



Secretaría

LODA. TANIA BARBAROSSA ORTIZ

- VER AL DORSO
- NOTAS
- PARA CALENDARIO
- TRAER EXPEDIENTE
- DAR CUENTA
- REGISTRAR Y PROCESAR
- ARCHIVAR
- PREPARAR CARTA
- NOMBRAMIENTO
- AUTORIZADO Y GESTIONAR

EL CAPITOLIO
PO BOX 9023431
SAN JUAN, PUERTO RICO
00902-3431

Tania Barbarossa Ortiz
INICIALES

REFERIDO A:

COMISIONES PERMANENTES

- HACIENDA Y FINANZAS PÚBLICAS
- GOBIERNO, EFICIENCIA GUBERNAMENTAL E INNOVACIÓN ECONÓMICA
- JURIDICA, SEGURIDAD Y VETERANOS
- SALUD Y NUTRICIÓN
- EDUCACIÓN, FORMACIÓN Y DESARROLLO DEL INDIVIDUO
- ASUNTOS DE LA MUJER
- INFRAESTRUCTURA, DESARROLLO URBANO Y TRANSPORTACION
- AGRICULTURA, SEGURIDAD ALIMENTARIA Y SUSTENTABILIDAD DE LA MONTAÑA
- RECURSOS NATURALES, AMBIENTALES Y ASUNTOS ENERGÉTICOS
- COOPERATIVISMO, PEQUEÑAS Y MEDIANAS EMPRESAS Y MICRO-EMPRESAS
- TURISMO, CULTURA, RECREACIÓN Y DEPORTES Y GLOBALIZACIÓN
- RELACIONES LABORALES, ASUNTOS DEL CONSUMIDOR Y CREACION DE EMPLEOS
- DERECHOS CIVILES, PARTICIPACIÓN CIUDADANA Y ECONOMÍA SOCIAL
- AUTONOMÍA MUNICIPAL, DESCENTRALIZACIÓN Y REGIONALIZACIÓN
- BANCA, SEGUROS Y TELECOMUNICACIONES
- VIVIENDA Y COMUNIDADES SOSTENIBLES
- ÉTICA E INTEGRIDAD LEGISLATIVA
- CORPORACIONES PUBLICAS Y ALIANZAS PUBLICO-PRIVADAS
- REGLAS, CALENDARIO Y ASUNTOS INTERNOS

#4567

PUERTO RICO | Fideicomiso para Ciencia,
Tecnología e Investigación

2 de marzo de 2015

Hon. Eduardo Bhatia Gautier
Presidente del Senado de PR
Senado-EL Capitolio
P.O. Box 9023431
San Juan, PR. 00902-3431

RECIBIDO
OFIC. DEL SECRETARIO SENADO PR
EDUARDO B. GAUTIER
MAR 11 2015
12:45 PM

Estimado señor Bhatia:

Reciba un cordial saludo por parte del que suscribe.

El Fideicomiso para Ciencia, Tecnología e Investigación es una entidad sin fines de lucro creada al amparo de la Ley Núm. 214 de 18 de agosto de 2004 y de la escritura pública Núm.23, autorizada por el notario Jaime Arturo Riera Seivane, el 31 de diciembre de 2004. El Artículo 10 de dicha ley establece que, cada año, dentro de los ciento veinte días después del cierre del año fiscal, el Fideicomiso presentará un informe al Gobernador y a la Secretaría de ambos cuerpos legislativos.

En cumplimiento con este deber ministerial, el pasado 30 de octubre de 2014 le remitimos el Informe Anual para el año fiscal 2013-14 del Fideicomiso para Ciencia, Tecnología e Investigación para el trámite correspondiente. Este informe incluyó un estado financiero no auditado debido a que nos encontrábamos en un proceso de cambio de firma de CPA.

Adjunto, el Estado Financiero Auditado del año fiscal 2013-2014 del Fideicomiso para Ciencia, Tecnología e Investigación de Puerto Rico. De necesitar cualquier información adicional relacionada con este documento, puede comunicarse al (787) 523-1593.

Atentamente,



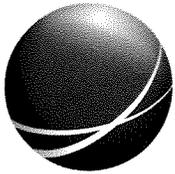
Lcdo. Iván Ríos Mena
Director Ejecutivo Interino y
Chief Operating Officer (COO)

ANEJO

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SECRETARIA SENADO DE P.R.

