AUDITED FINANCIAL STATEMENTS

PUERTO RICO COLLEGE OF PHYSICIANS-SURGEONS

Years Ended December 31, 2021 and 2020

Contents

SHARON & GONZALEZ, LLC
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS
A Leading Edge Alliance Firm

REPORT OF INDEPENDENT AUDITORS

To the Governing Board of
Puerto Rico College of Physicians-Surgeons
San Juan, Puerto Rico

Opinion

We have audited the accompanying financial statements of **Puerto Rico College of Physicians-Surgeons,** (the College) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Puerto Rico College of Physicians-Surgeons**, as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Puerto Rico College of Physicians-Surgeons** 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 opinion.

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 **Puerto Rico College of Physicians-Surgeons** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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 generally accepted auditing standards 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 the **Puerto Rico College of Physicians-Surgeons**'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 **Puerto Rico College of Physicians-Surgeons**'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.

Sharon & Gonzalez, LLC

San Juan, Puerto Rico
March 20, 2023

Puerto Rico State Society of Certified Public Accountants
stamp No. E517088 has been affixed to the original
of this report.

PUERTO RICO COLLEGE OF PHYSICIANS-SURGEONS
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
Assets		
Current assets		
Cash and cash equivalents	$ 4,657,938	$ 4,353,364
Certificate of deposits	121,000	110,000
Investments	13,068	12,965
Dues receivables, net	126,279	140,821
Other receivables	25,269	58,723
Inventory	-	3,882
Prepaid expenses	22,317	22,711
Total current assets	4,965,871	4,702,466
Building, furniture, equipment and improvements, net	3,456,505	3,572,242
Other assets		
Restricted cash	2,278,929	3,933,737
Other assets	1,700	1,700
	2,280,629	3,935,437
Total assets	$ 10,703,005	$ 12,210,145
Liabilities and Net Assets		
Current liabilities		
Current maturities of long-term debt	$ 87,354	$ 53,105
Accounts payable and other liabilities, including $228,126 of Cares Act and FEMA grants liabilities in 2021 and $1,773,791 in 2020 of Cares Act	939,093	2,573,887
Advanced dues	2,214,638	2,104,901
Return of federal funds	1,201,053	-
Total current liabilities	4,442,138	4,731,893
Long-term debt, net of current maturities	387,379	671,139
Total liabilities	4,829,517	5,403,032
Net assets		
Without donor restrictions-		
Designated by the Board	880,243	649,148
Undesignated	4,473,570	3,998,014
	5,353,813	4,647,162
With donor restrictions-		
Purpose restricted	519,675	2,159,951
Total net assets	5,873,488	6,807,113
Total liabilities and net assets	$ 10,703,005	$ 12,210,145

See accompanying notes.

PUERTO RICO COLLEGE OF PHYSICIANS-SURGEONS

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Without Donor Restrictions	With Donor Restrictions	Years ended December 31 2021	2020
Revenues and other support				
Federal Grants	$ -	$ 2,648,695	$ 2,648,695	$ 4,101,063
Member Dues	3,295,820	-	3,295,820	3,804,258
Convention	409,700	-	409,700	6,000
Continuing education	244,653	-	244,653	100,689
Act 14 tax grants service fees	41,932	-	41,932	330,343
CBD sales, net of direct costs	5,126	-	5,126	16,010
Sponsorships for medical activities	-	-	-	20,000
Interest and dividends	4,964	-	4,964	6,206
Bodies and Districts income	-	-	-	1,458
Miscellaneous	129,517	-	129,517	31,361
	4,131,712	2,648,695	6,780,407	8,417,388
Net assets released from restrictions	3,087,918	(3,087,918)	-	-
Total revenues and other support	7,219,630	(439,223)	6,780,407	8,417,388
Operating expenses				
Program Services-				
Convention	415,815	-	415,815	130,323
Educational medical institute	78,683	-	78,683	72,586
Board and committees	197,208	-	197,208	225,626
Districts	164,152	-	164,152	82,069
Members & family assistance trust	110,193	-	110,193	60,545
Foundation	45,674	-	45,674	99,413
Grant expenses	3,087,918	-	3,087,918	1,941,112
Covid-19 internal program	-	-	-	27,414
Insurance for members	422,523	-	422,523	426,529
Advertising	47,742	-	47,742	74,285
Professional services	485,436	-	485,436	416,858
Total program services	5,055,344	-	5,055,344	3,556,760
Supporting Activities-				
Salaries and wages	435,045	-	435,045	458,514
Payroll taxes	102,360	-	102,360	119,275
Professional services	262,684	-	262,684	203,906
Depreciation	126,227	-	126,227	127,060
Interest and bank charges	131,318	-	131,318	149,412
Bad debts	14,542	-	14,542	600,376
Utilities	64,523	-	64,523	86,085
Insurance	58,209	-	58,209	60,705
Repairs & Maintenance	51,392	-	51,392	42,406
Income taxes	900	-	900	-
Other general and administrative	210,435	-	210,435	164,889
Total supporting activities	1,457,635	-	1,457,635	2,012,628
Total operating expenses	6,512,979	-	6,512,979	5,569,388
Changes in net assets	706,651	(439,223)	267,428	2,848,000
Net assets at beginning of year	4,647,162	2,159,951	6,807,113	4,068,906
Prior period adjustment	-	-	-	(109,793)
Return of federal funds	-	(1,201,053)	(1,201,053)	-
Net assets at end of year	$ 5,353,813	$ 519,675	$ 5,873,488	$ 6,807,113

