



PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST AND ITS SUBSIDIARIES

(A Puerto Rico Not-For-Profit Organization)

Basic Consolidated Financial Statements
June 30, 2024 and 2023



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of Puerto Rico Science, Technology and Research Trust, a Puerto Rico not-for-profit organization, and its Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Puerto Rico Science, Technology and Research Trust and its Subsidiaries as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Puerto Rico Science, Technology and Research Trust and its Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Puerto Rico Science, Technology and Research Trust and its Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Puerto Rico Science, Technology and Research Trust and its Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Puerto Rico Science, Technology and Research Trust and its Subsidiaries' ability to continue as a going concern for a reasonable period of time.

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

San Juan, Puerto Rico
October 31, 2024.



Stamp No. E591380 was affixed to
the original of this report.

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



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2024 and 2023

	2024	2023
ASSETS:		
Cash and cash equivalents	\$ 18,517,760	\$ 21,109,811
Accounts receivable, net of allowance for credit losses of \$82,516 and \$58,337, respectively	702,207	488,982
Prepaid expenses	115,601	45,037
Due from governmental entities	2,913,529	1,649,372
Investments	4,368,712	4,176,405
Notes receivable, net	247,148	419,415
Other assets	18,278	27,261
Endowment fund	51,837,920	47,201,182
Property and equipment, net	2,078,975	2,278,702
Right-of-use asset for operating lease, net of accumulated amortization of \$119,962 and \$34,198, respectively	130,175	215,939
Building, net	15,855,113	14,517,984
Land and property for research, development and infrastructure project related to science and technology	18,100,307	18,100,307
Land development costs	12,029,600	11,794,958
Construction in progress - Science City	11,148,357	11,148,357
	<u>\$ 138,063,682</u>	<u>\$ 133,173,712</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Program service payable	\$ 607,126	\$ 1,280,346
Accounts payable	2,369,473	2,385,558
Refundable advances	636,832	2,753,965
Accrued expenses	488,481	479,296
Operating lease liability	132,314	216,086
Other liabilities	178,544	178,616
	<u>4,412,770</u>	<u>7,293,867</u>
NET ASSETS:		
Without donor restrictions:		
Undesignated	53,695,191	49,601,974
Designated by the Board of Trustees for endowment	51,837,920	47,201,182
	<u>105,533,111</u>	<u>96,803,156</u>
With donor restrictions:		
Purpose restrictions	10,017,494	10,976,382
Perpetual in nature	18,100,307	18,100,307
	<u>28,117,801</u>	<u>29,076,689</u>
	<u>133,650,912</u>	<u>125,879,845</u>
	<u>\$ 138,063,682</u>	<u>\$ 133,173,712</u>

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

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



CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended June 30, 2024 and 2023

	2024		
	Without donor restrictions	With donor restrictions	Total
REVENUES, SUPPORT AND OTHERS:			
State grants and assessments	\$ 16,425,402	\$ -	\$ 16,425,402
Federal grants	15,560,797	-	15,560,797
Private grants and sponsorships	2,025,474	199,680	2,225,154
Donations and contributions	83,524	-	83,524
Clinical trials	105,184	-	105,184
Rental income	323,276	-	323,276
Interest Income	571,930	-	571,930
Net return on investments	3,537,871	502,888	4,040,759
Net return on endowment fund	931,766	-	931,766
Other income	204,063	-	204,063
	<u>39,769,287</u>	<u>702,568</u>	<u>40,471,855</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>1,661,456</u>	<u>(1,661,456)</u>	<u>-</u>
	<u>41,430,743</u>	<u>(958,888)</u>	<u>40,471,855</u>
OPERATING EXPENSES:			
Program and services:			
Research and data	4,736,811	-	4,736,811
Public health initiative	13,567,970	-	13,567,970
Technology transfer and commercialization	6,868,873	-	6,868,873
Science City development	<u>332,237</u>	<u>-</u>	<u>332,237</u>
	<u>25,505,891</u>	<u>-</u>	<u>25,505,891</u>
Supporting services:			
Management and administrative	<u>7,194,897</u>	<u>-</u>	<u>7,194,897</u>
	<u>32,700,788</u>	<u>-</u>	<u>32,700,788</u>
CHANGE IN NET ASSETS	<u>8,729,955</u>	<u>(958,888)</u>	<u>7,771,067</u>
NET ASSETS, beginning of year	<u>96,803,156</u>	<u>29,076,689</u>	<u>125,879,845</u>
NET ASSETS, end of year	<u>\$ 105,533,111</u>	<u>\$ 28,117,801</u>	<u>\$ 133,650,912</u>

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**PUERTO RICO SCIENCE, TECHNOLOGY AND
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CONSOLIDATED STATEMENTS OF ACTIVITIES
For the years ended June 30, 2024 and 2023

Continued...

