

CORPTACTICS AUDIT GROUP, PSC.

ORGANIZACIÓN DE EX ALUMNOS APS INC.
Financial Statements
As of December 31, 2019 and 2018

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CORPTACTICS AUDIT GROUP, PSC.
PO Box 192784
San Juan, PR 00919-2784

INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of
Organización de Ex Alumnos APS Inc.

We have audited the financial statements of Organización de Ex Alumnos APS Inc., a not-for-profit corporation organized under the laws of the Commonwealth of Puerto Rico, which comprise the statement of financial position as of December 31, 2019 and 2018 and the related statements of activities 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 entity'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 entity'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 Organización de Ex Alumnos APS Inc. as of December 31, 2019 and 2018, statements of activities and its cash flows for the years ended, in accordance with accounting principles generally accepted in the United States of America.

January 22, 2021
San Juan, Puerto Rico

Corptactias Audit Group PSC

Corptactias Audit Group, PSC
License Number: 295
Expires on: December 1, 2021



**ORGANIZACION DE EX ALUMNOS APS INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018**

ASSETS	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash and cash equivalents (Note 1)	\$102,269	\$101,616
Prepaid expenses	<u>400</u>	<u>400</u>
	102,669	102,016
Investments	<u>168,152</u>	<u>134,042</u>
TOTAL ASSETS	<u><u>\$270,821</u></u>	<u><u>\$236,058</u></u>
LIABILITIES AND NET ASSETS:		
Current Liabilities		
Deferred revenues	<u>\$884</u>	<u>\$1,040</u>
Net Assets		
Restricted Net Assets		2,787
Unrestricted Net Assets	<u>269,937</u>	<u>232,231</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$270,821</u></u>	<u><u>\$236,058</u></u>

The accompanying notes are an integral part of these financial statements.

ORGANIZACION DE EX ALUMNOS APS INC.
STATEMENT OF ACTIVITIES
AS OF DECEMBER 31, 2019 AND 2018

REVENUE:	<u>2019</u>	<u>2018</u>
Donations	\$ 35,628	\$ 43,070
Membership revenue	501	13,522
Activities:		
Golf tournament	36,248	45,057
Miramar Vive	1,300	
Opera "La Tosca"	-	41,472
Investment income and other net of expenses	12,314	11,070
Hurricane Maria Insurance Funds	400	700,000
Other activities and miscellaneous sales	2,255	6,200
	<u>88,646</u>	<u>860,391</u>
ORGANIZATION EXPENSES:		
Activities Cost:		
Golf tournament	24,067	20,726
Opera "La Tosca"	-	22,570
Reconstruction APS Post Hurricane Maria	9,437	697,145
Sponsor	3,200	-
Awards and Grants	15,626	47,669
General Activities	4,640	13,879
Support Services		
General and Administrative	18,636	8,813
Depreciation	-	470
	<u>75,606</u>	<u>811,272</u>
OPERATING NET INCOME	\$ 13,040	\$ 49,119
NON-OPERATING GAIN (LOSS)		
Realized gain (loss) on investments	-	(4,308)
Unrealized gain on investments	21,879	1,929
	<u>\$ 21,879</u>	<u>\$ (2,379)</u>
CHANGE IN UNRESTRICTED NET ASSESTS	34,919	46,740
UNRESTRICTED NET ASSETS, beginning of year	235,018	188,278
UNRESTRICTED NET ASSETS, end of year	<u>\$ 269,937</u>	<u>\$ 235,018</u>

The accompanying notes are an integral part of these financial statements.

