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**FEDERACION ATLETISMO DE PUERTO RICO INC
(A NON-FOR-PROFIT ORGANIZATION)**

***INDEPENDENT ACCOUNTANT'S COMPILATION REPORT
TOGETHER WITH
COMPILED FINANCIAL STATEMENTS***

DECEMBER 31, 2022

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

**To the Board of Directors of
Federacion Atletismo de Puerto Rico Inc:**

Management is responsible for the accompanying financial statements of Federacion Atletismo de Puerto Rico Inc (a nonprofit Organization), which comprise the statements of financial position as of December 31, 2022, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. I do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Carlos X. Peña García
Certified Public Accountant
of Puerto Rico
Caguas, Puerto Rico
June 14, 2023
License No. 6377 expires December 1, 2025
Stamp E524702 of the P.R. Society of
Certified Public Accountants has been
affixed to the original of this report



FEDERACION ATLETISMO DE PUERTO RICO INC
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS:			
Cash	\$ 20,435	\$ 16,706	\$ 37,141
Total current assets	<u>20,435</u>	<u>16,706</u>	<u>37,141</u>
PROPERTY AND EQUIPMENT, net	102	-	102
Total assets	<u>\$ 20,537</u>	<u>\$ 16,706</u>	<u>\$ 37,243</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	\$ 11,551	\$ -	11,551
Total liabilities	<u>11,551</u>	<u>-</u>	<u>11,551</u>
NET ASSETS:			
Without donors restrictions	8,986	-	8,986
With donors restrictions	-	16,706	16,706
Total net assets	<u>8,986</u>	<u>16,706</u>	<u>25,692</u>
Total liabilities and net assets	<u>\$ 20,537</u>	<u>\$ 16,706</u>	<u>\$ 37,243</u>

See independent accountant's compilation report and accompanying notes to financial statements.

FEDERACION ATLETISMO DE PUERTO RICO INC
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without donor restrictions	With donor restrictions	Total
REVENUES AND PUBLIC SUPPORT			
Grants	\$ 71,115	\$ 16,706	\$ 87,821
Enrollments	42,255	-	42,255
Interests	2	-	2
Contributed goods and services	30,000	-	30,000
Total revenues and public support	143,372	16,706	160,078
EXPENSES			
Program Expenses	116,340	-	116,340
Supporting services:			
Management and general	9,587	-	9,587
Fundraising	2,397	-	2,397
Total supporting services	11,984	-	11,984
Total expenses	128,324	-	128,324
CHANGE IN NET ASSETS, before provision for income tax	15,048	16,706	31,754
PROVISION FOR INCOME TAX (See note 5)	6,097	-	6,097
CHANGE IN NET ASSETS	8,951	16,706	25,657
NET ASSETS, Beginning of year	35	-	35
NET ASSETS, End of year	8,986	16,706	25,692

See independent accountant's compilation report and accompanying notes to financial statements.

FEDERACION ATLETISMO DE PUERTO RICO INC
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:

CHANGE IN NET ASSETS	\$ 25,657
ADJUSTMENTS TO RECONCILE CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation expense	400
Changes in operating assets and liabilities:	
Increase (decrease) in operating liabilities	
Accounts payable and accrued expenses	9,157
Total adjustments	9,557
Net cash provided by operating activities	35,214
NET INCREASE IN CASH	35,214
CASH, at beginning of year	1,927
CASH, at end of year	\$ 37,141

See independent accountant's compilation report and accompanying notes to financial statements.

FEDERACION ATLETISMO DE PUERTO RICO INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

(See accompanying independent accountant's compilation report)

NOTE 1 - NATURE OF THE ORGANIZATION

Federacion Atletismo de Puerto Rico Inc (hereinafter, the "Organization") was organized and incorporated under the laws of the District of Columbia on February 5, 2019, and commenced operations during the same year. The Organization is a non-for-profit and its main operation is to promote the athletes in Puerto Rico.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization financial statements. The financial statements and notes are representations of the Organization management who are responsible for their integrity and objectivity.

The accounting and reporting policies of the Organization conform with accounting principles generally accepted in the United States of America, and, as such, include amounts based on judgments, estimates, and assumptions made by management that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide reasonable basis for the fair presentation of the financial statements. Following is a description of the more significant accounting policies followed by the Organization:

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation - The Organization presents its financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958. The Organization financial statement follows the recommendations of the FASB in its ASC topic 958, Not-for-Profit Entities, Accounting Standards Update ASU 2016-14. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017.