	2023		
	Without donor restrictions	With donor restrictions	Total
REVENUES, SUPPORT AND OTHERS:			
State grants and assessments	\$ 7,285,080	\$ -	\$ 7,285,080
Federal grants	10,596,966	1,532,478	12,129,444
Private grants and sponsorships	768,048	1,368,831	2,136,879
Donations and contributions	26,684	-	26,684
Clinical trials	91,014	-	91,014
Rental income	282,279	-	282,279
Interest Income	493,695	-	493,695
Net return on investments	170,610	80,719	251,329
Net return on endowment fund	2,099,356	-	2,099,356
Other income	249,179	-	249,179
	<u>22,062,911</u>	<u>2,982,028</u>	<u>25,044,939</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>1,633,780</u>	<u>(1,633,780)</u>	<u>-</u>
	<u>23,696,691</u>	<u>1,348,248</u>	<u>25,044,939</u>
OPERATING EXPENSES:			
Program and services:			
Research and data	4,131,052	-	4,131,052
Public health initiative	11,005,778	-	11,005,778
Technology transfer and commercialization	6,684,998	-	6,684,998
Science City development	<u>108,396</u>	<u>-</u>	<u>108,396</u>
	<u>21,930,224</u>	<u>-</u>	<u>21,930,224</u>
Supporting services:			
Management and administrative	<u>5,840,608</u>	<u>-</u>	<u>5,840,608</u>
	<u>27,770,832</u>	<u>-</u>	<u>27,770,832</u>
CHANGE IN NET ASSETS	<u>(4,074,141)</u>	<u>1,348,248</u>	<u>(2,725,893)</u>
NET ASSETS, beginning of year	<u>100,877,297</u>	<u>27,728,441</u>	<u>128,605,738</u>
NET ASSETS, end of year	<u>\$ 96,803,156</u>	<u>\$ 29,076,689</u>	<u>\$ 125,879,845</u>

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



**PUERTO RICO SCIENCE, TECHNOLOGY AND
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CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended June 30, 2024 and 2023

	2024				
	Program and services			Supporting services	
	Research and data	Public health initiative	Technology transfer and commercialization	Science City development	Total
Program support:					
Capacity building and sponsorships	\$ 15,000	-	-	-	\$ 133,760
Research and development grants	454,833	-	299,990	-	754,823
Matching grants	-	-	50,000	-	50,000
Parallel 18 grants	-	-	1,509,329	-	1,509,329
Other program initiatives	161,333	3,516,651	1,438	-	3,679,422
	631,166	3,516,651	1,860,757	-	6,127,334
Personnel costs:					
Salaries and wages	1,068,085	3,907,044	1,954,742	-	9,223,257
Benefits and payroll taxes	515,458	1,797,914	706,830	-	3,926,232
	1,583,543	5,704,958	2,661,572	-	13,149,489
Professional services	496,253	1,967,219	1,696,803	134,842	5,184,981
Occupancy expenses:					
Depreciation and amortization	40,122	1,299,543	5,184	35,364	1,942,366
Rent	1,040	25,345	119,201	-	206,588
Repairs and maintenance	2,561	-	-	46,757	458,604
Security	-	-	-	-	144,164
Other	24,253	12,100	-	81,814	830,228
	67,976	1,336,988	124,385	163,935	3,581,950
Travel	48,865	186,283	107,403	493	432,237
Other	1,909,008	855,871	417,953	32,967	4,224,797
Total operating expenses	\$ 4,736,811	\$ 13,567,970	\$ 6,868,873	\$ 332,237	\$ 32,700,788

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**PUERTO RICO SCIENCE, TECHNOLOGY AND
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CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended June 30, 2024 and 2023

Continued...