See accompanying notes.

PUERTO RICO COLLEGE OF PHYSICIANS-SURGEONS
STATEMENTS OF CASH FLOW

	Years ended December 31	
	2021	2020
Cash flows from operating activities		
Changes in net assets	$ 267,428	$ 2,948,000
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	126,227	127,059
Bad Debts	-	608,634
Changes in assets and liabilities:		
(Increase) decrease in:		
Dues receivable	14,542	(624,382)
Other receivables	33,454	5,132
Inventory	3,882	32,330
Prepaid expenses	394	19,228
Other assets	-	42,829
Increase (decrease) in:		
Accounts payable and other liabilities	(1,634,794)	2,148,402
Advanced dues	109,737	66,752
Net cash (used in) provided by operating activities	(1,079,130)	5,273,009
Cash flows from investing activities		
Purchase of shares in credit union	(103)	(98)
Investment in certificate of deposit	(11,000)	-
Acquisition of capital assets	(10,490)	-
Net cash used in investing activities	(21,593)	(98)
Cash flows from financing activities		
Payments of long-term debt	(249,511)	(233,269)
Net cash used in financing activities	(249,511)	(233,269)
Net (decrease) increase in cash, cash equivalents and restricted cash	(1,350,234)	5,039,642
Cash and cash equivalents at beginning of year	8,287,101	3,247,459
Cash, cash equivalents and restricted cash at end of year	$ 6,936,867	$ 8,287,101
Reconciliation of cash, cash equivalents and restricted cash:		
Restricted cash	$ 2,278,829	$ 3,933,737
Unrestricted cash and cash equivalents	4,657,938	4,353,364
	$ 6,936,867	$ 8,287,101
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	$ 41,261	$ 57,503
Supplemental schedule of non-cash financing activities:		
Adjustment of net assets for return of funds from the Telemedicine program	$ 1,201,053	$ -

See accompanying notes.

1. Organization and Summary of Significant Accounting Policies

Organization

The Puerto Rico College of Physicians-Surgeons (hereinafter the "College") is a non-profit organization created by Law 77 of August 13, 1994. The main objectives of the College are to promote the professional development of its members, implement community service programs and subsidize scientific studies and research that contribute to the advancement of medicine and public health.

The Law 56 of July 13, 2001, establishes the mandatory membership requirement as a condition to practice the profession of medicine in the Commonwealth of Puerto Rico. This requirement had been repealed by Law 129 of November 4, 1997. The Law 56 was effective on January 9, 2002.

The College consists of Districts and Bodies created for the purpose of assisting the College in fulfilling its mission and objectives. The Districts and Bodies receive by regulation a percentage of the fees collected from the members, as explained in Note 9.

The Districts and Bodies are as follows:

Districts

They constitute the regional units that group those doctors who live in the municipalities near the districts. The districts are Aguadilla, Arecibo, Bayamón, Caguas, Carolina, Humacao, Mayagüez, Ponce and San Juan.

Medical Senate

Constitutes the governing body to which the general assembly delegated the function of studying and developing the necessary institutional policies in matters of professional interest, public health and economic matters related to health. The Senate refers to the Governing Board said policies for its consideration and corresponding action.