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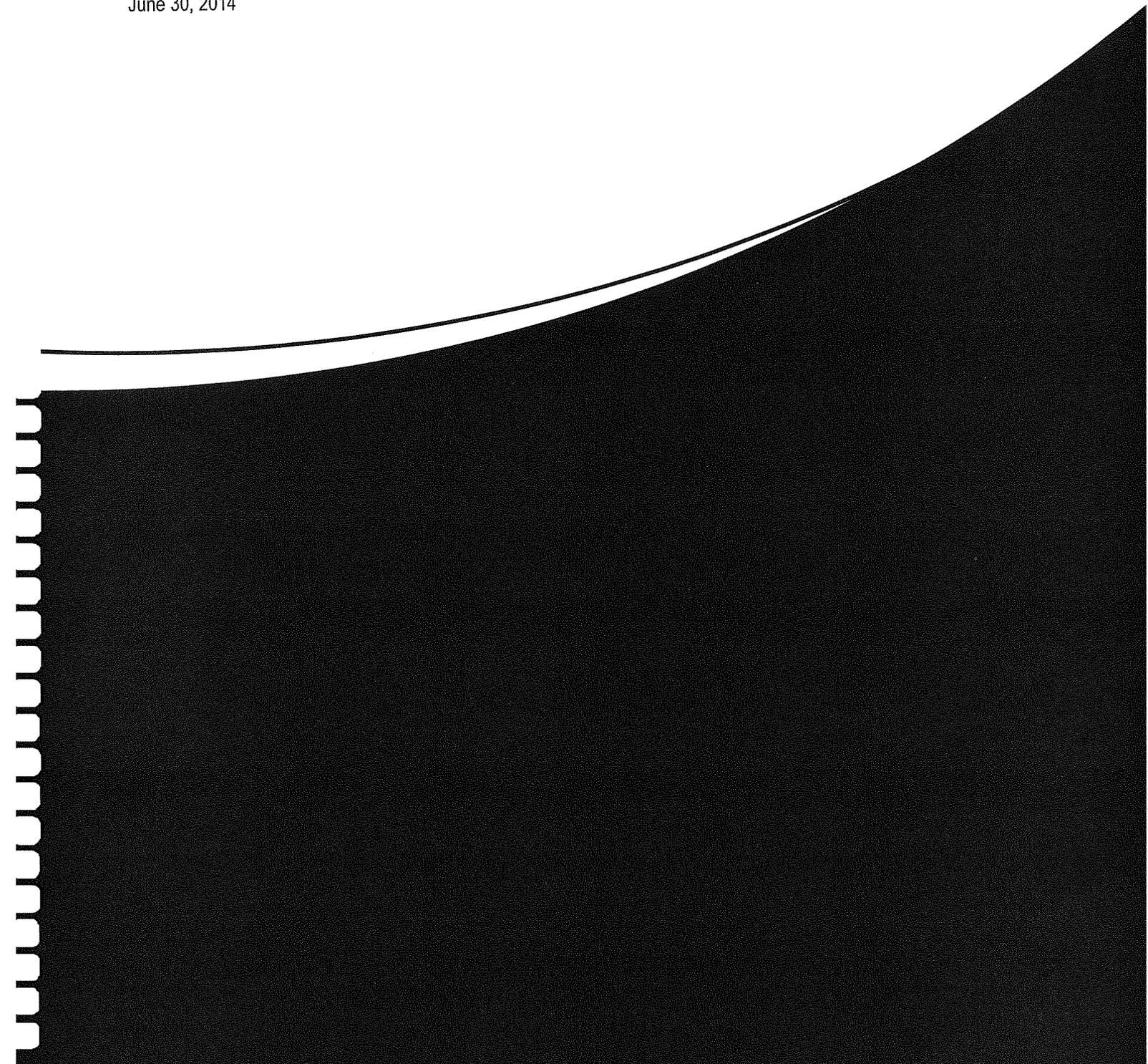
RSM ROC & Company

Certified Public Accountants & Consultants

Puerto Rico Science, Technology and
Research Trust

PUERTO RICO | Science, Technology
& Research Trust

Financial Statements
June 30, 2014





RSM ROC & Company
PO Box 10528
San Juan, PR 00922-0528
T: 787 751 6164 F: 787 759 7479
www.rocpr.net