	2023					
	Program and services			Supporting services		
	Research and data	Public health initiative	Technology transfer and commercialization	Science City development	Management and administrative	Total
Program support:						
Capacity building and sponsorships	\$ 184,982	\$ -	\$ 62,650	\$ -	\$ -	\$ 247,632
Research and development grants	864,059	-	324,188	-	-	1,188,247
Matching grants	-	-	412,500	-	-	412,500
Parallel 18 grants	-	-	2,204,787	-	-	2,204,787
Other program initiatives	387,913	3,561,627	780	-	-	3,950,320
	<u>1,436,954</u>	<u>3,561,627</u>	<u>3,004,905</u>	<u>-</u>	<u>-</u>	<u>8,003,486</u>
Personnel costs:						
Salaries and wages	1,277,888	2,965,572	1,645,678	17,538	2,197,879	8,104,555
Benefits and payroll taxes	497,560	1,312,069	573,674	3,965	1,029,077	3,416,345
	<u>1,775,448</u>	<u>4,277,641</u>	<u>2,219,352</u>	<u>21,503</u>	<u>3,226,956</u>	<u>11,520,900</u>
Professional services	<u>429,537</u>	<u>1,194,968</u>	<u>779,238</u>	<u>66,264</u>	<u>685,577</u>	<u>3,155,584</u>
Occupancy expenses:						
Depreciation and amortization	27,446	1,331,921	3,705	1,816	300,536	1,665,424
Rent	-	1,000	212,090	-	74,446	287,536
Repairs and maintenance	1,123	-	1,165	16,356	286,977	305,621
Security	-	-	-	-	185,313	185,313
Other	3,984	28	14,172	-	495,100	513,284
	<u>32,553</u>	<u>1,332,949</u>	<u>231,132</u>	<u>18,172</u>	<u>1,342,372</u>	<u>2,957,178</u>
Travel	<u>54,318</u>	<u>102,363</u>	<u>115,233</u>	<u>-</u>	<u>63,813</u>	<u>335,727</u>
Other	<u>402,242</u>	<u>536,230</u>	<u>335,138</u>	<u>2,457</u>	<u>521,890</u>	<u>1,797,957</u>
Total operating expenses	<u>\$ 4,131,052</u>	<u>\$ 11,005,778</u>	<u>\$ 6,684,998</u>	<u>\$ 108,396</u>	<u>\$ 5,840,608</u>	<u>\$ 27,770,832</u>

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

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



CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 7,771,067	\$ (2,725,893)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Credit losses	223,526	295,399
Unrealized (gain) loss on investments	(312,956)	88,476
Realized loss on investments, net	75,000	187,401
Capitalized income on Endowment fund	(931,766)	(2,099,356)
Unrealized gain on Endowment fund	(3,406,342)	(139,021)
Depreciation and amortization	1,856,602	1,631,226
Amortization of right-of-use asset for operating lease	85,764	34,198
Changes in operating assets and liabilities-		
Decrease (increase) in assets:		
Accounts receivable	(237,404)	(26,212)
Prepaid expenses	(70,564)	(29,651)
Due from governmental entities	(1,264,157)	(646,007)
Other assets	8,983	(1,000)
Increase (decrease) in liabilities:		
Program service payable	(673,220)	225,296
Accounts payable	(16,085)	(1,072,015)
Refundable advances	(2,117,133)	(2,065,798)
Accrued expenses	9,185	33,962
Operating lease liability	(83,772)	(34,051)
Other liabilities	(72)	(1,803)
Net cash provided by (used in) operating activities	<u>916,656</u>	<u>(6,344,849)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net repayments (advances) under notes receivable	(27,080)	134,050
Proceeds from sale and redemption of investments	515,649	301,062
Purchase of investments	(470,000)	(475,000)
Contributions to Endowment fund	(298,630)	(169,808)
Purchase of property and equipment	(1,205,357)	(831,238)
Additions to building	(1,788,647)	(3,129,880)
Additions to land development	(234,642)	(228,096)
Net cash used in investing activities	<u>(3,508,707)</u>	<u>(4,398,910)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(2,592,051)</u>	<u>(10,743,759)</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>21,109,811</u>	<u>31,853,570</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 18,517,760</u></u>	<u><u>\$ 21,109,811</u></u>

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

PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024 and 2023

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 financed as follows: (i) the greater of \$6,340,000 or 31% out of the monies deposited in the Special Fund for Economic Development (FEDE for its Spanish acronym) managed by the Puerto Rico Industrial Development Company (PRIDCO) for the fiscal years ended June 30, 2017 through 2019, (ii) the monies of Scientific Investigation Fund for the Centenary of the University of Puerto Rico (Centenary Fund), (iii) \$5,000,000 annually from the balance of collections of federal excise taxes in accordance with Section 7652(a)(3) of the United States Internal Revenue Code of 1986, as amended, and (iv) private grants and donations, other government funds, and legislative appropriations. During the fiscal year ended June 30, 2020, FEDE was superseded by the Economic Incentive Fund (EIF), created under Act 60 titled “*Código de Incentivos de Puerto Rico*”. Section 5010.01 of Act 60 bestows upon the Secretary of the Department of Economic Development and Commerce (DEDC) total discretion upon the use of the EIF.

The Act 214, as amended in 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 DEDC 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, 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 in September 2017, and the organization's Public Health Institute initiative.

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 entity 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, 2024 and 2023**

- PRST, Inc. (PRST) – A not-for-profit entity 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. During the years ended June 30, 2024 and 2023, no operations were conducted by this subsidiary.
- Innovation Financial Solutions, Inc. (IFS) – A not-for-profit entity organized in November 2023. The purpose of IFS is to manage programs to increase the Trust's portfolio of investments in ventures. During the year ended June 30, 2024, no operations were conducted by this subsidiary.

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 years ended June 30, 2024 and 2023.

