Estado Libre Asociado de Puerto Rico
OFICINA DEL CONTRALOR
San Juan, Puerto Rico

may. 23 (Rev.)
OC-23-31

Certificación de Cumplimiento con la *Ley 273-2003*, según enmendada; y de Notificación de Envío de Cartas de Recomendaciones (*Management Letters*), Informes de Auditoría, Estados Financieros Auditados y Otros[1]

Yo, Eduardo L. Nicolau López (nombre del funcionario principal) Funcionario Principal de Molecular Sciences Research Center Inc. (nombre de la entidad)

3527 (número de entidad) certifico a la Oficina del Contralor de Puerto Rico (Oficina) que relacionado con el año fiscal terminado al 30 de junio de 2022 :

1. Recibimos fondos públicos por $2,000,000.00 .
2. Efectuamos desembolsos de fondos federales por $ _____ . No aplica ☒.
3. Tenemos la obligación de cumplir con ☒ la *Ley 273-2003, Ley de Normas Contractuales sobre Independencia en las Auditorías de Entidades Gubernamentales*[2], según enmendada, y con ☐ el *Single Audit Act*. En cumplimiento de estos:

   a. El 18 de julio de 2022 formalizamos el contrato número 2023-000005 para realizar la auditoría de los ☒ Estados Financieros y/o el ☐ *Single Audit Report*.

   b. El 20 de enero de 2023 recibimos el *Informe de Auditoria* del 28 de noviembre de 2022 de los auditores externos.

   c. El 20 de enero de 2023 los auditores externos comparecieron para presentar el informe final y comunicar los hallazgos y las recomendaciones.

[1] La entidad debe remitir a esta Oficina, en formato **PDF** y no más tarde del 31 de mayo siguiente al año fiscal auditado, el *Formulario OC-DA-123* firmado por el funcionario principal, con los documentos que se especifican en el Apartado 3-e y f del mismo. Esto, mediante la aplicación *Certificaciones Anuales de la Oficina del Contralor*. La aplicación se encuentra disponible en la sección de Contraloría Digital en nuestra página en Internet: *www.ocpr.gov.pr*.

[2] En el Artículo 1 de la *Ley 273-2003* se establece que, para propósitos de esta *Ley*, la frase *cualquier entidad de gobierno* incluye a todos los organismos con facultad de contratar, de las ramas Ejecutiva, Legislativa y Judicial tales como: departamentos, dependencias, municipios, corporaciones públicas y sus subsidiarias, afiliadas o cualesquiera entidades gubernamentales que tengan personalidad jurídica propia.

d. Relacionado con las cartas finales de recomendaciones (*Management Letters*):

☐ El ____ de _____ de _____ recibimos las cartas finales de recomendaciones (*Management Letters*) emitidas por los auditores externos el ____ de _____ de _____. El archivo electrónico, en formato **PDF**, de las mismas fue remitido a su Oficina el ____ de _____ de _____.

☒ Los auditores externos no emitieron las cartas finales de recomendaciones (*Management Letters*).

e. Se incluye el archivo electrónico, en formato PDF, de los siguientes documentos e informes:

☐ Informes de auditorías emitidos en forma final

☒ Estados financieros auditados

☐ Informes de Control Interno sobre Cumplimiento y la Opinión sobre Cumplimiento

☐ *Single Audit Report*

☐ Copia del *Form SF-SAC, Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations*, y del recibo de envío al *Federal Audit Clearinghouse*.

☐ Otros (especifique): _____

f. Relacionado con el *Informe Especial Sobre el Cumplimiento de las Recomendaciones Contenidas en los Informes de Auditoría de la Oficina del Contralor de Puerto Rico y la Corrección de las Situaciones Comentadas en sus Informes Previos (Informe Especial)*:

☐ Se incluye el archivo electrónico, en formato **PDF**, del *Informe Especial* emitido por los auditores externos el ____ de _____ de _____.

☒ No aplica, ya que no tenemos recomendaciones pendientes de cumplimentar relacionadas con los informes publicados al 28 de febrero del año fiscal auditado.

4. ☐ No tenemos la obligación por ley, reglamento o acuerdo financiero, de contratar auditores externos para realizar la auditoría de los estados financieros del año fiscal terminado al ____ de _____ de _____.

En San Juan, Puerto Rico, hoy 22 de mayo de 2023.

