



# PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST AND SUBSIDIARIES

Uniform Guidance Report  
June 30, 2019



# PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST AND SUBSIDIARIES

UNIFORM GUIDANCE REPORT  
June 30, 2019

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## INDEPENDENT AUDITORS' REPORT

To: The Board of Trustees of  
Puerto Rico Science, Technology and Research Trust

We have audited the accompanying consolidated financial statements of Puerto Rico Science, Technology and Research Trust, a Puerto Rico not-for-profit corporation, and its Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2019, the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Puerto Rico Science, Technology and Research Trust and its Subsidiaries as of June 30, 2019, 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.

## Other Matters

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards, 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 February 21, 2020 on our consideration of Puerto Rico Science, Technology and Research Trust's internal control over financial reporting and on 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 the Puerto Rico Science, Technology and Research Trust'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 internal control over financial reporting and compliance.

San Juan, Puerto Rico  
February 21, 2020.

Stamp No. E407286 was affixed to  
the original of this report.



**PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST  
AND ITS SUBSIDIARIES**



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
As of June 30, 2019**

**ASSETS:**

Cash	\$ 29,632,070
Accounts receivable	1,864,680
Prepaid expenses	107,735
Due from governmental entities	4,978,063
Investment in bond	34,561,416
Equity investments	1,167,292
Convertible promissory notes receivable	375,000
Other investments	225,000
Other assets	19,484
Property and equipment, net	450,237
Building, net	6,071,064
Land and property for research, development and infrastructure project related to science and technology	16,100,307
Land development costs	11,329,395
Construction in Progress - Science City	11,149,857
	<u>\$ 118,031,600</u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES:**

Program service payable	\$ 717,037
Accounts payable	2,271,267
Accrued expenses	448,240
Other liabilities	8,500
	<u>3,445,044</u>

**NET ASSETS:**

Without donor restrictions:	
Undesignated	<u>94,667,109</u>
With donor restrictions:	
Purpose restricted	3,819,140
Perpetual in nature	<u>16,100,307</u>
	19,919,447
	<u>114,586,556</u>
	<u>\$ 118,031,600</u>

The accompanying notes are an integral part of this consolidated statement of financial position.

**PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST  
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**CONSOLIDATED STATEMENT OF ACTIVITIES  
For the year ended June 30, 2019**

	Without donor restrictions	With donor restrictions	Total
<b>REVENUES AND SUPPORT:</b>			
State grants and assessments	\$ 16,759,924	\$ -	\$ 16,759,924
Federal grants	7,837,675	124,970	7,962,645
Private grants and sponsorships	408,684	2,957,448	3,366,132
Donations and contributions	46,631	-	46,631
Clinical trials	215,139	-	215,139
Rental income	331,057	-	331,057
Interest income	179,885	-	179,885
Other income	228,221	-	228,221
	<u>26,007,216</u>	<u>3,082,418</u>	<u>29,089,634</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	3,096,175	(3,096,175)	-
	<u>29,103,391</u>	<u>(13,757)</u>	<u>29,089,634</u>
<b>OPERATING EXPENSES:</b>			
Program and services:			
Research and data	1,530,644	-	1,530,644
Public health initiative	9,504,182	-	9,504,182
Technology transfer and commercialization	5,164,645	-	5,164,645
Science City development	266,011	-	266,011
	<u>16,465,482</u>	<u>-</u>	<u>16,465,482</u>
Supporting services:			
General and administrative	3,791,868	-	3,791,868
	<u>20,257,350</u>	<u>-</u>	<u>20,257,350</u>
	<u>8,846,041</u>	<u>(13,757)</u>	<u>8,832,284</u>
<b>NON-OPERATING INCOME (EXPENSES):</b>			
Net investment loss	(8,562,596)	(553,326)	(9,115,922)
Gain on settlement of RSA	3,087,580	324,085	3,411,665
Forgiveness of debt	622,113	-	622,113
	<u>(4,852,903)</u>	<u>(229,241)</u>	<u>(5,082,144)</u>
<b>CHANGE IN NET ASSETS</b>	3,993,138	(242,998)	3,750,140
<b>NET ASSETS, beginning of year</b>	90,673,971	20,162,445	110,836,416
<b>NET ASSETS, end of year</b>	<u>\$ 94,667,109</u>	<u>\$ 19,919,447</u>	<u>\$ 114,586,556</u>

The accompanying notes are an integral part of this consolidated statement.



**PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST  
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**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended June 30, 2019**

	Program activities				Support activity	Total
	Research and data	Public health initiative	Technology transfer and commercialization	Science City development	General and administrative	
Program support:						
Capacity building and sponsorships	\$ 77,150	\$ 300	\$ 141,550	\$ -	\$ -	\$ 219,000
Incubators support	-	-	6,082	-	-	6,082
Research and commercialization grants	16,007	-	-	-	-	16,007
Matching grants	-	-	171,231	-	-	171,231
Parallel 18 grants	-	-	2,181,385	-	-	2,181,385
Other program initiatives	-	2,432,079	1,943	-	-	2,434,022
	<u>93,157</u>	<u>2,432,379</u>	<u>2,502,191</u>	<u>-</u>	<u>-</u>	<u>5,027,727</u>
Personnel costs:						
Salaries and wages	533,337	3,819,910	921,059	29,231	1,149,279	6,452,816
Benefits and payroll taxes	152,991	978,634	274,311	9,752	506,478	1,922,166
	<u>686,328</u>	<u>4,798,544</u>	<u>1,195,370</u>	<u>38,983</u>	<u>1,655,757</u>	<u>8,374,982</u>
Professional services	144,176	302,967	490,094	212,553	682,240	1,832,030
Occupancy expenses:						
Depreciation and amortization	17,864	21,179	94,236	-	189,202	322,481
Rent	-	-	152,215	-	15,584	167,799
Repairs and maintenance	-	-	7,548	6,800	238,314	252,662
Security	-	1,834	-	-	177,531	179,365
Other	-	615	1,885	-	275,900	278,400
	<u>17,864</u>	<u>23,628</u>	<u>255,884</u>	<u>6,800</u>	<u>896,531</u>	<u>1,200,707</u>
Travel	77,197	172,140	210,473	4,192	92,703	556,705
Other	511,922	1,774,524	510,633	3,483	464,637	3,265,199
	<u>511,922</u>	<u>1,774,524</u>	<u>510,633</u>	<u>3,483</u>	<u>464,637</u>	<u>3,265,199</u>
Total expenses from operations:	<u>\$ 1,530,644</u>	<u>\$ 9,504,182</u>	<u>\$ 5,164,645</u>	<u>\$ 266,011</u>	<u>\$ 3,791,868</u>	<u>\$ 20,257,350</u>

The accompanying notes are an integral part of this consolidated statement.

**PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST  
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**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ 3,750,140
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	322,481
Gain on settlement of RSA	(3,411,665)
Unrealized loss on investment in bond	9,890,566
Changes in operating assets and liabilities-	
Decrease (increase) in assets:	
Accounts receivable	(731,937)
Prepaid expenses	9,406
Due from governmental entities	(2,074,304)
Other assets	(6,951)
Increase (decrease) in liabilities:	
Program service payable	(147,952)
Accounts payable	(2,975,713)
Accrued expenses	229,381
Other liabilities	(2,600)
Net cash provided by operating activities	<u>4,850,852</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Redemption of certificates of deposits	6,786,666
Redemption of investment in bond	192,617
Purchase of investments	(225,000)
Collection under promissory notes receivable	150,000
Purchase of property and equipment	(256,473)
Addition to construction in progress - building	(462,505)
Net cash provided by investing activities	<u>6,185,305</u>

**NET INCREASE IN CASH**

11,036,157

**CASH, beginning of year**

18,595,913

**CASH, end of year**

\$ 29,632,070

The accompanying notes are an integral part of this consolidated statement.

# PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST AND ITS SUBSIDIARIES



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2019

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### 1) Organization and summary of significant accounting policies:

- A) Organization – Puerto Rico Science, Technology and Research Trust (the Trust) is a not-for-profit organization created on August 18, 2004 by Act No. 214, as amended (the Act 214), of the Legislature of the Commonwealth of Puerto Rico (the Commonwealth). The purpose of the Trust is to foster and fund research, development and infrastructure projects related to science and technology that will promote the economic, social or educational development of the Commonwealth and to operate exclusively for charitable, educational and scientific purposes. The Act 214 also designates the Trust as a Public Health Institute, an Educational Organization and allows the Trust to act as fiscal agent to pursue certain federal funding opportunities on behalf of the Commonwealth. The Act 214 also enables the Trust to establish a research institute through which researchers from public and private research institutions might affiliate with and enables the Trust to evaluate competitive grant proposals and/or act as fiscal sponsor to pursue funding opportunities on behalf of these institutions.

