PUERTO RICO MUNICIPAL FINANCE AGENCY (A Component Unit of the Commonwealth of Puerto Rico)

BASIC FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION AND REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2025

PUERTO RICO MUNICIPAL FINANCE AGENCY
(A Component Unit of the Commonwealth of Puerto Rico)

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INDEPENDENT AUDITORS' REPORT

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To the Board of Directors of
Puerto Rico Municipal Finance Agency:

Opinion

We have audited the accompanying financial statements of Puerto Rico Municipal Finance Agency (the "Agency") as of and for the year ended June 30,2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency, as of June 30,2025, and the changes in its financial position and 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 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 the Agency 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.

Emphasis of Matter

Commonwealth Assistance

As further discussed in Note 5 to the financial statements, Act No. 29 of June 30, 1972, as amended and later substituted by Act 107-2020 of August 14, 2020, provides for the Commonwealth's general fund to fund any deficiencies from the municipalities in the Agency's debt service coverage. The Agency has never required the assistance of the Commonwealth to cover such debt service requirements. If the Commonwealth's assistance is required in the future, there is no assurance that the Commonwealth's general fund will be able to cover such deficiency, as such ability is dependent on the availability of funds from the Commonwealth, which in turn depends on budgetary appropriations made by the Legislature and the certification of such allocation by the Puerto Rico Fiscal Oversight and Management Board. The Legislature has no obligation to make such appropriation.

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.

Auditor's 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, 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 Agency'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.

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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 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, which 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Agency's basic financial statements as a whole. The Schedule I – Investments Held by Trustees by Bond Series, on page 24, 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Grant Thornton Puerto Rico LLP

San Juan, Puerto Rico,
May 12, 2026.

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Puerto Rico Municipal Finance Agency

This management's discussion and analysis section ("MD&A") provides a narrative overview and analysis of the financial activities of the Puerto Rico Municipal Finance Agency's (the "Agency or MFA") during the fiscal year ended June 30, 2025. The following presentation is by necessity highly summarized, and therefore, in order to gain a thorough understanding of the Agency's financial condition, the basic financial statements, notes and required supplementary information should be reviewed in their entirety.

The Agency was created to assist Puerto Rico's municipalities in financing their public improvement programs. The Agency's activities consist of servicing its bond obligations and disbursing escrow deposits arising from the acquisition of investments in Puerto Rico municipal bonds and notes that were issued by the Government Development Bank for Puerto Rico (the "GDB").

Financial Highlights

- As of June 30, 2025, the Agency's total assets and net position were approximately $180.6 million and $73.8 million, respectively.

- During the fiscal year ended June 30, 2025, principal payments on Agency bonds amounted to approximately $35.9 million.

- The Agency's interest and dividend income was approximately $9.1 million, and the fair market value of the Agency's investment portfolio decreased by approximately $460 thousand for the fiscal year ended June 30, 2025.

- For the fiscal year ended June 30, 2025, the Agency's interest expense was approximately $5.1 million.

1. Financial Statements Overview

The financial statements include the MD&A section, the independent auditors' report, and the basic financial statements of the Agency. The basic financial statements also include notes that explain in more detail some of the information in the basic financial statements.

2. Required Financial Statements

The financial statements of the Agency are prepared using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about the activities of the Agency. The statement of net position presents the Agency's assets, deferred outflow of resources, and liabilities, providing information about the nature and amount of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the Agency and assessing its liquidity and financial flexibility.

Revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the success of the Agency's operations over the past fiscal year and can be used to determine whether the Agency has successfully recovered its costs from the revenues it has generated.

The final required financial statement is the statement of cash flows, which reports cash receipts, cash disbursements, and net changes in cash resulting from operating, investing, and capital and non-capital financing activities and provides answers to questions such as where cash came from, what was cash used for, and what was the change in the cash balance during the reporting period.

3. Financial Analysis

Net position may serve, over time, as a useful indicator of whether a governmental entity's financial position is improving or deteriorating. As of June 30, 2025, the Agency's total assets exceeded total liabilities by approximately $73.8 million, a decrease of approximately $1.5 million over the prior fiscal year's net position of approximately $75.3 million.

Condensed financial information of the Agency's assets, liabilities, operating revenues, operating expenses, and change in net position is as follows (in thousands):

	June 30,		Change	
	2025	2024	Amount	Percent
Current assets	$ 94,094	$ 92,832	$ 1,262	1.4%
Other assets	86,466	126,293	(39,827)	-31.5%
Total assets	180,560	219,125	(38,565)	-17.6%
Current liabilities	25,954	22,957	2,997	13.1%
Noncurrent liabilities	80,783	120,850	(40,067)	-33.2%
Total liabilities	106,737	143,807	(37,070)	-25.8%
Interest, dividend and investment income and other revenue	8,725	12,317	(3,592)	-29.2%
Interest and other expense	(10,220)	(7,191)	(3,029)	42.1%
Change in net position	(1,495)	5,126	(6,621)	-129.2%
Net position, beginning of year	75,318	70,192	5,126	7.3%
Net position, end of year	$ 73,823	$ 75,318	$ (1,495)	-2.0%

For fiscal year 2025, total assets and total liabilities decreased by approximately $38.6 million and $37.1 million, respectively, when compared with the prior fiscal year. These reductions are associated mostly with the bonds' principal and interest payments amounting to approximately $36 million and $6 million, respectively, during fiscal year 2025.