_____
Firma del Funcionario Principal

MSRC, INC.

Audited Financial Statements

June 30, 2022 and 2021

TABLE OF CONTENT

Page

Independent Auditor's Report.....1

Audited Financial Statements:

Statements of Financial Position 3

Statements of Activities and Changes in Net Assets.....4

Statements of Cash Flows.....5

Notes to Financial Statements.....6

Independent Auditor's Peer Review Section:

Letter to the Users.....16

Peer Review Report.....17

AJ Hernández & Co., CPA, PSC.
Certified Public Accountants & Business Consultants

P.O. Box 191529, San Juan, Puerto Rico 00919-1529
Tel: (787) 758-4416 Fax: (787) 758-4426

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
MOLECULAR SCIENCES RESEARCH CENTER, INC.
San Juan, Puerto Rico

Opinion

We have audited the accompanying financial statements of **MOLECULAR SCIENCES RESEARCH CENTER, INC.** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 **MOLECULAR SCIENCES RESEARCH CENTER, INC.** as of June 30, 2022, and 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsabilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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.

INDEPENDENT AUDITOR'S REPORT, (Continued)

Auditors' Responsabilities for the Audit of the Financial Statements – (Continued)

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, including omissions, 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 the Organization'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 Organization'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.

License No. 194
Expires December 1, 2025

San Juan, Puerto Rico
November 28, 2022

Stamp No. E515490
has been affixed
to the original
of this report.

AJ HERNANDEZ & CO., PSC
CPA'S
PUERTO RICO

MOLECULAR SCIENCES RESEARCH CENTER, INC.

Statements of Financial Position

	June 30, 2022	June 30, 2021
Current Assets:		
Cash	$ 536,437	$ 359,924
Contributions Receivable	8,920	4,400
Prepaid Expenses	15,117	30,717
Total Current Assets	560,474	395,041
Property and Equipment - Net	262,272	238,815
Total Assets	$ 822,746	$ 633,856
Current Liabilities:		
Accounts Payable - Trade	$ 248,088	$ 137,606
Payroll Taxes Payable and Other Accruals	3,670	6,835
Due to Affiliate	183,651	154,815
Accrued Expenses	1,769	48
Total Current Liabilities	437,178	299,304
Intercompany Loan	4,500,000	3,000,000
Total Liabilities	4,937,178	3,299,304
Net Assets:		
Without Donor Restrictions	(4,114,432)	(2,665,448)
Total Liabilities and Net Assets	$ 822,746	$ 633,856

The Notes to Financial Statements are an integral part of these Statements.

MOLECULAR SCIENCES RESEARCH CENTER, INC.

Statements of Activities and Changes in Net Assets

	For the fiscal year ended June 30, 2022			For the fiscal year ended June 30, 2021		
	Without Donor Restrictions	With Donor Restriction	Total	Without Donor Restrictions	With Donor Restriction	Total
SUPPORT AND REVENUES						
Contributions	$ 500,000	$ -	$ 500,000	$ 500,000	$ -	$ 500,000
Program Revenue	-	-	-	-	4,400	4,400
Rent Income	23,420	-	23,420	47,025	-	47,025
Covid 19 - Economic Incentives	-	-	-	5,000	-	5,000
Other Revenues	1,207	-	1,207	749	-	749
	524,627	-	524,627	552,774	4,400	557,174
Net Assets Released From Restrictions	-	-	-	4,400	(4,400)	-
Total Support and Revenues	524,627	-	524,627	557,174	-	557,174
OPERATING AND ADMINISTRATIVE EXPENSES						
Salaries, Wages and Payroll Taxes	478,539	-	478,539	672,279	-	672,279
Professional Services	190,388	-	190,388	184,311	-	184,311
Utilities	678,741	-	678,741	581,695	-	581,695
Repairs and Maintenance	343,064	-	343,064	317,071	-	317,071
Office Expense	16,328	-	16,328	15,207	-	15,207
Travel Expenses	-	-	-	-	-	-
Supplies and Materials	25,601	-	25,601	41,409	-	41,409
Equipment Expense	170,652	-	170,652	222,870	-	222,870
Depreciation Expense	36,058	-	36,058	24,813	-	24,813
Bad Debt Expense	-	-	-	11,756	-	11,756
Other Expenses	34,240	-	34,240	13,418	-	13,418
Total Operating and Administrative Expenses	1,973,611	-	1,973,611	2,084,829	-	2,084,829
Change in Net Assets	(1,448,984)	-	(1,448,984)	(1,527,655)	-	(1,527,655)
Net Assets at Beginning of Year	(2,665,448)	-	(2,665,448)	(1,137,793)	-	(1,137,793)
Net Assets at End of Year	$ (4,114,432)	$ -	$ (4,114,432)	$ (2,665,448)	$ -	$ (2,665,448)

The Notes to Financial Statements are an integral part of these Statements.