Continuing Medical Education Institute

This Body oversees offering and sponsor continuing medical education courses of the different branches of the medical profession in accordance with the provisions of the Puerto Rico Medical Licensing and Disciplines Board.

Ethics and Disciplinary Committee

It is the body to which the College has delegated the execution of legal functions entrusted to the institution by its enabling law.

Clinical Research and Technological Development

This Body created at an Annual Assembly held on April 26, 2015, oversees programs and activities for members, aimed primarily at educating, promoting, fostering, facilitating and promoting scientific studies.

CBD Distribution Center

On February 13, 2019, the College's Board of Directors approved the creation of a CBD distribution center. This center began operating in May 2019. On July 14, 2021, the Board of Directors approved a resolution to close the activities of the CBD distribution center.

Related Organizations

Foundation of the Puerto Rico College of Physicians-Surgeons ("Foundation")

The Foundation was created under Law 77 of August 13, 1994, as amended. The Law 77 authorized the College to create a separate non-profit entity. Currently the Foundation is operating a trust created to manage the funds used for the community service programs of the College.

1. Organization and Summary of Significant Accounting Policies (continued)

Related Organizations (continued)

Members and Family Assistance Trust

The Members and Family Assistance Trust (the "Trust") is a trust created on October 10, 2018 to generate and administer funds to implement assistance programs for members and families for special reasons and of great need.

On July 14, 2021, the Board of Directors voted to separate from accounting books the Foundation which was combined as December 31, 2020. Each of these entities are separate legal entities and operate with their own Board of Directors elected on their annual meetings. The College does not have a voting power or control over these entities and therefore are not consolidated with the College's financial statements.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Significant Accounting Policies

Adoption of New Accounting Standards

On January 1, 2020, the College adopted the provisions of the Accounting Standards Update ("ASU") 2014-09 (ASC Topic 606), "Revenue from Contracts with Customers".

ASU 2014-09, "Revenue from Contracts with Customers" outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 outlines a five-step process for revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards, and also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. Major provisions include determining which goods and services are distinct and represent separate performance obligations, how variable consideration is recognized, whether revenue should be recognized at a point in time or over time and ensuring the time value of money is considered in the transaction price.

The College adopted ASC Topic 606 using the modified retrospective method. Revenue is recognized over time as the performance obligations are satisfied while the customers obtain the benefits simultaneously. As practical expedient, the College used the portfolio approach to evaluate individual memberships contracts and Act 14 tax grants services fee contracts as a portfolio of contracts rather than analyzing each individual membership contract and Act 14 tax grants services fee contracts separately as they have similar provisions. The new standard resulted in changes to the College's accounting policies for revenue and cost recognition.

Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and have been recorded using the accrual basis of accounting.

Basis of presentation

The financial statements of the College have been prepared in accordance with the Nonprofit Entities topic of the Accounting Standards Codification of the Financial Accounting Standards Board (FASB-ASC), which requires that all non-profit organizations present a statement of financial position, a statement of activities and changes in net assets, and a statement of cash flows. This topic also requires the classification of net assets and their income, expenses, gains and losses based on the existence or absence of restrictions on the part of the donors (net assets with restrictions and without restrictions of the donor), and that the amounts of change in each of the classifications are presented in the statement of activities and change in net assets.

1. Organization and Summary of Significant Accounting Policies (continued)

Basis of presentation (continued)

Accordingly, net assets of the College and changes therein are classified as follows:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. The net assets without donor restrictions are segregated among undesignated net assets and designated net assets.

The undesignated net assets represent funds over which the Governing Board of the College has discretionary use. The net assets assigned represent the balances of cash, investments, and transfers of dues to the Districts and Bodies. In addition, it includes those funds that have been reserved for a specific use.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the College and/or by the passage of time.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

Member Dues

Revenue consists of member dues from doctors, retired doctors, and resident doctors. Include access to a multitude of benefits. Access to these benefits is voluntary and can occur during the membership period and treated as part of the membership itself, rather than multiple performance obligations. The College recognizes revenue over the membership period.

For membership-based revenue recognized over time, the straight-line method is used to allocate the performance obligations over the performance measurement period. The College determined that this method provides a faithful depiction of the transfer of goods or services because the customer is required to pay regardless of how frequently the product or membership benefits are used, and the College stands ready to make its goods or services available to the customer on a constant basis over the contract period.