The projects of the Trust are to be financed as follows: (i) the greater of \$6,340,000 or 31% out of the monies deposited in the Special Fund for Economic Development managed by the Puerto Rico Industrial Development Company (PRIDCO) for the fiscal year ended June 30, 2019 (ii) the monies of Scientific Investigation Fund for the Centenary of the University of Puerto Rico (Centenary Fund), (iii) a special appropriation of \$5,000,000 from the Improvements Fund, (iv) \$5,000,000 from the balance of collections of federal excise taxes in accordance with Section 7652(a)(3) of the United States Internal Revenue Code 1986, as amended, and, (v) private grants and donations, other government funds, and legislative appropriations.

The Act 214, as amended on August 2017, provides that the Board of Trustees is to be composed of eleven (11) trustees, two (2) of whom shall be members *ex officio* including the Secretary of the Department of Economic Development and Commerce and other government agency representative to be appointed by the Governor of the Commonwealth; and nine (9) members from the private sector.

Since September 2016, the Trust has been awarded, as prime recipient and subrecipient, with federal funds from the US Department of Health and Human (DHHS) - Center for Disease Prevention and Control, the DHHS - National Institutes of Health, the US Department of Commerce – Economic Development Administration, the US Department of the Treasury, and the US Department of Agriculture. In addition, during the year ended June 30, 2019, the Trust has been the primary recipient, or acted as fiscal sponsor, for the implementation of privately funded initiatives, mostly related to recovery efforts after the passing of Hurricane Maria in Puerto Rico on September 20, 2017.

Subsidiaries - The Trust has established the following subsidiaries by virtue of Article 5(26) of Act 214, as amended, whereby the Trust may organize subsidiaries or affiliates subject to its total or partial control to carry out any assignment from the Trust's Board of Trustees for the best interest of the Trust:

- The Puerto Rico Consortium for Clinical Investigation, Inc. (PRCCI) - A not-for-profit corporation organized on January 20, 2016. PRCCI began operations on April 1, 2016 and its purpose is to improve the impact, quality, and speed of clinical research activity conducted in Puerto Rico, especially in the fields of oncology, infectious diseases, neurological disorders and cardio-metabolism. To achieve its mission, PRCCI partners with clinical research sites across Puerto Rico to ensure access to a diverse patient population. PRCCI's operations are sustained through a combination of revenues obtained from clinical research sponsors, grants and contracts with state and private entities, and contributions from the Trust.

# PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST AND ITS SUBSIDIARIES



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2019

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- PRST, Inc., (PRST) - A not-for-profit corporation organized on December 28, 2016. The purpose of PRST is to act as a Qualified Promoter as defined in Section 2034.01 of the newly enacted Incentives Code of Puerto Rico. A Qualified Promoter is authorized by the Department of Economic Development and Commerce to engage in the promotion of new companies established in Puerto Rico and to obtain decrees under Act No. 20 of 2012, to establish and expand their export services businesses.

These consolidated financial statements include the accounts of the Trust and its Subsidiaries (collectively referred as the Trust and its Subsidiaries) as of and for the year ended June 30, 2019.

- B) Summary of significant accounting policies – The Trust and its Subsidiaries prepare its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations. The significant accounting policies used by the Trust and its Subsidiaries are as follows:

Principles of consolidation – The accompanying consolidated financial statements include the accounts of the Trust and its Subsidiaries, as described in Note 1A. Intercompany transactions and accounts have been eliminated in consolidation.

Basis of presentation – The consolidated financial statements of the Trust and its Subsidiaries have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require reporting information regarding its financial position and activities according to the following net asset classifications:

- 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. These assets may be used at the discretion of the Trust and its Subsidiaries' management and the Board of Trustees.
- Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and some grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Trust and its Subsidiaries or by passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

As of June 30, 2019, the Trust and its Subsidiaries' net assets are classified as net assets with donor restrictions and net assets without donor restrictions. Net assets with donor restrictions include the following:

Purpose restricted:

- Federal funds received in advanced for the implementation of programmatic initiatives, and funds received from private sources for the implementation of initiatives related to recovery efforts after the passing of Hurricane Maria through Puerto Rico on September 20, 2017.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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- Monies for the Scientific Investigation Fund for the Centenary of the University of Puerto Rico. This fund was created to improve the infrastructure, activities and environment of investigative activities of the University of Puerto Rico and to facilitate the commercialization of the innovations that are developed there. Among the activities to be supported are the recruitment and retention of researchers and the promotion of technology transfer.

Permanent in nature:

- Consist of a land, described in Note 11, that was contributed with the restriction of using it for the purpose described in Act 214, as amended, through the implementation of a Master Plan.

Accounting estimates – The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain 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 reporting period. Accordingly, actual results could differ from those estimates.