MOLECULAR SCIENCES RESEARCH CENTER, INC.

Statements of Cash Flows

	For the Fiscal Years Ended June 30, 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ (1,448,984)	$ (1,527,655)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation Expense	36,058	24,813
Bad Debt Expense	-	11,756
Changes in Assets and Liabilities:		
(Increase) in Contributions Receivable	(4,520)	(11,756)
Decrease in Prepaid Expenses	15,600	5,417
Increase in Accounts Payable - Trade	110,482	44,263
(Decrease) in Accrued Payroll Taxes	(3,165)	(12,457)
Increase (Decrease) in Accrued Expenses	1,721	(1,145)
Increase in Due to Affiliate	28,836	90,520
Net Cash Used in Operating Activities	(1,263,972)	(1,376,244)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of Equipment	(59,515)	(261,144)
Net Cash Used in Investing Activities	(59,515)	(261,144)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Intercompany Loan	1,500,000	1,500,000
Net Cash Provided by Financing Activities	1,500,000	1,500,000
Net Change in Cash	176,513	(137,388)
Cash at Beginning of Year	359,924	497,312
Cash at End of Year	$ 536,437	$ 359,924

The Notes to Financial Statements are an integral part of these Statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business

The accompanying financial statements include the accounts and transactions of **MOLECULAR SCIENCES RESEARCH CENTER, INC.**, **(MSRC)** (a non-profit organization) (the Organization). The Organization was organized under the laws of the Commonwealth of Puerto Rico in 2011. The Molecular Sciences Research Center (MSRC) is an advanced research facility with laboratories conducting basic molecular sciences and translational biomedical research located in San Juan (Rio Piedras), Puerto Rico.

The primary goal of the MSRC is to produce a significant increase in competitively funded forefront scientific research by scientists at the University of Puerto Rico (UPR). Its vision is to strengthen research infrastructure and research disciplines of tradition in Puerto Rico as foundations of a knowledge-based economy; enrich the society with and open research culture by exposing research activities, new technology, training opportunities and discoveries; develop worldwide recognized Research Centers in areas of cutting-edge scientific impact through high level of intra and inter institutional collaborations; develop partnerships and collaborations with the industry; and enhance the UPR Intellectual Property portfolio and the commercialization of research inventions in Puerto Rico.

The Organization works in conjunction with the University of Puerto Rico and both keeps their accounting for revenues and expenses individually recorded. The Molecular Sciences Research Center, Inc. was created as an affiliated Corporation of the University of Puerto Rico on March 23, 2011. During the years from 2011 to 2018 the Organization focused its agenda in establishing the research infrastructure to support research projects and to increase its research productivity. As a result of the Organization not being able to complete its development toward a self-standing and self-sufficient Corporation, a collaboration agreement was drawn between the MSRC and the UPR through a Memorandum of Understanding (MOU). The agreement is for a period of six (6) years during which the UPR will provide funding and after which is expected that the MSRC will be able to produce the financial resources to sustain its scientific and operational activities. Refer to Note 5 for further detail.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification (ASC) Topic No. 958, Not-for-Profit Entities, which requires that all not-for-profit organizations provide a statement of financial position, a statement of activities and changes in net assets, and a statement of cash flows. It also requires presentation of net assets in the statements of financial position based on the existence of donor-imposed restrictions, as net assets with donor restrictions and net assets without donor restrictions, and that the change of the amounts in each of those classifications be presented in the statements of activities and changes in net assets. Net assets without donor restrictions include the results of transactions that arise from the Organization's operations without a specified or restricted use.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Basis of Presentation, (Continued)

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Pronouncements

In June 2018, the FASB issued ASU 2018-08, *Non-for-Profit Entities (Topic 958)-Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB issued this ASU to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Non-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The standard will be effective for nonpublic companies with fiscal years beginning after December 15, 2018 and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating this new standard and the impact it will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), for reporting leases, which requires an entity that is a lessee to classify leases as either finance or operating and to recognize a lease liability and a right-of-use asset for all leases that have a term of greater than 12 months. Leases of 12 months or less will be accounted for similar to existing guidance for operating leases. The standard will be effective for nonpublic companies with fiscal years beginning after December 15, 2020. Early adoption is permitted. The Organization is currently evaluating this new standard and the impact it will have on its financial statements.

