

**Proyecto Nacer, Inc.**  
(a not-for-profit Puerto Rico Corporation)

***Report and Financial Statement***  
September 30, 2020

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Proyecto Nacer, Inc.:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Proyecto Nacer, Inc. ("the Organization"), which comprise the financial position as of September 30, 2020, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

The Organization's 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 audits 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 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.

To the Board of Directors of  
Proyecto Nacer, Inc.  
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### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of a Matter

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements.

San Juan, Puerto Rico



Certified Public Accountants  
(of Puerto Rico)

License No. LLC 328 expires December 1, 2023

March 10, 2021



**PROYECTO NACER, INC.  
STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2020**

	Total Funds		2020
	Without Donor Restriction	With Donor Restriction	
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash	\$ 1,505,462	\$ -	\$ 1,505,462
Contributions receivable	449,152	-	449,152
Insurance recoverable	17,838	-	17,838
Total current assets	<u>1,972,452</u>	<u>-</u>	<u>1,972,452</u>
<b>LONG-TERM ASSETS</b>			
Property, plant and equipment, net of accumulated depreciation	417,054	-	417,054
Total assets	<u>\$ 2,389,506</u>	<u>\$ -</u>	<u>\$ 2,389,506</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
PPP Loan	212,236	-	212,236
Accounts payable and accrued liabilities	4,391	-	4,391
Total liabilities	<u>216,627</u>	<u>-</u>	<u>216,627</u>
<b>NET ASSETS</b>			
Net Assets without Donor Restrictions	2,172,879	-	2,172,879
Total net assets	<u>2,172,879</u>	<u>-</u>	<u>2,172,879</u>
Total liabilities and net assets	<u>\$ 2,389,506</u>	<u>\$ -</u>	<u>\$ 2,389,506</u>

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

**PROYECTO NACER, INC.**  
**STATEMENTS OF CASH FLOW**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Total Funds		2020
	Without Donor Restriction	With Donor Restriction	
<b>REVENUES</b>			
Grants	\$ -	\$ 2,012,172	\$ 2,012,172
Donations and contributions - Private entities	61,005	-	61,005
Contributions for use of property and utilities	42,946	-	42,946
Interest and other	3,978	-	3,978
Total revenues	107,929	2,012,172	2,120,101
<b>NET ASSETS RELEASE FROM RESTRICTED FUND</b>	2,012,172	(2,012,172)	-
<b>EXPENSES</b>			
Salaries and wages	1,079,722	-	1,079,722
Payroll taxes	140,540	-	140,540
Professional service	208,154	-	208,154
Supplies	114,474	-	114,474
Depreciation expense	89,083	-	89,083
Food	36,082	-	36,082
Cultural activities	8,302	-	8,302
Travel	9,842	-	9,842
Uniforms	8,739	-	8,739
Insurance	33,921	-	33,921
Repair and maintenance	72,778	-	72,778
Vehicle expense	16,886	-	16,886
Rent	22,758	-	22,758
Utilities	39,146	-	39,146
Training	12,169	-	12,169
Promotions	5,562	-	5,562
Bank charges	3,117	-	3,117
Sholarship	13,007	-	13,007
License and permits	1,090	-	1,090
Dues and subscriptions	261	-	261
Miscellaneous	701	-	701
Total expenses	1,916,334	-	1,916,334
Changes in net assets	\$ 203,767	\$ -	\$ 203,767
Net assets, at beginning of year	1,969,112	-	1,969,112
Net assets, at end of year	\$ 2,172,879	\$ -	\$ 2,172,879

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

**PROYECTO NACER, INC.**  
**STATEMENTS OF CASH FLOW**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
CHANGES IN NET ASSETS	<u>\$ 203,767</u>
ADJUSTMENTS TO RECONCILE CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation expense	89,083
Changes in assets and liabilities (Increase) decrease in:	
Contributions receivable	(10,954)
Increase (decrease) in:	
Accrued liabilities	(1,937)
Conditional contribution	(26,000)
Total adjustments	<u>50,192</u>
Net cash provided by operating activities	<u>253,959</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Capital expenditures	(170,587)
Net cash used in investing activities	<u>(170,587)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from PPP Loan	212,236
Net cash provided by investing activities	<u>212,236</u>
 NET INCREASE IN CASH	295,608
 CASH AND CASH EQUIVALENTS, beginning of year	1,209,854
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,505,462</u>
 <b>SUPPLEMENTAL INFORMATION - NON CASH</b>	
Insurance recoverable of vehicle at its net book value	<u>\$ 13,971</u>
Insurance recoverable of vehicle for taxes accrued	<u>\$ 3,867</u>

**PROYECTO NACER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

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**1. REPORTING ENTITY**

Proyecto Nacer, Inc. (the Organization) was organized as a non-profit organization under the laws of the Commonwealth of Puerto Rico on June 16, 2000, to contribute to the integral development of adolescent parents to help finish their high school education and assist their children by providing parenting skills.