- 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 (U.S. GAAP) 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 report information regarding its financial position and activities according to the following net assets 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 Trust and its Subsidiaries. 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 that are 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, whereby 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 statements of activities. However, if a restriction is fulfilled in the same period in which the contribution is received, the Trust and its Subsidiaries report the support as without donor restrictions.

As of June 30, 2024 and 2023, the Trust and its Subsidiaries' net assets with donor restrictions include the following:

Purpose restrictions:

- Federal funds that are restricted for the implementation of programmatic initiatives, and funds from private sources that are restricted for the implementation of public health and venture creation initiatives.

PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024 and 2023

- 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.
- Restricted portion of the Forward Center Building from funds received from the US Department of Commerce Economic Development Administration (EDA). This amount is presented net of accumulated depreciation.

Perpetual 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.

Use of estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – Cash equivalents are short-term, highly liquid investments with original maturities of three months or less at the time of purchase. Cash equivalents include cash in investment-managed accounts such as money markets and mutual funds.

Allowance for credit losses – The Trust and its Subsidiaries offset gross accounts receivable with an allowance for credit losses. The allowance for credit losses is the Trust and its Subsidiaries' best estimate of the amount of probable credit losses in the existing accounts receivable and is based on management's evaluation of current status of donor pledges, contributions and grants, and any other factors that deserve current recognition. Receivables are charged-off against their respective allowance accounts when deemed to be uncollectible.

Estimating credit losses based on risk characteristics requires significant judgment by the Trust and its Subsidiaries. Significant judgments include but are not limited to assessing current economic conditions and the extent to which they would be relevant to the existing characteristics of the Trust and its Subsidiaries' financial assets, the estimated life of financial assets and the level of reliance on historical experience in light of economic conditions. The Trust and its Subsidiaries review and update, when necessary, its historical risk characteristics that are meaningful to estimating credit losses, any new risk characteristics that arise in the natural course of business and the estimated life of its financial assets. Actual results could differ from these estimates.

Investments – Investments represent a Puerto Rico government bond, private equity securities and Simple Agreements for Future Equity (SAFE) investments, which are recorded at its fair value. Net investment return (loss) is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Fair value measurements – Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The valuation techniques are based upon observable or unobservable inputs.

PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST AND ITS SUBSIDIARIES

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Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the entity's market assumptions. Market or observable inputs are the preferred source of values, followed by assumptions based on hypothetical transactions in the absence of market input. 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 and its Subsidiaries maintain policies and procedures to value financial instruments using the best and most relevant data available.

Property and equipment – Property and equipment are stated at cost, or if donated, at the fair value at date of receipt. Maintenance and repair costs that do not improve or extend the useful life of the respective assets are expensed as incurred. Costs of renewals and betterments which extend the useful life of the respective assets are capitalized. 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

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.

Building – Is carried at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the useful life of 35 years. Maintenance and repair costs that do not improve or extend the useful life of the building are expensed as incurred while the costs of renewals and betterments which extend its useful life are capitalized. When the asset is sold or disposed of, the cost of the asset and the related accumulated depreciation 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.

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.

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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.

Contributions and support revenue – The Trust and its Subsidiaries mainly derive its revenues from state and federal grants, contributions received from the government, corporations, sponsors and individuals. The Trust and its Subsidiaries recognize contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Grants, contribution, and conditional promises to give with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met. 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 donor-restricted support that increases the net assets with donor restrictions class. However, if a restriction is fulfilled in the same period in which the contribution is received, the Trust and its Subsidiaries report the support as an increase in net assets without donor restrictions. The Trust and its Subsidiaries also report donor restricted contributions that were initially conditional as increases in net assets without donor restrictions if both the donor-imposed restriction and the condition are met in the same period. The Trust and its Subsidiaries has a similar policy for reporting gains and investment income that are limited to specific uses by donor-imposed restrictions and the restrictions on the gains and income are met in the same reporting period as the gains and income are recognized.

A portion of the Trust and its Subsidiaries' revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Trust and its Subsidiaries have incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statements of financial position.

In-Kind contributions – Contributed nonfinancial assets include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. There were no in-kind contributions during the years ended June 30, 2024 and 2023.

Leases – The Trust and its Subsidiaries adopted the Accounting Standards Codification (ASC) Topic 842, *Leases* effective July 1, 2022, as allowed, using the modified retrospective.

The Trust and its Subsidiaries elected the practical expedients of not reassessing whether any expired or existing contracts are or contain leases, not reassessing the lease classification for any expired or existing leases and not reassessing any initial direct costs for existing leases. In addition, the Trust and its Subsidiaries elected the practical expedient to not separate lease and non-lease components for all its asset classes. A permitted accounting policy election was made to not apply the new guidance to leases with an initial term of 12 months or less. Those lease payments are recognized in the consolidated statements of activities on a straight-line basis over the lease term. As of July 1, 2022, the adoption of the standard did not result in the recognition of a lease liability or a right-of-use (ROU) asset. A lease entered during the year ended June 30, 2023, however, was recognized under the new accounting standard resulting in the recognition of a ROU asset and a lease liability for \$250,137 at the inception of the lease. The standard does not materially affect the changes in net assets, cash flows and liquidity. See Note 14 for further information.