In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers ("ASU 2015-14") - Deferral of the Effective Date. The ASU 2015-14 defers the effective date for all entities by one year. In the case of non-public entities, ASU 2015-14 will be applicable to annual reporting periods commencing after December 15, 2018 and for interim reporting periods within the annual reporting period beginning after December 15, 2019.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

New Pronouncements – (Continued)

Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period.

When effective, ASU 2014-09 will use either one of the following transition methods (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients: or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures).

Currently, management is reviewing the Organization's revenue streams for comparing how revenue is currently recognized for the purpose of quantifying the impact, if any that this ASU will have on the financial statements.

Cash and Cash Equivalents

The Company considers as cash equivalents all highly liquid investments with maturity of ninety (90) days or less when purchased.

Concentrations of Credit Risk

The Organization maintains its cash account in a local banking institution. Cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a combined total of $250,000. As of June 30, 2022, and 2021, the cash balances in these financial institutions have exceeded FDIC insured limits collateralize with securities that are pledged with the Department of the Treasury. As of June 30, 2022 and 2021, cash balance in bank was $534,137 and $359,993 respectively. The Organization has not experienced any losses and believes it is not exposed to any significant credit risk on such accounts.

Contributions Receivable

Receivables are due from individuals, other agencies and/or organizations and are stated at unpaid balances, less an allowance for doubtful accounts. The allowance is based on its assessment of the current status of the respective accounts, and using historical experience applied to an aging of contributions receivable. Contributions are written off after reasonable efforts have been made to collect.

Prepaid Expenses

Expenditures made to secure the use of assets or the receipts of services at a future date are charge to the prepaid expenses account and are amortized based on the term and the usage of the amount.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Property and Equipment

Purchased property and equipment are stated at cost and donated assets are valued at their estimated fair value on the date donated. Depreciation is computed using the straight- line method based on the estimated useful lives of the assets, which are 5 to 25 years. Expenditures for maintenance and repairs, including the replacement of minor items, are expensed as incurred, and major additions to property and equipment are capitalized. Upon withdrawal, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and gains or losses are included on the statement of activities.

Revenue Recognition

Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions are considered to be available for general purposes unless restricted by a donor for specific purposes. Resources received in exchange transactions are recognized as deferred revenues or contract liability to the extent that the earnings process has not been completed. These resources are recorded as revenues without donor restrictions when the related obligations have been satisfied.

Program Revenues are recognized as revenue as the Organization fulfills the requirements and/or complies with conditions set by the contracting party in the contract. The Organization may be contracted to perform services directly related to its Research Program, for which revenues will be recorded as the contract is fulfilled. Funds received in advance of their usage are classified as a contract liability in the statement of financial position.

Other Revenues such as interest income, special events and miscellaneous revenues are recorded when received and considered other income on these financial statements.

Income Taxes

Since the MSRC creation date until August 26, 2019, the Organization enjoyed and was covered with the extended benefits of the Income Tax Exemption under section 1101(6) of the Puerto Rico Revenue Code through its affiliation with the University of Puerto Rico.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Income Taxes – (Continued)

On August 27, 2019, the Organization began its process to become a self-sufficient Corporation through a collaborative agreement with the University of Puerto Rico. On February 2, 2022 tax exemption was approved and the Organization became exempt from income taxes under Section 1101.01 (a)(2)(A)(iv) of the Puerto Rico Revenue Code and classified as other than educational institution.

Evaluation of Financial Statements

In preparing these financial statements, the Organization evaluated this transaction and other events and transactions for potential recognition or disclosures through November 28, 2022, the date the financial statements were available to be issued.

2. CONTRIBUTIONS RECEIVABLE

Contributions receivable consists of amount awarded for "work-for-hire" service contract but not received as of June 30, 2022. This service contract is for the implementation of a Research Program. Total contract is for $19,920. As of June 30, 2022, the amount of $11,000 was collected, therefore a $8,920 receivable was recognized.