Act 14 Tax Grants Service Fees

Revenue consists of a fixed fee for services to help the member to obtain and/or renew the tax grant under Act 14 before the government authorities. The revenue is recognized as the performance obligations are completed during the service period.

Continuing education, CBD sales and convention and events sponsorships revenues

Revenue that is derived from the College learning products such as in-person and online learning events, are recognized when access is granted. Revenue generated from CBD sales and in person events such as convention and other medical events are recognized when the sale or events occurs.

Grants and Contributions

According to FASB ASC 958-605, Revenue Recognition, contributions including unconditional promises to give, are recognized as revenue in the period received. Contributions with donor-imposed restrictions that are met in the same year as received are reported as revenues of the without donor restrictions net asset class.

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue recognition (continued)

Grants and Contributions (continued)

Expirations of restrictions with donor restrictions net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift.

The College received a grant under CARES Act from the US Department of Treasury through the Health Department of Puerto Rico. These funds are subject to contractual restrictions which are met when the expenses approved by the contract or agreement are incurred.

Income from grants is considered a nonreciprocal transfer and is recognized only when the funds are used by the College to carry out the activities stipulated in the grant.

Revenue disaggregation

In accordance with ASU 2014-09, the College disaggregates revenue from contracts with customers into mayor revenue streams and the timing of recognizing revenue. Revenue generated from memberships is primarily recognized over the performance obligation period, while the revenue generated sales and event-based programs is recognized at a point-in-time.

The revenue disaggregated by the timing of recognition for years ended December 31, 2021 and 2020, are as follows:

	2021	2020
Point-in-time	$ 675,327	$ 175,518
Over time	3,337,752	4,134,601
	$ 4,013,079	$ 4,310,119

Non-recurring miscellaneous income, interest and federal funds were not included in this note.

Contract balances

The timing of revenue recognition, billings and cash collections results in contract assets, receivables, and contract liabilities. Contract assets would exist when the entity has a contract with a customer for which revenue has been recognized but customer payment is contingent on a future event. The College revenue is based on delivered goods and services and is generally limited to amounts that are not contingent on future events, therefore, not resulting in a contract asset being recorded.

The College records receivables when the right to consideration becomes unconditional and are presented separately in the statements of financial position. Contract liabilities include advanced dues and unearned revenue when the College receives payment from customers before revenue is recognized and are presented separately in the statements of financial position.

Allowance for doubtful accounts

Allowance for doubtful accounts is increased by a provision for bad debts expense which are charged to expense and reduced by charged off, when the management of the College determines that it does not have collection probability. The allowance for doubtful accounts represents an amount, that in opinion of the management, is adequate to absorb possible losses in member dues receivables that could become uncollectible, based on evaluations of accounting and previous experience.

1. Organization and Summary of Significant Accounting Policies (continued)

Cash and cash equivalents

The College maintains its cash deposits at banks and credit unions. Cash presented as current assets in the accompanying statements of financial position, does not include cash received with donor-imposed restrictions that limit their use to long-term purposes. Restricted cash are limited in use to satisfy only the requirements of each grant program and are not available for the College operational needs.

The College maintains its cash deposits at banks and credit unions. Cash presented as current assets in the accompanying statements of financial position, does not include cash received with donor-imposed restrictions and classified as restricted cash.

The College considers all highly liquid debt instruments purchased with an original maturity of three months or less from the date of acquisition to be cash equivalents.

Cash and cash equivalents at December 31, 2021 and 2020 consist of the following:

	2021	2020
Cash at banks-		
Central Office	594,286	1,493,801
Districts and Bodies	5,996	6,205
Cash at credit unions-		
Central Office	3,349,889	2,365,874
Districts and Bodies	707,767	487,484
Total	$ 4,657,938	$ 4,353,364

Investments

The College accounts for its investments under the provisions of FASB ASC 958-320, Investments in Debt and Equity Securities, which requires that the investments are stated at fair value with unrealized gains and losses, as applicable, included in the statements of activities. The investments in securities consist of shares of credit unions and mutual funds invested in the brokerage account of the Trust of the Foundation of the College. Due to the nature of the credit union shares, it is not practical to determine its market value, so it is presented at cost plus accrued dividends which approximate to the fair value. Investments in mutual funds are reported in the statement of financial position at their fair market value, and any realized or unrealized gains are included in the statement of activities. See notes 5 and 6.

