



invest
PUERTO RICO

**ANNUAL
REPORT**

FISCAL YEAR 2022







Content

Message from the CEO	06
About Invest Puerto Rico	08
Governance	10
Key Achievements	18
Finance & Administration	42
Looking Ahead	46

Message from the CEO.



Greetings friends, colleagues, and partners.

—
On behalf of everyone at Invest Puerto Rico (InvestPR), I am pleased to present you with our organization's Annual Report for Fiscal Year 2022. Throughout the past fiscal year, InvestPR has been steadily focused on driving awareness of Puerto Rico as a world-class business destination, facilitating business attraction, growing and leveraging partnerships with stakeholders to advance our mission, and strengthening Puerto Rico's competitiveness levers to better position the island for investment.

Our efforts resulted in commitments by companies of nearly 5,000 jobs and over \$350M in capital investment on the island and reflect the combined efforts of not only InvestPR but of all our partners, including the Department of Economic Development and Commerce, with whom we collectively showcased Puerto Rico's value proposition and helped facilitate the arrival of companies to the island.

FY2022 also saw the launch of InvestPR's new brand identity and, thanks to CDBG-DR funds, we launched Puerto Rico's first major national brand campaign, "Game-Changers, Welcome Home." This campaign provided an extraordinary opportunity to present the island as a competitive place to do business as well as a launchpad for innovation in an impactful way. These marketing and advertising efforts significantly elevated Puerto Rico's presence in the numerous conferences and industry events that InvestPR engaged with during the year.

Speaking of innovation, InvestPR also launched the island's first-ever investment matchmaking platform, Impeller. This unique tool was created to facilitate access to capital for local projects seeking funds. With over 30 projects listed on the platform from a variety of industry sectors, Impeller aims to simplify the discovery and investment process for deal-making and serves to showcase the variety of opportunities available on the island, demonstrating the growing robustness of Puerto Rico as an investment jurisdiction.

As you will read on, we do not work alone and recognize the value of collaboration in achieving our mission. We are grateful to all the stakeholders that helped us along the way, from working together to ensure the reliability of data so companies and investors can make well-informed decisions, to participating in events and missions as a united front to put Puerto Rico's best foot forward.

These endeavors garnered credibility and industry recognition for InvestPR at a local and national level. Case in point: each year the International Economic Development Council (IEDC), the world's largest organization that serves economic developers, recognizes the industry's best economic development programs and partnerships in various categories. At their annual conference this year, InvestPR received three Excellence in Economic Development awards for our work during the past few years. These prestigious recognitions are a clear sign that the work we are undertaking to communicate Puerto Rico's value proposition as a world-class investment destination is yielding results.

To close, I want to thank Rodrick Miller for his service as InvestPR's first CEO. We are grateful for the blueprint he helped create. As I take on the leadership of this organization, I look forward to optimizing InvestPR's efforts in the face of an ever-changing business environment. Our Board of Directors and team remain highly committed towards achieving InvestPR's mission and we look forward to continuing to work together with our partners to accelerate economic development on the island. This is indeed an exciting moment for Puerto Rico, and I am thrilled to be part of shaping the island's future.

Pa' lante,

Ella Woger-Nieves
Acting Chief Executive Officer
Invest Puerto Rico

About Invest Puerto Rico.



Mission

Promote Puerto Rico as a competitive investment jurisdiction to attract new business and capital investment to the island.

Vision

Serve as a transformational and results-oriented accelerator of economic development in Puerto Rico.

Governance.



Board of Directors

InvestPR is governed by an eleven-member Board of Directors appointed by the Governor of Puerto Rico and composed of three public sector representatives and eight private sector representatives. FY2022 saw the appointment of Alberto Toro, Managing Director at Bluhaus Capital.

With their leadership, business experience and professional networks, the InvestPR Board of Directors is responsible for guiding the organization's mission and strategy and providing connections to key stakeholders at the national and local level to elevate Puerto Rico's profile as an investment hub.

Public sector representatives

Hon. Manuel Cidre Miranda
Secretary, Department of Economic Development & Commerce
Chair of the Board

Hon. Omar Marrero Díaz
Secretary of State

Humberto Mercader
Deputy Secretary for Strategic Initiatives, Department of Economic Development & Commerce

Private sector representatives

Christian González
Co-Founder and CEO, Wovenware
Vice-chair

James Robert Collins
Chair and CEO, Mercantile Global Holdings
Treasurer

Brenda Marrero
Founder and President, BMA Group
Secretary

Jennifer Storipan,
Vice-President, Lot Sixteen
Member-at-large

Lisa Nadal
Principal, Credits and Incentives Corp.

Kathryn Wylde
President and CEO, Partnership for New York City

Alberto Toro
Managing Director, Bluhaus Capital

U.S. East Coast Business Advisory Council

Created in 2021, the U.S. East Coast Business Advisory Council supports InvestPR's business development initiatives and lead generation endeavors by leveraging the expertise and guidance of investment professionals, business influencers, and proven entrepreneurs. A similar council will be created during FY2023 based out of Los Angeles, California, to engage in comparable efforts for the U.S. West Coast.

Angelique Sina
President & Chair of Friends
of Puerto Rico

Arnaldo Oliveras
CEO, 180 Commercial Real
Estate Advisors

Carlos Cortés
Executive Director of
Chocobar Cortés

Javier Rodríguez
Portfolio Manager
at Aberdeen, Inc.

José Morey, M.D.
Chief Executive Officer and Founder
of Ad Astra Media, LLC

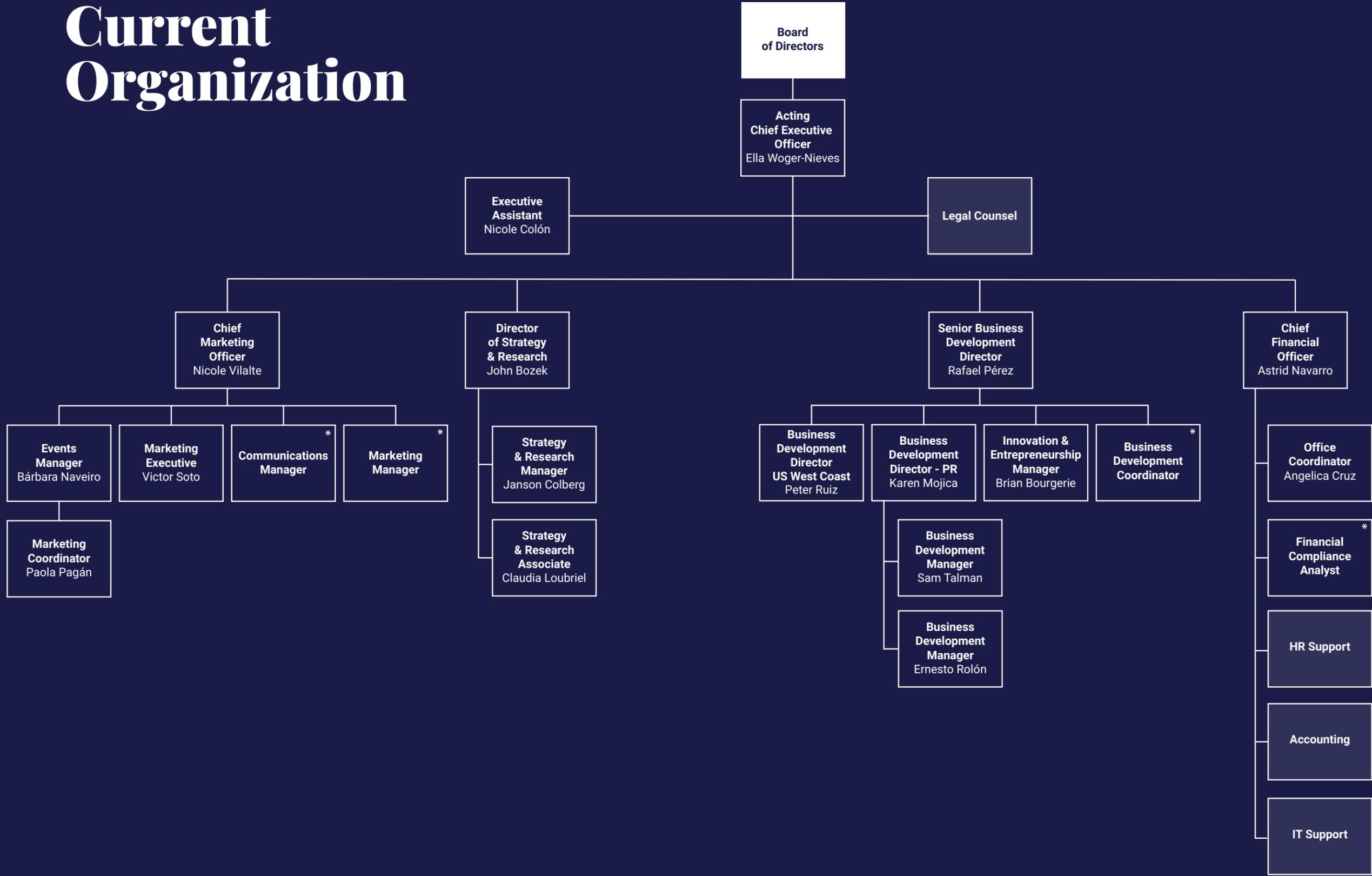
Ramphis Castro
Co-founder of ScienceVest

Rogelio Carrasquillo
Managing Shareholder
at Carrasquillo Law Group P.C.

Thomas King
Managing Partner of CrossRiver
Capital, LLC and Founding Director
of Fundación Borincana

W. Brian Maillian
Founder, Chairman and CEO of
Whitestone Global Partners, LLC

Current Organization



*Recruitment in process

Key Achievements.

Results by the Numbers

Awareness

1B+

advertising and earned
media impressions

~ \$1M

website visits

Sales

6,000

leads generated

2,000

prospect opportunities

1,800

incentive applications
submitted¹

Outcomes

+ 700

new businesses²

~ 5,000

jobs committed³

**Over
\$350M**

in investment
committed⁴

66,000

average wage⁵

¹Based on applicants new to the Island to select Act 60 Chapters (formally Acts 20/22/73/273). ²Includes only new businesses that did not have prior nexus to Puerto Rico - any local companies were excluded. ³Based on jobs projected reported by decree applicants in Single Business Portal or in the DEDC's internal databases. ⁴Based on new investment committed reported by decree applicants in Single Business Portal or in DEDC internal databases. ⁵Based on the average annual reported wage for the employees of all the applicants that report that information in their decree applications.

Driving Awareness

Over the course of the fiscal year, InvestPR undertook several ambitious initiatives on- and off- the island centered on boosting awareness of Puerto Rico's value proposition. Chief among these efforts was the development of a new brand identity and launch of our first national campaign under the new brand platform: "Game-Changers, Welcome Home." This new platform also served as the bedrock for launching sector-specific campaigns for bioscience, tech, and Impeller, a new proprietary investment matchmaking tool developed and deployed by InvestPR.

While regular paid and earned media amplified awareness-building efforts, the opportunity provided by the Community Development Block Grant - Disaster Recovery (CDBG-DR) program, supported by the Puerto Rico Department of Housing, allowed us to present a new era for investment in Puerto Rico in an impactful way. The campaigns well exceeded the established marketing KPIs reaching over 160M individuals.

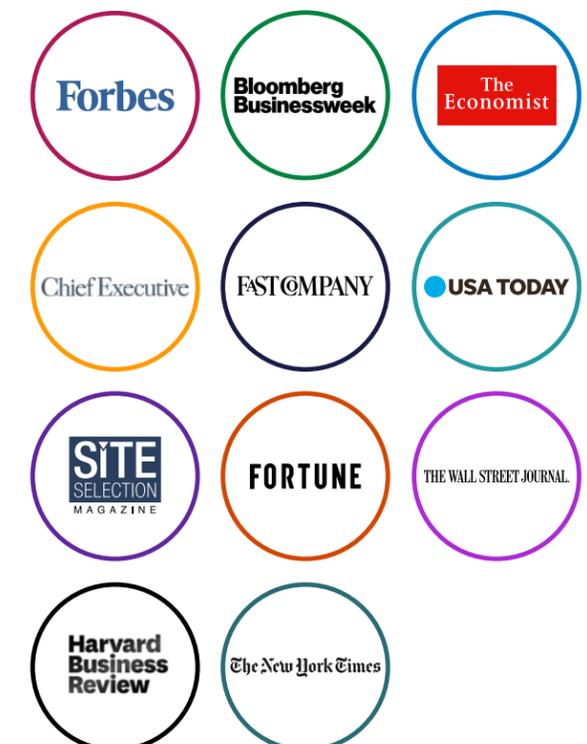
A new corporate website was launched earlier this year, an essential tool designed to encourage our prospects to dive deeper into everything they need to know on how to do business in Puerto Rico. Available in four languages and reflecting our new brand identity, this new website provides a better and more intuitive user experience and access to key collateral materials.



CDBG-DR Program

The CDBG-DR program provided an unprecedented opportunity to re-introduce the island to business leaders and decision-makers via some of the most important media outlets in the US. Puerto Rico was heavily showcased across print platforms like The Wall Street Journal, Bloomberg, Fast Company, The New York Times, and Forbes magazine, to name a few. Main airport hubs such as JFK (New York City), EWR (Newark Liberty International), BOS (Boston Logan International) & SFO (San Francisco International) were also a main stage for the island.

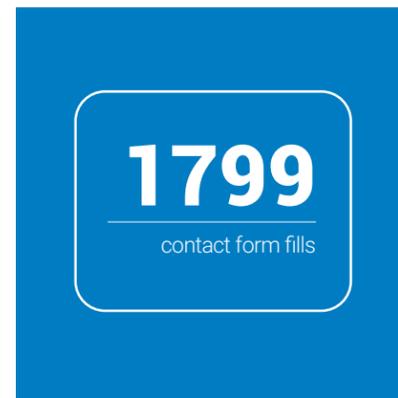
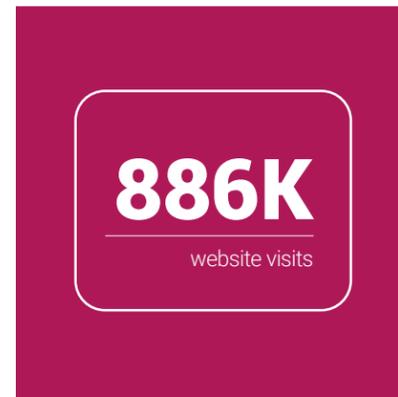
By the end of the year, the promotional efforts supported by the program garnered over 673M impressions, 886,000 website visits, and 1,799 contact form fills.