**ORGANIZACION DE EXALUMNOS APS INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

CASH FLOW FROM OPERATING ACTIVITIES:	<u>2019</u>	<u>2018</u>
Change in net assets	\$34,919	\$46,740
Adjustment to reconcile net assets to net cash provided by operating activities:		
Increases in the investment	(34,109)	(14,043)
Depreciation	-	470
Changes in assets and liabilities		
Decrease in deferred revenues	(157)	-
Net cash provided by operating activities	<u>653</u>	<u>33,167</u>
CASH FLOW USED ON INVESTING ACTIVITIES:		
Acquisition of investment	-	(44,694)
Proceeds from sales of investment	-	45,990
Net cash used in investing activities	-	1,296
NET INCREASES IN CASH AND CASH EQUIVALENTS	653	34,463
CASH AND CASH EQUIVALENTS, beginning of the year	<u>101,616</u>	<u>67,153</u>
CASH AND CASH EQUIVALENTS, end of the year	<u><u>\$102,269</u></u>	<u><u>\$101,616</u></u>

The accompanying notes are an integral part of these financial statements.

ORGANIZACION DE EX ALUMNOS APS INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

1) Organization and summary of significant accounting policies:

- A) Organization - Organization de Ex Alumnos APS Inc., the "Organization", is a not-for-profit corporation organized on September 14, 2010, under the laws of the Commonwealth of Puerto Rico. The Organization's purpose and objective is to stimulate, promote and request to the Academia Perpetuo Socorro ("APS") Alumni, voluntary donations, bequeaths, and contributions of any nature to provide for the establishment and management of a financial aid and scholarship fund for underprivileged, but talented students. The Organization also strives to perpetuate the traditions, memorabilia, purpose, growth and general institutional and academic progress of APS, their students and their alumni.
- B) Significant accounting policies - The accounting policies followed by the Organization conform to predominant industry practices applicable to not-for-profit organizations, which are in accordance with Accounting Principles Generally Accepted in the United States of America ("GAAP"). The following summarizes the most significant accounting policies:

Basis of presentation - Not-for-profit organizations are required to present a statement of financial position, a statement of activities, and statement of cash flows. In addition, net assets are classified in one or more of the following categories:

- o Unrestricted net assets - Resources available to support general operations. These resources are unrestricted as to their use and expendable at the discretion of the Board of Directors. The unrestricted net assets include funds functioning as endowment through designation of the Board of Directors for the economic assistance program.
- o Temporarily restricted net assets- Resources that are restricted by a donor for use in a particular purpose or in a particular future period.
- o Permanently restricted net assets- Resources whose use is limited by donor-imposed restrictions that neither expires by being used in accordance with a donor's restriction nor by the passage of time.

As of December 31, 2019, all the Organization's net assets are classified as unrestricted.

Accounting estimates - The preparation of the financial statements in conformity with GAAP accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the audited period. Actual results could differ from those estimates.

ORGANIZACION DE EX ALUMNOS APS INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Cash and cash equivalents - The Organization considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Fund in custody – During the year of 2018 and beginning of year 2019, the Organization served as a custodian of funds that have been transfer back to the owner of the funds, the Academia Perpetuo Socorro (“APS”). The Organization does not have authority over the use of these funds. The asset and the liability are recognized for the same amount and does not affect the net assets of the Organization. During year 2018, the “Organization” distributed for the behalf of “APS” \$697,213 out of the \$700,000, these funds were received as partial compensation from “APS” insurance company. The balance of \$2,787 was presented as restricted net asset in balance sheet. The Organization also served as advisor to the “APS” with respect scholarship programs.

Promises to give - Promises to give consist of unconditional written or oral agreements to receive cash, or other assets. Unconditional promises are recognized as contribution revenue at fair value in the period received. Fair value is based on the present value of the future cash flows the Organization expects to collect. There are no promises to give as of December 31, 2019 and 2018.

Allowance for doubtful accounts – The allowance is determined based on prior years' experience and management's analysis of specific individual accounts. There is no allowance for doubtful accounts as of December 31, 2019 and 2018.

Investments - Consist principally of equity securities, mutual funds and exchange-traded funds. Investments are carried at fair value determined using quotations obtained from brokers monthly statements. Unrealized gains and losses are reflected in the Statement of Financial Position.