The Organization operates on premises of the Municipality of Bayamon at no cost to the Organization. The Organization has recognized contribution of use of property and utilities of \$42,946 for the use of these facilities.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation** - The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

*Net assets without donor restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

*Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

The Organization has a total of \$2,172,879 millions of "Net Assets without Donor Restrictions", an asset in the Balance Sheet as of September 30, 2020, that are used by the Organization for active programs.

**Contributions** - Unconditional contributions are recognized when pledge and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

**PROYECTO NACER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

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When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

***Property, plant and equipment*** - Property, plant and equipment acquired by the organization are stated at cost less accumulated depreciation. Donations of property, plant and equipment are recorded at their estimated fair value at the date of the donation. Depreciation is provided using the straight-line method over the estimated useful lives of the individual assets. Cost of maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed as incurred. Costs of renewals and betterments are capitalized. When assets are sold or disposed of, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in earnings.

***Impairment of Long Lived Assets*** - The Organization fixed assets are reviewed for impairment in accordance with FASB authoritative guidance for *Impairment or Disposal of Long Lived Assets*, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, an estimate of the future cash flows expected to result from the use of the asset and its eventual disposition must be made. If the sum of the future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized for the difference, if any, between the fair value and the carrying value of the asset. There were no such impairment losses during the year ended September 30, 2020.

***Use of Estimates*** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Income Taxes*** - The Organization was granted with a state tax exemption for income taxes, under the provision of Section 1101(6) of the Income Tax Law of 1954 of the Commonwealth of Puerto Rico, as amended.



**PROYECTO NACER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

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*Recent Accounting Standards Updates*

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit (Topic 958)- Presentation of Financial statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses by both nature and function and investment return. The amendments in this update are effective for annual financial statements issued for fiscal year beginning after December 15, 2017. The Organization adopted these changes as of September 30, 2019.

The FASB issued other accounting standards updates that were not relevant to the Organization operations.

**3. CONTRIBUTIONS RECEIVABLE**

At September 30, 2020 contributions receivable consisted of:

	<u>2020</u>
<b>Pledge Receivables:</b>	
Due within one year	\$ 449,152

At September 30, 2020 amounts receivable from one donor represents the 100% of the total contributions receivable.

**4. PROPERTY, PLANT AND EQUIPMENT**

At September 30, 2020 furniture and equipment consists of:

	<b>Useful Lives (in years)</b>	<b>2020</b>
Equipment	5-10	\$ 321,357
Building improvement	10	101,357
Vehicle	5	302,074
		<u>724,788</u>
Less: Accumulated depreciation		(307,734)
Property, plant and equipment, net		<u>\$ 417,054</u>

At September 30, 2020 depreciation expense amounted to \$89,083. During 2020 the Organization had a vehicle loss due to an accident where the entire net book value of the vehicle was claimed. An Insurance recovery amounting to \$17,838 was claimed as of September 30, 2020 of which \$13,971 relates to the net book value of the vehicle and \$3,867 to taxes accrued for title of transfer.

**PROYECTO NACER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

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**5. FUNCTIONAL EXPENSE CLASSIFICATION**

Operational expenses are assigned to programs or functions of the Organization which directly benefit young parents are classified as program services and those expenses which are not directly related to these programs are classified as general and administrative. Certain costs have been allocated among program services and general and administrative services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expenses</u>	<u>Method of Allocation</u>
Salaries and wages	Estimate of time and Efforts
Payroll taxes	Estimate of time and Efforts
Professional services	Full Time Equivalent
Depreciation expenses	Equipment Department usage
Travel	Estimate of time and Efforts
Insurance	Estimate office usage
Rent	Estimate office usage
Utilities	Estimate office usage

Functional expense classification for the organization is as follow:

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
EXPENSES			
Salaries and wages	885,275	194,447	1,079,722
Payroll taxes	122,859	17,681	140,540
Professional service	196,154	12,000	208,154
Supplies	114,474	-	114,474
Depreciation expense	89,083	-	89,083
Food	36,082	-	36,082
Cultural activities	8,302	-	8,302
Travel	9,842	-	9,842
Uniforms	8,739	-	8,739
Insurance	26,521	7,400	33,921
Repair and Maintenance	72,778	-	72,778
Vehicle expense	16,886	-	16,886
Rent	19,344	3,414	22,758
Utilities	34,584	4,562	39,146
Training	12,169	-	12,169
Promotions	5,562	-	5,562
Bank charges	(848)	3,965	3,117
Sholarship	13,007	-	13,007
License and permits	(1,168)	2,258	1,090
Dues and subscriptions	(2,365)	2,626	261
Miscellaneous	701	-	701
Total expenses	<u>\$ 1,667,981</u>	<u>\$ 248,353</u>	<u>\$ 1,916,334</u>