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

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

FEDERACION ATLETISMO DE PUERTO RICO INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

(See accompanying Independent accountant's compilation report)

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

Unexpended amounts restricted by donors for a specific purpose are reported as net assets with donor restrictions at year. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as "net assets released from restrictions" (See Note 7). The Organization has elected to present contributions with donor restrictions that are fulfilled in the same period within the net assets without donor restriction class.

Support and revenues and expense recognition - The Organization main source of revenues comes from donations from organizations and general public support. Expenses are recognized when incurred. Also, the Organization may conduct and host special activities and events, which could provide an ongoing portion support revenue for its programs. The Organization would report the revenue of such activities, net of its related costs in the accompanying statement of activities.

Promises to Give and Contributions -Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Unconditional promises to give are recorded at their net realizable value because that amount results in a reasonable estimate of fair value in accordance with Contributions Received section of the FASB ASC 958-605. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give are recorded at their net realizable value because that amount results in a reasonable estimate of fair value in accordance with Contributions Received section of the FASB ASC 958-605. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

The Organization may receive services, equipment and material without payment or compensation or at a discount. Donated services are recognized as contributions when the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Those contributions are recorded at their estimated fair value. Contributions restricted for the acquisition of land, property and/or equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

For the year ended December 31, 2022 the Organization recorded use of premises of approximately \$12,000 which is included as contributed good and services in the statement of activities. Also, the Organization received donated services from the Director and accounting services. The total amount recognized in the accompanying financial statements for the services amounted to approximately \$18,000.

FEDERACION ATLETISMO DE PUERTO RICO INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

(See accompanying Independent accountant's compilation report)

The Organization also receives services from a variety of unpaid volunteers who make significant contributions of their time in conjunction with services. No amounts have been recognized for those services in the accompanying financial statements because the criteria for recognition of such volunteer effort as contributed services have not been satisfied.

Allowance for Doubtful Pledges - The allowance for doubtful pledges is an amount that management believes will be adequate to absorb possible losses on existing promise to give that may become uncollectible based on evaluations of collectability of the receivables and prior credit loss experience. Because of uncertainties inherent in the estimation process, management's estimate of credit losses in the outstanding promise to give and the related allowance may change in the near future.

Promise to give write-offs and recoveries are charged to the allowance for doubtful pledges and to the promise to give. At December 31, 2022 there are no promises to give.

Measure of Operations - The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to Organization ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Reporting Period - The Organizations have an calendar year ending on December 31.

Cash and Cash Equivalents - The Organization considers highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents. No cash equivalents were held by the Organization at December 31, 2022.

Property and equipment - Property and equipment are carried at cost less accumulated depreciation. Depreciation is provided on the straight-line basis over the estimated useful lives of each asset. Maintenance and repair costs that do not improve or extend the 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. When assets are sold or disposed of, the cost of the assets and the related accumulated depreciation are removed from the accounts and any gain or loss is charged to income.

Depreciation of property, plant and equipment and equipment is provided utilizing the straight-line method over the estimated useful life of the asset (See Note 3).

Impairment of Long-Lived Assets - In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 360-10, "Property Plant and Equipment -Impairment or Disposal of Long-Lived Assets", long-lived assets, such as property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated

FEDERACION ATLETISMO DE PUERTO RICO INC
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DECEMBER 31, 2022

(See accompanying independent accountant's compilation report)

by the asset. If the carrying amount of an asset exceeds its estimated future cash flows an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

The Organization periodically reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Entity has determined that no events or changes in circumstances have occurred that indicate that long-lived asset values were no longer recoverable at December 31, 2022.

Accrued expenses - Accrued expenses include routine accruals for operating expenses incurred but not paid as of the financial statements date.

Functional Expenses - The costs of providing the program and administrative expenses have been reported on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and administrative services based on estimates made by management on an equitable basis *(See Note 10)*.

Advertising Costs - Advertising costs incurred by the Organization are expensed as incurred. Total advertising costs for the year ended December 31, 2022 amounted to \$959.

Financial instruments and concentration of risk - Carrying value of financial instruments includes cash, accounts payable and accrued expenses. The recorded value recorded on the statement of financial position approximate fair value due to the short maturity of these instruments.

During the years ended December 31, 2022, the Organization maintained its cash accounts at a high credit quality financial institution. The accounts are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000. While the Organization attempts to limit any financial exposure, its deposits' balances may, at times, exceed federally insured limits. At December 31, 2022, all of the the Organization's cash balance was insured.