Accelerate Success & Puerto Rico Tech Campaigns



Game-Changers, Welcome Home Campaign



New website

With the launch of a new brand and campaign, InvestPR also took on a complete overhaul of its website to ensure the new brand identity was coupled with improvements to site performance.

As InvestPR continued to charge towards a digital future, ensuring our drive-to destination delivered a simple and more engaging user experience was imperative. We identified critical areas of opportunity, including the need to streamline site content, build a visual identity that would align with InvestPR's new branding, and optimize the site and its infrastructure for improved performance across key metrics.

A few short months after the new site went live, InvestPR saw significant improvement across important metrics.

13%
increase in session duration

167%
increase in traffic from organic searches

22%
decrease in average page load time



IEDC Awards

InvestPR won three Excellence in Economic Development Awards at the 2022 International Economic Development Council (IEDC) Annual Conference in Oklahoma City; one for the "Game-Changers, Welcome Home" campaign, another for the Accelerate Success program (a four-week advertising campaign focused on the island's bioscience legacy to help foster investment in the sector), and a Silver Award for our Industry Capabilities Tour. The first two wins were initiatives born from the new brand platform; the latter was a three-day initiative in which federal officials from the White House in commerce, trade, and resiliency visited Puerto Rico to see the

island's industry capabilities first hand, especially those in the pharma and manufacturing sectors. We are thrilled to have received these accolades, a feat that underscores our commitment to communicating Puerto Rico's value proposition as a world-class investment destination.

IEDC's Excellence in Economic Development Awards recognize the world's best economic development programs and partnerships, marketing materials, and the year's most influential leaders. IEDC received over 500 submissions from the United States and four additional countries around the world.



Strengthening Lead Generation & Pipeline

Invest Puerto Rico participated in a record number of conferences, events and webinars centered on business lead generation. Whether in-person or virtual, we were there, up front and center, engaging with decision makers and making the case for Puerto Rico as the investment destination of choice that best meets their needs. Business development efforts resulted in promising negotiations with prospects and elevated Puerto Rico's value proposition, ultimately yielding over 700 new businesses, a commitment of capital valued at over \$350M and approximately 5,000 jobs.

To date since the beginning of FY 2021, InvestPR has been present in over 100 events – attending nearly 80 events during FY 2022.

Engaged over
6,000 leads

Commitments of nearly
5,000 jobs

2,000
prospect opportunities

Commitments of over
\$350M
in investment



Accelerate Success

THE FUTURE OF BIOSCIENCE IS IN PUERTO RICO

**15 OF THE 20
FDA CLASS III
DEVICE MANUFACTURERS ARE IN PUERTO RICO**

A Sample of Lead Generation Events

Q1

- Tech Crunch Disrupt
- MedTech Conference
- Shared Services Outsourcing Week
- HIMSS Global Health Conference
- CPhI Pharma North America
- Impeller Launch
- Opportunity Zone Works Familiarization Tour

Q2

- International Economic Development Council (IEDC) Annual Conference
- ISPE Connecting Pharmaceutical Knowledge
- Empire FinTech Conference
- Deep Tech Showcase
- San Francisco Bay Area Sales Mission
- PR Bioscience Emerging Companies Network
- Founders Summit - TechDay
- MEDICA Trade Fair
- Smart City Expo World Congress
- Energy 2021
- How to Invest in Puerto Rico Webinar
- Puerto Rico Blockchain Trade Association Conference
- CoinAgenda Caribe in PR
- AI Summit New York



01



02



01. Select USA
02. Select USA
03. Select USA

A Sample of Lead Generation Events *cont.*

Q3

- Los Angeles Sales Mission
- Developer Week
- Forbes - Emerging Borders Webinar
- SelectUSA Tech - Clean Tech
- Site Selector Familiarization Tour
- PORZIO - PR Pharmaceutical Manufacturing Summit
- Site Selection Guild Conference
- Hispanic Chamber of Commerce Conference
- South by Southwest
- Urban Land Institute - Puerto Rico Symposium
- Advancing Gene Therapy Conference

Q4

- German American Chamber of Commerce—CleanTech Conference
- American Society of Gene & Cell Therapy Conference
- Convention on Pharmaceutical Ingredients Conference
- Interphex 2022
- BizCon
- Nexus 2022 – Nearshore Americas
- BIO International Convention
- Select USA



01



02



03

- 01. Site Selector Familiarization Tour
- 02. Select USA
- 03. BIO International Convention Puerto Rico Delegation
- 04. Select USA
- 05. Impeller Launch



04



05

Case Studies

APTIMA[®] Human-Centered Engineering[®]

Aptima, a leader in human-centered engineering, announced its expansion into Puerto Rico and the immediate hiring for several remote positions. Founded in 1995, the award-winning company's mission has been focused on optimizing human performance in some of the most challenging mission-critical environments of defense, intelligence, and healthcare.

The company's expansion into Puerto Rico builds on its innovative work with the U.S. Department of Defense and its research laboratories, in the areas of learning and training, human-machine teaming, and AI. As part of its ongoing expansion, it will look to partner with local universities and other academic institutions to collaborate in R&D defense-related projects.

Aptima has received numerous accolades from Fast Company, Inc. Magazine, including "2021 Best Workplaces for Innovators," "Annual List of Best Workplaces for 2022," and "Most Innovative Teams of the Year" in 2020. This demonstrates the caliber of Game Changers that are drawn to the Island's tech ecosystem combined with the skilled workforce and flexibility of remote working. Additionally, all job openings across the company will extend to its Puerto Rico operations with the support of InvestPR via Talent Puerto Rico and collaborations with nonprofits such as ConPRmetidos.

"Puerto Rico has excellent educational resources and talent. And we're excited to find and keep talent here in Puerto Rico, including those who may have left for the mainland but are looking to come back."

Carlos A. Suárez,
Director of Operations
Aptima Puerto Rico



AUROBINDO

In January of 2022, Aurobindo Pharma established manufacturing operations in Puerto Rico under the name Auro PR, Inc. The initiative, which represents an initial three-year investment of \$100 million and is expected to create approximately 500 jobs, further underscores Puerto Rico's position as an important bioscience manufacturing hub. Auro PR's journey to Puerto Rico began at a Select USA professional conference, where the company connected with Invest Puerto Rico. Company executives immediately saw the value of setting up operations in Puerto Rico and began an exhaustive site evaluation process with various public and private stakeholders. The pharmaceutical company is very optimistic about its new operation in Caguas and describes the support they received from Puerto Rico as unrivaled internationally.

Auro PR, Inc. will support the global footprint of its parent company, Aurobindo Pharma Limited, India. The products manufactured in Puerto Rico will be sold in the United States and in the future, internationally. Aurobindo Pharma Limited's wholly-owned subsidiary, Aurobindo Pharma USA Inc., a New Jersey-based generic pharmaceutical company, is currently the #1 supplier by volume of oral solids (tablets) for the 12 months between March of 2020 and February of 2021 per Intercontinental Medical Statistics (IMS), supplying 19 billion tablets in a year. Aurobindo's business has been growing year after year in all segments, including oral solids, injectables, and over-the-counter medications (OTC.)



Amazon Web Services, Inc., an Amazon.com, Inc. company, announced the opening of its office in San Juan to support the rapid adoption of cloud computing across the region. Local AWS representatives will support organizations of all sizes, from startups to some of the island's most established companies, including public sector entities. As part of this expansion, AWS has hired over 50 highly skilled professionals for sales, public sector, marketing, and cloud service engineering roles who will be based in Puerto Rico.

In addition to this expansion, AWS will be providing educational programs via AWS Educate and AWS Academy to build on digital skills and bridge technical gaps to ignite the entrepreneurial ecosystem.

"Puerto Rico is an important market for AWS in Central America, where companies have been innovating and using the cloud to accelerate time to market and expand their business to reach customers locally and around the world. The decision to open an AWS office in San Juan speaks to growing customer demand and the broad talent pool here."

Gerardo Martinez
AWS Regional Sales Manager

Impeller.

Powered by Invest Puerto Rico

Last year InvestPR launched Impeller, the first investment matchmaking platform of its kind on the island that facilitates connections between local projects seeking capital and potential investors. Over the past twelve months, the platform proved to be a robust resource that investors and local businesses can use to link, raise capital, and identify opportunities that contribute to Puerto Rico's economic growth.

Impeller. 1st year results:

- 300 issuer (project) accounts created
- Over 850 investor accounts created
- Over 30 deals listed
- \$200 million: Potential combined investment
- Over \$10 million: Total raised from listed companies
- Sectors represented: Tech, real estate, agriculture, manufacturing, energy, education, health, banking, and creative.

"Beyond what the numbers tell us, the real success of Impeller are the partnerships that are being created to strengthen an already active business ecosystem driven by innovation across myriad sectors."

Brian Bourgerie,
Innovation and Entrepreneurship Manager
Invest Puerto Rico

Scan here
to visit Impeller



Research & Competitiveness Levers

—

InvestPR's Strategy and Research team has played —and continues to play— a critical role in inserting Puerto Rico in the global competitiveness conversation. Its efforts in monitoring relevant market and business conditions leads us to continuously refine our promotion plan based on the findings of exhaustive research, data gathering, and analysis.

To set Puerto Rico apart as an ideal investment destination, coordinated efforts were undertaken to highlight the island's general value proposition. Emphasis was placed across key pillars such as human capital/workforce, commercial real estate, access to quality data about Puerto Rico's business footprint, rapidly evolving infrastructure including world-class connectivity to power the Internet of Things, and overall elements that increase the ease of doing business on the island.

To that end, throughout the fiscal year the team created and/or updated value propositions and asset maps for nine industry sectors highlighted on our website.

Among other endeavors, InvestPR:

- Partnered with research firm Estudios Técnicos to develop customized economic data dashboards.
- Provided continued leadership and support towards the Build Back Better initiative for logistics improvements in Aguadilla to support the island's bioscience sector.
- Completed several studies regarding Puerto Rico's competitiveness, including:
 - Remote Worker Tax Structures and Pharma Temperature Controlled Logistics.
 - Collaboration with key partners to include Puerto Rico in the IMD World Competitiveness rankings.

Energy sector competitiveness continues to be a leading factor affecting Puerto Rico's economic development performance, and InvestPR continues to host a weekly committee of private and public sector energy professionals to brainstorm cutting-edge solutions. As a result, an influx of private sector energy investment and company leads have flowed into the Island, representing potentially hundreds of millions of dollars in additional investment and hundreds of well-paying jobs in the next few years. By being a thought-leader on this front, InvestPR also provides solutions to companies that depend on reliable and cost-effective access to energy through non-traditional means i.e. on-site co-generation, renewables, efficiency measures, smart metering, etc.

Another important initiative that the InvestPR Strategy and Research team undertook was to lay the foundation for a partnership with Newlab, a multidisciplinary technology center, to develop an innovation studio on the island related to the local circular economy.



NewLab

Fostering Stakeholder Engagement

InvestPR does not work alone. In our role as the entity in charge of promoting business attraction and investment on the island, we continuously create strategic alliances that advance efforts focused on that objective. Establishing collaborations empower us to maximize shared resources and knowledge to effect real change.

Within that context, InvestPR made significant progress in elevating the island's profile on- and off-island through a series of media relations strategies, participation in speaking engagements, and fostering new relationships with entities with similar objectives. We also increased awareness of InvestPR and our mission through a stakeholder roadshow that included stops in diaspora-rich destinations such as Washington DC, New York City, and cities across Florida, and increased relationships with 30+ government, municipalities, legislature, and key local organizations.

We continue to foster partnerships and collaborations that are vital to strengthening the current business ecosystem through access to information, knowledge, and global market trends. The purpose of these associations is to increase the competitiveness of the island as an investment destination. For example, the spirit of collaboration this year resulted in an MOU with the organization Red Internacional de Negocios, which has helped InvestPR extend its reach across Latin America, maximizing the value of the island's geographical position as a commercial bridge between the Americas, Europe, and the world.



Stakeholder events

- Q1**
 - Puerto Rico Manufacturing Association Annual Convention
 - PRiMEX Round Table
- Q2**
 - NYC-Business Advisory Council & PR Diaspora - Mission
 - Foro de Gobierno y Sector Privado - Puerto Rico Chamber of Commerce
 - Energy Summit - Puerto Rico Chamber of Commerce
 - Red Internacional de Negocios (RIN) Ecosistema Empresarial
 - Simposio sobre la Industria de Manufactura
 - Brand Launch Stakeholders Event
- Q3**
 - Dirigidos al Desarrollo - Mechanical Contractors Association of PR Event
 - Festival of the Diaspora
 - Puerto Rico Open PGA Tour
 - Miami Mission - Puerto Rico's Comeback (ConPRmetidos)
- Q4**
 - Experiencia Puerto Rico Municipalities Conference
 - PR Association of Realtors Event
 - Island Finance Forum
 - Colegio de CPA - Foro de Empresarismo y Conferencia Entidades sin Fines de Lucro
 - Blockchain ARCO Event
 - PR NOW SUMMIT
 - Puerto Rican Chamber of Commerce of Central Florida Grand Opening
 - Puerto Rico Chamber of Commerce Conference
 - DC Stakeholders Event



01



02



03



04



05



06



07



08

- 01. Primex-Round Table
- 02. PR Manufacturing Association Annual Convention
- 03. Miami Mission - PR's Comeback
- 04. Women Economic Forum Caribbean
- 05. Colegio de CPA - Foro de Empresarismo
- 06. Puerto Rico Blockchain Trade Association Conference
- 07. PR NOW SUMMIT
- 08. PR NOW SUMMIT

Finance and Administration.