In addition, under Topic 842, lessors will only capitalize incremental direct leasing costs. As a result, starting July 1, 2022, the Trust and its Subsidiaries no longer capitalize non-incremental direct costs. These costs are expensed as incurred and are included within general and administrative expenses on the consolidated statements of activities.

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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. The consolidated statements of functional expenses present the natural classification detail of expenses by function. During the years ended June 30, 2024 and 2023, 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. It also includes support activities to strengthen science, technology, engineering and mathematics (STEM). 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, farmers support, 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. 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.
- *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.
- *Management and administrative:* includes all administrative expenses incurred to support all functional areas as described above which are not directly allocable to any of them. These expenses include administrative staff salaries, accounting fees, depreciation and amortization, utilities, etc.
- *Fundraising:* includes expenses incurred in soliciting contributions, gifts, grants, etc. 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 years ended June 30, 2024 and 2023.

Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include mainly salaries, fringe benefits and payroll taxes, which are allocated on the basis of time and effort.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024 and 2023

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.

The Trust and its Subsidiaries follow the guidance for uncertainty in income taxes issued by the Financial Accounting Standards Board (FASB). 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.

All applicable tax returns have been appropriately filed by the Trust and its Subsidiaries. The Trust and its Subsidiaries' open audit periods are fiscal years ended June 30, 2020 to 2024.

Advertising and promotion – The Trust and its Subsidiaries charge to operations advertising and promotion costs as they are incurred. During the years ended June 30, 2024 and 2023, the Trust and its Subsidiaries incurred in advertising and promotion expenses of approximately \$293,000 and \$181,000 respectively.

Recently adopted accounting standard – Effective January 1, 2023, the Trust and its Subsidiaries adopted the Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13) issued by the FASB in June 2016, as well as the clarifying amendments subsequently issued. The pronouncement creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU 2016-13 requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses.

The ASU 2016-13 requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the consolidated statements of activities as the amounts expected to be collected change.

Upon adoption of the standard, there was no immediate impact to the Trust and its Subsidiaries' financial position, changes in net assets or cash flows.

3) Concentrations of credit risks:

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

The Trust and its Subsidiaries maintains its cash deposits in various financial institutions. The cash deposits, at times, may exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC) of \$250,000 per financial institution or the amount protected by the Securities Investor Protection Corporation (SIPC) of \$250,000 per brokerage firm. As of June 30, 2024 and 2023, the Trust and its Subsidiaries' cash deposits exceeded the insured limits of FDIC and SIPC by approximately \$18,000,000 and \$19,407,000, respectively.

For the years ended June 30, 2024 and 2023, grants and contributions from state and federal entities represent approximately 79% and 78%, respectively, out of total revenues. The balance due from these state and federal entities represents approximately 81% and 75%, respectively, of total accounts receivable.

PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **June 30, 2024 and 2023**

4) Liquidity and availability:

As of June 30, 2024 and 2023, 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	2024	2023
Cash and cash equivalents	\$ 18,517,760	\$ 21,109,811
Accounts receivable	702,207	488,982
Due from governmental entities	2,913,529	1,649,372
Investments	4,368,712	4,176,405
Endowment fund	51,837,920	47,201,182
Less amount not available to be used within one year:	78,340,128	74,625,752
Net assets with donor restrictions	(4,429,835)	(5,224,382)
Financial assets available to meet general expenditures over the next twelve months	\$ 73,910,293	\$ 69,401,370

5) Investments:

As of June 30, 2024 and 2023, investments consisted of the following:

Description	2024	
	Cost	Fair value
Fixed income:		
Puerto Rico government bond	\$ 1,528,588	\$ 1,489,905
Private equity securities	1,798,807	1,798,807
SAFE investments	1,080,000	1,080,000
	\$ 4,407,395	\$ 4,368,712

Description	2023	
	Cost	Fair value
Fixed income:		
Puerto Rico government bond	\$ 2,044,237	\$ 1,692,598
Private equity securities	1,783,807	1,783,807
SAFE investments	700,000	700,000
	\$ 4,528,044	\$ 4,176,405

6) Fair value measurement:

For certain of the Trust and its Subsidiaries' financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, the carrying amounts approximate fair market value due to their short-term maturities.

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Below is a description of the methodology used for instruments recognized at fair value, including the classification of such transactions in accordance with the valuation hierarchy.

Puerto Rico government bond – The fair value of this bond is obtained from third party pricing service providers that use a pricing methodology based on an active exchange market and quoted market prices for similar securities. This bond is classified as Level 2.