Inventory

The inventory consists of products from the CBD distribution center available for sale. It is valued at the lower of cost and net realizable value using the weighted average method.

Building, furniture, equipment and improvements

Building, furniture, equipment and improvements are stated at cost. Depreciation is being provided using the straight-line method of accounting over the estimated useful lives of the properties. Disbursements or liabilities incurred for repairs and maintenance are expensed as incurred, while additions and betterments are capitalized. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation or amortization are removed from the accounting records and any gain or loss is included in current operations. Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the term of the lease.

Estimated useful lives by major class of property and equipment are as follow:

1. Organization and Summary of Significant Accounting Policies (continued)

Building, furniture, equipment and improvements (continued)

Classes of assets	Estimated useful lives
Building	35 years
Improvements	10-35 years
Furniture and equipment	5-7 years
Vehicles	5 years
Software	5 years

Impairment of long-lived assets

The College periodically reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No impairment is evident as a result of such review for the years ended December 31, 2021 and 2020.

Promotions and advertising

Costs of promotions and advertising are expensed as incurred.

Income tax

The College is a tax-exempt organization pursuant to section 1101.01 (a)(2) of the Puerto Rico Internal Revenue Code. On June 24, 2020 the College obtained the approval of US Department of Treasury granting a tax exemption under section 501 (c)(6) of the United States Internal Revenue Code.

Income that is not related to the exempt purpose, less applicable deductions, is subject to the payment of corporate income tax. In 2019, the College identified the CBD activities as a taxable activity, so a provision for income tax for this activity has been recorded in the statement of financial position.

Income taxes from of this activity is accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recorded or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Accounting standards prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The College understands that there are no material uncertain tax positions to be accounted for in the financial statements. Interests and penalties assessed, if any, by income taxing authorities are included in operating expenses.

New pronouncements

Topic 842

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842),* which require leases to be recorded as an asset on the balance sheet for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than twelve months. ASU 2016-02 is effective for non-public companies for fiscal years beginning after December 15, 2019, with early adoption permitted. The College is evaluating the impact the pronouncement may have on the financial statements. On May 20, 2020, the Financial Accounting Standards Board issued the ASU 2020-05 to delay the implementation and effectives dates of the *Topic 842 – Leases* for annual reporting periods beginning after December 15, 2021, and interim reporting periods within annual reporting periods beginning after December 15, 2022. The delay responds to support and assist stakeholders during the Coronavirus Disease 2019 (COVID-19) pandemic.

1. Organization and Summary of Significant Accounting Policies (continued)

New pronouncements (continued)

Topic 326

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326). This guidance represents a significant change in the accounting model for credit losses by requiring immediate recognition of management's estimates of "current expected credit losses".

Under the prior model, losses were recognized only as they were incurred, which FASB has noted delayed recognition of expected losses that might not yet have met the threshold of being probable. The new model is applicable to all financial instruments that are not accounted for at fair value through net income, thereby bringing consistency in accounting treatment across different types of financial instruments and requiring consideration of a broader range of variables when forming loss estimates. This change affects any entity holding financial instruments (ie: trade receivables or investments in debt securities). The effect of adoption of this standard will be to accelerate the recognition of credit losses. The effective date of this standard is for years beginning after December 15, 2021, with early adoption allowed.

The College is in the process of determining the impact that these new accounting pronouncements may have on its financial statements.

2. Certificate of Deposits

As of December 31, 2021 and 2020, the College had several certificates of deposit in a Savings and Credit Unions. These non-negotiable certificates are renewed annually and generate interest that is payable monthly. The interest rate accrued by these certificates for the years 2021 and 2020 fluctuated between .30% to .50%.

3. Accounts receivable

Dues receivable as of December 30, 2021 and 2020 consist of the following:

	2021	2020
Fiscal year 2021	$ 106,455	$ -
Fiscal year 2020	639,917	699,300
Fiscal year 2019	573,014	595,389
Fiscal year 2018	507,500	532,200
Fiscal year 2017	-	457,000
Fiscal year 2016	-	388,382
Previous years	-	1,004,932
Total	1,826,886	3,677,203
Less allowance for doubtful accounts	(1,700,607)	(3,536,382)
Net dues receivable	$ 126,279	$ 140,821

During the year ended on December 31, 2021, the write-offs of dues were of $1,835,775, no write-offs were made during the 2020.