Funding

Invest Puerto Rico operates with a \$5.0 million annual assignment from the Puerto Rico Department of Economic Development and Commerce that ensures the organization's long term sustainability. In addition to those funds, during the previous fiscal year InvestPR signed a Subrecipient Agreement with the Puerto Rico Department of Housing and received \$8.0 million of Community Development Block Grant-Disaster Recovery (CDBG-DR) funds. These funds were used to amplify promotion and marketing efforts aligned with the organization's strategy. The organization met all grant targets and the funds were consumed as planned by February 8, 2022.

Also, on February 15, 2022, the Puerto Rico Coronavirus Relief Fund Disbursement Oversight Committee enacted Resolution 2022-16 to authorize the allocation of \$10 million from the Promote Puerto Rico Program. These funds were used to support efforts included in InvestPR's Promotion as an Investment Destination Project. The initial disbursement of \$4.0 million, received in March 2022, covers activities during fiscal year 2022.

Operational Excellence

During FY 2022, InvestPR inaugurated its state-of-the-art headquarters in the Convention Center District in San Juan. Our modern offices welcome companies and investors in a central location, amidst restaurants, hotels, an entertainment complex and the most dynamic meeting destination in the Caribbean. InvestPR also recognizes the importance of its people and continuously strengthens the organization's operations. To this effect, we completed all regulatory steps to offer our Puerto Rico and U.S.-based employees a competitive 401k savings plan, launched an Employee Wellness program and also began working on comprehensive development plans for each employee. The latter initiative will continue into FY 2023.

FY2022 Statement of Financial Position (Unaudited)

ASSETS	TOTAL
Cash and Cash Equivalents	\$7,338,663
Accounts Receivable	637,009
Prepaid Expenses	106,477
Total Current Assets	\$8,082,149
Other Assets/Deposits	50,680
Property and Equipment Net	911,030
Total Assets	\$9,043,859
LIABILITIES	
Accounts Payable	\$662,405
Accrued Expenses	444,382
Total Current Liabilities	\$1,106,787
Equipment Lease Payable	5,168
Total Liabilities	\$1,111,955
NET ASSETS	
Restricted Assets - Board Designated Contingency Reserve Funds	2,100,000
Unrestricted Net Assets	5,831,904
TOTAL NET LIABILITIES AND ASSETS	\$9,043,859

FY2022 Statement of Activities (Unaudited)

REVENUES	
Local Funds, DDEC Contract	\$5,000,000
Federal Funds	\$11,305,637
Other Revenues	\$66,751
Total Revenues	\$16,372,388
EXPENSES	
Operational Expenses by Area:	
Business Development	\$1,280,159
Marketing	\$10,205,858
Research	\$455,413
Community/Industry Engagement	\$463,720
Total Operational Expenses	\$12,405,150
Administrative Expenses	\$1,268,860
Total Expenses	\$13,674,010
INCREASE (DECREASE) IN NET ASSETS	\$2,698,378

Looking Ahead.

Priorities for Fiscal Year 2023



Our Strategy for FY2023



Target Sectors

- Biosciences
- Technology
- Advanced Manufacturing (Focus on Aerospace)
- Energy

Messaging

- Business Climate
- Talent & Education
- Organizational Support
- Innovation and Entrepreneurship
- Infrastructure & Logistics
- Tax Benefits and Policy
- Lifestyle

Channels

- Trade shows, Conference & Events
Build awareness and drive lead generation
- Website
Inform & educate potential investors
- Digital
Targeted advertising & content (search, programmatic, social)

Geographic Focus

- National Focus
U.S. small and medium sized companies from tax competitive states
- Global Focus
Western Europe, India, Targeted countries in LATAM

Continuous Improvement

- Product Improvement
Strengthen climate for value proposition
- Talent Development
Aligned with sector needs
- Stakeholder Engagement
To partner with and leverage collaborators

Awareness Building

Continue building brand awareness of Puerto Rico's general value proposition and elevating the Island's profile as an investment hub.

Build deeper knowledge of the Island's competitive assets across target sectors of interest.

Enhance InvestPR's digital presence – Website and Social.

Generate local awareness of InvestPR's role in the economic development landscape.



Lead Generation

Engage in key trade shows, conferences, familiarization tours, and sales missions to spotlight Puerto Rico as an investment destination and generate a solid pipeline of leads.

Augment database and relationships with Site Location Advisors focused on target sectors.

Leverage lead generation contracts, U.S. East and West Coast business advisory councils, and Impeller investment platform to strengthen the pipeline.

Enhance real estate partnerships, databases, and information sharing to facilitate higher-quality transactions.

Optimize partnership with the Department of Economic Development and Commerce to better enable transactions.

Product Improvement

Facilitate Puerto Rico's inclusion in global and national competitiveness metrics.

Strengthen economic development knowledge at a municipal level to increase readiness to receive & support incoming business.

Develop, in partnership with NewLab, an innovative venture studio to attract global high-impact companies and investment in an emerging industry (circular economy).

Maximize inventory and asset mapping of target sectors.

Create a workforce data and resources repository micro-site and support retention and attraction of talent along with key partners.

Stakeholder Engagement

Grow InvestPR's credibility and influence in the local market and with key stakeholder groups as a trusted authority on economic development.

Provide an ongoing flow of tailored information to stakeholders to strengthen their understanding of InvestPR's mission and progress.

Integrate InvestPR into local communities through a defined community relations strategy.

Organizational Excellence

Optimize organizational and KPI tracking and reporting.

Ensure the organization's financial health and sustainability as well as a strong environment of internal controls.

Develop and execute a phased fundraising strategy, including exploration of potential profit centers for InvestPR services.

Drive a high-performance work team to carry out InvestPR's critical mission effectively and efficiently.

Increase InvestPR's standing among the global economic development community.



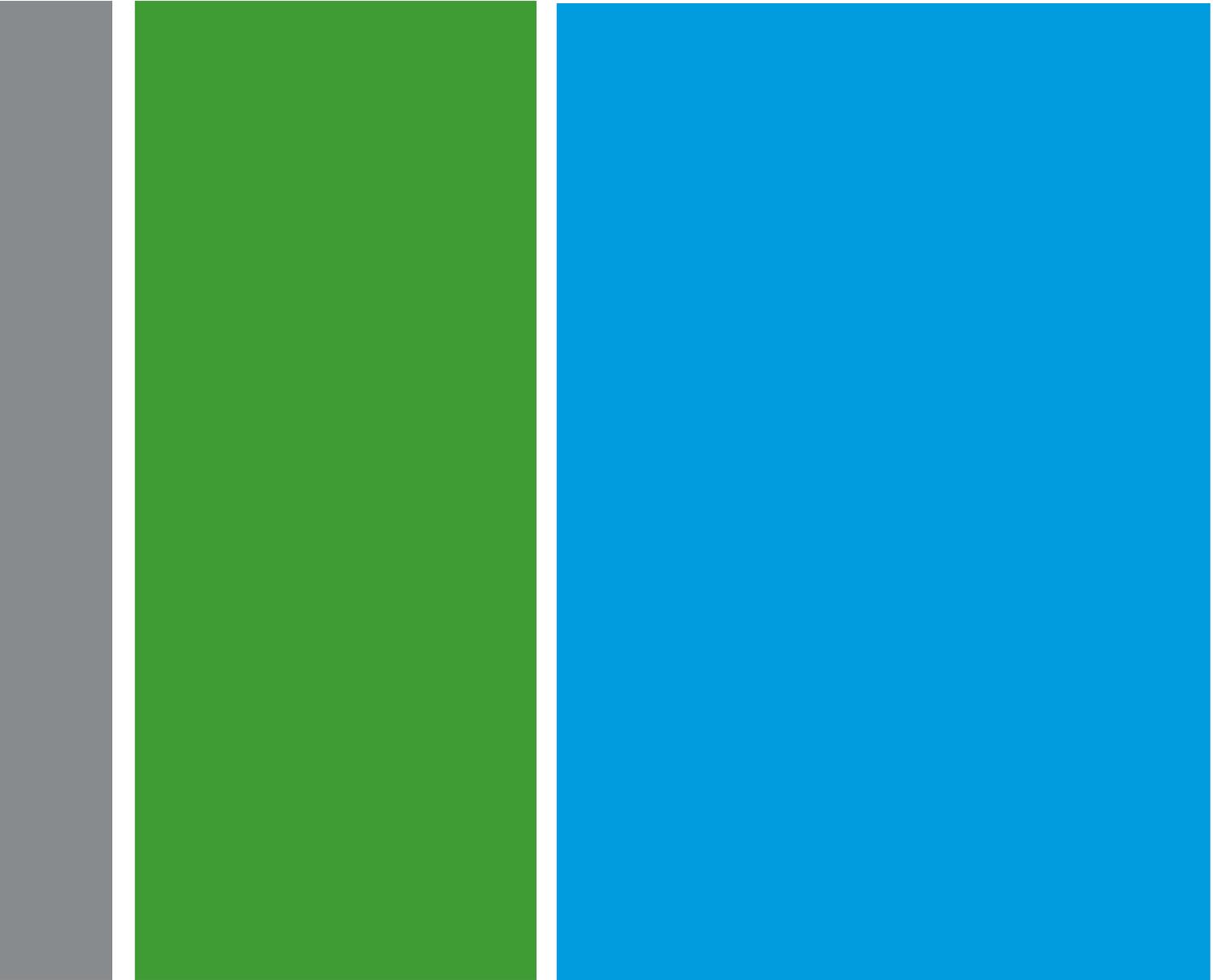
FY2023 KPI Targets

The following Key Performance targets for FY 2022-2023 were approved by the Board of Directors on October 17, 2022. KPI target categories were revised to adequately reflect Invest Puerto Rico's efforts; these targets were developed based on prior year results and taking into account global, national and local market considerations.

	KPI	FY2023 Target Goal
AWARENESS	Web Sessions	64,000
	% of Sessions from Primary Markets	60%
	Average Time on Site	01:40
SALES	New Leads	5,500
	Qualified Prospect Opportunities	2,200
OUTCOMES	New Businesses	700
	New Jobs Committed	4,500
	New Investment Committed	\$400M
	Avg Payroll	\$60k

FY2023 Budget

REVENUES	
Grant From Dept of Economic Development & Commerce	\$5,000,000
Other Income	\$301,445
Other Income	\$5,301,445
EXPENSES	
Salaries and Benefits	\$3,276,552
SALES / MARKETING / PROMOTION	
Trade Shows / Events / Meetings	\$280,500
Advertising / Promotion	\$356,238
Lead Generation Support	\$438,687
Communications And Public Relations	\$270,000
Strategy Support	\$58,466
Community / Industry Engagement	\$118,000
OPERATIONS	
Licenses / It Services / Equipment	\$50,816
Facilities Expenses	\$223,402
Legal / Accounting / Audit	\$124,360
Human Resources / Organizational Development	\$110,795
Insurance	\$39,382
Others	\$5,820
TOTAL EXPENSES	\$5,353,018



INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

Basic Financial Statements and Required Supplementary Information
Fiscal Year Ended June 30, 2022



INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION
Fiscal Year Ended June 30, 2022

Table of Contents

	<u>Pages</u>
Independent Auditors' Report	1 - 2
Required Supplementary Information (Unaudited):	
Management's Discussion and Analysis	3 - 7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	10
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	13
Notes to Basic Financial Statements	14 - 22



RSM Puerto Rico
PO Box 10528
San Juan, PR 00922-0528

T 787-751-6164
F 787-759-7479
www.rsm.pr

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
Invest Puerto Rico Inc.

Opinion

We have audited the financial statements of the governmental activities and each major fund of Invest Puerto Rico Inc., a Component Unit of the Commonwealth of Puerto Rico, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Invest Puerto Rico Inc.'s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Invest Puerto Rico Inc. as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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 Invest Puerto Rico Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Invest Puerto Rico Inc.'s ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

THE POWER OF BEING UNDERSTOOD

ASSURANCE | TAX | CONSULTING

RSM Puerto Rico is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any Jurisdiction.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 opinions. 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 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 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 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 Invest Puerto Rico Inc.'s 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Invest Puerto Rico Inc.'s 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

San Juan, Puerto Rico
May 18, 2023.

Stamp No. E530780 was affixed
to the original of this report.

A handwritten signature in blue ink, appearing to read "RSM Puerto Rico", is written over the stamp number.

INVEST PUERTO RICO INC.

Management Discussion & Analysis (Unaudited)
Fiscal Year Ended June 30, 2022

As the management of Invest Puerto Rico Inc. (the “Organization”), we offer readers of these basic financial statements our discussion and analysis of the Organization’s financial performance during the fiscal year ended on June 30, 2022. Please read the information presented in this section and the Organization’s basic financial statements, including the notes which follow this section.

This discussion and analysis is intended to serve as an introduction to the Organization’s basic financial statements, which comprise the following components: (1) statement of net position; (2) statement of activities and (3) notes to basic financial statements.

Industry Highlights

For the last two years, the World has been facing an unprecedented global health, social and economic emergency due to the COVID-19 pandemic. The impact of this global situation has had unprecedented repercussions for Puerto Rico. All on the heels of having suffered the devastating effects of hurricanes Irma and Maria during 2017, major political unrest in 2019, and seismic activity in early 2020.

To withstand this collection of devastating events, the Organization has taken decisive and resolute actions to guarantee efficient use of funds and maximize the return of investment in marketing and business development initiatives. These actions have required adjustments to the Organization’s activities and operational budget. However, looking forward, the Organization is optimistic about the future of the economic sector based on:

- Proven resilience of the Puerto Rico business ecosystem in past crises
- On going recovery from fiscal crisis
- Availability of federal funds to further strengthen island's infrastructure
- Local economic development initiatives towards target sectors where Puerto Rico is best positioned to attract business
- Local and federal government support to the business sector
- Revamping in-person attendance at events such as trade shows and conferences in the United States and Europe.