Fair value measurements - Fair Value Accounting establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between participants on the measurement date. Fair value requires an organization to determine the unit of account, the mechanism of hypothetical transfer, and the appropriate markets for the asset or liability being measured.

This guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability on the best information available, Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which, the first two are considered observable and the last unobservable, that may be used to measure fair value.

ORGANIZACION DE EX ALUMNOS APS INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

The three input levels are as follows:

Level 1 - Quoted prices in active markets that the Organization has the ability to access for identical assets and liabilities for which significant observable inputs exist. Market price data is generally obtained from exchange or dealer markets. Investments included in Level 1 may include certain equity securities, registered mutual funds and exchange traded funds.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term or assets or liabilities. This includes use of model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers. Investments included in Level 2 may include certain money market and fixed income securities for which observable inputs exist and are traded in markets not considered to be active.

Level 3 - Unobservable inputs, as they trade infrequently or not at all, that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Organization maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Fair value is based upon quoted market prices which are generally available for most investments. If listed prices or quotes are not available, the Organization employs models developed by vendors of pricing services that primarily use market-based inputs including yield curves, interest rates, volatilities, and credit curves, among others. Valuation adjustments are limited to those necessary to ensure that the financial instrument's fair value is adequately representative of the price that would be received or paid in the marketplace. These adjustments include amounts that reflect counterparty credit quality, constraints on liquidity and unobservable parameters that are applied consistently.

The Organization invested all its available funds in mutual funds. Within the mutual funds, the funds are invested in equity, mutual funds and exchange traded funds.

ORGANIZACION DE EX ALUMNOS APS INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Following is a description of the Organization's valuation methodologies used for assets measured at fair value.

Equity Funds - Equity securities with quoted market prices obtained from an active exchange market are classified as Level 1. The market value of equity securities as of December 31, 2019 and 2018 are \$96,639 and \$ 75,216, respectively.

Mutual funds - These funds are generally open-end and traded at net asset value. These funds are classified as Level 1. The market value of equity securities as of December 31, 2019 and 2018 are \$14,573 and \$14,294 respectively.

Exchange traded funds - These funds are traded on stock exchanges, much like stocks. They combine the valuation feature of a mutual fund or unit investment trust, which can be bought or sold at the end of each trading day for its net asset value, with the tradability feature of a closed-end fund, which trades throughout the trading day at prices that may be more or less than its net asset value. These funds are classified as Level 1. The market value of equity securities as of December 31, 2019 and 2018 are \$55,166 and \$43,220, respectively.

Property and equipment- The property and equipment are recorded at cost. Depreciation is computed using the straight-line depreciation method over the estimated useful lives of the assets, as follows:

Description	Useful life
Computers	3 years

When property and equipment is sold, or otherwise disposed of, the asset's cost and related accumulated depreciation are removed from the books and the resulting gain or loss, if any, is credited or charged to operations.

The Organization measures impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If identified, an impairment loss is recognized through a change to earnings based on the fair value of the property.

ORGANIZACION DE EX ALUMNOS APS INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Revenues and support - The Organization derives its revenues from contributions received from corporations, individuals, government, members and activities organized to raise funds during the year. Membership dues are recognized in earnings over the membership period. Revenue received from these dues, which relate to subsequent years, is reflected as deferred revenues. Admission revenues are recognized when the activity is held. Promises to make donation are recognized when these are legally enforceable. All the donations are considered to be available for unrestricted use, unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases the net assets of those net asset classes. A donor restriction expires, when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities and changes in net assets as net assets released from restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received the Organization reports the support as unrestricted.

Contributed services - Contributions of services are only recognized if services received: (a) create or enhance non-financial assets or would typically need to be purchased by the Organization if not provided by donation; (b) require specialized skills and are provided by individuals possessing those skills. The contribution revenue for services received is recognized at the fair value of those services.