3. PROPERTY AND EQUIPMENT

As of June 30, 2022 and 2021 property and equipment are summarized as follows:

	2022	2021
Laboratory Equipment and Furniture	$ 323,454	$ 263,939
Less: Accumulated Depreciation	61,182	25,124
Property and Equipment, Net	$ 262,272	$ 238,815

During the year ended June 30, 2022 and 2021 the depreciation expense amounted to $36,058 and $24,813, respectively.

4. COLLABORATION AGREEMENT WITH THE UNIVERSITY OF PUERTO RICO

The Molecular Sciences Research Center, Inc. was created as an affiliated Corporation of the University of Puerto Rico on March 23, 2011.

4. COLLABORATION AGREEMENT WITH THE UNIVERSITY OF PUERTO RICO, (Continued)

During the years from 2011 to 2018 the Organization focused its agenda in establishing the research infrastructure to support research projects and to increase its research productivity. As a result of the Organization not being able to complete its development toward a self-standing and self-sufficient Corporation, a collaboration agreement was drawn between the MSRC and the UPR through a Memorandum of Understanding (MOU).

Among other terms and conditions, and as part of the agreement, even though areas of collaboration may be proposed by either party and the MOU may be amended when needed, parties agreed that: the MSRC will retain its employees and that those employees will participate in the UPR Individual Health Plan, and that the MSRC will repay the UPR for such health plan costs; the MSRC will be covered by the current insurance premiums for the "Property and Diesel Tank Protection"; the MSRC will manage large constructions, remodeling and improvements as part of the UPR Capital Improvement Plan, independently of the funding source, and following UPR policies for best practices; MSRC matters related to Intellectual Property (patents, copyrights, trademarks, etc.) and Technology Transfer and Commercialization will be executed through the UPR Office of Intellectual Property and any revenues produced by inventions, discoveries, or tangible products, develop within the premises of the MSRC must be shared at a percentage negotiated between the parties; the UPR and the UPR campuses will establish future agreements with the MSRC regarding transfers of indirect costs from the grants' management outsourcing services and the resident professors that will use the MSRC facilities to conduct research; the UPR will grant guest access to the Oracle platform to MSRC employees for administrative transactions pertinent to grants management; the UPR will contract the services and facilities of the MSRC in any matter related to pharmaceutical sciences, biosciences and life sciences; the MSRC will provide to UPR Central Administration the services of Grants Management for STEM training and research programs; the MSRC will also manage, at the desire of the UPR, other projects with similar characteristics with state government agencies and private organizations in Puerto Rico and/or outside.

The agreement is for a period of six (6) years during which the UPR will provide funding and after which is expected that the MSRC will be able to produce the financial resources to sustain its scientific and operational activities.

4. COLLABORATION AGREEMENT WITH THE UNIVERSITY OF PUERTO RICO, (Continued)

The UPR will contribute the amount of $10,000,000. This amount will be paid to the MSRC in installments as follows:

Year 1 (Fiscal Year 2019-2020)	$ 2,000,000
Year 2 (Fiscal Year 2020-2021)	2,000,000
Year 3 (Fiscal Year 2021-2022)	2,000,000
Year 4 (Fiscal Year 2022-2023)	1,500,000
Year 5 (Fiscal Year 2023-2024)	1,500,000
Year 6 (Fiscal Year 2024-2025)	1,000,000
Total UPR Contribution to MSRC per MOU	$ 10,000,000

The agreement establishes that at the end of the six-year period the MSRC will repay to the UPR only the 75% of the total contribution during a period up to fifteen (15) years. As a result of this agreement, a portion of 25% of the contributions received each year are allocated to revenues and the remaining 75% are recorded as a liability. During the years ended June 30, 2022 and 2021 the Organization received $2,000,000 installment for each year. For this period, revenue of $500,000 (25% of $2,000,000) was recognized and a long-term liability to UPR of $1,500,000 (75% of $2,000,000) was recorded. The long-term liability to UPR as of June 30, 2022 amounted to $4,500,000.

For purposes of the agreement, each party is separate and independent, and each party are responsible for its own acts and the results thereof. Each party agrees that assume all risks and liabilities on its own.

5. RELATED PARTY TRANSACTIONS

Due to Affiliate

The Organization receives from and makes reimbursements to the University of Puerto Rico for payroll related benefits and security and other expenses. As of June 30, 2022 and 2021, due to affiliate amounted $183,651 and $154,815 respectively. The amounts are not interest bearing and there are no established repayment terms; accordingly, the balances are classified as current asset.