Allowance for doubtful accounts – The Trust and its Subsidiaries provide an allowance for doubtful accounts equal to the amount of estimated uncollectible amounts. The estimate is based on the review of the current status of donor pledges, contributions and grants.

Investment in bond - Investments in marketable debt securities are carried at fair value determined using quotations obtained from brokers. Net investment return (loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Equity investments – The equity investments are carried at the lower of cost or net realizable value.

Property and equipment and equipment under capital leases – Property and equipment are stated at cost, or if donated, at the fair value at date of receipt. Equipment under capital leases is stated at the net present value of the minimum lease payments. Expenditures for major additions and improvements are capitalized, while minor replacements, maintenance, and repairs are charged to expense as incurred.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets, as follows:

Description	Estimated Useful Life
Furniture and fixtures	5 years
Computer and laboratory equipment	3 to 5 years
Leasehold improvements	Lease term
Equipment under capital leases	Lease term

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

Accounting for the impairment or disposal of long-lived assets – The Trust and its Subsidiaries’ long-lived assets held and used in operations are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Assets are considered to be impaired if the carrying amount of the asset exceeds the sum of the undiscounted cash flow expected to result from the use and eventual disposition of the asset.

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If such assets are impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds its fair value. Assets to be disposed of, other than by sale, continue to be classified as held and used until they are disposed of. Assets to be disposed of by sale are classified as held for sale in the period in which certain criteria are met and reported at the lower of the carrying amount or fair value. At the time such criteria are no longer met, such assets are reclassified as assets held and used in operations.

Land development costs – Represent costs for a land site consultation approval, certification of environmental compliance, architectural design, and other costs incurred in connection with land received by the Trust and its Subsidiaries for the construction of its facilities.

Fair value measurements – Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market or observable inputs are the preferred source of value, followed by assumptions based on hypothetical transactions in the absence of market input.

The valuation techniques are based upon observable or unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the entity's market assumptions. These two types of inputs create the following fair value hierarchy:

- Level 1 – Quoted prices for identical instruments in active markets.
- Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3 – Significant inputs to the valuation model are unobservable.

The Trust maintains policies and procedures to value financial instruments using the best and most relevant data available.

Contributions and support revenue – The Trust and its Subsidiaries derive its revenues from contributions received from the government, corporations, sponsors and individuals. All revenues and contributions 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 with donor restrictions support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Trust and its Subsidiaries report the support as without donor restrictions.

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 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. There were no contributed services during the year ended June 30, 2019.

Income taxes – The Trust and its Subsidiaries are exempt from Puerto Rico income taxes under the provisions of Act 214, as amended, and from federal taxes under the provisions of Section 501(c) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in the accompanying consolidated financial statements.

# PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST AND ITS SUBSIDIARIES



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2019

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The Trust and its Subsidiaries follow the guidance for uncertainty in income taxes issued by the Financial Accounting Standards Board. Management evaluated the Trust and its Subsidiaries' tax positions and concluded that the Trust and its Subsidiaries had taken no uncertain tax positions that require adjustments or disclosure in the consolidated financial statements.

Functional allocation of expenses and operational expenditures – The costs of providing the Trust and its Subsidiaries' programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities and functional expenses. During the year ended June 30, 2019, certain costs have been allocated among the following programs and support activities:

- *Research and data:* includes expenses aimed to improve, analyze and/or strengthen the local research and development (R&D) infrastructure and the breadth of science and technology activity in Puerto Rico. Examples of expenses within this function include: clinical trials, grants to support laboratory infrastructure, research grants, research institute and educational organization initiatives, grants to attract or retain distinguished researchers, studies to determine R&D, innovation, knowledge economy activity in the Island; and, salaries and professional services to support this area.
- *Public Health Initiative:* includes expenses incurred regarding the *Puerto Rico Public Health Trust*, an initiative established by the Trust and its Subsidiaries to act as Public Health Institute (PHI). Acting as a PHI, the Trust implements programs which aim is to improve public health capacity, systems and outcomes by fostering innovation, leveraging resources and building partnerships to improve the public's health. Expenses within this function include: integrated vector management initiatives, health-outcome-and-measures research and studies, and salaries and professional services to support this area.
- *Technology transfer and commercialization:* includes expenses incurred in initiatives to support technology transfer and commercialization and direct investments in technology development projects which have a clear commercialization aim. Examples of expenses within this function include intellectual property assistance, sponsorship, grants for technology developments; investment in technology commercialization accelerators and startup incubators, salaries and professional services to support this area. During the year ended June 30, 2016, the Trust and its Subsidiaries implemented Parallel 18 (P18), a startup creation initiative. The purpose of P18 is to provide startups, selected competitively from Puerto Rico and abroad, with funding, complete support system, and an acceleration program with high-level resources and access to a global network of mentors. The P18 program is financed by the support from the Economic Development and Commerce Department, the Puerto Rico Industrial Development Company, and the Trust.
- *Science City development:* includes non-capitalizable expenditures necessary for the on-going development and construction of sites at the Science City. These expenditures include salary and professional services to support this area, planning and assessment projects, security services to enable construction work, etc.
- *General and administrative:* includes all administrative expenses incurred to support all functional areas as described above which are not directly allocable to any of them. Example of these expenses include administrative staff salaries, accounting fees, depreciation and amortization, utilities, etc.

# PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST AND ITS SUBSIDIARIES



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2019

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- *Fundraising*: includes expenses incurred in soliciting contributions, gifts, grants, etc. Example of these expenses include: publicizing and conducting fundraising campaigns, soliciting grants from foundations and government agencies, costs of participating in federated fundraising campaigns, preparing and distributing fundraising manuals, instructions and other materials. The Trust and its Subsidiaries did not engage in any fundraising activity during the year ended June 30, 2019.

Advertising and promotion – The Trust and its Subsidiaries charge to operations advertising and promotion costs as they are incurred. During the year ended June 30, 2019, the Trust and its Subsidiaries incurred in advertising and promotion expenses of approximately \$232,000.

Change in accounting principles – On August 18, 2016, Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-For-Profit Entities. The Trust and its Subsidiaries implemented the ASU in the current year, applying the changes retrospectively. The new standard changed the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources.

Recent accounting pronouncements – In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). This new accounting standard that requires recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. The FASB has also issued several updates to ASU 2014-09. The new standard supersedes U.S. GAAP guidance on revenue recognition and requires the use of more estimates and judgments than the present standards. It also requires additional disclosures. This ASU is effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08). The ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profit to identify and account for contributions made. The ASU 2018-08 has different effective dates for resource recipients and resource providers. Where the Trust and its Subsidiaries is the resource recipient, the ASU 2018-08 is applicable to contributions received for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted.

The Trust and its Subsidiaries is evaluating the impact of these guidance on its financial statements.

**PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH  
TRUST AND ITS SUBSIDIARIES**



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2019**

**2) Concentrations of credit risks:**

Financial instruments, which potentially subject the Trust and its Subsidiaries to concentration of credit risks, consist of cash deposits and accounts receivable.

The Trust and its Subsidiaries have cash deposits with various financial institutions, which at times, may exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2019, the Trust and its Subsidiaries' cash deposits exceeded the FDIC guarantee of \$250,000 per financial institution by approximately \$27,975,000.

For the year ended June 30, 2019, grants and contributions from state and federal entities represent approximately 83%, out of total revenues. The balance due from these state and federal entities represent approximately 84%, of total accounts receivable.

**3) Liquidity and availability:**

As of June 30, 2019, financial assets available for general expenses, that is, without donor restriction or other limiting their use, within one year of the financial position date, comprises the following:

Description	Amount
Cash	\$ 29,632,070
Account receivable	1,864,680
Due from governmental entities	4,978,063
Investment in bond	34,561,416
Equity investments	1,167,292
Other investments	225,000
	<u>72,428,521</u>
Less amount not available to be used within one year:	
Net assets with donor restrictions	<u>(3,819,140)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 68,609,381</u>

**4) Investment in bond:**

The Trust is a holder of a \$44,644,599 bond issued by the former Governmental Development Bank for Puerto Rico (GDB) during the year ended June 30, 2019, as a settlement regarding claims of assets held at GDB. The bond yields a 7.5% annual coupon interest rate and matures in August 2040.

As of June 30, 2019, the hierarchy level, cost and fair value of the investment in bond is as follows:

Description	Level	Cost basis	Fair value	Unrealized loss
Debt securities- Investment in bond	2	<u>\$ 44,451,982</u>	<u>\$ 34,561,416</u>	<u>\$ (9,890,566)</u>

**PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH  
TRUST AND ITS SUBSIDIARIES**



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2019**

As of June 30, 2019, there is a portion of the investment in bond amounting to \$2,097,827 that is restricted for the Scientific Investigation Fund for the Centenary of the University of Puerto Rico, which remain in custody of the Trust.