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Puerto Rico Science, Technology and Research Trust (the Trust), a Puerto Rico not-for-profit corporation, which comprise the balance sheet as of June 30, 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows, and for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Puerto Rico Science, Technology and Research Trust as of June 30, 2014, 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 Matter

The auditors' report on the financial statements for the years ended June 30, 2008 through June 30, 2013, expressed a qualified opinion because the Trust valued a land and property contributed by a third party, as discussed in Note 7 of the financial statements, according to a preliminary market value, which was based on significant assumptions that could affect the fair value. During the year ended June 30, 2014, the Trust obtained a market appraisal opinion report that supports the fair market value of land and property at the contribution date.

San Juan, Puerto Rico
February 9, 2015.

Stamp No. E149268 was affixed to
the original of this report.

RSM ROC & Company

PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST

BALANCE SHEET

As of June 30, 2014

ASSETS:

Cash	\$	33,880,992
Accrued interest receivable		2,914
Due from government entity		15,379,668
Unrestricted investments		57,984,819
Restricted investment		6,521,425
Other assets		379,247
Convertible promissory note receivable		889,695
Property and equipment, net		8,807
Equipment under capital leases, net of accumulated depreciation of \$7,166		18,126
Building, net of accumulated depreciation of \$113,099		2,525,851
Restricted land and property for research, development and infrastructure project related to science and technology		18,000,000
Land development costs		9,095,822
	\$	<u>144,687,366</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Program service payable	\$	1,126,090
Accounts payable		3,048,406
Accrued expenses		6,221
Other liabilities		4,238
Obligations under capital leases		19,296
		<u>4,204,251</u>

NET ASSETS:

Unrestricted		116,664,690
Temporarily restricted		5,818,425
Permanently restricted		18,000,000
		<u>140,483,115</u>
	\$	<u>144,687,366</u>

The accompanying notes are an integral part of this balance sheet.

PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS For the year ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CHANGES IN NET ASSETS				
REVENUES AND SUPPORT:				
Grants	\$ 36,138,597	\$ -	\$ -	\$ 36,138,597
Rental income	26,623	-	-	26,623
Interest income	563,828	49,425	-	613,253
Program service fees	3,060	-	-	3,060
Other income	5,551	-	-	5,551
	<u>36,737,659</u>	<u>49,425</u>	<u>-</u>	<u>36,787,084</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	4,403,000	(4,403,000)	-	-
	<u>41,140,659</u>	<u>(4,353,575)</u>	<u>-</u>	<u>36,787,084</u>
OPERATING EXPENSES:				
Program and services:				
Research and data	4,899,426	-	-	4,899,426
Tech transfer and commercialization	1,082,521	-	-	1,082,521
Science City development	2,893,941	-	-	2,893,941
	<u>8,875,888</u>	<u>-</u>	<u>-</u>	<u>8,875,888</u>
Supporting services:				
General and administrative	1,759,391	-	-	1,759,391
Total expenses from operations	<u>10,635,279</u>	<u>-</u>	<u>-</u>	<u>10,635,279</u>
CHANGES IN NET ASSETS FROM OPERATIONS	30,505,380	(4,353,575)	-	26,151,805
NON-OPERATING EXPENSE:				
Legal settlements	457,000	-	-	457,000
CHANGES IN NET ASSETS	30,048,380	(4,353,575)	-	25,694,805
NET ASSETS, beginning of year	86,616,310	10,172,000	18,000,000	114,788,310
NET ASSETS, end of year	<u>\$ 116,664,690</u>	<u>\$ 5,818,425</u>	<u>\$ 18,000,000</u>	<u>\$ 140,483,115</u>

The accompanying notes are an integral part of this statement.

PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST

STATEMENT OF CASH FLOWS

For the year ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$ 25,694,805
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation and amortization	84,203
Changes in assets and liabilities-	
Decrease (increase) in assets:	
Accrued interest receivable	3,525
Due from government entity	(1,640,710)
Other assets	(378,697)
Increase (decrease) in liabilities:	
Program service payable	(563,384)
Accounts payable	2,345,494
Accrued expenses	(800)
Other liabilities	3,038
Net cash provided by operating activities	<u>25,547,474</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(61,110,000)
Reinvestment of interest earned	(571,244)
Proceeds from restricted investment used for the Centenary Fund	4,065,000
Purchase of property and equipment	(5,575)
Additions to land development costs	<u>(2,618,531)</u>
Net cash used in investing activities	<u>(60,240,350)</u>

CASH USED IN FINANCING ACTIVITIES:

Principal payment of obligations under capital leases	<u>(5,986)</u>
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NET DECREASE IN CASH (34,698,862)

CASH, beginning of year 68,579,854

CASH, end of year \$ 33,880,992

The accompanying notes are an integral part of this statement.

PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2014

	Program and services			Supporting services		Total
	Research and data	Technology transfer and commercialization	Science City development	General and administrative		
Program support:						
Sponsorships	\$ 8,671	\$ 540,700	\$ -	\$ -	\$ -	\$ 549,371
Incubators support	323,463	-	-	-	-	323,463
Centenary fund grants	4,403,000	-	-	-	-	4,403,000
Matching grants	153,000	210,000	-	-	-	363,000
In-kind services	-	13,659	-	-	-	13,659
	<u>4,888,134</u>	<u>764,359</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,652,493</u>
Personnel costs:						
Salaries and wages	9,612	-	-	127,864	-	137,476
Benefits and payroll taxes	1,680	-	-	60,373	-	62,053
	<u>11,292</u>	<u>-</u>	<u>-</u>	<u>188,237</u>	<u>-</u>	<u>199,529</u>
Professional services	<u>-</u>	<u>314,481</u>	<u>2,831,843</u>	<u>734,406</u>	<u>-</u>	<u>3,880,730</u>
Occupancy expenses:						
Depreciation expense	-	-	-	84,203	-	84,203
Repairs and maintenance	-	-	56,300	249,958	-	306,258
Security	-	-	-	229,059	-	229,059
Utilities	-	-	-	88,561	-	88,561
Other	-	-	-	32,223	-	32,223
	<u>-</u>	<u>-</u>	<u>56,300</u>	<u>684,004</u>	<u>-</u>	<u>740,304</u>
Travel	<u>-</u>	<u>2,907</u>	<u>-</u>	<u>26,541</u>	<u>-</u>	<u>29,448</u>
Other operating expenses	<u>-</u>	<u>774</u>	<u>5,798</u>	<u>126,203</u>	<u>-</u>	<u>132,775</u>
Total program and support expenses	<u>\$ 4,899,426</u>	<u>\$ 1,082,521</u>	<u>\$ 2,893,941</u>	<u>\$ 1,759,391</u>	<u>\$ -</u>	<u>\$ 10,635,279</u>

The accompanying notes are an integral part of this statement.

PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 by Act No. 214, of the Legislature of the Commonwealth of Puerto Rico (the Commonwealth) on August 18, 2004 (Act No. 214). On October 20, 2014, Act No. 208 was enacted to amend Act No. 214. 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. These projects are to be financed as follows: (i) the greater of \$5,630,000 or 28% 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, 2014, (ii) the monies of Scientific Investigation Fund for the Centenary of the University of Puerto Rico (Centenary Fund), (iii) a special appropriation of five million dollars from the Improvements Fund, (iv) five million dollars 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 donations, other government funds, and legislative appropriations.

The Act provides that the Board of Trustees, composed of 11 trustees, five of whom shall be members *ex officio*, representing the government agencies: the Secretary of the Economic Development and Commerce Department, the President of the University of Puerto Rico, the President of the Government Development Bank, the Executive Director of the Puerto Rico Industrial Development Company, the Director of the Office of Management and Budget, and six Trustees appointed by the Board of Trustees as required by the Act, will act as the Trustees of the Trust.

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

Basis of presentation – Not-for-profit organizations are required to present a balance sheet, a statement of activities, and a statement of cash flows. In addition, net assets are classified in one or more of the following categories: unrestricted, temporarily restricted and permanently restricted:

- Unrestricted net assets – Unrestricted net assets are resources available to support operations. These resources are unrestricted as to their use and expendable at the discretion of the Board of Trustees.
- Temporarily restricted net assets – Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period.
- Permanently restricted net assets – Permanently restricted net assets are resources whose use is limited by donor-imposed restrictions that neither expires by being used in accordance with a donor's restriction nor by the passage of time.

PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

The following is a description of the temporarily restricted and permanently restricted net assets as of June 30, 2014:

- Temporarily restricted net assets consist of 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.
- Permanently restricted net assets consist of a land, described in Note 7 that was contributed with the restriction of using it for the purpose described in Act No. 214 through the implementation of a Master Plan.

Accounting estimates – The preparation of 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.

Investments – Effective November 2013, the Trust invests its cash reserves (restricted and unrestricted) in certificate of deposits (CDs) held at the Puerto Rico Government Development Bank. These CDs are open-ended instruments, yielding annual interest rates of 1% and 2%, depending on their maturity dates.

Allowance for doubtful accounts – The Trust provides 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. It is reasonably possible that the estimate of the required allowance for doubtful accounts will change. As of June 30, 2014, no account has been determined by the Trust as uncollectible.

Contributions and support revenue – The Trust derives its revenues from contributions received from the government, corporations, and individuals. All 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 temporarily restricted or permanently restricted support that increases the net assets of those net asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets 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 reports the support as unrestricted.

Contributed services – Contributions of services are only recognized if services received: (a) create or enhance non-financial assets or would typically need to be purchased 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. During the year ended June 30, 2014, the Trust received contributed services for approximately \$13,700.

PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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:

<u>Description</u>	<u>Estimated Useful Life</u>
Furniture and fixtures	5 years
Computer equipment	3 years
Equipment under capital leases	Lease term

The Company continually evaluates property and equipment, including leasehold improvements, to determine whether events or changes in circumstances have occurred that may warrant revision of the estimated useful life.

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's long-lived assets held and used in operations (capital assets) 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 considered to be 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 (capital assets) 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 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.

PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

The valuation techniques are based upon observable or unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company'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 Company maintains policies and procedures to value financial instruments using the best and most relevant data available.

Income taxes – The Trust is exempt from Puerto Rico income taxes under the provisions of Act No. 214. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

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

Functional allocation of expenses and operational expenditures – The costs of providing the Trust's programs and other activities have been summarized on a functional basis in the accompanying statement of activities. 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. These expenses, however, do not have a direct effect upon technology commercialization efforts. Examples of expenses within this function include: grants to support laboratory infrastructure, 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.
- 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, grants to further the development of technologies with a clear commercialization aim and plan; 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.
- 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, utilities, etc.

PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

- 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 did not engaged in fundraising activities during the year ended June 30, 2014.

Advertising and promotion – The Trust charges to operations advertising and promotion costs as they are incurred. The Trust did not incur in any significant advertising and promotion activity during the year ended as of June 30, 2014.

2) Concentration of credit risk:

Financial instruments, which potentially subject the Company to concentration of credit risk, consist of cash deposits. As of June 30, 2014, all of the Trust's bank deposits, aggregating approximately \$35,800,000, all of which are maintained with the Government Development Bank of Puerto Rico, are uninsured and uncollateralized.

3) Investments

Investments as of June 30, 2014, consist of certificate of deposits (CDs) held at the Puerto Rico Government Development Bank, as follows:

Description	Unrestricted	Restricted
CD, 1% rate yield, maturing in November 2014	\$ 28,905,138	\$ 6,521,425
CD, 2% rate yield, maturing in November 2016	29,079,681	-
	\$ 57,984,819	\$ 6,521,425

Restricted investments relate to undisbursed monies held by the Trust for the Scientific Investigation Fund for the Centenary of the University of Puerto Rico. During the year ended June 30, 2014, interest earned from CDs were reinvested as part of the CD principal.

The Trust has categorized its investments into the three-level hierarchy, as defined in Note 1, based on the inputs to the perspective valuation techniques. These investments were categorized in Level 1.

4) Convertible promissory note receivable:

The Trust holds a convertible promissory note receivable with CDI Laboratories, Inc., for the amount of \$889,695. This promissory note entailed an agreed upon conversion of prior support in the form of grants provided to the Company into this debt financing instrument.

PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

This note is to finance Phase II of the Generation and Commercialization of Monoclonal Anti-bodies against the Human Proteome, taking place during 2010, 2011 and 2012. The note bears interest on the unpaid principal balance at a rate of three percent (3%) per annum, computed on the basis of actual date elapsed in a year from the date of the note to the repayment date. The principal amount of the note, plus any uncollected interest, is payable on demand at any time after the maturity date of January 31, 2017. No payments are due for the first three (3) years and thereafter, and all payments are amortized on a monthly basis during the remaining two (2) years until the maturity date.