Private equity securities and SAFE investments – The objective of these investments is to achieve current income by providing debt and equity financing alternatives to targeted privately-held companies that are mostly organized or engaged in trade or business in Puerto Rico. These investments are classified in Level 3 since its market value was determined based on unobservable inputs that are significant to the market value measurement.

As of June 30, 2024, and 2023, the Trust and its Subsidiaries' investments are classified as follows:

2024				
Description	Level 1	Level 2	Level 3	Total
Fixed income:				
Puerto Rico government bond	\$ -	\$ 1,489,905	\$ -	\$ 1,489,905
Private equity securities	-	-	1,798,807	1,798,807
SAFE investments	-	-	1,080,000	1,080,000
	<u>\$ -</u>	<u>\$ 1,489,905</u>	<u>\$ 2,878,807</u>	<u>\$ 4,368,712</u>
2023				
Description	Level 1	Level 2	Level 3	Total
Fixed income:				
Puerto Rico government bond	\$ -	\$ 1,692,598	\$ -	\$ 1,692,598
Private equity securities	-	-	1,783,807	1,783,807
SAFE investments	-	-	700,000	700,000
	<u>\$ -</u>	<u>\$ 1,692,598</u>	<u>\$ 2,483,807</u>	<u>\$ 4,176,405</u>

The change in carrying values associated with investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3), are as follows:

2024			
Description	Private equity securities	SAFE investments	Total
Balance at July 1, 2023	\$ 1,783,807	\$ 700,000	\$ 2,483,807
Purchases	15,000	455,000	470,000
Realized losses	-	(75,000)	(75,000)
Balance at June 30, 2024	<u>\$ 1,798,807</u>	<u>\$ 1,080,000</u>	<u>\$ 2,878,807</u>

PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024 and 2023

Description	2023		
	Private equity securities	SAFE investments	Total
Balance at July 1, 2022	\$ 1,636,208	\$ 450,000	\$ 2,086,208
Purchases	175,000	300,000	475,000
Conversion of SAFE investments to private equity securities	50,000	(50,000)	-
Conversion of note receivable to private equity securities	110,000	-	110,000
Realized losses	(187,401)	-	(187,401)
Balance at June 30, 2023	<u>\$ 1,783,807</u>	<u>\$ 700,000</u>	<u>\$ 2,483,807</u>

The table below presents qualitative information for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3), as of June 30, 2024 and 2023:

Description	Valuation Technique	Unobservable Input
Private equity securities	Acquisition cost	None
SAFE investments	Acquisition cost	None

7) Notes receivable:

As of June 30, 2024 and 2023, the Trust is the holder of the following promissory notes:

Description	2024	2023
5% interest bearing promissory note, due in December 2024.	\$ 25,000	\$ 25,000
5% interest bearing promissory notes, convertible to shares of common stock of the issuers. The notes were due in December 2023. Some of these notes are currently in the process of payment or reserved in the allowance for credit losses.	87,148	125,000
5% interest bearing promissory notes, convertible to shares of common stock of the issuers. The notes were due in August 2022. Some of these notes are currently in the process of payment or reserved in the allowance for credit losses.	175,000	175,000
5.25% interest bearing promissory note, due on June 30, 2024.	74,329	74,329
5% interest bearing promissory note, due on July 5, 2023.	-	6,000
5% interest bearing promissory note, due on June 30, 2023.	-	14,086
5% interest bearing promissory note, convertible to shares of common stock of the issuer. The note is due in December 2024.	25,000	25,000

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PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **June 30, 2024 and 2023**

Continued...

Description	2024	2023
3% interest bearing promissory note, convertible to shares of common stock of the issuer. The note was due in December 2023 and was reserved in the allowance for credit losses.	75,000	75,000
7% interest bearing promissory note, convertible to shares of common stock of the issuer. The note was due in December 2023 and a repayment agreement is currently in process.	75,000	75,000
10% interest bearing promissory note, convertible to shares of common stock of the issuer. The note was due in August 2022 and was reserved in the allowance for credit losses.	50,000	50,000
5% interest bearing promissory note, convertible to shares of common stock of the issuer. The note was due in January 2021 and was reserved in the allowance for credit losses.	75,000	75,000
7% interest bearing promissory note, convertible to shares of common stock of the issuer. The note is due in February 2026.	35,000	-
10% interest bearing promissory note, convertible to shares of common stock of the issuer. The note is due in February 2026.	50,000	-
	746,477	719,415
Less: Allowance for credit losses	(499,329)	(300,000)
	\$ 247,148	\$ 419,415

8) Endowment fund:

During the year ended June 30, 2020, the Trust and its Subsidiaries established an investment fund that has a perpetual investment horizon and is tax exempt. Its main purpose is to provide for long-term sustainable growth, while addressing any current operational expenses and those public financial responsibilities established by applicable law, rules and regulations.