**5) Equity investments:**

As of June 30, 2019, the equity investments consist of the following:

Description	Amount
49,222 shares of common stock of CDI Laboratories, Inc. (CDI), a nonaffiliated company, which as of June 30, 2019, represent approximately 10% of the CDI's common stock, respectively.	\$ 867,292
312,500 shares of Series Seed preferred stock of Timokids, Inc., a nonaffiliated company. These preferred shares provide its holders voting and liquidation preference rights and the option to convert to shares of common stock.	75,000
62,500 shares of Series Seed preferred stock of Brands of Holdings Inc., a nonaffiliated company. These preferred shares provide its holders voting and liquidation preference rights and the option to convert to shares of common stock.	75,000
150,000 shares of Class B Units of Abartys Health LLC (Abartys), a nonaffiliated company, which as of June 30, 2019, represent approximately 1.5% of Abartys' Class B Units.	150,000
	<u>\$ 1,167,292</u>

**6) Convertible promissory notes receivable:**

As of June 30, 2019, the Trust is the holder of five (5) convertible notes of \$75,000 each. The notes accrue interest at an annual interest rate between 2% and 6%. These notes may be converted into shares of common stock upon the occurrence of certain events, including the companies' failure to pay in full the principal and accrued interest upon its maturity date or a change of control transaction.

**7) Other investments:**

As of June 30, 2019, the Trust is the holder of four (4) Simple Agreements for Future Equity (SAFE) investments, amounting to \$225,000. These SAFE provide rights to the Trust and its Subsidiaries for future equity in its investees without determining a specific price per share at the time of the initial investment.

**PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH  
TRUST AND ITS SUBSIDIARIES**



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2019**

**8) Property and equipment:**

As of June 30, 2019, property and equipment consists of the following:

Description	Cost	Accumulated depreciation and amortization	Book value
Furniture and fixtures	\$ 109,906	\$ 101,035	\$ 8,871
Computer and laboratory equipment	248,225	122,562	125,663
Leasehold Improvements	612,271	296,568	315,703
	<u>\$ 970,402</u>	<u>\$ 520,165</u>	<u>\$ 450,237</u>

**9) Building:**

As of June 30, 2019, building consists of the following:

Description	Amount
Innovation Center Building- a three-story building that houses the Trust's headquarters and provides space for both, the incubation of local hi-tech startups and strategic service providers, creating a synergistic effect to accelerate the commercialization of technologies.	\$ 3,056,568
Puerto Rico Environmental Quality Board's Laboratory - Building that houses the laboratory facilities of the Puerto Rico Environmental Quality Board and the laboratory facilities of the Puerto Rico Vector Control Unit.	<u>3,546,932</u>
	6,603,500
Less: Accumulated depreciation	<u>(599,033)</u>
	6,004,467
Construction in progress	<u>66,597</u>
	<u>\$ 6,071,064</u>

As of June 30, 2019, the construction in progress is related to the construction of the Forward Center Building, a 30,000 square feet, three-story building to be located at the Science City. This construction is partially funded by the US Department of Commerce – Economic Development Administration.

**10) Land and property for research, development and infrastructure project related to science and technology:**

On October 22, 2007, the Trust received 67.95 acres of prime real estate in the metropolitan area of San Juan, which includes the former Río Piedras Correctional Facilities (Oso Blanco State Penitentiary).

The land and property were valued at \$18,000,000, based on a market appraisal opinion report, dated October 20, 2008.

**PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2019**

As established by Act 214, as amended, the Trust and its Subsidiaries plan to develop the 67.95 acres of Oso Blanco State Penitentiary site into a research park, which combines residential, retail, educational, and civic facilities with laboratory and research and development facilities with the purpose of facilitating the development of infrastructure favorable to the research and development of science and technology. Costs related to the design, development and improvements of the campus are capitalized as incurred.

During the year ended June 30, 2018, the Trust and its Subsidiaries transferred the ownership of 8.3 acres of the land to the Puerto Rico Department of Transportation and Public Works (DTPW), as a donation. The purpose of the transfer was to enable DTPW to seek financing from the Federal Highway Administration (FHA) for the construction of the Science City Boulevard. The transfer was approved by the FHA and the Federal Transit Administration as part of the Statewide Transportation Improvement Program (STIP) for fiscal years 2017-2020.

As of June 30, 2019, the land was restricted by donor for research, development and infrastructure project related to science and technology.

**11) Program service payable:**

As of June 30, 2019, program service payable consists of accrued obligations related to program support grants awarded during the period through both, unrestricted and restricted funds.

The balance of program service regarding program support grants amounting to approximately \$717,000 as of June 30, 2019, is without donor restrictions.