4. Other receivables

Other receivables as of December 30, 2021 and 2020 consist of the following:

	2021	2020
CMC Care Holding	$ 408,202	$ 408,202
Other	25,269	58,723
	433,471	466,925
Less allowance for doubtful accounts	(408,202)	(408,202)
Net other receivables	$ 25,269	$ 58,723

5. Investments

The fair value of investments consists of credit union shares and had a value as of December 31, 2021 and 2020 of $13,068 and $12,965, respectively.

6. Fair Value Measurements

The College follows the provisions of FASB ASC 820, Fair Value Measurements and Disclosures, which defines fair value as the price that would be received from selling an asset or payment to transfer a liability in an orderly transaction between market participants at the measurement date.

This pronouncement also establishes a fair value hierarchy that distinguishes between market participants assumptions based on the best information available in the circumstances. The fair value hierarchy prioritizes the inputs to valuation technique used to measure fair value into three broad levels with the highest priority to quoted prices in active markets (Level 1 measurement) and the lowest to unobservable inputs (Level 3 measurement). Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Observable inputs such as quoted prices for identical assets or liabilities in active markets that the College has the ability to access.

Level 2 – Observable inputs other than quoted prices substantiated by market data and observable, either directly or indirectly, for the asset and liability. This includes quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

As of December 31, 2021 and 2020, the fair value of the investments were measured and recorded using inputs considered level 3.

7. Building, furniture, equipment and improvements

A summary of building, furniture, equipment and improvements at December 31, 2021 and 2020 is as follows:

	2021	2020
Land	$ 269,169	$ 269,169
Central Office Building	1,729,186	1,729,186
Arecibo District Building	300,000	300,000
Improvements	1,564,249	1,564,249
Furniture and Equipment	155,232	146,860
Vehicles	34,975	34,975
Software	2,118	
	4,054,929	4,044,439
Less accumulated depreciation	(598,424)	(472,197)
Building, furniture, equipment and improvements, net	$ 3,456,505	$ 3,572,242

8. Long-term Debt

Long term debt at December 31, 2021 and 2020, consists of the following:

	2021	2020
Note payable secured by the land and building bearing annual interest at 6.75% payable in 240 installments of $8,364 of principal plus interest. The note maturity date is August 2036.	$ 474,733	$ 724,244
Less: current maturities	(87,354)	(53,105)
Net long-term debt	$ 387,379	$ 671,139

Maturities are as follows:

Year ending December 31:	Amount
2022	$ 87,354
2023	76,560
2024	81,891
2025	87,592
2026	93,691
Thereafter	47,645
	$ 474,733

9. Net Assets Designated by the Board and Restricted Net Assets

Net Assets Designated by the Board

The Districts and Bodies that are part of the College, according to regulations, are entitled to a percentage of the dues charged annually. Transfers are computed quarterly and are transferred to the operations accounts of said Districts or Bodies subject to having submitted the corresponding treasury reports. The College also uses these reports to defray expenses of the Districts and Bodies. The expenses of the Districts and Bodies are related to assemblies, meetings, program expenses and other activities.

At an ordinary meeting of the Governing Board of about public policy held on June 24, 2015, an annual contribution of 20% of the total dues to be transferred to the Districts and the Medical Senate was approved to help pay for the financing of the new central office of the College.

The percentage of designated dues to each District and Bodies is as follows:

Transfers to Districts – they represent 10% of the annual dues paid by the members of each District to the College.

Transfers to Bodies – The percentage of dues assigned to each Body according to the Regulations of the College is as follows:

	Percentage
Medical Senate	6%
Continuing Medical Education Institute	3%
Clinical Research and Technological Development	1%

Transfers to Ethics Committee – They represent 1.5% of the annual dues paid by the members of the College.

9. Net Assets Designated by the Board and Restricted Net Assets (continued)

New Central Office Contribution – Management informs that the total amount of contributions for the maintenance of the College central office was approximately $103,640 and $95,651 for the years ended December 31, 2021 and 2020, respectively.