The endowment fund includes funds designated by the Board of Trustees to function as endowments, including reserves created by the Trust and its Subsidiaries to assist in assuring its sustainability and its projects into perpetuity. The endowment fund might be nurtured as well of donations from individuals, private corporations and the U.S. government. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Trust and its Subsidiaries have adopted an investment policy for endowment assets, as approved by the Board of Trustees, that attempts to provide a predictable stream of funding while seeking to maintain their purchasing power. Under this policy, total investments' return should exceed the rate of inflation, as measured by the Consumer Price Index plus 3%, net of fees, expenses and taxes. This objective should be achieved in such a manner that the fund is protected from unwarranted market risk. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Trust and its Subsidiaries rely on a total return strategy in which investments' return is achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Trust and its Subsidiaries targets a diversified asset allocation and provides its managers appropriate guidelines to achieve its long-term objective within prudent risk constraints. The preferred asset mix, expressed in lower-upper limits, is: 10%-70% global equities, 10%-40% global fixed income, 0%-25% alternative investments and 0%-5% cash and cash equivalents.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024 and 2023

As of June 30, 2024 and 2023, the endowment fund is presented in the net assets without donor restrictions as designated by the Board of Trustees. Changes in the endowment fund for the years ended June 30, 2024 and 2023, consisted of the following:

Description	2024	2023
Endowment fund at beginning of year	\$ 47,201,182	\$ 44,792,997
Investment return:		
Investment income, net	931,766	2,099,356
Net appreciation	3,406,342	139,021
Total investment return	4,338,108	2,238,377
Contributions	298,630	169,808
Endowment fund at end of year	\$ 51,837,920	\$ 47,201,182

9) Property and equipment:

As of June 30, 2024 and 2023, property and equipment consisted of the following:

Description	June 30, 2024		
	Cost	Accumulated depreciation and amortization	Book value
Furniture and fixtures	\$ 715,074	\$ 244,313	\$ 470,761
Computer and equipment	5,620,535	4,032,273	1,588,262
Leasehold improvements	829,068	828,427	641
Vehicle	59,025	39,714	19,311
	<u>\$ 7,223,702</u>	<u>\$ 5,144,727</u>	<u>\$ 2,078,975</u>
Description	June 30, 2023		
	Cost	Accumulated depreciation and amortization	Book value
Furniture and fixtures	\$ 346,281	\$ 159,092	\$ 187,189
Computer and equipment	4,896,498	2,839,156	2,057,342
Leasehold improvements	829,068	826,013	3,055
Vehicle	59,025	27,909	31,116
	<u>\$ 6,130,872</u>	<u>\$ 3,852,170</u>	<u>\$ 2,278,702</u>

PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **June 30, 2024 and 2023**

10) Building:

As of June 30, 2024 and 2023, building consisted of the following:

Description	2024	2023
<i>Innovation Center Building</i> - 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.	\$ 4,688,362	\$ 4,632,321
<i>Puerto Rico Environmental Quality Board's Laboratory</i> - Building that houses the laboratory facilities of the Puerto Rico Environmental Quality Board and the laboratory facilities of the Puerto Rico Vector Control Unit.	3,574,428	3,558,446
<i>Forward Center Building</i> - A three-story building partially funded by EDA grant. In connection with the EDA grant-imposed restrictions, the property shall only be used to provide space to high-technology ventures to conduct research and development and manufacturing activity for a period of 20 years from the date of its completion.	9,401,032	7,684,408
	17,663,822	15,875,175
Less: Accumulated depreciation	(1,808,709)	(1,357,191)
	\$ 15,855,113	\$ 14,517,984

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

On October 22, 2007, the Trust received 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 based on a market appraisal opinion report, dated October 20, 2008.

As established by Act 214, as amended, the Trust and its Subsidiaries plan to develop the land 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.

As of June 30, 2024 and 2023, the land was restricted by donor for research, development and infrastructure project related to science and technology.

12) Construction in progress - Science City:

The Trust and its Subsidiaries' main infrastructure-related initiative is the Science City, located in a 69-acre mixed-use land located in San Juan, in a dense concentration of hospitals, universities, and other science and technology resources. The aim for the development of the Science City is to strengthen Puerto Rico's research infrastructure and enable its use as a tool to develop, attract, and retain a vibrant research ecosystem.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **June 30, 2024 and 2023**

Since the year ended June 30, 2016, the Trust and its Subsidiaries are executing a plan of action with the ultimate goal of facilitating such an innovation ecosystem, including the identification of a Master Development Partner (MDP) to lease, finance, develop, and manage the Science City project. To facilitate the identification and attraction of a MDP, the Trust and its Subsidiaries have invested approximately \$11,150,000 in critical infrastructure comprised of the construction of the Laboratory Road and major improvements for the interconnection of Highway 21 and 28 to the Science City. These projects will be further developed and finalized after the identification of the MDP.