**12) Operating lease agreements:**

The Trust and its Subsidiaries entered into a lease agreement for the use of the facilities for P18, described in Note 1B. The agreement calls for escalating monthly rental payments ranging from \$11,983 to \$13,510 through December 2020. Total rent expense related to this agreement for the year ended June 30, 2019, amounted to approximately \$168,000.

On September 17, 2018, the Trust and its Subsidiaries entered into a lease agreement for the use of a two-story office building and one annex in Ponce, Puerto Rico. The agreement calls for monthly rental payments of \$2,004 through September 2021. Total rent expense related to this agreement for the year ended June 30, 2019, amounted to approximately \$20,000.

Future minimum lease payments subsequent to June 30, 2019, are as follows:

Year ending June 30,	Amount
2020	\$ 186,173
2021	105,111
2022	4,008
Total future minimum lease payments	<u>\$ 295,292</u>

**PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH  
TRUST AND ITS SUBSIDIARIES**



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2019**

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**13) Rental income:**

The Trust and its Subsidiaries lease building spaces under operating lease agreements. The lease agreements are for periods of one year with a renewal option for an additional year on month to month basis.

In addition, as of June 30, 2019, the Trust and its Subsidiaries leases a facility for five (5) years ending July 31, 2022. The monthly rental payment is approximately \$221,000. For the year ended June 30, 2019, revenues on rental agreements amounted to approximately \$323,000.

Future minimum collections related to the lease agreements after June 30, 2019, are as follows

Year ending June 30,	Amount
2020	\$ 220,959
2021	220,959
2022	220,959
2023	18,413
	<u>\$ 681,290</u>

**14) Retirement plan**

The Trust and its Subsidiaries have established a defined contribution retirement plan (the Plan) that covers all full-time employees who have reached 21 years of age, without requiring eligibility requirements as to service requirements. Under the Plan, participants may contribute an amount not exceeding \$15,000 per year. The Trust and its Subsidiaries are not required to make matching contributions but reserves its right to start making matching contributions based on a maximum of 3% out of each dollar contributed by the employee, up to 10% of compensation. The Trust and its Subsidiaries may contribute a discretionary amount in addition to the matching contribution for all eligible participants. Amounts contributed by the Trust and its Subsidiaries are 100% vested after an employee completes one (1) year of service. Total contributions made by the Trust and its Subsidiaries during the year ended June 30, 2019, amounted to approximately \$25,400.

**15) In-kind contributions:**

In-kind contributions for the year ended June 30, 2019, amounted to approximately \$2,975, which consisted mainly of services provided by tenants related to science, technology, and research.

**16) Supplemental disclosures for the statement of cash flows:**

- A) Non-cash from investing transactions – During the year ended June 30, 2019, the non-cash investing transaction is related to a conversion of certificates of deposits to investment in bond for \$44,644,599.
- B) Other cash flows information – During the year ended June 30, 2019, the Trust and its Subsidiaries paid approximately \$120 in interest.

# PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST AND ITS SUBSIDIARIES



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2019

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### 17) Subsequent events:

During July 2019, the Association of State and Territorial Health Officials (ASTHO), a non-profit organization and prime recipient of funds from the Center for Control and Disease Prevention, awarded a \$150,000 sub-award to implement a project titled *Capacity Building for Jurisdictional Hurricane Recovery – US Virgin Islands Staffing Capacity Enhancement*.

During August 2019, the U.S. Secretary of Commerce announced that the Economic Development Administration (EDA) awarded \$300,000 for a project titled *Investor Bridge Project*. The project will provide an investor education series, expand the investor network, and launch a formal investment fund with a target size of \$10 million to acquire capital to invest in startups and other companies from the Puerto Rico tech ecosystem.

During August 2019, the Medtronic Communities Foundation awarded a grant in the amount of \$4,650,000 to support activities of the Trust and its Subsidiaries' Public Health Institute.

Subsequent events were evaluated through February 21, 2020, the date the basic consolidated financial statements were available to be issued.

**PUERTO RICO SCIENCE, TECHNOLOGY AND  
RESEARCH TRUST AND SUBSIDIARIES**



**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the year ended June 30, 2019**

Federal Grantor/Program Pass- Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Health and Human Services:			
Pass – Through Program From:			
Centers for Disease Control and Prevention (CDC)			
Prevention of Disease, Disability, and Death by Infectious Diseases Federal Program	93.084	NU50CK 000481	\$ 5,772,330
Association of State and Territorial Health Officials (ASTHO)			
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	79-30001	1,863,963
National Association of County and City Health Officials (NACCHO)			
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	2019-011601	3,790
National Institutes of Health			
Minority Health and Health Disparities Research	93.307	R21MDO 13709	76,751
National Network of Public Health Institutes (NNPHI)			
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	GL13069	54,338
XLerateHealth, LLC			
Biomedical Research and Research Training	93.859	UT2GM 130174	4,784
U.S. Department of Commerce			
Pass – Through Program From:			
Economic Development Administration (EDA)	11.020	ED19HDQO 2000027	15,149
Cluster Grants-Regional Innovation Initiatives			

Continues...