The entire principal balance and accrued interest on this note may be converted into a secure loan, convertible promissory note, convertible note purchase agreement, equity agreement, common shares, reimbursement agreement or similar arrangement. The conversion into common shares of the Company is to be calculated by dividing the entire outstanding balance by the fair market value of the common stock as of the maturity date.

5) Property and equipment, net:

As of June 30, 2014, property and equipment consist of the following:

Description	Cost	Accumulated depreciation	Book value
Furniture and fixtures	\$ 100,727	\$ 91,920	\$ 8,807
Computer equipment	21,502	21,502	-
	<u>\$ 122,229</u>	<u>\$ 113,422</u>	<u>\$ 8,807</u>

Depreciation expense for the year ended June 30, 2014 amounted approximately \$84,200 and it is presented as general and administrative expenses in the accompanying statement of activities.

6) Building:

The Trust concluded the rehabilitation and construction work related to the Innovation Center Building, the first real estate development located at the Science District. The Innovation Center Building is a three-story building which 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.

7) Restricted land and property for research, development and infrastructure project related to science and technology:

On October 22, 2007, the Trust received 67.88 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 Trust valued the land and property at \$18,000,000, based on a market appraisal opinion report, dated October 20, 2008.

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As established by Act No. 208, which amended Act No. 214, the Trust plans to develop the 67.88 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.

8) Program service payable:

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 as of June 30, 2014, is as follows:

Description	Amount
Program support grants payable – unrestricted	\$ 423,090
Program support grants payable – restricted	703,000
	<u>\$ 1,126,090</u>

9) Obligations under capital lease:

The Trust leases certain assets under capital lease agreements expiring at various dates, the latest of which expires in 2018.

Future minimum lease payments for years ending subsequent to June 30, 2014 are as follows:

Year ending June 30,	Amount
2015	\$ 6,600
2016	6,600
2017	6,600
2018	<u>3,300</u>
Minimum lease payments	23,100
Less: Amount representing interest	<u>3,804</u>
Present value of minimum payments	<u>\$ 19,296</u>

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10) Supplemental disclosures for the statement of cash flows:

- A) Non-cash from investments and financing transactions – During the year ended June 30, 2014, non-cash investing and financing transactions consist of the following:

Description	Amount
Transfer of restricted cash to investments	\$ 6,890,000
Reclassification of equipment under capital leases to property and equipment	\$ 11,776

- B) Other cash flows information – During the year ended June 30, 2014, the Trust paid approximately \$3,000 in interest.

11) Contingencies:

- A) Legal – At June 30, 2014, the Trust is a defendant in various legal proceedings arising from its normal operations. Management, based on the advice of its legal counsel, accrued \$810,000 to cover three of those legal claims that were settled. The accrual is included as part of the accounts payable in the accompanying balance sheet.
- B) Environmental – The Trust contracted a third party to perform an environmental investigation in order to confirm the results of a previous evaluation that resulted in the presence of diesel in the land. As of June 30, 2014, the investigation is in progress. The Trust could be subject to remediation liability based on this result and the determination of the Puerto Rico Environmental Quality Board.

12) Subsequent events:

On October 7, 2014, the Trust signed a settlement agreement in relation to one of the legal cases pending at June 30, 2014, in which the Trust agreed to pay a gross amount of \$320,000. The amount was disbursed the same date of execution of settlement. During December 2014, the Trust received an insurance reimbursement of \$128,000 in connection with this settlement.

On October 21, 2014, the Trust signed a Letter of Intent with the Environmental Quality Board for the leasing of Building No. 8 of Science City. The commencement of the leasing is contingent upon the Trust preparation of building for an estimated construction cost of \$2 million, which was approved by the Board of Trustees.

On October 24, 2014, the Trust signed a settlement agreement in relation to one of the legal cases pending at June 30, 2014, in which the Trust agreed to pay a gross amount of \$190,000.

During January 2015, the Board of Trustees approved a settlement agreement in relation to another legal case pending at June 30, 2014, in which the Trust agreed to pay a gross amount of \$300,000. The Trust claimed a reimbursement from the insurance company and expects to recover approximately \$225,000 of this claim.

Subsequent events were evaluated through February 9, 2015, the date the basic financial statements were available to be issued.