Mostly all of the Organization's business activity is with customers located throughout Puerto Rico, and as such it is subject to the risks of the Puerto Rico economy. Furthermore, the industry can be significantly affected by many factors, including fluctuations in the disposable income of its potential customer base, demographic trends, changes in laws, consumer concerns about athletic issues and changes in the operation number and locations of other organizations.

FEDERACION ATLETISMO DE PUERTO RICO INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

(See accompanying independent accountant's compilation report)

Income Taxes - The Organization is a non-for-profit organization for the Department of State of the Commonwealth of Puerto Rico. However, to be exempt from income taxes, the Organization must seek an exemption with the Department of the Treasury of the Commonwealth of Puerto Rico. The Organization have not obtained such exemption and accordingly, a provision for such taxes has been made in the accompanying financial statements. See Note 5.

Recent issued accounting standard updated, pronouncements and interpretations:

Leases (Topic 842) - Accounting Standard Update 2016-02 - On January 1, 2022, the Company adopted the requirements of Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842). The Company determines if an arrangement contains a lease at inception based on whether the Company has the right to control the asset during the contract period and other facts and circumstances. Operating lease right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the lease, both of which are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. A lessee is required to record lease assets and lease liabilities for all leases with a term of greater than 12 months. The ASU does not have impact on the Company's operations and financial statements.

Other Recent Pronouncements - During the year ended on December 31, 2022, the FASB and other standard setting bodies issued several other Statements and Interpretations that were not relevant to the Organization's operations.

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	Useful Lives (In years)	2022
Furniture and equipment	3-10	\$ 1,200
Less: accumulated depreciation and amortization		(1,098)
		<u>\$ 102</u>

Depreciation and amortization expense for the year ended December 31, 2022 was \$400.

NOTE 4 -USE OF FACILITIES AND LEASE

The Organization conducts one of its operations form a member facility with no rental payment due for the use into a month-to-month lease verbal agreement. The estimated fair market value of the lease rental approximates \$1,000 per month. For the year ended December 31, 2022 total lease expense under this agreement amounted to \$12,000. Management expects to renew the agreement continuously in the normal course of business.

FEDERACION ATLETISMO DE PUERTO RICO INC
NOTES TO THE FINANCIAL STATEMENTS
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(See accompanying independent accountant's compilation report)

NOTE 5 - PROVISION FOR INCOME TAX

The Organization is a non-for-profit organization for the Department of State of the Commonwealth of Puerto Rico. However, to be exempt from income taxes, the Organization must seek an exemption with the Department of the Treasury of the Commonwealth of Puerto Rico. The Organization had requested the exemption under the section 1101.01 of the Puerto Rico Internal Revenue Code, but as of the financial statements date, such exemption had not been granted and received. Accordingly, a provision for such taxes has been made in the accompanying financial statements.

The Organization follows the authoritative accounting guidance on accounting for uncertainty in income taxes upon a two-step model: 1) a tax position must be more likely than not to be sustained based solely on its technical merits in order to be recognized, and 2) the benefit is measured as the largest dollar amount of that position that is more likely than not to be sustained upon settlement. The difference between the benefit recognized in accordance with this model and the tax benefit claimed on a tax return is referred to as an unrecognized tax benefit.

As of December 31, 2022 management believes that there are no uncertain tax positions and determined that no adjustment was required as result of the application of this accounting guidance. Accordingly, no accompanying liability for uncertain tax positions had been recorded in the accompanying financial statements.

In the normal course of business, the Organization is potentially subject to income tax audits by the Commonwealth of Puerto Rico for various years, until the applicable statute of limitations expire. Tax audits by their nature are often complex and can require several years to complete.

The Organization is subject in Puerto Rico to income taxes with a normal rate of 18.5% and an additional surtax that ranges from 5% to 19% of the excess from the exempt amount. Minimum amount of tax for tax returns is \$500. For the purpose of normal tax and the additional surtax the Organization is subject to an income tax of \$5,881 for the year ended December 31, 2022.