Contributed services for the year ended December 31, 2019 and 2018 the amount of contributed service, amounted to \$7,200 and \$7,200 respectively.

Deferred revenues - The Organization bills the membership dues at the end of the previous fiscal year. The revenues from the membership collected in advance and related to future periods are deferred and recognized as unearned revenues. The revenues accounted for as unearned revenues are recognized as revenues in the corresponding fiscal year. As of December 31, 2019 and 2018, deferred revenues amounted to approximately \$884 and \$ 1,040, respectively.

Membership revenues – The revenue from membership dues as presented in these financial statements reflects some differences between years ended December 31, 2019 and 2018, respectively. The principal reason for the difference is due to the fact that unearned revenues for year ended December 31, 2018 includes the recognition of approximately \$6,000 from unearned revenues from such year. An analysis of the two year together reflects that, absent of the recognition realized for year ended December 31, 2018, the company had generated approximately \$6,500 and \$7,522 of membership revenues for years ended December 31, 2019 and 2018, respectively.

ORGANIZACION DE EX ALUMNOS APS INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Advertising costs- The Organization follows the policy of charging the advertising to expense as incurred. There were no advertising costs for the year ended December 31, 2019 and 2018.

General and Administrative Expenses- General and administrative expenses include professional services for compliance services, merchant point of sales (“POS”) related charges, bank charges, as well other bank charges applicable to financial transactions and the board of directors insurance.

Income tax-As a not-for-profit corporation, the Organization is exempt from local income taxes under the provision of Section 1101.01 of the Puerto Rico Internal Revenue Code of 2011, as amended, and from federal income taxes under the provision of Section 501(c)(3) of the United States Internal Revenue Code of 1986, as amended. Both tax laws require the Organization to comply with certain requirements to keep the exception.

2) **Concentration of credit risk:**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits. The cash deposits at times may exceed the amount insured by the Federal Deposit Insurance Corporation (“FDIC”) of \$250,000, per financial institution. As of December 31, 2019, and 2018, all cash deposits were fully insured by the FDIC.

3) **Investments:**

As of December 31, 2019 and 2018, Investments consisted of the following:

<u>Description</u>	<u>2019</u>		<u>2018</u>	
	<u>Cost basis</u>	<u>Fair value</u>	<u>Cost basis</u>	<u>Fair value</u>
Cash and Bank Sweep	\$1,774	\$1,774	\$1,312	\$1,312
Equity Funds	76,843	96,639	80,431	136,231
Mutual Funds	25,102	14,573	14,698	14,294
Exchange traded funds	42,679	55,166	41,388	43,220
	<u>\$144,624</u>	<u>\$168,152</u>	<u>\$137,829</u>	<u>\$134,042</u>

ORGANIZACION DE EX ALUMNOS APS INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

4) **Property and equipment, net:**

As of December 31, 2019 and 2018, Investments consisted of the following:

	<u>2019</u>	<u>2018</u>
Computers	\$1,470	\$1,470
Less: Accumulated Depreciation	<u>(1,470)</u>	<u>(1,470)</u>
	<u><u>-</u></u>	<u><u>-</u></u>

5) **Designated net assets:**

<u>Description</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$102,269	\$101,616
Cash invest in the broker account	<u>1,774</u>	<u>1,312</u>
	<u><u>\$104,043</u></u>	<u><u>\$102,928</u></u>

6) **Subsequent events:**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as pandemic, based on the rapid increase in exposure globally.

The United States Federal Government and Commonwealth of Puerto Rico are promoting reactivation of the economy through various COVID-19 Federal and Local economic incentives programs.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization financial condition, liquidity, and future results of operations. The board is actively monitoring the global situation on its financial condition and is following a protocol designed for this matter and all recommendation from CDC and Department of Human Resources.

The Organization evaluated subsequent events through January 22, 2021, the date on which the audited financial statements were available to be issued. There are no material subsequent events that would require further disclosure in the Organization audited financial statements, aside from those described above.