Intercompany Loan

The MSRC entered into a Collaboration Agreement with the UPR. In said agreement UPR will contribute the amount of $10,000,000.

5. RELATED PARTY TRANSACTIONS, (Continued)

Intercompany Loan – (Continued)

This amount will be paid to the MSRC in installments during a period of six (6) years. The agreement establishes that at the end of the six-year period the MSRC will repay to the UPR only the 75% of the total contribution during a period up to fifteen (15) years; accordingly, the balances are classified as non-current. As a result, the remaining portion of 25% of the contributions received each year are allocated to revenues and the other 75% are recorded as a liability. During the years ended June 30, 2022 and 2021 the Organization received $2,000,000 installment for each year. For this period, revenue of $500,000 (25% of $2,000,000) was recognized and a long-term liability to UPR of $1,500,000 (75% of $2,000,000) was recorded. Refer to Note 4.

6. FUNCTIONAL ALLOCATION OF EXPENSES

Functional classification is a method of reporting expenses according to the purpose for which costs are incurred. Natural classification is a method of grouping expenses according to the kinds of economic benefits received in incurring those expenses.

The costs of providing program services and other activities have been summarized on a natural basis in the statement of activities and changes in net assets. The expenses of the Organization are reported in the table below by their functional and natural classifications. Expenses which apply to more than one functional category have been allocated based on estimates made by management.

During the years ended June 30, 2022 and 2021 the expenses of the Organization are allocated to the natural and functional classifications as follows:

	Total		Program Expenses		General and Administrative	
	2022	2021	2022	2021	2022	2021
Salaries, Wages and Payroll Taxes	478,539	672,279	$ 468,968	$ 658,833	$ 9,571	$ 13,446
Professional Services	190,388	184,311	186,580	180,625	3,808	3,686
Utilities	678,741	581,695	665,166	570,061	13,575	11,634
Repairs and Maintenance	343,064	317,071	336,203	310,730	6,861	6,341
Office Expense	16,328	15,207	16,001	14,903	327	304
Supplies and Materials	25,601	41,409	25,089	40,581	512	828
Equipment Expense	170,652	222,870	167,239	218,413	3,413	4,457
Depreciation Expense	36,058	24,813	-	-	36,058	24,813
Bad Debt Expense	-	11,756	-	-	-	11,756
Other Expenses	34,240	13,418	33,555	13,150	685	268
Total	$ 1,973,611	$ 2,084,829	$ 1,898,802	$ 2,007,295	$ 74,809	$ 77,534

For this period ended June 30, 2022, program expenses represent 96% and general and administrative expenses represent 4%.

7. MAJOR CUSTOMER

One hundred percent (100%) of revenues generated by the Organization represents services rendered to one major customer which is an educational institution.

8. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year as of June 30, 2022 and 2021 comprise the following:

	2022	2021
Cash	$ 536,437	$ 359,924
Contributions Receivable	8,920	4,400
Total Financial Assets	545,357	364,324
Less: Those Unavailable for General Expenditures Within One Year	8,920	4,400
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 536,437	$ 359,924

9. COVID-19 OUTBREAK

On March 2020, the World Health Organization ("WHO") declared the coronavirus (COVID 19), a global pandemic and public health emergency. The WHO has recommended containment and mitigation measures worldwide and domestically, self-isolation and shelter-in-place requirements have been or are being put in place. At this point, the Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which this disruption may impact the Organization's financial statements and future results of operations. The Organization will continue to monitor and evaluate the nature and extent of the impact on our ongoing activities and the potential effect on future contributions or funding and expenses, financial condition, and liquidity.

10. SUBSEQUENT EVENTS

Collaboration Agreement with The University of Puerto Rico – Amendment

As of the evaluation date of these financial statements, an amendment to the current MOU is under revision. If approved, this amendment will introduce important changes and agreements regarding human resources and payroll matters, related party transactions, capital improvements, and terms and conditions regarding researchers associated to the UPR contractual relationship with the MSRC.

10. SUBSEQUENT EVENTS – (Continued)

Collaboration Agreement with The University of Puerto Rico – Amendment – (Continued)

It is the Organization's Management opinion that this new agreement will be approved and that these changes will help the MSRC in its goal towards becoming a self-sustain organization while continuing to collaborate with the UPR, its campuses and the university community.