The uncertainties that this “new normal” brings to the economic sector are mitigated by the Organization’s ability to:

- Respond to changing trends dynamics by innovative use of new enhanced marketing and business development strategies
- Reach new markets in a strategic and focused manner
- Expanded use of digital and non-traditional channels
- Receive additional federal government financial support

Implementation of a well-conceived strategy has provided astounding results and has positioned Puerto Rico as an example of resiliency and recovery in the economic sector. The Organization's efforts have generated commitment of nearly 5,000 new jobs and over \$350 million in investment. Our digital marketing generated over \$1 billion in advertising and earned media impressions.

INVEST PUERTO RICO INC.

Management Discussion & Analysis (Unaudited)
Fiscal Year Ended June 30, 2022

Financial Highlights

- To carry out its sales and promotion activities, the Organization combined the assignments provided in the contract with the Puerto Rico Department of Economic Development and Commerce (DEDC), with an allocation of Disaster Recovery Funds (CBDG-DR) from the Federal Government (HUD) managed by the Puerto Rico Department of Housing (PRDOH). Towards the end of the fiscal year, the Organization received an initial allocation from the American Rescue Plan Act Fund (ARPA) of \$4 million for the promotion of Puerto Rico as a business investment destination. Most of such funds will be utilized during the fiscal year ended June 30, 2023.
- The Organization increased its revenues by approximately \$7.2 million or 137% from the previous fiscal year, mainly driven by the CBDG-DR funds. These funds could only be used for the designated purposes, implying essential adjustments to the Organization's expense structure during the fiscal year.
- The Organization increased its expenses by approximately \$9.4 million or 219% from the previous fiscal year. This increase was primarily concentrated in business development, marketing and sales promotional expenses.
- The Organization spent approximately 91% of the 2021-2022 fiscal year total expenditures on marketing, business development, promotions, community engagement and research activities, continuing its efficient use of funds.

Overview of the Financial Statements

The primary financial statements of the Organization are prepared in conformity with accounting principles generally accepted in the United States of America, as applicable to governmental entities. Accordingly, the basic financial statements include two kinds of statements that present different views of the Organization.

The first two statements are the government-wide financial statements that provide both short and long-term information about the Organization's overall financial position and results of operations. These statements are presented on the accrual basis of accounting and comprise a statement of net position and a statement of activities.

The remaining statements are the fund financial statements focused on individual parts of the Organization's government, thus reporting the Organization's operations in more detail than government-wide financial statements. The governmental funds' statements show how promotional activities were financed in the short term and what remains for future spending.

The notes to the basic financial statements provide additional information essential for a complete understanding of the data provided in the basic financial statements. The notes are an integral part of the basic financial statements.

INVEST PUERTO RICO INC.

Management Discussion & Analysis (Unaudited)
Fiscal Year Ended June 30, 2022

Financial Analysis

Condensed financial information of governmental activities in the statement of net position as of June 30, 2022, and 2021, is as follows:

Description	June 30		Change	
	2022	2021 (As restated)	Amount	Percent
Assets:				
Current assets	\$ 8,062,616	\$ 5,341,330	\$ 2,721,286	51%
Non-current assets	4,256	12,227	(7,971)	-65%
Capital assets, net	<u>1,547,007</u>	<u>1,375,216</u>	<u>171,791</u>	<u>12%</u>
	<u>9,613,879</u>	<u>6,728,773</u>	<u>2,885,106</u>	<u>43%</u>
Liabilities:				
Current liabilities	1,092,421	831,531	260,890	31%
Non-current liabilities	<u>4,632,095</u>	<u>727,162</u>	<u>3,904,933</u>	<u>100%</u>
	<u>5,724,516</u>	<u>1,558,693</u>	<u>4,165,823</u>	<u>267%</u>
Net position:				
Net investment in capital assets	873,921	648,055	225,866	35%
Unrestricted	<u>3,015,442</u>	<u>4,522,025</u>	<u>(1,506,583)</u>	<u>-33%</u>
	<u>\$ 3,889,363</u>	<u>\$ 5,170,080</u>	<u>\$ (1,280,717)</u>	<u>-25%</u>

As of June 30, 2022, the Organization's total assets consist mainly of cash of approximately \$7.3 million, accounts receivable of approximately \$617 thousand and capital assets of approximately \$1.5 thousand. The increase in total assets of approximately \$2.9 million was mainly due to (i) the increase of approximately \$4 million in cash received from ARPA, not available in the previous year, (ii) the increase in accounts receivable by approximately \$615 thousand for CDBG-DR expenses incurred not yet reimbursed by the PRDOH, (iii) the increase in capital assets (office build out) of approximately \$172 thousand, and (iv) the decrease of approximately \$1.7 million in cash in the operational account.

Total liabilities increased by approximately \$4.2 million, mainly due to (i) the deferred revenues for the funds received from ARPA of approximately \$3.9 million, that are still subject to use restrictions and (ii) the increase in accounts payable and accrued expenses of approximately \$300 thousand, mainly for marketing and general service providers.

INVEST PUERTO RICO INC.

Management Discussion & Analysis (Unaudited) Fiscal Year Ended June 30, 2022

Condensed financial information of governmental activities in the statement of activities for the years ended June 30, 2022, and 2021, is presented below:

Description	June 30		Change	
	2022	2021 (As restated)	Amount	Percent
Operating revenues	\$ 12,404,219	\$ 5,244,088	\$ 7,160,131	137%
Operating expenses	13,694,096	4,292,393	9,401,703	219%
Operating income	(1,289,877)	951,695	(2,241,572)	-236%
Non-operating revenues:				
Interest income	9,160	7,180	1,980	28%
Change in net position	(1,280,717)	958,875	(2,239,592)	-234%
Net position, beginning of year	5,170,080	4,211,205	958,875	23%
Net position, end of year	\$ 3,889,363	\$ 5,170,080	\$ (1,280,717)	\$ -25%

Total operating revenues increased by approximately \$7.2 million, from approximately \$5.2 million on June 30, 2021, to approximately \$12.4 million on June 30, 2022. The increase was mainly driven by the funds received in the fiscal year 2021-2022 of approximately \$7 million from the CDBG-DR.

Total operating expenses increased by approximately \$9.4 million during the year ended June 30, 2022, due to expenses related to the CDBG-DR fund and carryovers from prior years.

Capital Assets

Capital assets activity for the fiscal year ended June 30, 2022, is as follows:

Description	Balance as of June 30, 2021 (As restated)	Additions	Reclassifications	Balance as of June 30, 2022	Accumulated Depreciation/ Amortization	Net Ending Balance
Capital assets-being depreciated:						
Office equipment	\$ -	\$ 113,012	\$ -	\$ 113,012	\$ (16,052)	\$ 96,960
Leasehold improvements	-	61,517	695,396	756,913	(70,710)	686,203
Furniture and fixtures	-	150,192	-	150,192	(22,325)	127,867
Right-to-use leased asset:						
Leased building (intangible asset)	741,622	-	-	741,622	(135,964)	605,658
	741,622	324,721	695,396	1,761,739	(245,051)	1,516,688
Non-depreciable capital assets:						
Construction in progress	695,396	30,319	(695,396)	30,319	-	30,319
	\$ 1,437,018	\$ 355,040	\$ -	\$ 1,792,058	\$ (245,051)	\$ 1,547,007

INVEST PUERTO RICO INC.

Management Discussion & Analysis (Unaudited)
Fiscal Year Ended June 30, 2022

For the year ended June 30, 2022, capital assets additions were approximately \$355 thousand. In addition, the Organization has a construction in progress balance of \$30 thousand related to pending leasehold improvements to the new office. As of June 30, 2022, capital assets amounted to approximately \$1.5 million, net of accumulated depreciation and amortization of approximately \$245 thousand.

Currently Known Facts and Events:

The Organization has received federal grants that have helped to mitigate the impact of COVID-19 since March 2020. These federal grants and federal assistance programs provide financial support to the recovery activities that have been promoted.

Request for Information:

This financial report is designed to provide a general overview of Invest Puerto Rico, Inc.'s operation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer at 200 Convention Boulevard, The HUB, Suite 301, San Juan, PR, 00907.



INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF NET POSITION
Fiscal Year Ended June 30, 2022

	Governmental Activities
ASSETS:	
Cash	\$ 7,338,663
Accounts receivable-	
Due from governmental entities	615,311
Other receivables	2,164
Prepaid expenses and deposits	110,734
Capital assets, net	<u>1,547,007</u>
	<u>9,613,879</u>
LIABILITIES:	
Accounts payable	642,871
Accrued expenses	449,550
Deferred revenues	3,959,009
Lease liability	<u>673,086</u>
	<u>5,724,516</u>
NET POSITION:	
Net investment in capital assets	873,921
Unrestricted	<u>3,015,442</u>
	<u>\$ 3,889,363</u>

See accompanying notes to basic financial statements.



INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net Revenues/ (Expenses) and Change in Net Position</u>
GOVERNMENTAL ACTIVITIES:			
General government	\$ 1,246,778	\$ 12,346,628	\$ 11,099,850
Marketing/Promotion	10,205,858	57,591	(10,148,267)
Business development	1,280,159	-	(1,280,159)
Local industry/Community engagement	463,720	-	(463,720)
Strategy and research	455,413	-	(455,413)
Interest expense	42,168	-	(42,168)
	<u>\$ 13,694,096</u>	<u>\$ 12,404,219</u>	<u>(1,289,877)</u>
GENERAL REVENUES:			
Interest income			<u>9,160</u>
CHANGE IN NET POSITION			(1,280,717)
NET POSITION – Beginning of year (as restated)			<u>5,170,080</u>
NET POSITION – End of year			<u>\$ 3,889,363</u>

See accompanying notes to basic financial statements.



INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

BALANCE SHEET — GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2022

	General Fund	Fund for the Promotion of Puerto Rico as an Investment Destination	CDBG- Disaster Recovery Fund	American Rescue Plan Act Fund	Total Governmental Funds
ASSETS:					
Cash	\$ -	\$ 3,292,423	\$ 66,198	\$ 3,980,042	\$ 7,338,663
Accounts receivable	-	2,164	-	-	2,164
Due from governmental entities	-	-	615,311	-	615,311
Due from other funds	66,198	621,344	-	-	687,542
Prepaid expenses	-	126,840	-	-	126,840
	<u>\$ 66,198</u>	<u>\$ 4,042,771</u>	<u>\$ 681,509</u>	<u>\$ 3,980,042</u>	<u>\$ 8,770,520</u>
LIABILITIES:					
Accounts payable	\$ -	\$ 642,871	\$ -	\$ -	\$ 642,871
Accrued expenses	-	434,550	13,500	1,500	449,550
Due to other funds	-	-	668,009	19,533	687,542
Deferred revenues	-	-	-	3,959,009	3,959,009
	<u>-</u>	<u>1,077,421</u>	<u>681,509</u>	<u>3,980,042</u>	<u>5,738,972</u>
FUND BALANCES:					
Nonspendable	-	126,840	-	-	126,840
Committed	-	2,100,000	-	-	2,100,000
Unassigned	66,198	738,510	-	-	804,708
	<u>66,198</u>	<u>2,965,350</u>	<u>-</u>	<u>-</u>	<u>3,031,548</u>
	<u>\$ 66,198</u>	<u>\$ 4,042,771</u>	<u>\$ 681,509</u>	<u>\$ 3,980,042</u>	<u>\$ 8,770,520</u>

See accompanying notes to basic financial statements.



INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

**RECONCILIATION OF THE BALANCE SHEET- GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION**
For the Fiscal Year Ended June 30, 2022

FUND BALANCES OF GOVERNMENTAL FUNDS \$ 3,031,548

**AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES ARE
DIFFERENT IN THE STATEMENT OF NET POSITION BECAUSE:**

Capital assets, including the right-to-use leased asset, are not capitalized in the governmental fund financial statement. Such expenditures are considered expense when they are paid and consequently no capital assets neither depreciation or amortization expense are recognized in the fund financial statements. 1,547,007

Lease liability is not recognized in the governmental fund financial statements. Such liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements. (673,086)

Prepaid deposit under lease agreement is recognized as an asset in the governmental fund financial statements. (16,106)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 3,889,363

See accompanying notes to basic financial statements.



INVEST PUERTO RICO INC.

(A Component Unit of the Commonwealth of Puerto Rico)

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES — GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2022**

	<u>General Fund</u>	<u>Fund for the Promotion of Puerto Rico as an Investment destination</u>	<u>CDBG- Disaster Recovery Fund</u>	<u>American Rescue Plan Act Fund</u>	<u>Total Governmental Funds</u>
REVENUES:					
Grants and contributions	\$ 57,591	\$ 5,000,000	\$ 7,303,637	\$ 42,991	\$ 12,404,219
Interest income	7,617	-	-	1,543	9,160
	<u>65,208</u>	<u>5,000,000</u>	<u>7,303,637</u>	<u>44,534</u>	<u>12,413,379</u>
EXPENDITURES:					
General government	-	1,310,770	86,765	21,034	1,418,569
Marketing/Promotion	-	2,965,486	7,216,872	23,500	10,205,858
Business development	-	1,280,159	-	-	1,280,159
Local industry/Community engagement	-	463,720	-	-	463,720
Strategy and research	-	455,413	-	-	455,413
Debt service:					
Lease principal payments	-	54,076	-	-	54,076
Interest expense	-	42,168	-	-	42,168
	<u>-</u>	<u>6,571,792</u>	<u>7,303,637</u>	<u>44,534</u>	<u>13,919,963</u>
NET CHANGES IN FUND BALANCES	65,208	(1,571,792)	-	-	(1,506,584)
FUND BALANCES – Beginning of year	990	4,537,142	-	-	4,538,132
FUND BALANCES – End of year	<u>\$ 66,198</u>	<u>\$ 2,965,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,031,548</u>

See accompanying notes to basic financial statements.



INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2022**

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS \$ (1,506,584)

**AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES ARE
DIFFERENT IN THE STATEMENT OF ACTIVITIES BECAUSE:**

Capital assets, including the right-to-use leased asset, are not capitalized in the governmental fund financial statement. Such expenditures are considered expense when they are paid and consequently no capital assets neither depreciation or amortization expense are recognized in the fund financial statements.

171,791

Lease principal payments are considered expenditures in the governmental fund financial statements.

54,076

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ (1,280,717)

See accompanying notes to basic financial statements.

INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2022

1) Reporting entity:

Invest Puerto Rico, Inc. (the Organization) was organized as a not-for-profit organization pursuant to the provisions of Act No. 13 of 2017, known as “Enterprise Puerto Rico” and organized under the laws of the Commonwealth of Puerto Rico, on August 23, 2017, pursuant to the General Law of Corporations of 1995, as amended. The mission of the Organization is to promote Puerto Rico as a competitive investment jurisdiction to attract new business and capital investment to the island.

The Organization is reported as a discrete component unit of the Commonwealth of Puerto Rico (the Commonwealth), in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

To accomplish its objectives, the Organization established the following programs:

- *Marketing/Promotion* – Refers to all the activity related to raising awareness of the Organization and perception of Puerto Rico as an investment jurisdiction, including public relations efforts, media efforts (traditional and digital), website development, tradeshow/conference fees and production and development of promotional aids such as banners, brochures, etc.
- *Business development* – Refers to all the activity related to lead generation and investor support efforts, including participation in trade shows and conferences, hosting investor events and setting up customer relationship management tools.
- *Local Industry/Community Engagement* – Refers to efforts related to engaging the community in the collaborative effort of promoting Puerto Rico as a destination for investment. It includes efforts to communicate the work that the Organization does and how all communities can work alongside with of the Organization, providing a unified message and branding.
- *Strategy and research* – Refers to all activity related to conducting research on the economy, industry sectors and business trends and drivers to provide context and insight to support marketing and business development efforts.

2) Basis of presentation and summary of significant accounting policies:

The accounting and reporting policies of the Organization conform to U.S. GAAP, for governments as prescribed by the Governmental Accounting Standards Board (GASB).

Following is a description of the Organization’s financial statements presentation; measurement focus and basis of presentation and summary of most significant accounting policies:

Government-Wide and Fund Presentation

Government-Wide Financial Statements – The statement of net position and the statement of activities report information on all balances and activities of the Organization. Governmental activities are financed through contributions from the Puerto Rico Department of Economic Development and Commerce (DEDC), federal grants and donations.

INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2022

The statement of net position presents the Organization's assets and liabilities with the difference reported as net position.

Net position is reported in three categories:

- *Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets, if any.
- *Restricted* – This component of net position results when constraints placed on net position use are either externally imposed by creditors, contributors, and other external sources, or imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* – This component of net position consists of net position that does not meet the definition of the two preceding categories. An unrestricted net position is often designated to indicate that management does not consider it to be available for general operations. An unrestricted net position often has constraints on resources, which are imposed by management, but can be removed or modified.

When both restricted and unrestricted resources are available for use, it is the Organization's policy to use restricted resources first and the unrestricted resources when they are needed.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements – Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. All of the financial activities of the Organization are reported in the accompanying basic financial statements and have been classified as governmental. All funds of the Organization are considered as major funds.

Fund balances for each governmental fund are displayed, when applicable, in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable* – Represents amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted* – Represents amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.
- *Committed* – Represents amounts that can be spent only for specific purposes determined by a formal action of the Organization's highest level of decision-making authority (the Board of Directors).
- *Assigned* – Represents amounts the Organization intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* – Represents amounts not contained in other classifications.

INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2022

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all of the eligibility requirements imposed by the provider have been met.

Governmental Fund's Financial Statements – The governmental fund's financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Organization considers revenues to be available if they are to be collected within 120 days after the end of the current fiscal year-end. Expenditures are recorded when the related liability is incurred.

The financial activities of the Organization that are reported in the accompanying basic financial statements have been classified into the following major governmental funds:

- *General Fund* – The general fund is the general operating fund of the Organization and is used to account for all financial resources, except those to be required to be accounted for in another fund.
- *Fund for the Promotion of Puerto Rico as an Investment Destination* – This special revenue fund is used to account for proceeds from DEDC as part of the Second Collaboration Agreement pursuant to Article 4 of Act No. 13 of 2017 dated as of March 30, 2020.
- *CDBG-Disaster Recovery Fund* – This special revenue fund is used to account for proceeds from the subrecipient agreement with the Puerto Rico Department of Housing (PRDOH). The focus of this program is to undertake promotion activities outside the Island in order to attract visitors and businesses, to bring external capital that can contribute to Puerto Rico's economy, encourage external investments, promote economic development, and create new jobs.
- *American Rescue Plan Act Fund* – This special revenue fund is used to account for proceeds from the allocation of the American Rescue Plan Act, signed on March 11, 2021 by the President Joseph R. Biden. The Commonwealth received an allocation of these funds. Resolution 2021-142 made by the Coronavirus Relief Fund Disbursement Oversight Committee, provided authorization and allocation of \$10,000,000 from the Promote Puerto Rico Program to the Organization. Through this resolution an initial disbursement of \$4,002,000 was authorized to the Organization in February 2022 for the promotion of Puerto Rico as a business investment destination.

Summary of Significant Accounting Policies

Budgetary Accounting – The Organization is not required by the Act No. 13 to submit a budget for approval by the Legislature of the Commonwealth; consequently, no formal budgetary accounting procedures are followed.

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

Prepaid Expenses – Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items.



INVEST PUERTO RICO INC.
 (A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2022

Accounts Receivable – Accounts receivable are stated net of estimated allowance for uncollectible accounts. The allowance is based on the evaluation of the risk characteristics of the receivable, including past collection experience and current economic conditions. Write-offs are recorded against the allowance when management believes that collectability is unlikely. Recoveries of amounts previously charged off are credited to the allowance. Because of uncertainties inherent in the estimation process, management's estimate may change in the future. The Organization considers revenues available if they are collected within 120 days after the end of the current fiscal year.

Capital Assets – Capital assets are defined by the Organization as assets with a cost of \$5,000 or more at the date of acquisition and an expected useful life of three or more years. Purchased and constructed capital assets are valued at historical cost or estimated historical cost. Donated fixed assets are recorded at their fair value at the date of donation. Intangible right-to-use leased assets associated with leases are defined by the Organization as leased assets whose future leased payments through the lease term are \$10,000 or greater. The right-to-use leased assets are measured as the sum of the initial lease liability plus prepayments made at or before the commencement of the lease term less lease incentives received plus initial direct costs that are ancillary charges necessary to place the leased asset in service. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are expensed.

Capital asset additions in governmental activities are recorded as expenditures in the governmental fund financial statements.

Depreciation and amortization expense is recorded on a straight-line basis over the useful life of the related assets in the government-wide financial statements.

Estimated useful lives are as follows:

Description	Estimated Useful Life
Office equipment	3 years
Leasehold improvements	10 years or lease term, whichever is less
Furniture and fixtures	5 years
Leased building (intangible asset)	30 years or lease term, whichever is less

Deferred Revenue – Deferred revenue at the governmental fund level arises when potential revenue does not meet the “available” criteria for revenue recognition in the current period. Deferred revenue also arises when resources are received before the Organization has a legal claim to them, as when grant money is received prior to incurring the qualifying expenditures. In subsequent periods, when the revenue recognition criteria are met, or when the Organization has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet, and the revenue is recognized. Deferred revenue at the government wide level arises only when the Organization receives resources before it has a legal claim to them.

Interfund Activities – The Organization has interfund transactions representing reimbursements, which consists of repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2022

Adoption of accounting pronouncement – During the year ended June 30, 2022, the Organization implemented the GASB Statement No. 87 – *Leases* (GASB No. 87). GASB No. 87 requires the recognition of certain leased assets and liabilities for leases that were previously classified as operating leases and recognizes an inflow or outflow of resources based on the payment provisions of the contract. The standard establishes one model for lease accounting based on the principle that a lease is a financing of the right to use an underlying asset. The lessee is required to recognize a lease liability and an intangible right-to-use leased asset. Changes adopted to conform to the provisions of GASB No. 87 were applied retroactively and reported as a restatement of beginning net position. Refer to Note 3.

Future Accounting Pronouncements – The GASB has issued the following accounting pronouncements that will have future impact on the accounting and financial practices of the Organization:

- *GASB Statement No. 94 – Public – Private and Public – Public Partnership and Availability Payment Arrangement.* The objective of this Statement is to improve financial reporting by addressing issues related to public – private and public – public partnership arrangements (PPP's). The requirements of this statement are effective for fiscal years beginning after June 15, 2022. Earlier application is encouraged.
- *GASB Statement No. 96 – Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.
- *GASB Statement No. 98 – The Annual Comprehensive Financial Report.* This Statement establishes the term *annual comprehensive financial report* and its acronym ACFR. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged.
- *GASB Statement No. 99 – Omnibus 2022.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in GASB Statement No.34, as amended, and terminology updates related to GASB Statement No. 53 and GASB Statement No. 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2022

- *GASB Statement No. 100 – Accounting Changes and Error Corrections.* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.
- *GASB Statement No. 101 – Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Management is evaluating the impact that these Statements will have, if any, on the Organization's basic financial statements.

3) Restatement to net position:

As described in Note 1, the Organization implemented the GASB No. 87 during the year ended June 30, 2022. GASB No. 87 requires the lessee to recognize a lease liability and an intangible right-to-use leased asset. The changes adopted to conform to the provisions of GASB No. 87 were applied retroactively and reported as a restatement of beginning net position and fund balances.

The effect of the restatement resulted in a change to the beginning net position of the governmental activities of the Organization as follows:

Description	Fund Balances	Net Position of Governmental Activities
Balance as of June 30, 2021, as previously reported	\$ 4,538,132	\$ 5,233,528
Cumulative effect of GASB No. 87 implementation	-	(63,448)
Balance as of June 30, 2021, as restated	<u>\$ 4,538,132</u>	<u>\$ 5,170,080</u>

4) Cash:

The Organization is authorized to deposit funds in the custody of financial institutions approved by the Commonwealth. Commonwealth's regulations require domestic commercial banks to maintain collateral securities pledged for the security of public deposits at an amount in excess of federal insurance coverage.

Deposits, either insured or collateralized, are not considered to be subject to custodial credit risk. Custodial credit risk is the risk that, in the event of a failure of the counterparty to the transaction, the Organization may not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.



INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2022

As of June 30, 2022, the Organization's cash in commercial banks consists of the following:

Description	Carrying Amount	Depository Bank Balance
Commercial banks	\$ 7,338,663	\$ 7,338,563

5) Due from governmental entities:

As of June 30, 2022, due from governmental entities consist of the following:

Description	Amount
Puerto Rico Department of Housing (PRDOH)	\$ 615,311

6) Interfund balances:

The summary of the amounts due from/to other funds as of June 30, 2022, is as follows:

Receivable By	Payable By	Amount
Fund for the Promotion of Puerto Rico as an Investment Destination	American Rescue Plan Act Fund	\$ 19,533
Fund for the Promotion of Puerto Rico as an Investment Destination	CDBG- Disaster Recovery Fund	601,811
General Fund	CDBG- Disaster Recovery Fund	66,198
		<u>\$ 687,542</u>

7) Capital assets:

Capital assets activity for the year ended June 30, 2022, is as follows:

Description	Balance as of June 30, 2021 (As restated)	Additions	Reclassifications	Balance as of June 30, 2022	Accumulated Depreciation/ Amortization	Net Ending Balance
Capital assets-being depreciated:						
Office equipment	\$ -	\$ 113,012	\$ -	\$ 113,012	\$ (16,052)	\$ 96,960
Leasehold improvements	-	61,517	695,396	756,913	(70,710)	686,203
Furniture and fixtures	-	150,192	-	150,192	(22,325)	127,867
Right-to-use leased asset:						
Leased building (intangible asset)	741,622	-	-	741,622	(135,964)	605,658
	741,622	324,721	695,396	1,761,739	(245,051)	1,516,688
Non-depreciable capital assets:						
Construction in progress	695,396	30,319	(695,396)	30,319	-	30,319
	<u>\$ 1,437,018</u>	<u>\$ 355,040</u>	<u>\$ -</u>	<u>\$ 1,792,058</u>	<u>\$ (245,051)</u>	<u>\$ 1,547,007</u>



INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2022

The Organization has recorded a right-to-use leased asset for a leased building. The related lease is discussed in Note 8.

Depreciation and amortization expense for the year ended June 30, 2022 amounted to \$183,249 and was recognized as part of the governmental activities.

8) Lease liability:

The Organization is leasing its office facilities under a five (5) year lease agreement (initial term), which has an option to extend for an additional five (5) year period. The lease agreement calls for escalating monthly rental payments from \$7,857 during the first year to \$8,672 during the last year of the initial term. In addition to the base rent, the lease agreement include a monthly operating cost charge of \$1,964, with a 2.5% increment per year during the initial term. The Organization commenced making the rental payments in March 2021.

The lease agreement qualifies as other than short-term lease under GASB No. 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception. It is reasonably certain that the Organization will exercise the option to extend the lease and calculated the liability based on a ten (10) year lease term. The lease liability is measured at a discount rate of 6%, which is the stated rate in the lease agreement. Measurement of the liability excluded any variable payments that are based on usage of the asset. As a result of the lease, the Organization has recorded a right-to-use asset with a net book value of \$605,658 as of June 30, 2022.

