this same state governmental agency.

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Notes to Financial Statements
December 31, 2014 and 2013

(3) Loan receivable:

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%.

Future installments of principal to be received during the next five years and in total thereafter are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2015	\$ -
2016	-
2017	-
2018	4,663
2019	20,283
Thereafter	<u>155,054</u>
Total	<u>\$ 180,000</u>

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(4) Investments:

Investments as of December 31, 2014 and 2013 are summarized as follows:

2014			
Description	Cost	Unrealized holding gains (losses)	Estimated fair value
Equity securities	\$ 12,952,818	\$ 2,234,217	\$ 15,187,035
Fixed income:			
Corporate bonds	984,932	30,509	1,015,441
Municipal bonds	153,721	8,924	162,645
Foreign bonds	71,975	(3,485)	68,490
Government bonds	213,467	(3,500)	209,967
Government assets	720,903	(8,015)	712,888
Preferred/Fixed rate cap securities	1,425,227	46,394	1,471,621
Diversified funds	3,694,204	(184,371)	3,509,833
Private equity	1,159,712	(39,035)	1,120,677
Total	<u>\$ 21,376,959</u>	<u>\$ 2,081,638</u>	<u>\$ 23,458,597</u>
2013			
Description	Cost	Unrealized holding gains (losses)	Estimated fair value
Equity securities	\$ 13,029,526	\$ 3,047,599	\$ 16,077,125
Fixed income:			
Corporate bonds	957,560	(1,622)	955,938
Municipal bonds	179,110	(1,909)	177,201
Foreign bonds	94,263	54	94,317
Government bonds	135,266	(2,162)	133,104
Government assets	733,440	(2,740)	730,700
Preferred/Fixed rate cap securities	1,467,678	(66,940)	1,400,738
Diversified funds	3,714,394	(170,477)	3,543,917
Private equity	568,052	57,755	625,807
Total	<u>\$ 20,879,289</u>	<u>\$ 2,859,558</u>	<u>\$ 23,738,847</u>

Puerto Rico Community Foundation, Inc.
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The following schedule summarizes the investments return and classification in the statements of activities and changes in net assets for the years ended December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Interest and dividend income, net	\$ 548,321	\$ 526,622
Net realized and unrealized gains (losses):		
Realized gain on investments	1,049,703	921,390
Unrealized (loss) gain on investments	<u>(782,454)</u>	<u>1,689,006</u>
Total net realized and unrealized gains	<u>267,249</u>	<u>2,610,396</u>
Return on investments	<u>\$ 815,570</u>	<u>\$ 3,137,018</u>

(5) Property and equipment:

The following schedule summarizes the cost and accumulated depreciation of property and equipment as of December 31, 2014 and 2013:

<u>Description</u>	<u>Estimated Useful Life (Years)</u>	<u>2014</u>	<u>2013</u>
Land		\$ 867,078	\$ 867,078
Building	40	1,017,052	1,017,052
Building improvements	10	130,397	127,738
Furniture and fixtures	5	152,287	152,287
Office equipment	3 -5	253,610	241,166
Computer equipment and software	3 -5	152,171	152,171
Vehicle	5	<u>41,311</u>	<u>41,311</u>
		2,613,906	2,598,803
Less -- accumulated depreciation		<u>(703,301)</u>	<u>(612,639)</u>
Property and equipment, net		<u>\$ 1,910,605</u>	<u>\$ 1,986,164</u>

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(6) Grants payable:

The following summarizes the changes in grants payable during the years ended December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Grants payable, beginning of year	\$ 453,924	\$ 494,251
Additions - unconditional grants awarded	1,129,412	1,202,667
Deductions - payments made	<u>(1,131,923)</u>	<u>(1,242,994)</u>
Grants payable, end of year	<u>\$ 451,413</u>	<u>\$ 453,924</u>

(7) Obligations under capital leases:

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

The cost, accumulated depreciation and depreciation expense of the equipment under capital lease obligations as of and for the years ended December 31, 2014 and 2013, are as follows:

	<u>2014</u>	<u>2013</u>
Equipment	\$ 28,349	\$ 24,687
Less - accumulated depreciation	<u>(7,443)</u>	<u>(2,057)</u>
	<u>\$ 20,906</u>	<u>\$ 22,630</u>
Depreciation expense	<u>\$ 5,387</u>	<u>\$ 2,057</u>

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The following is a schedule of the future minimum annual payments required under the capital lease obligations at December 31, 2014, and its present value:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2015	\$ 7,735
2016	6,515
2017	6,516
2018	<u>3,800</u>
Total minimum lease payments	24,566
Less - Amount representing interest	<u>(4,285)</u>
Present value of minimum lease payments	<u>\$ 20,281</u>

(8) Unrestricted net assets:

The following summarizes the changes in unrestricted net assets during the years ended December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
<u>Discretionary -</u>		
Net assets, beginning of year	\$ 4,361,099	\$ 2,714,019
Transfer to Board designated for CIF	(500,000)	-
Changes in net assets	<u>667,050</u>	<u>1,647,080</u>
Net assets, end of year	<u>4,528,149</u>	<u>4,361,099</u>
<u>Board designated -</u>		
Net assets, beginning of year	3,064,195	1,711,173
Investment interest income	548,321	526,622
Realized net gains on investments	1,049,703	921,390
Unrealized net (losses) gains on investments	(782,454)	1,689,006
Transfer from discretionary for CIF	500,000	-
Spending	<u>(1,140,445)</u>	<u>(1,783,996)</u>
Net assets, end of year	<u>3,239,320</u>	<u>3,064,195</u>
Total unrestricted net assets	<u>\$ 7,767,469</u>	<u>\$ 7,425,294</u>

Board designated net assets are affected by the realized and unrealized gains and losses on investments. During 2014 the Foundation launched the Community Investment Fund ("CIF") and segregated \$500,000 from the Foundation funds as initial contribution of the fund. See Note (1)(a).

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(9) Temporarily restricted net assets:

Temporarily restricted net assets as of December 31, 2014 and 2013 are available for established funds amounting to \$192,839 and \$118,018, respectively.

(10) Permanently restricted net assets:

Permanently restricted net assets as of December 31, 2014 and 2013 represent funds from contributions received for the endowment fund. Interest and dividend income generated by the endowment fund investments, may be used for operational purposes. Permanently restricted net assets as of December 31, 2014 and 2013 amounted to \$20,253,387 and \$20,197,287, respectively.

(11) Program expenses:

Program related expenses for the years ended December 31, 2014 and 2013 were incurred in connection to the following programs:

	<u>2014</u>	<u>2013</u>
Education Programs	\$ 3,063,736	\$ 814,833
Economic Community Development	93,206	303,501
Community Investment Fund	12,450	-
Others	190,960	70,232
	<u>\$ 3,360,352</u>	<u>\$ 1,188,566</u>

(12) 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, 2014 and 2013, amounted to approximately \$64,000 and \$54,000, respectively.

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(13) 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, 2014 and 2013, the Foundation made contributions of \$55,000, for both years, applicable to its sole participant.

The contributions are invested as part of the Foundation's investment portfolio. The account balance is valued quarterly and adjusted by the earnings or losses of the investment and changes in its value during the valuation period. The Participant's account balance at December 31, 2014 and 2013 and the corresponding compensation liability for the Foundation amounted to \$690,592 and \$611,917, respectively. Total expense for the years ended December 31, 2014 and 2013 amounted to approximately \$79,000 and \$128,000, respectively.

(14) 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. With few exceptions, the Foundation is no longer subject to income tax examinations by tax authorities for years before 2010.

(15) Contingencies:

Regulatory agency requirements -

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

Litigation -

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

(16) Subsequent event:

In March 2015, the Foundation entered into three promissory notes with three different accredited investors. The proceeds from these promissory notes will provide support to the CIF see Note 1(a) and (8). These notes bear interest at 1.5% per annum and will be paid in full in one lump sum payment at maturity, in March 2018. The total amount for the three notes principal is \$600,000.