Collaboration Agreement with the Department of Economic Development and Commerce ("DDEC")

On October 6, 2022, the Department of Economic Development and Commerce enter into and Agreement with MSRC as a way to incentivizing research in areas that are germane to the growth, development, and sustainability of the MSRC. DDEC will assign a total of six million dollars ($6,000,000) to the MSRC, which shall be distributed in two (2) allocations of three million dollars ($3,000,000) each, which in turn shall be disbursed subject to the completion of separates deliverables. The first $3MM allocation will be disbursed on an annual basis, beginning in Fiscal Year 2023 from the Incentives Economic Fund created under Puerto Rico Act 60-2019, administered by the DDEC. The other $3MM allocations comes from the Coronavirus State Recovery Funds and will be disbursed only and exclusively after MSRC demonstrates and DDEC confirms that MSRC have duly and fully complied with deliverables detail in the agreement. The parties are committed to engage in cooperative activities to support industry; scientific institutions; develop and promote science, standars, and technology needed to enhance productivity; meet the needs of industry to continually improve products and services; and to provide access to qualified researches and firms to specifically designated research facilities, among other things. This Agreement shall be for a period five (5) years from the date of signing, or until expiration of funds.

AJ Hernández & Co., CPA, PSC.
Certified Public Accountants & Business Consultants
P.O. Box 191529, San Juan, Puerto Rico 00919-1529
Tel: (787) 758-4416 Fax: (787) 758-4426

November 28, 2022

To the Board of Directors of
MOLECULAR SCIENCES RESEARCH CENTER, INC.
San Juan, Puerto Rico

The shareholder and staff of AJ Hernandez & Co., CPA, PSC are pleased to announce the successful completion of an independent peer review of our accounting and auditing practice. This review was undertaken as a condition of membership in the American Institute of Certified Public Accountants (AICPA), the national organization of CPAs in public practice, industry, government, and education.

In 1988, the members of the AICPA overwhelmingly approved a proposal to require members in public practice to participate in a practice-monitoring program. With the adoption of this proposal, the AICPA implemented a peer review program of unprecedented scope in the CPA profession or any other. Our participation in peer review demonstrates our firm's desire to measure up to the profession's high standards of professionalism and our commitment to maintaining and improving the quality of our practice.

In August 2000, the Puerto Rico Society of CPAs (PRSCPA) adopted a voluntary peer review program, which follows the lead established by the AICPA.

Our peer review was conducted by a team appointed by the PRSCPA. The reviewer first determined that we have an adequate quality control system, and then checked to see that professional's standards were followed in a representative sample of our accounting and auditing engagements.

After thorough study of our policies and procedures, the reviewer concluded our firm complies with the stringent quality control standards established by the AICPA and the PRSCPA. Our firm is committed to periodic peer review to foster quality performance.

Bankers, bonding agents, investors, suppliers, legal advisors, and others use the financial statements our firm audits, reviews, or compiles. We think those people, our clients, and our own staff deserves independent quality assurance that our firm provides quality services. We are proud of our peer review results and would be happy to answer any questions you might have.

Sincerely,

Andrés J. Hernández Concepción
President

MEMBERS:
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (AICPA)
PUERTO RICO SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

CPA AGUSTÍN RODRÍGUEZ NIEVES

CERTIFIED PUBLIC ACCOUNTANT

SYSTEM REVIEW REPORT

AJ Hernandez & Co., PSC
and the Peer Review Committee of
Puerto Rico Society of CPAs

I have reviewed the system of quality control for the accounting and auditing practice of AJ Hernandez & Co., PSC (the firm) in effect for the year ended December 31, 2014. My peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of my review, I considered reviews by regulatory entities, if applicable, in determining the nature and extent of my procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. My responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on my review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at *www.aicpa.org/prsummary*.

As required by the Standards, engagements selected for review included engagements performed under Government Auditing Standards and ERISA.

In my opinion, the system of quality control for the accounting and auditing practice of AJ Hernandez & Co., PSC in effect for the year ended December 31, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency (ies) or fail. AJ Hernandez & Co., PSC has received a peer review rating of pass.

February 28, 2017
Toa Alta, Puerto Rico

CPA Agustín Rodríguez Nieves
License 4314

The stamp 02742250 was affixed to the original of this report.