The future principal and interest lease payments as of June 30, 2022, are as follows:

Year ending June 30,	Principal	Interest	Total payment
2023	\$ 59,884	\$ 38,766	\$ 98,650
2024	66,112	35,004	101,116
2025	72,789	30,856	103,645
2026	78,611	26,324	104,935
2027	84,538	21,446	105,984
2028-2031	<u>311,152</u>	<u>31,431</u>	<u>342,583</u>
	<u>\$ 673,086</u>	<u>\$ 183,827</u>	<u>\$ 856,913</u>

This liability activity for the year ended June 30, 2022 is as follows:

Description	Balance as of July 1, 2021 (As restated)	Increases	Decreases	Balance as of June 30, 2022	Due within one year
Lease liability	\$ 727,161	\$ -	\$ (54,075)	\$ 673,086	\$ 59,884

9) Employee benefit plans:

The Organization has two (2) defined contribution plans (the Plans), which cover substantially all of its employees that have completed three (3) months of service. Under the provisions of these Plans, employees may elect to contribute up to 6% of their annual salary. The Organization matches up to 50% of the amount contributed by the employees. The employer's contribution to these Plans for the year ended June 30, 2022, amounted to approximately \$17,000.

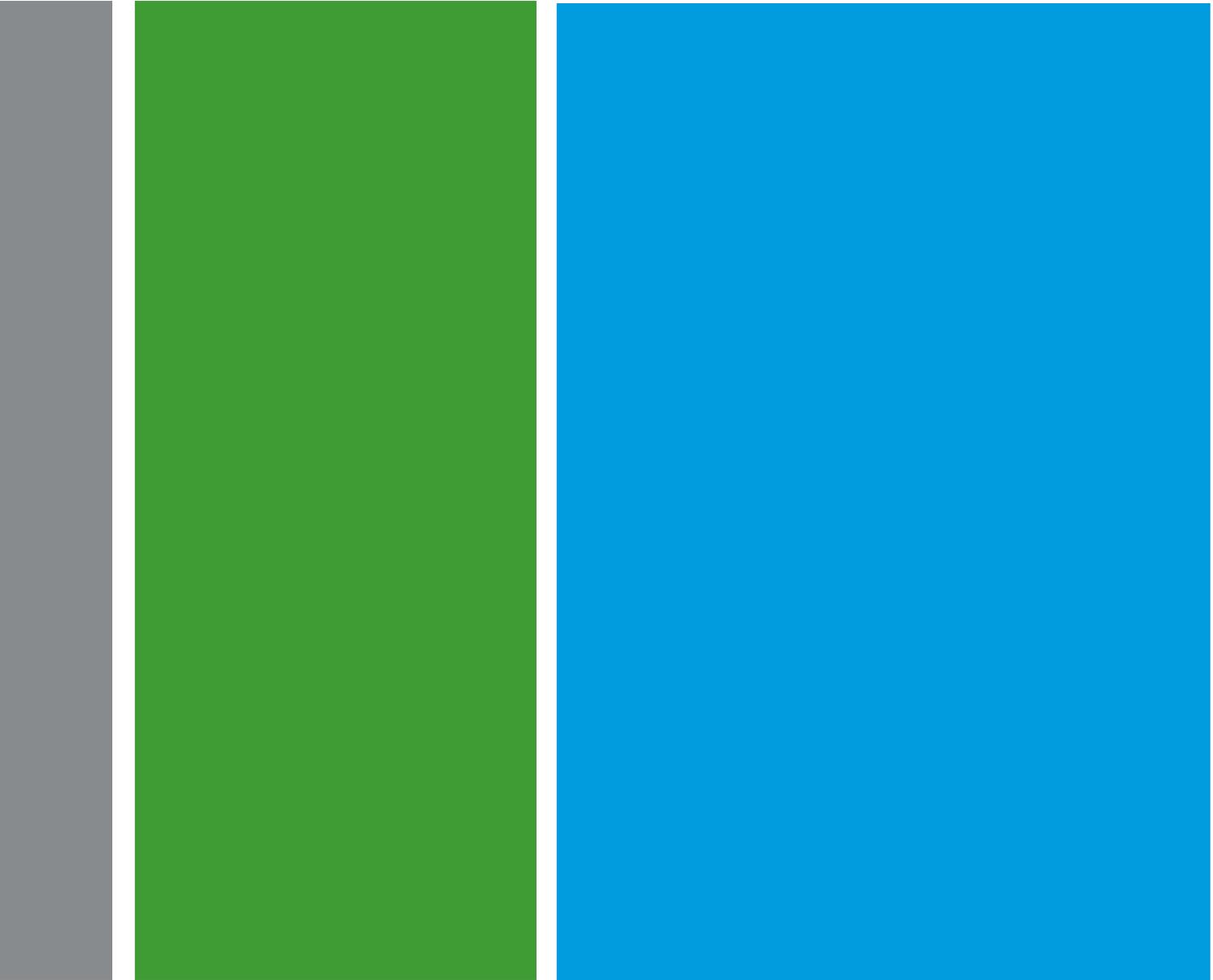


INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2022

10) Subsequent events:

Management evaluated subsequent events through May 18, 2023, the date on which the financial statements were available to be issued and concluded there were no events or transactions that occurred during this period that required recognition or disclosure on the accompanying financial statements.



INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

Uniform Guidance Report
Fiscal Year Ended June 30, 2022



INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

UNIFORM GUIDANCE REPORT
Fiscal Year Ended June 30, 2022

Table of Contents

	<u>Pages</u>
Independent Auditors' Report	1-3
Required Supplementary Information (Unaudited):	
Management's Discussion and Analysis	4-8
Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	14
Notes to Financial Statements	15-23
Schedule of Expenditures of Federal Awards	24
Notes to Schedule of Expenditures of Federal Awards	25
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26-27
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	28-30
Schedule of Findings and Questioned Costs	31-32
Corrective Action Plan	Exhibit A



RSM Puerto Rico
PO Box 10528
San Juan, PR 00922-0528

T 787-751-6164
F 787-759-7479
www.rsm.pr

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
Invest Puerto Rico Inc.

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of Invest Puerto Rico Inc., a component unit of the Commonwealth of Puerto Rico, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Invest Puerto Rico Inc.'s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Invest Puerto Rico Inc., as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Invest Puerto Rico Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Invest Puerto Rico Inc.'s ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

THE POWER OF BEING UNDERSTOOD

ASSURANCE | TAX | CONSULTING

RSM Puerto Rico is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any Jurisdiction.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 opinions. 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 and *Government Auditing Standards* 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 financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Invest Puerto Rico Inc.'s 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Invest Puerto Rico Inc.'s 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Invest Puerto Rico, Inc.'s basic financial statements. The *schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2023, on our consideration of the Invest Puerto Rico Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Invest Puerto Rico Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Invest Puerto Rico Inc.'s internal control over financial reporting and compliance.

San Juan, Puerto Rico
May 18, 2023, except for the
Supplementary Information, for which
the date is May 23, 2023.

A handwritten signature in blue ink, appearing to read "RSM Puerto Rico", is written over the text.

Stamp No. E530804 was affixed to
the original of this report.

INVEST PUERTO RICO INC.

Management Discussion & Analysis (Unaudited)
Fiscal Year Ended June 30, 2022

As the management of Invest Puerto Rico Inc. (the “Organization”), we offer readers of these financial statements our discussion and analysis of the Organization’s financial performance during the fiscal year ended on June 30, 2022. Please read the information presented in this section and the Organization’s financial statements, including the notes which follow this section.

This discussion and analysis is intended to serve as an introduction to the Organization’s financial statements, which comprise the following components: (1) statement of net position; (2) statement of activities and (3) notes to basic financial statements.

Industry Highlights

For the last two years, the World has been facing an unprecedented global health, social and economic emergency due to the COVID-19 pandemic. The impact of this global situation has had unprecedented repercussions for Puerto Rico. All on the heels of having suffered the devastating effects of hurricanes Irma and Maria during 2017, major political unrest in 2019, and seismic activity in early 2020.

To withstand this collection of devastating events, the Organization has taken decisive and resolute actions to guarantee efficient use of funds and maximize the return of investment in marketing and business development initiatives. These actions have required adjustments to the Organization’s activities and operational budget. However, looking forward, the Organization is optimistic about the future of the economic sector based on:

- Proven resilience of the Puerto Rico business ecosystem in past crises
- On going recovery from fiscal crisis
- Availability of federal funds to further strengthen island's infrastructure
- Local economic development initiatives towards target sectors where Puerto Rico is best positioned to attract business
- Local and federal government support to the business sector
- Revamping in-person attendance at events such as trade shows and conferences in the United States and Europe.

The uncertainties that this “new normal” brings to the economic sector are mitigated by the Organization’s ability to:

- Respond to changing trends dynamics by innovative use of new enhanced marketing and business development strategies
- Reach new markets in a strategic and focused manner
- Expanded use of digital and non-traditional channels
- Receive additional federal government financial support

Implementation of a well-conceived strategy has provided astounding results and has positioned Puerto Rico as an example of resiliency and recovery in the economic sector. The Organization's efforts have generated commitment of nearly 5,000 new jobs and over \$350 million in investment. Our digital marketing generated over \$1 billion in advertising and earned media impressions.

INVEST PUERTO RICO INC.

Management Discussion & Analysis (Unaudited)
Fiscal Year Ended June 30, 2022

Financial Highlights

- To carry out its sales and promotion activities, the Organization combined the assignments provided in the contract with the Puerto Rico Department of Economic Development and Commerce (DEDC), with an allocation of Disaster Recovery Funds (CBDG-DR) from the Federal Government (HUD) managed by the Puerto Rico Department of Housing (PRDOH). Towards the end of the fiscal year, the Organization received an initial allocation from the American Rescue Plan Act Fund (ARPA) of \$4 million for the promotion of Puerto Rico as a business investment destination. Most of such funds will be utilized during the fiscal year ended June 30, 2023.
- The Organization increased its revenues by approximately \$7.1 million or 136% from the previous fiscal year, mainly driven by the CBDG-DR funds. These funds could only be used for the designated purposes, implying essential adjustments to the Organization's expense structure during the fiscal year.
- The Organization increased its expenses by approximately \$9.4 million or 219% from the previous fiscal year. This increase was primarily concentrated in business development, marketing and sales promotional expenses.
- The Organization spent approximately 91% of the 2021-2022 fiscal year total expenditures on marketing, business development, promotions, community engagement and research activities, continuing its efficient use of funds.

Overview of the Financial Statements

The primary financial statements of the Organization are prepared in conformity with accounting principles generally accepted in the United States of America, as applicable to governmental entities. Accordingly, the basic financial statements include two kinds of statements that present different views of the Organization.

The first two statements are the government-wide financial statements that provide both short and long-term information about the Organization's overall financial position and results of operations. These statements are presented on the accrual basis of accounting and comprise a statement of net position and a statement of activities.

The remaining statements are the fund financial statements focused on individual parts of the Organization's government, thus reporting the Organization's operations in more detail than government-wide financial statements. The governmental funds' statements show how promotional activities were financed in the short term and what remains for future spending.

The notes to the basic financial statements provide additional information essential for a complete understanding of the data provided in the basic financial statements. The notes are an integral part of the basic financial statements.

INVEST PUERTO RICO INC.

Management Discussion & Analysis (Unaudited)
Fiscal Year Ended June 30, 2022

Financial Analysis

Condensed financial information of governmental activities in the statement of net position as of June 30, 2022, and 2021, is as follows:

Description	June 30		Change	
	2022	2021 (As restated)	Amount	Percent
Assets:				
Current assets	\$ 8,062,616	\$ 5,341,330	\$ 2,721,286	51%
Non-current assets	4,256	12,227	(7,971)	-65%
Capital assets, net	<u>1,547,007</u>	<u>1,375,216</u>	<u>171,791</u>	<u>12%</u>
	<u>9,613,879</u>	<u>6,728,773</u>	<u>2,885,106</u>	<u>43%</u>
Liabilities:				
Current liabilities	1,092,421	831,531	260,890	31%
Non-current liabilities	<u>4,632,095</u>	<u>727,162</u>	<u>3,904,933</u>	<u>100%</u>
	<u>5,724,516</u>	<u>1,558,693</u>	<u>4,165,823</u>	<u>267%</u>
Net position:				
Net investment in capital assets	873,921	648,055	225,866	35%
Unrestricted	<u>3,015,442</u>	<u>4,522,025</u>	<u>(1,506,583)</u>	<u>-33%</u>
	<u>\$ 3,889,363</u>	<u>\$ 5,170,080</u>	<u>\$ (1,280,717)</u>	<u>-25%</u>

As of June 30, 2022, the Organization's total assets consist mainly of cash of approximately \$7.3 million, accounts receivable of approximately \$617 thousand and capital assets of approximately \$1.5 thousand. The increase in total assets of approximately \$2.9 million was mainly due to (i) the increase of approximately \$4 million in cash received from ARPA, not available in the previous year, (ii) the increase in accounts receivable by approximately \$615 thousand for CDBG-DR expenses incurred not yet reimbursed by the PRDOH, (iii) the increase in capital assets (office build out) of approximately \$172 thousand, and (iv) the decrease of approximately \$1.7 million in cash in the operational account.

Total liabilities increased by approximately \$4.2 million, mainly due to (i) the deferred revenues for the funds received from ARPA of approximately \$3.9 million, that are still subject to use restrictions and (ii) the increase in accounts payable and accrued expenses of approximately \$300 thousand, mainly for marketing and general service providers.

INVEST PUERTO RICO INC.

Management Discussion & Analysis (Unaudited) Fiscal Year Ended June 30, 2022

Condensed financial information of governmental activities in the statement of activities for the years ended June 30, 2022, and 2021, is presented below:

Description	June 30		Change	
	2022	2021 (As restated)	Amount	Percent
Operating revenues	\$ 12,404,219	\$ 5,244,088	\$ 7,160,131	137%
Operating expenses	13,694,096	4,292,393	9,401,703	219%
Operating income	(1,289,877)	951,695	(2,241,572)	-236%
Non-operating revenues:				
Interest income	9,160	7,180	1,980	28%
Change in net position	(1,280,717)	958,875	(2,239,592)	-234%
Net position, beginning of year	5,170,080	4,211,205	958,875	23%
Net position, end of year	\$ 3,889,363	\$ 5,170,080	\$ (1,280,717)	\$ -25%

Total operating revenues increased by approximately \$7.1 million, from approximately \$5.2 million on June 30, 2021, to approximately \$12.4 million on June 30, 2022. The increase was mainly driven by the funds received in the fiscal year 2021-2022 of approximately \$7 million from the CDBG-DR.