NOTE 6- NET ASSETS

The Organization adopted FASB ASC 958, Accounting for contributions received and made. In accordance with FASB ASC 958, contributions received are recorded and classify as net assets with donor restrictions and net assets without donor restrictions based on the existence of donor-imposed restrictions. Net assets consist for the following purposes as of December 31:

Net assets without donor restrictions:

Undesignated	<u>\$ 8,986</u>
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FEDERACION ATLETISMO DE PUERTO RICO INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

(See accompanying independent accountant's compilation report)

Net assets with donor restrictions:

Assistance for athletes	\$	10,000
Competition program and other		6,706
Total net assets with donor restrictions	\$	<u>16,706</u>

NOTE 7- LIQUIDITY AND FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS

The following reflects the Organization financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual, donor-imposed restrictions or Board designations within one year of the statement of financial position date:

Financial Assets

Financial assets at December 31:

Cash	\$	37,141
Total financial assets at December 31:		<u>37,141</u>
Less: those unavailable for general expenditure within one year, due to:		
Donor-imposed purpose restrictions		<u>(16,706)</u>
Total financial assets available to meet cash needs for general expenditures within one year	\$	<u>20,435</u>

The Organizations financial assets have been reduced by amounts not available for general use because of donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The Organization is substantially supported by unrestricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period the Organization must maintain enough resources to meet those responsibilities to its donors. The Organization financial assets available to meet cash needs for general expenditures within one year consist of cash in the amount of \$20,435.

The Organization has a goal to maintain financial assets to meet 60 days of normal operating expenses, which are, on average, approximately \$20,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization did not invest cash in excess of daily requirements.

FEDERACION ATLETISMO DE PUERTO RICO INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

(See accompanying independent accountant's compilation report)

NOTE 8- CONTINGENCY

Expenditures of grant funds and contributions received are subject to review by the granting agencies. Such subsequent reviews could result in the Organization having to refund grants and contributions previously received or having such adjustments withheld for future grants. Management believes that all funds have been expended in accordance with requirements of the grants and contributions and that any such future adjustment, if any, would be immaterial. Therefore, no provision for refundable grants and contributions has been made as of December 31, 2022.

NOTE 9- ECONOMIC DEPENDENCE & CONCENTRATION OF RISK

The Organization receives a significant portion of its revenues and support each year from various donors. The Organization is dependent upon these donations for its continued existence and ability to carry out its normal activities. For the year ended December 31, 2022, approximately 55% of the Organization revenues were generated from 2 donors which are governmental related agencies. The inability to maintain the donor's and or governmental relationship in the future under existing terms could have a material adverse effect on the Organization's operations and financial condition.

Mostly all of the Organization's business activity is with donors located throughout Puerto Rico, and as such it is subject to the risks of the Puerto Rico economy and the financial crisis. Furthermore, the industry can be significantly affected by many factors, including fluctuations in the disposable income of its donors, demographic trends, changes in laws, consumer concerns about sport issues and changes in the operation number and locations of other organizations.

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FEDERACION ATLETISMO DE PUERTO RICO INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

(See accompanying independent accountant's compilation report)

NOTE 10-FUNCTIONAL EXPENSES

Functional expenses for the year ended December 31, 2022 are:

	Program Expenses	Supporting Activities:			Total
		Management and General	Fundraising	Supporting Subtotal	
EXPENSES					
Trophies, medals and other competing	\$ 68,769	\$ -	\$ -	\$ -	\$ 68,769
Professional fees	11,807	6,480	720	7,200	19,007
Lease of facilities	9,000	2,400	600	3,000	12,000
Equipment rental	1,226	-	-	-	1,226
Depreciation expense	300	80	20	100	400
Continuing education	6,821	-	-	-	6,821
Office supplies and postage	373	100	25	125	498
Advertising	-	-	959	959	959
Bank charges	-	238	-	238	238
Insurance	750	200	50	250	1,000
Travel	16,662	-	-	-	16,662
Miscellaneous	632	89	23	112	744
	<u>\$ 116,340</u>	<u>\$ 9,587</u>	<u>\$ 2,397</u>	<u>\$ 11,984</u>	<u>\$ 128,324</u>

The financial statements report certain categories of expenses that are attributable to a program or supporting function. Supporting services include those expenses that are not identifiable with any specific function but provide for the overall support and direction of the Organization. Direct identifiable expenses are charged to programs or supporting, and indirect expenses are allocated. The indirect expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include the following: lease of facilities, professional services, depreciation, insurance and miscellaneous which are allocated on the basis of time and effort. Fund-raising was allocated based on the efforts to obtain grants; no other fund-raising activities were performed by the Organization to receive funds.

FEDERACION ATLETISMO DE PUERTO RICO INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

(See accompanying independent accountant's compilation report)

NOTE 11- SUBSEQUENT EVENTS

The Organization's management evaluated subsequent events through June 14, 2023 the date on which the financial statements were available to be issued, and determined that there were no material subsequent events that would require adjustment to, or disclosure in, the Organization's financial statements.