Transfers to Related Entities – The percentage of the dues assigned to the Foundation and the Trust according to the Regulations of the College is as follows:

	Percentage
Foundation	3%
Trust	3%

The transfers made to the Districts, Bodies and Related Entities as of December 31, 2021 and 2020, according to the management of the College, are as follows:

	2021	2020
Districts	$ 50,603	$ 110,229
Foundation	4,117	39,971
Trust	12,337	40,716
Medical Senate	35,228	78,209
	$ 102,285	$ 269,125

For the years ended December 31, 2021 and 2020, the expenses of the Districts and Bodies, recognized and included in various expense items in the accompanying statements of activities is as follows:

	2021	2020
Districts	$ 164,152	$ 55,923
Medical Senate	56,071	11,043
Continuing Medical Education Institute	78,682	67,378
Clinical Research and Technological Development	155	555
Ethics Committee	4,902	1,329
	$ 303,962	$ 80,305

Management informs that as of December 31, 2021 and 2020, paid expenditures of the Districts and Bodies that approximate $243,836 and $274,591, respectively. Said amounts were deducted from the total dues to be transferred.

The College withheld funds to Districts and Bodies for those quarters which the treasury reports had not been presented or completed by the Districts or Bodies or were withheld by resolution of the Board. The balances pending transfer or excess transferred are as follows:

	2021	2020
Districts	$ 165,967	$ 217,840
Foundation	30,415	56,111
Trust	49,755	60,235
Medical Senate	107,702	127,438
Continuing Medical Education Institute	(182,689)	(134,200)
Clinical Research and Technological Development	7,831	(18,518)
Ethics Committee	14,007	(3,988)
	$ 192,988	$ 304,918

9. Net Assets Designated by the Board and Restricted Net Assets (continued)

The balance of the net assets designated by the Board is as of December 31, 2021 and 2020 is as follows:

	2021	2020
Districts	$ 535,598	$ 413,367
Medical Senate	338,649	229,577
Ethics Committee	5,996	6,204
	$ 880,243	$ 649,148

Restricted Net Assets

On November 24, 2020, the College obtain a CARES Act grant in response to COVID-19 pandemic situation in Puerto Rico to provide to 3,500 physicians a platform for telehealth services to reduce the risks of contagion and increase the access to care for up to 500,000 patients at risk of COVID-19 disease in Puerto Rico. The amount of funds received during the 2020 totaled $4,101,063 of which $1,941,112 of expenses were incurred as of December 31, 2020 and $959,851 were incurred as of December 31, 2021. The unexpended funds were returned on January 25, 2022.

On December 29, 2020, the College received the approval of another grant in the amount of $398,695 which were received at beginning of 2021 to implement a three-month initiative aimed at managing and expanding COVID-19 test administration capacity, providing 8,000 medical professionals, service providers and patients across the island the opportunity to receive serological and/or molecular tests screening for the virus and supplement influenza vaccination efforts.

On June 4, 2021, the College received the approval of a grant in the amount of $4,500,000 awarded by the Department of Health of Puerto Rico and granted by the Federal Emergency Management Agency (FEMA) to accelerate the vaccination efforts in Puerto Rico of which the 50% was received during the 2021.

These funds had a purpose restriction and were recognized as such in the statement of financial position.

10. Insurance

Insurance expenses include payment of premiums for life insurance and short-term disability insurance for the members.

The life insurance benefit applies to all members who are up to date in their dues. The insurance has a natural death coverage of $10,000 and accidental death of $20,000 for members under 66 years of age, in the case of members with 66 years or more the coverage would be $5,000 and $10,000, respectively. Members of the College are eligible for coverage from the day they join and as long as they keep their dues payments up to date. The costs of these premiums as of December 31, 2021 and 2020 totaled $287,833 and $296,551, respectively.

The short-term disability insurance benefit is applicable to all medical members who are current in their fees and assets in the exercise of their profession. The costs of these premiums as of December 31, 2021 and 2020 totaled $134,690 and $129,978, respectively.

11. Income Taxes

The College is a non-profit entity exempt from paying income tax according to Section 1101 of the Code. In 2019, the College began the operation of a CBD distribution center, which it identified as an activity not related to the exempt purpose subject to the payment of corporate income tax.

11. Income Taxes

During the 2020 this activity ended with operating losses of $16,730. The deferred tax asset resulting from these losses were not recognized as of December 31, 2020 since the management does not expect the realization of earnings in the future from this activity. In assessing the realizability of the deferred tax asset, management has determined that the deferred tax asset will not be realized and therefore not recognized.

12. Related Organizations

Members and Family Assistance Trust

The Members and Family Assistance Trust (the "Trust") is a non-profit entity created under Law 77 of August 13, 1994, as amended. The purpose of the Trust is to generate and administer funds to implement assistance programs for members and families for special reasons and of great need.