Total operating expenses increased by approximately \$9.4 million during the year ended June 30, 2022, due to expenses related to the CDBG-DR fund and carryovers from prior years.

Capital Assets

Capital assets activity for the fiscal year ended June 30, 2022, is as follows:

Description	Balance as of June 30, 2021 (As restated)	Additions	Reclassifications	Balance as of June 30, 2022	Accumulated Depreciation/ Amortization	Net Ending Balance
Capital assets-being depreciated:						
Office equipment	\$ -	\$ 113,012	\$ -	\$ 113,012	\$ (16,052)	\$ 96,960
Leasehold improvements	-	61,517	695,396	756,913	(70,710)	686,203
Furniture and fixtures	-	150,192	-	150,192	(22,325)	127,867
Right-to-use leased asset:						
Leased building (intangible asset)	741,622	-	-	741,622	(135,964)	605,658
	741,622	324,721	695,396	1,761,739	(245,051)	1,516,688
Non-depreciable capital assets:						
Construction in progress	695,396	30,319	(695,396)	30,319	-	30,319
	\$ 1,437,018	\$ 355,040	\$ -	\$ 1,792,058	\$ (245,051)	\$ 1,547,007

INVEST PUERTO RICO INC.

Management Discussion & Analysis (Unaudited)
Fiscal Year Ended June 30, 2022

For the year ended June 30, 2022, capital assets additions were approximately \$355 thousand. In addition, the Organization has a construction in progress balance of \$30 thousand related to pending leasehold improvements to the new office. As of June 30, 2022, capital assets amounted to approximately \$1.5 million, net of accumulated depreciation and amortization of approximately \$245 thousand.

Currently Known Facts and Events:

The Organization has received federal grants that have helped to mitigate the impact of COVID-19 since March 2020. These federal grants and federal assistance programs provide financial support to the recovery activities that have been promoted.

Request for Information:

This financial report is designed to provide a general overview of Invest Puerto Rico, Inc.'s operation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer at 200 Convention Boulevard, The HUB, Suite 301, San Juan, PR, 00907.



INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF NET POSITION
Fiscal Year Ended June 30, 2022

	Governmental Activities
ASSETS:	
Cash	\$ 7,338,663
Accounts receivable-	
Due from governmental entities	615,311
Other receivables	2,164
Prepaid expenses and deposits	110,734
Capital assets, net	<u>1,547,007</u>
	<u>9,613,879</u>
LIABILITIES:	
Accounts payable	642,871
Accrued expenses	449,550
Deferred revenues	3,959,009
Lease liability	<u>673,086</u>
	<u>5,724,516</u>
NET POSITION:	
Net investment in capital assets	873,921
Unrestricted	<u>3,015,442</u>
	<u><u>\$ 3,889,363</u></u>

See accompanying notes to basic financial statements.



INVEST PUERTO RICO INC.

(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF ACTIVITIES For the Fiscal Year Ended June 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net Revenues/ (Expenses) and Change in Net Position</u>
GOVERNMENTAL ACTIVITIES:			
General government	\$ 1,246,778	\$ 12,346,628	\$ 11,099,850
Marketing/Promotion	10,205,858	57,591	(10,148,267)
Business development	1,280,159	-	(1,280,159)
Local industry/Community engagement	463,720	-	(463,720)
Strategy and research	455,413	-	(455,413)
Interest expense	42,168	-	(42,168)
	<u>\$ 13,694,096</u>	<u>\$ 12,404,219</u>	<u>(1,289,877)</u>
GENERAL REVENUES:			
Interest income			<u>9,160</u>
CHANGE IN NET POSITION			(1,280,717)
NET POSITION – Beginning of year (as restated)			<u>5,170,080</u>
NET POSITION – End of year			<u>\$ 3,889,363</u>

See accompanying notes to basic financial statements.



INVEST PUERTO RICO INC.

(A Component Unit of the Commonwealth of Puerto Rico)

BALANCE SHEET — GOVERNMENTAL FUNDS

Fiscal Year Ended June 30, 2022

	General Fund	Fund for the Promotion of Puerto Rico as an Investment Destination	CDBG- Disaster Recovery Fund	American Rescue Plan Act Fund	Total Governmental Funds
ASSETS:					
Cash	\$ -	\$ 3,292,423	\$ 66,198	\$ 3,980,042	\$ 7,338,663
Accounts receivable	-	2,164	-	-	2,164
Due from governmental entities	-	-	615,311	-	615,311
Due from other funds	66,198	621,344	-	-	687,542
Prepaid expenses	-	126,840	-	-	126,840
	<u>\$ 66,198</u>	<u>\$ 4,042,771</u>	<u>\$ 681,509</u>	<u>\$ 3,980,042</u>	<u>\$ 8,770,520</u>
LIABILITIES:					
Accounts payable	\$ -	\$ 642,871	\$ -	\$ -	\$ 642,871
Accrued expenses	-	434,550	13,500	1,500	449,550
Due to other funds	-	-	668,009	19,533	687,542
Deferred revenues	-	-	-	3,959,009	3,959,009
	<u>-</u>	<u>1,077,421</u>	<u>681,509</u>	<u>3,980,042</u>	<u>5,738,972</u>
FUND BALANCES:					
Nonspendable	-	126,840	-	-	126,840
Committed	-	2,100,000	-	-	2,100,000
Unassigned	66,198	738,510	-	-	804,708
	<u>66,198</u>	<u>2,965,350</u>	<u>-</u>	<u>-</u>	<u>3,031,548</u>
	<u>\$ 66,198</u>	<u>\$ 4,042,771</u>	<u>\$ 681,509</u>	<u>\$ 3,980,042</u>	<u>\$ 8,770,520</u>

See accompanying notes to basic financial statements.



INVEST PUERTO RICO INC.

(A Component Unit of the Commonwealth of Puerto Rico)

RECONCILIATION OF THE BALANCE SHEET- GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION For the Fiscal Year Ended June 30, 2022

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 3,031,548
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES ARE DIFFERENT IN THE STATEMENT OF NET POSITION BECAUSE:	
Capital assets, including the right-to-use leased asset, are not capitalized in the governmental fund financial statement. Such expenditures are considered expense when they are paid and consequently no capital assets neither depreciation or amortization expense are recognized in the fund financial statements.	1,547,007
Lease liability is not recognized in the governmental fund financial statements. Such liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements.	(673,086)
Prepaid deposit under lease agreement is recognized as an asset in the governmental fund financial statements.	<u>(16,106)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 3,889,363</u></u>

See accompanying notes to basic financial statements.



INVEST PUERTO RICO INC.

(A Component Unit of the Commonwealth of Puerto Rico)

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES — GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2022**

	<u>General Fund</u>	<u>Fund for the Promotion of Puerto Rico as an Investment destination</u>	<u>CDBG- Disaster Recovery Fund</u>	<u>American Rescue Plan Act Fund</u>	<u>Total Governmental Funds</u>
REVENUES:					
Grants and contributions	\$ 57,591	\$ 5,000,000	\$ 7,303,637	\$ 42,991	\$ 12,404,219
Interest income	7,617	-	-	1,543	9,160
	<u>65,208</u>	<u>5,000,000</u>	<u>7,303,637</u>	<u>44,534</u>	<u>12,413,379</u>
EXPENDITURES:					
General government	-	1,310,770	86,765	21,034	1,418,569
Marketing/Promotion	-	2,965,486	7,216,872	23,500	10,205,858
Business development	-	1,280,159	-	-	1,280,159
Local industry/Community engagement	-	463,720	-	-	463,720
Strategy and research	-	455,413	-	-	455,413
Debt service:					
Lease principal payments	-	54,076	-	-	54,076
Interest expense	-	42,168	-	-	42,168
	<u>-</u>	<u>6,571,792</u>	<u>7,303,637</u>	<u>44,534</u>	<u>13,919,963</u>
NET CHANGES IN FUND BALANCES	65,208	(1,571,792)	-	-	(1,506,584)
FUND BALANCES – Beginning of year	990	4,537,142	-	-	4,538,132
FUND BALANCES – End of year	<u>\$ 66,198</u>	<u>\$ 2,965,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,031,548</u>

See accompanying notes to basic financial statements.



INVEST PUERTO RICO INC.

(A Component Unit of the Commonwealth of Puerto Rico)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Fiscal Year Ended June 30, 2022

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS \$ (1,506,584)

**AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES ARE
DIFFERENT IN THE STATEMENT OF ACTIVITIES BECAUSE:**

Capital assets, including the right-to-use leased asset, are not capitalized in the governmental fund financial statement. Such expenditures are considered expense when they are paid and consequently no capital assets neither depreciation or amortization expense are recognized in the fund financial statements.

171,791

Lease principal payments are considered expenditures in the governmental fund financial statements.

54,076

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ (1,280,717)

See accompanying notes to basic financial statements.

INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2022

1) Reporting entity:

Invest Puerto Rico, Inc. (the Organization) was organized as a not-for-profit organization pursuant to the provisions of Act. No 13 of 2017, known as “Enterprise Puerto Rico” and organized under the laws of the Commonwealth of Puerto Rico, on August 23, 2017, pursuant to the General Law of Corporations of 1995, as amended. The mission of the Organization is to promote Puerto Rico as a competitive investment jurisdiction to attract new business and capital investment to the island.

The Organization is reported as a discrete component unit of the Commonwealth of Puerto Rico (the Commonwealth), in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

To accomplish its objectives, the Organization established the following programs:

- *Marketing/Promotion* – Refers to all the activity related to raising awareness of the Organization and perception of Puerto Rico as an investment jurisdiction, including public relations efforts, media efforts (traditional and digital), website development, tradeshow/conference fees and production and development of promotional aids such as banners, brochures, etc.
- *Business development* – Refers to all the activity related to lead generation and investor support efforts, including participation in trade shows and conferences, hosting investor events and setting up customer relationship management tools.
- *Local Industry/Community Engagement* – Refers to efforts related to engaging the community in the collaborative effort of promoting Puerto Rico as a destination for investment. It includes efforts to communicate the work that the Organization does and how all communities can work alongside with of the Organization, providing a unified message and branding.
- *Strategy and research* – Refers to all activity related to conducting research on the economy, industry sectors and business trends and drivers to provide context and insight to support marketing and business development efforts.

2) Basis of presentation and summary of significant accounting policies:

The accounting and reporting policies of the Organization conform to U.S. GAAP, for governments as prescribed by the Governmental Accounting Standards Board (GASB).

Following is a description of the Organization’s financial statements presentation; measurement focus and basis of presentation and summary of most significant accounting policies:

Government-Wide and Fund Presentation

Government-Wide Financial Statements – The statement of net position and the statement of activities report information on all balances and activities of the Organization. Governmental activities are financed through contributions from the Puerto Rico Department of Economic Development and Commerce (DEDC), federal grants and donations.

INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2022

The statement of net position presents the Organization's assets and liabilities with the difference reported as net position.

Net position is reported in three categories:

- *Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets, if any.
- *Restricted* – This component of net position results when constraints placed on net position use are either externally imposed by creditors, contributors, and other external sources, or imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* – This component of net position consists of net position that does not meet the definition of the two preceding categories. An unrestricted net position is often designated to indicate that management does not consider it to be available for general operations. An unrestricted net position often has constraints on resources, which are imposed by management, but can be removed or modified.

When both restricted and unrestricted resources are available for use, it is the Organization's policy to use restricted resources first and the unrestricted resources when they are needed.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements – Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. All of the financial activities of the Organization are reported in the accompanying basic financial statements and have been classified as governmental. All funds of the Organization are considered as major funds.

Fund balances for each governmental fund are displayed, when applicable, in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable* – Represents amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted* – Represents amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.
- *Committed* – Represents amounts that can be spent only for specific purposes determined by a formal action of the Organization's highest level of decision-making authority (the Board of Directors).
- *Assigned* – Represents amounts the Organization intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* – Represents amounts not contained in other classifications.

INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2022

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all of the eligibility requirements imposed by the provider have been met.

Governmental Fund's Financial Statements – The governmental fund's financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Organization considers revenues to be available if they are to be collected within 120 days after the end of the current fiscal year-end. Expenditures are recorded when the related liability is incurred.

The financial activities of the Organization that are reported in the accompanying basic financial statements have been classified into the following major governmental funds:

- *General Fund* – The general fund is the general operating fund of the Organization and is used to account for all financial resources, except those to be required to be accounted for in another fund.
- *Fund for the Promotion of Puerto Rico as an Investment Destination* – This special revenue fund is used to account for proceeds from DEDC as part of the Second Collaboration Agreement pursuant to Article 4 of Act No. 13 of 2017 dated as of March 30, 2020.
- *CDBG-Disaster Recovery Fund* – This special revenue fund is used to account for proceeds from the subrecipient agreement with the Puerto Rico Department of Housing (PRDOH). The focus of this program is to undertake promotion activities outside the Island in order to attract visitors and businesses, to bring external capital that can contribute to Puerto Rico's economy, encourage external investments, promote economic development, and create new jobs.
- *American Rescue Plan Act Fund* – This special revenue fund is used to account for proceeds from the allocation of the American Rescue Plan Act, signed on March 11, 2021 by the President Joseph R. Biden. The Commonwealth received an allocation of these funds. Resolution 2021-142 made by the Coronavirus Relief Fund Disbursement Oversight Committee, provided authorization and allocation of \$10,000,000 from the Promote Puerto Rico Program to the Organization. Through this resolution an initial disbursement of \$4,002,000 was authorized to the Organization in February 2022 for the promotion of Puerto Rico as a business investment destination.

Summary of Significant Accounting Policies

Budgetary Accounting – The Organization is not required by the Act No. 13 to submit a budget for approval by the Legislature of the Commonwealth; consequently, no formal budgetary accounting procedures are followed.

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

Prepaid Expenses – Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items.

INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2022

Accounts Receivable – Accounts receivable are stated net of estimated allowance for uncollectible accounts. The allowance is based on the evaluation of the risk characteristics of the receivable, including past collection experience and current economic conditions. Write-offs are recorded against the allowance when management believes that collectability is unlikely. Recoveries of amounts previously charged off are credited to the allowance. Because of uncertainties inherent in the estimation process, management's estimate may change in the future. The Organization considers revenues available if they are collected within 120 days after the end of the current fiscal year.

Capital Assets – Capital assets are defined by the Organization as assets with a cost of \$5,000 or more at the date of acquisition and an expected useful life of three or more years. Purchased and constructed capital assets are valued at historical cost or estimated historical cost. Donated fixed assets are recorded at their fair value at the date of donation. Intangible right-to-use leased assets associated with leases are defined by the Organization as leased assets whose future leased payments through the lease term are \$10,000 or greater. The right-to-use leased assets are measured as the sum of the initial lease liability plus prepayments made at or before the commencement of the lease term less lease incentives received plus initial direct costs that are ancillary charges necessary to place the leased asset in service. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are expensed.

Capital asset additions in governmental activities are recorded as expenditures in the governmental fund financial statements.

Depreciation and amortization expense is recorded on a straight-line basis over the useful life of the related assets in the government-wide financial statements.

Estimated useful lives are as follows:

Description	Estimated Useful Life
Office equipment	3 years
Leasehold improvements	10 years or lease term, whichever is less
Furniture and fixtures	5 years
Leased building (intangible asset)	30 years or lease term, whichever is less

Deferred Revenue – Deferred revenue at the governmental fund level arises when potential revenue does not meet the "available" criteria for revenue recognition in the current period. Deferred revenue also arises when resources are received before the Organization has a legal claim to them, as when grant money is received prior to incurring the qualifying expenditures. In subsequent periods, when the revenue recognition criteria are met, or when the Organization has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet, and the revenue is recognized. Deferred revenue at the government wide level arises only when the Organization receives resources before it has a legal claim to them.

Interfund Activities – The Organization has interfund transactions representing reimbursements, which consists of repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2022

Adoption of accounting pronouncement – During the year ended June 30, 2022, the Organization implemented the GASB Statement No. 87 – *Leases* (GASB No. 87). GASB No. 87 requires the recognition of certain leased assets and liabilities for leases that were previously classified as operating leases and recognizes an inflow or outflow of resources based on the payment provisions of the contract. The standard establishes one model for lease accounting based on the principle that a lease is a financing of the right to use an underlying asset. The lessee is required to recognize a lease liability and an intangible right-to-use leased asset. Changes adopted to conform to the provisions of GASB No. 87 were applied retroactively and reported as a restatement of beginning net position. Refer to Note 3.

Future Accounting Pronouncements – The GASB has issued the following accounting pronouncements that will have future impact on the accounting and financial practices of the Organization:

- *GASB Statement No. 94 – Public – Private and Public – Public Partnership and Availability Payment Arrangement.* The objective of this Statement is to improve financial reporting by addressing issues related to public – private and public – public partnership arrangements (PPP's). The requirements of this statement are effective for fiscal years beginning after June 15, 2022. Earlier application is encouraged.
- *GASB Statement No. 96 – Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.
- *GASB Statement No. 98 – The Annual Comprehensive Financial Report.* This Statement establishes the term *annual comprehensive financial report* and its acronym ACFR. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged.
- *GASB Statement No. 99 – Omnibus 2022.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in GASB Statement No.34, as amended, and terminology updates related to GASB Statement No. 53 and GASB Statement No. 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2022

- *GASB Statement No. 100 – Accounting Changes and Error Corrections.* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.
- *GASB Statement No. 101 – Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Management is evaluating the impact that these Statements will have, if any, on the Organization's basic financial statements.

3) Restatement to net position:

As described in Note 1, the Organization implemented the GASB No. 87 during the year ended June 30, 2022. GASB No. 87 requires the lessee to recognize a lease liability and an intangible right-to-use leased asset. The changes adopted to conform to the provisions of GASB No. 87 were applied retroactively and reported as a restatement of beginning net position and fund balances.

The effect of the restatement resulted in a change to the beginning net position of the governmental activities of the Organization as follows:

Description	Fund Balances	Net Position of Governmental Activities
Balance as of June 30, 2021, as previously reported	\$ 4,538,132	\$ 5,233,528
Cumulative effect of GASB No. 87 implementation	-	(63,448)
Balance as of June 30, 2021, as restated	<u>\$ 4,538,132</u>	<u>\$ 5,170,080</u>

4) Cash:

The Organization is authorized to deposit funds in the custody of financial institutions approved by the Commonwealth. Commonwealth's regulations require domestic commercial banks to maintain collateral securities pledged for the security of public deposits at an amount in excess of federal insurance coverage.

Deposits, either insured or collateralized, are not considered to be subject to custodial credit risk. Custodial credit risk is the risk that, in the event of a failure of the counterparty to the transaction, the Organization may not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.



INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2022

As of June 30, 2022, the Organization's cash in commercial banks consists of the following:

Description	Carrying Amount	Depository Bank Balance
Commercial banks	\$ 7,338,663	\$ 7,338,563

5) Due from governmental entities:

As of June 30, 2022, due from governmental entities consist of the following:

Description	Amount
Puerto Rico Department of Housing (PRDOH)	\$ 615,311

6) Interfund balances:

The summary of the amounts due from/to other funds as of June 30, 2022, is as follows:

Receivable By	Payable By	Amount
Fund for the Promotion of Puerto Rico as an Investment Destination	American Rescue Plan Act Fund	\$ 19,533
Fund for the Promotion of Puerto Rico as an Investment Destination	CDBG- Disaster Recovery Fund	601,811
General Fund	CDBG- Disaster Recovery Fund	66,198
		<u>\$ 687,542</u>

7) Capital assets:

Capital assets activity for the year ended June 30, 2022, is as follows:

Description	Balance as of June 30, 2021 (As restated)	Additions	Reclassification s	Balance as of June 30, 2022	Accumulated Depreciation/ Amortization	Net Ending Balance
Capital assets-being depreciated:						
Office equipment	\$ -	\$ 113,012	\$ -	\$ 113,012	\$ (16,052)	\$ 96,960
Leasehold improvements	-	61,517	695,396	756,913	(70,710)	686,203
Furniture and fixtures	-	150,192	-	150,192	(22,325)	127,867
Right-to-use leased asset:						
Leased building (intangible asset)	741,622	-	-	741,622	(135,964)	605,658
	741,622	324,721	695,396	1,761,739	(245,051)	1,516,688
Non-depreciable capital assets:						
Construction in progress	695,396	30,319	(695,396)	30,319	-	30,319
	<u>\$ 1,437,018</u>	<u>\$ 355,040</u>	<u>\$ -</u>	<u>\$ 1,792,058</u>	<u>\$ (245,051)</u>	<u>\$ 1,547,007</u>



INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2022

The Organization has recorded a right-to-use leased asset for a leased building. The related lease is discussed in Note 8.

Depreciation and amortization expense for the year ended June 30, 2022 amounted to \$183,249 and was recognized as part of the governmental activities.

8) Lease liability:

The Organization is leasing its office facilities under a five (5) year lease agreement (initial term), which has an option to extend for an additional five (5) year period. The lease agreement calls for escalating monthly rental payments from \$7,857 during the first year to \$8,672 during the last year of the initial term. In addition to the base rent, the lease agreement include a monthly operating cost charge of \$1,964, with a 2.5% increment per year during the initial term. The Organization commenced making the rental payments in March 2021.

The lease agreement qualifies as other than short-term lease under GASB No. 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception. It is reasonably certain that the Organization will exercise the option to extend the lease and calculated the liability based on a ten (10) year lease term. The lease liability is measured at a discount rate of 6%, which is the stated rate in the lease agreement. Measurement of the liability excluded any variable payments that are based on usage of the asset. As a result of the lease, the Organization has recorded a right-to-use asset with a net book value of \$605,658 as of June 30, 2022.

The future principal and interest lease payments as of June 30, 2022, are as follows:

Year ending June 30,	Principal	Interest	Total payment
2023	\$ 59,884	\$ 38,766	\$ 98,650
2024	66,112	35,004	101,116
2025	72,789	30,856	103,645
2026	78,611	26,324	104,935
2027	84,538	21,446	105,984
2028-2031	311,152	31,431	342,583
	<u>\$ 673,086</u>	<u>\$ 183,827</u>	<u>\$ 856,913</u>

This liability activity for the year ended June 30, 2022 is as follows:

Description	Balance as of July 1, 2021 (As restated)	Increases	Decreases	Balance as of June 30, 2022	Due within one year
Lease liability	\$ 727,161	\$ -	\$ (54,075)	\$ 673,086	\$ 59,884

9) Employee benefit plans:

The Organization has two (2) defined contribution plans (the Plans), which cover substantially all of its employees that have completed three (3) months of service. Under the provisions of these Plans, employees may elect to contribute up to 6% of their annual salary. The Organization matches up to 50% of the amount contributed by the employees. The employer's contribution to these Plans for the year ended June 30, 2022, amounted to approximately \$17,000.



INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2022

10) Subsequent events:

Management evaluated subsequent events through May 18, 2023, the date on which the financial statements were available to be issued and concluded there were no events or transactions that occurred during this period that required recognition or disclosure on the accompanying financial statements.



INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Housing and Urban Development:			
Pass-Through Program from:			
Puerto Rico Department of Housing- Community Development Block Grants – State’s Program and Non-Entitlement Grants in Hawaii	14.228	B-17-DM-72-001	\$ 7,303,637
U.S. Department of Treasury:			
Pass-Through Program from:			
Coronavirus Relief Fund Disbursement Oversight Committee- Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	<u>44,534</u>
Total Expenditures of Federal Awards			<u>\$ 7,348,171</u>

The accompanying notes are an integral part of this schedule.



INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2022

1) Basis of presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Invest Puerto Rico Inc. (the Organization) under programs of the federal government for the fiscal year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position and changes in net position of the Organization. Therefore, some amounts presented in this Schedule may differ from amounts presented in or used in the preparation of the financial statements. All federal awards received directly from federal agencies as well as federal awards passed through from other local government agencies are included in the Schedule.

2) Summary of significant accounting policies:

The Schedule has been prepared using the accrual basis of accounting. Such expenses are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.



RSM Puerto Rico
PO Box 10528
San Juan, PR 00922-0528

T 787-751-6164
F 787-759-7479
www.rsm.pr

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
Invest Puerto Rico Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities and each major fund of Invest Puerto Rico Inc., a component unit of the Commonwealth of Puerto Rico, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Invest Puerto Rico Inc.'s basic financial statements, and have issued our report thereon dated May 18, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Invest Puerto Rico Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Invest Puerto Rico Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Invest Puerto Rico Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

THE POWER OF BEING UNDERSTOOD
ASSURANCE | TAX | CONSULTING

RSM Puerto Rico is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any Jurisdiction.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Invest Puerto Rico Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

San Juan, Puerto Rico
May 23, 2023.

Stamp No. E530805 was affixed to
the original of this report.

A handwritten signature in blue ink that reads "RSM Puerto Rico".



RSM Puerto Rico
PO Box 10528
San Juan, PR 00922-0528

T 787-751-6164
F 787-759-7479
www.rsm.pr

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

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
Invest Puerto Rico Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Invest Puerto Rico Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Invest Puerto Rico Inc.'s major federal programs for the year ended June 30, 2022. Invest Puerto Rico Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Invest Puerto Rico Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Invest Puerto Rico Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Invest Puerto Rico Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Invest Puerto Rico Inc.'s federal programs.

THE POWER OF BEING UNDERSTOOD
ASSURANCE | TAX | CONSULTING

RSM Puerto Rico is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any Jurisdiction.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Invest Puerto Rico Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Invest Puerto Rico Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Invest Puerto Rico Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Invest Puerto Rico Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Invest Puerto Rico Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on Invest Puerto Rico Inc.'s, response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Invest Puerto Rico Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

San Juan, Puerto Rico
May 23, 2023.

Stamp No. E534346 was affixed to
the original of this report.



RSM Puerto Rico



INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2022

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditors’ report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) yes no

Identification of Major Federal Programs

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
---	--------------------

Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii	14.228
---	--------

Dollar threshold used to distinguish between type A and type B programs:	<u>\$750,000</u>
--	------------------

Auditee qualified as low-risk auditee? yes no



INVEST PUERTO RICO INC.
(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2022

SECTION II – FINANCIAL STATEMENTS FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding Number: 2022-001

Federal Programs:

Assistance Listing
14.228 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Category:

Compliance

Compliance Requirement:

Reporting

Criteria:

2 CFR §200.512 (a) (1) establishes that the audit must be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period.

Condition:

Invest Puerto Rico Inc. did not submit the required data collection form and reporting package for the year ended June 30, 2022, within the required period.

Cause:

Delay in the approval process of the basic financial statements ready in order to complete Uniform Guidance Report.

Effects:

Condition may result in noncompliance with the requirements for reporting.

Questioned Costs:

None.

Recommendation:

We recommend management to establish calendars to ascertain submission of data collection form and reporting package within the required dates.



EXHIBIT A
Corrective Action Plan
Single Audit 2022

tel. +1 787-966-7642
www.investpr.org

200 Convention Boulevard
The Hub, Suite 301
San Juan, PR 00907





Finding Number: 2022-001

Management response:

Management agrees with the finding. Invest Puerto Rico Inc. changed its financial reporting structure for the year ended June 30, 2022. The analysis and approval process took longer than expected due to the complexity of the subject matter. The financial statements were approved by Invest Puerto Rico Inc.'s Board of Directors on May 12, 2023.

Corrective action plan:

The Board of Directors issued two resolutions to approve the financial statements under the new reporting methodology for the year ended June 30, 2022, and the forthcoming years. No changes are expected in the future.

Contact person:

Astrid Navarro, Chief Financial Officer

Expected completion date:

The financial statements will be issued before May 31st, 2023, and requirements will be completed by June 30, 2023.







©2022 Invest Puerto Rico. All Rights Reserved.