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 a month-to-month basis.

In addition, the Trust and its Subsidiaries lease a facility for two (2) years expiring during the year ending June 30, 2025. The monthly rental payments are approximately \$21,000.

Future minimum lease collections for the remaining non-cancellable term of these agreements subsequent to June 30, 2024, are approximately \$252,000.

For the years ended June 30, 2024 and 2023, revenues from rental agreements amounted to approximately \$323,000 and \$282,000, respectively.

14) Leases:

The Trust and its Subsidiaries lease an office space located in Ponce, Puerto Rico, under an operating lease agreement expiring on December 31, 2025. The remaining term of the agreement calls for monthly rental payments of \$7,500.

For the years ended June 30, 2024 and 2023, the components of the lease cost were as follows:

Description	Financial Statements Classification	2024	2023
Operating lease cost	Program and services- Public health initiative	\$ 90,000	\$ 37,648

As of June 30, 2024 and 2023, the weighted average remaining lease term and discount rate for the Trust and its Subsidiaries' operating lease were as follows:

Description	2024	2023
Weighted-average remaining lease term in years	1.5	2.5
Weighted-average discount rate	3.5%	3.5%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **June 30, 2024 and 2023**

As of June 30, 2024, maturities of lease liability for the operating leases are as follows:

Year ending June 30,	Amount
2025	\$ 90,000
2026	45,000
Total lease payments	135,000
Less: Imputed interest	(2,686)
Present value of lease liability	\$ 132,314

For the years ended June 30, 2024 and 2023, total rent expense amounted to approximately \$615,000 and \$603,000, respectively.

15) 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 service requirements. Under the Plan, participants may contribute an amount not exceeding \$15,000 per year. The Trust and its Subsidiaries is 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 years ended June 30, 2024 and 2023, amounted to approximately \$263,000 and \$220,000, respectively.

16) Commitments:

The Trust has entered in certain commitments to invest in various private equity funds. These commitments and the investment as of June 30, 2024, are as follows:

Entity	Commitment	Investment
Semillero Investment Fund I, LLC	\$ 500,000	\$ 499,620
Semillero Investment Fund II, LLC	1,000,000	474,552
Bluhaus Small Business Fund, L.P.	250,000	187,500
Grupo Guayacán, Inc.	1,000,000	145,613
	\$ 2,750,000	\$ 1,307,285

PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **June 30, 2024 and 2023**

17) Supplemental disclosures for the statements of cash flows:

- A) Non-cash from investing and financing transactions – During the years ended June 30, 2024 and 2023, non-cash investing and financing activities consist of the following:

Description	2024	2023
Retirement of fully depreciated property and equipment	\$ 112,527	\$ -
Adoption of ASC 842:		
Right-of-use asset for operating lease	\$ -	\$ 250,137
Lease liability	\$ -	\$ 250,137
SAFE investments converted in private equity securities	\$ -	\$ 50,000
Note receivable converted into investment in private equity securities	\$ -	\$ 110,000
Unpaid additions to building charged against accounts payable	\$ -	\$ 368,638
Unpaid additions to land development charged against accounts payable	\$ -	\$ 226,403

- B) Other cash flows information – During the years ended June 30, 2024 and 2023, the Trust and its Subsidiaries make no interest payments.

18) Reclassifications:

Certain reclassifications were made to the June 30, 2023 consolidated financial statements to conform them to the June 30, 2024 consolidated financial statements presentation. The reclassifications had no effect on the reported change in net assets for the year ended June 30, 2023.

19) Subsequent events:

In August 2024, the Government of Puerto Rico, through the DDEC, awarded an agreement of \$1,436,400 to implement an initiative titled *TecLab Puerto Rico*. The aim of this project is to provide better access routes to careers in technology sectors for high school students in Puerto Rico for the alignment in intersectoral collaborations that benefit public school students. The program expires in June 2025.

In September 2024, the US Department of Health and Human Services (US DHHS)'s Health Resources and Services Administration (HRSA) awarded a yearly grant amount of \$350,000 to implement a project titled *Integrating Behavioral Health into Primary Care through Telehealth Evidence-Based Telehealth*. The program expires in September 2029.

In September 2024, the US Department of Health and Human Services (US DHHS)'s Health Resources and Services Administration (HRSA) awarded a yearly grant amount of \$474,953 to implement a project titled *Technology-Enabled Learning Collaborative Program*. The program expires in September 2029.

In September 2024, the US Small Business Administration (SBA) awarded a yearly grant amount of \$199,589 to implement a project titled *Federal and State Technology Partnership Program*. The program expires in September 2029.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **June 30, 2024 and 2023**

Subsequent events were evaluated through October 31, 2024, the date on which consolidated financial statements were available to be issued.