**PROYECTO NACER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

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**6. COVID-19 PANDEMIC**

On January 30, 2020, the World Health Organization (WHO) declared a coronavirus disease 2019 (COVID19) outbreak to be a Public Health Emergency International Concern which, effective March 11, 2020, was recognized as a pandemic, based on the rapid increase in exposure globally.

As a preventive measure, on March 15, 2020 the Governor of Puerto Rico imposed a lockdown that is been extended indefinitely (upon further updates from government), as of the date of this report. This pandemic has led to severe economic global disruption. 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 financial condition, liquidity, and future income results of the individual.

**7. PAYMENT PROTECTION PROGRAM (PPP) LOAN**

The Federal Small Business Agency (SBA) established a Payment Protection Program (PPP) that offers loans to help businesses keep their workforce employed during the coronavirus crisis (COVID-19).

Article 1106 of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) together with the Payment Protection Program Flexibility Act provides for the possible forgiveness of all or part of the loan granted if the funds received are used to pay payroll, mortgage interest, rent, and public services; as long as the loan forgiveness request is submitted within ten months after the end of the covered period. If the loan is forgiven in full, the Institute has no obligation to make any payments. If only a portion of the loan is forgiven or if the forgiveness request is denied, the Institute must begin with the first loan payment on the due date, if applicable.

During 2020 a total of \$212,236 was approved and received for the Payment Protection Loan (PPP). The payment of financial assistance under the local PPP does not constitute income for the eligible business and or Non-for-profit entities.

**8. LIQUIDITY**

The Organization has \$1,972,452 of financial current assets available for use within 1 year from the balance sheet date, to cover their liabilities and general operational expenses. As of September 30, 2020, there were no amounts subject to donor restrictions or other contractual time restrictions. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**PROYECTO NACER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

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**9. RISK CONCENTRATIONS**

The Organization maintains cash in bank deposits accounts in Puerto Rico which at times may exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC) of \$250,000. The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash. As of September 30, 2020, the Organization had cash deposits of approximately \$309,000 that were in excess of the limits insured by the FDIC.

**10. SUBSEQUENT EVENTS**

On January 21, 2021 the Organization was entitled to the forgiveness of all of the loan granted by the Payment Protection Program Flexibility Act which amounted to \$212,236.

The Company evaluated subsequent events through March 10, 2021, the date the financial statements were available to be issued. There were no additional subsequent events considered material that would require any further disclosure to the Company's financial statements.

**SUPPLEMENTARY INFORMATION**

PROYECTO NACER, INC.  
 SUPPLEMENTAL SCHEDULES OF EXPENSES BY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

SCHEDULE A

EXPENSES	Total Funds					Total
	Fondos Casas	Fondos Unidos	Fondos Privados	Fondos Legislativos	Fondos APEA	
Salaries and wages	-	-	-	-	1,079,722	1,079,722
Payroll taxes	-	-	-	-	140,540	140,540
Professional service	-	-	26,000	37,000	145,154	208,154
Supplies	-	-	27,750	38,550	48,174	114,474
Depreciation expense	3,771	13,601	28,165	16,722	26,824	89,083
Food	-	-	-	20,169	15,913	36,082
Cultural activities	-	-	-	-	8,302	8,302
Travel	-	-	-	-	9,842	9,842
Uniforms	-	-	-	8,000	739	8,739
Insurance	-	-	-	-	33,921	33,921
Repair and maintenance	-	-	-	2,017	70,761	72,778
Vehicle expense	-	-	-	8,870	8,016	16,886
Rent	-	-	-	-	22,758	22,758
Utilities	-	-	-	-	34,146	39,146
Training	-	-	2,731	5,000	3,736	12,169
Promotions	-	-	480	5,702	1,551	5,562
Bank charges	-	-	212	3,531	2,740	3,117
Sholarship	-	-	-	165	13,007	13,007
License and permits	-	-	-	-	1,090	1,090
Dues and subscriptions	-	-	-	-	261	261
Miscellaneous	-	-	701	-	-	701
Total expenses	3,771	13,601	86,039	145,726	1,667,197	1,916,334