**PUERTO RICO SCIENCE, TECHNOLOGY AND  
RESEARCH TRUST AND SUBSIDIARIES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the year ended June 30, 2019**

<u>Federal Grantor/Program Pass- Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
Continued...			
Investments for Public Works and Economic Development Facilities	11.300	01-79-14805	32,082
U. S. Department of Agriculture Pass – Through Program From: Animal and Plant Health Inspection Service			
Plant and Animal Disease, Pest Control, and Animal Care	10.025	AP19PPQSTO OC027	<u>8,947</u>
Total Expenditures of Federal Awards			<u>\$ 7,832,134</u>

The accompanying notes are an integral part of this schedule.

# PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST AND SUBSIDIARIES



## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the year ended June 30, 2019

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### 1) Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Puerto Rico Science, Technology and Research Trust (the Trust) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Trust, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Trust. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. All federal agencies as well as federal awards passed through from other local government agencies are included in the schedule.

### 2) Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported under 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.

### 3) Indirect Cost Rate:

The Trust has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



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**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**

**INDEPENDENT AUDITORS' REPORT**

To: The Board of Trustees of  
Puerto Rico Science, Technology and Research Trust

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 consolidated financial statements of Puerto Rico Science, Technology and Research Trust, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Puerto Rico Science, Technology and Research Trust's consolidated financial statements, and have issued our report thereon dated February 21, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated consolidated financial statements, we considered Puerto Rico Science, Technology and Research Trust's internal control over financial reporting (internal control) to determine the 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 Science, Technology and Research Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of Puerto Rico Science, Technology and Research Trust'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 entity'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 may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Puerto Rico Science, Technology and Research Trust's financial statement 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 determination of financial statements amounts. 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 entity'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 entity's internal control compliance. Accordingly, this communication is not suitable for any other purpose.

San Juan, Puerto Rico  
February 21, 2020.

Stamp No. E407287 was affixed to  
the original of this report.

*RSM Puerto Rico*



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## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

### INDEPENDENT AUDITORS' REPORT

To: The Board of Trustees of  
Puerto Rico Science, Technology and Research Trust

#### **Report on Compliance for Each Major Federal Program**

We have audited Puerto Rico Science, Technology and Research Trust's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Puerto Rico Science, Technology and Research Trust's major federal programs for the year ended June 30, 2019. Puerto Rico Science, Technology and Research Trust's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Puerto Rico Science, Technology and Research Trust's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to 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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Puerto Rico Science, Technology and Research Trust's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Puerto Rico Science, Technology and Research Trust's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Puerto Rico Science, Technology and Research Trust's 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 June 30, 2019.

### **Report on Internal Control over Compliance**

Management of Puerto Rico Science, Technology and Research Trust is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Puerto Rico Science, Technology and Research Trust's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Puerto Rico Science, Technology and Research Trust's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

San Juan, Puerto Rico  
February 21, 2020.

Stamp No. E407288 was affixed to  
the original of this report.



RSM Puerto Rico

**PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST AND SUBSIDIARIES**



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the year ended June 30, 2019**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the consolidated financial statements were prepared in accordance with GAAP:

**Unmodified Opinion**

Internal control over financial reporting:

- Material weakness (es) identified?
- Significant deficiency (ies) identified?

yes       no  
 yes       none reported

Noncompliance material to financial statements noted?

yes       no

**Federal Awards**

Internal control over major federal programs:

- Material weakness (es) identified
- Significant deficiency (ies) identified?

yes       no  
 yes       none reported

Type of auditors’ report issued on Compliance for major federal programs

**Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?

yes       no

**Identification of federal program**

CFDA Number

Name of Federal Program or Cluster

93.084

Prevention of Disease, Disability, and Death by Infectious Diseases

93.391

Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes       no

**PUERTO RICO SCIENCE, TECHNOLOGY AND  
RESEARCH TRUST AND SUBSIDIARIES**



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the year ended June 30, 2019**

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**SECTION II – FINANCIAL STATEMENTS FINDINGS**

There were no financial statements findings to report for the year ended June 30, 2019.

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

There were no federal awards findings to report for the year ended June 30, 2019.