The College, per regulations, must contribute to the Trust an annual amount equal to 3% of the funds generated from the annual dues paid by its members, 2% to deposit in the Trust and 1% to pay administrative expenses.

For the years ended December 31, 2021 and 2020, the College defray expenses of the Trust expenses by $36,979 and $40,716, respectively.

The College transferred funds by $12,337 which were dues from 2021 and remained $49,755 outstanding from 2021. During 2020 the transfers totaled $40,716, which pertained to 2019 dues and $60,235 that were pending from 2020 dues.

Foundation of the Puerto Rico College of Physicians-Surgeons ("Foundation")

It was created to implement community service programs of the College.

The College, per regulations, must contribute to the Foundation an annual amount equal to 3% of the funds generated from the annual dues paid by its members, 2% to deposit in the Foundation and 1% to pay administrative expenses.

For the years ended December 31, 2021 and 2020, the College defray expenses of the Foundation expenses by $64,540 and $39,197, respectively.

The College transferred funds by $4,116 which were dues from 2021 and remained $30,415 outstanding from 2021. During 2020 the transfers totaled $39,971, which pertained to 2020 dues and $56,111 that remained outstanding from that year.

CMC Care Holdings LLC

The Board of Directors of the College authorized the incorporation of the CMC Care Holdings LLC ("CMCH"), an entity that owns the Golden Cross Health Plan Corp. The company was created in 2017 with the purpose of establish a health care plan which has been in development stage since then awaiting an actuarial study to complete the requirements of Insurance Commissioner of Puerto Rico to obtain the approval to operate.

During 2021 and 2020, the College covered CMCH's operating expenses in the amount of $8,097 and $1,145, respectively. Said contributions are recorded in the statement of activities under other general and administrative.

13. Prior-period adjustments

During 2020 the College paid dues to the Trust that belonged to 2015, 2016 and 2019 that were not accrued in the College books as of 2019, understating the liabilities. Also, during the 2020 the College separate from their books the assets of Foundation and were adjusted against the net assets. The adjustments resulted in a reduction of prior year net assets of $109,793.

14. Concentration of credit risk

Financial instrument which potentially could subject the College to concentration of credit risk consists principally of cash deposits The College maintains its cash in bank and credit unions deposit accounts. The funds in these institutions are insured by the Federal Deposit Insurance Corporation and by COSSEC up to $250,000. During the year ended December 31, 2021 and 2020, cash balances exceeded insured limits by approximately $6,436,867 and $8,037,100, respectively. The College has not experienced any loss on such accounts.

15. Commitments and contingencies

Commitments

Operating leases

The College leases office facilities for the Districts of Arecibo, Mayaguez and Ponce under an operating lease agreement. The lease of Arecibo was renewed on March 2021 and expire in March 2022, for the year 2020 the contract was month to month. The leases of Mayaguez and Ponce expired in March 2018 and April 2020, respectively. These contracts are on month to month basis. The operating leases do not give rise to property rights or lease obligations.

Rental expense under such lease agreements amounted to $32,426 and $26,146 for the years ended on December 31, 2021 and 2020, respectively.

The future minimum rental commitments payable in 2021 and 2022 for Arecibo lease is $6,300 for the year 2021 and $2,100 for the year 2022.

Maintenance contract

The College maintains a contract for the rental, maintenance and repair of photocopying machines under a $1,010 monthly rent.

Contingencies

Judicial claims

The College is defendant in several litigations which are related to its operations. Such cases are under court proceedings, in the opinion of the legal advisors and management, they do not have any impact on the financial statements.

16. Liquidity Support

The College primary revenue source are its fees associated with members which are included in the statements of activities and changes in net assets. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31, 2021 and 2020:

16. Liquidity Support (continued)

	2021	2020
Cash	$ 4,657,938	$ 4,353,364
Certificate of deposits	121,000	110,000
Dues receivable	126,279	140,821
Investments	13,067	12,965
Due from related entity	-	100,388
Other receivables	25,269	33,523
Total current assets	4,943,553	4,751,061
Amount not available for general use:		
Board designated funds	(880,243)	(649,148)
Financial assets available to meet cash needs for general Expenditures within one year	$ 4,063,310	$ 4,101,913

17. Subsequent event

The College evaluated subsequent events through March 20, 2023, which is the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date, and the date the financial statements were available to be issued that would require additional adjustment, to or disclosure in the financial statements.

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