Interest, dividend, investment income and other revenue decreased by approximately $3.6 million for fiscal year 2025 due to the net effect of the following:

- During the fiscal year ended June 30, 2025, there was an unrealized loss of approximately $460 thousand on the fair market value of investments, a decrease of approximately $1.5 million, when compared to an unrealized gain of approximately $1.1 million for the fiscal year ended June 30, 2024.

- Decrease in interest income and dividend income of approximately $2.1 million during the fiscal year ended June 30, 2025, when compared to the fiscal year ended June 30, 2024. The reduction in interest income is due to the decrease in the investment portfolio during the year.

Interest expense and other expenses increased by approximately $3 million during the fiscal year ended June 30, 2025, due to an increase in non-investment expense of approximately $5 million. The increase in non-investment expense is due to a one-time transaction related to a contribution to the Municipal Administration Fund ("MAF") amounting to $5 million made on fiscal year 2025. Interest expense on the Agency's bonds was $2 million less due to a lower bond payable base amount after the payments made during fiscal year 2025.

4. Debt Administration

The Agency has two outstanding bond issuances (refer to note 7). As of June 30, 2025, outstanding bonds of the Agency amounted to approximately $104 million. Debt repayments amounted to approximately $36 million during the year ended June 30, 2025.

5. Currently known facts

On January 13, 2026, the Agency signed two Memorandum of Understanding ("MOU") to provide economic assistance to the Municipality of Cabo Rojo and the Municipality of Añasco. The Municipality of Cabo Rojo will receive $1.4 million to cover operating expenses of the mass transit trolley services and the Municipality of Añasco will receive $3.7 million for the construction and substantial rehabilitation of the boat ramp infrastructure at the "Villa Pesquera Tres Hermanos". This economic assistance will be provided from the unrestricted funds of the Agency.

6. Request for Information

This financial report is designed to provide all interested parties with a general overview of the Agency's finances and to facilitate the Agency's accountability for the resources it manages. If you have questions about this report or need additional information, contact the Puerto Rico Municipal Finance Agency, PO Box 42001, San Juan, Puerto Rico, 00940-2001.

PUERTO RICO MUNICIPAL FINANCE AGENCY
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF NET POSITION
JUNE 30, 2025
(In thousands)

ASSETS		
CURRENT ASSETS:		
Cash	$	21,191
Prepaid insurance		233
Restricted:		
Cash		2,001
Accrued interest receivable		2,810
Investments		67,859
Total current assets		94,094
NON-CURRENT ASSETS:		
Prepaid insurance		5
Restricted investments		86,461
Total non-current restricted assets		86,466
Total assets	$	180,560
LIABILITIES		
CURRENT LIABILITIES:		
Accrued expenses and other liabilities	$	206
Total current liabilities		206
CURRENT LIABILITIES FROM RESTRICTED ASSETS:		
Accrued interest payable		2,058
Bonds payable		23,690
Total current liabilities from restricted assets		25,748
NON-CURRENT LIABILITIES FROM RESTRICTED ASSETS:		
Bonds payable, net		80,783
Total non-current liabilities from restricted assets		80,783
Total liabilities		106,737
NET POSITION:		
Restricted for debt service		52,600
Unrestricted		21,223
Total net position	$	73,823

See notes to basic financial statements.

PUERTO RICO MUNICIPAL FINANCE AGENCY
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025
(In thousands)

INVESTMENT INCOME:		
Interest and dividend income	$	9,133
Unrealized loss on changes in fair value of investments		(460)
Total operating and investment income		8,673
INTEREST EXPENSE:		
Interest expense (including prepaid insurance)		5,144
Total interest expense		5,144
NET INVESTMENT INCOME		3,529
NON-INVESTMENT REVENUES (EXPENSES):		
Contribution to Municipal Administration Fund		(5,010)
Other revenue		52
Management fees		(48)
Professional services and other fees		(18)
Total non-investment expenses		(5,024)
OPERATING LOSS AND CHANGE IN NET POSITION		(1,495)
NET POSITION, beginning of year		75,318
NET POSITION, end of year	$	73,823

See notes to basic financial statements.

PUERTO RICO MUNICIPAL FINANCE AGENCY
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025
(In thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash paid for general and administrative expenses	$	(32)
Contribution to Municipal Administration Fund		(5,010)
Net cash used in operating activities		(5,042)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Payments of bonds payable		(35,980)
Interest paid on bonds payable		(6,117)
Net cash used in non-capital financing activities		(42,097)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investment securities		(17,115)
Proceeds from sales and redemptions of investment securities		817
Proceeds from redemptions of municipal bonds and notes		37,245
Collections of interest income		10,258
Net cash provided by investing activities		31,205
NET DECREASE IN CASH		(15,934)
CASH - Beginning of year		39,126
CASH - End of year	$	23,192
RECONCILIATION OF CASH AT END OF YEAR TO STATEMENT OF NET POSITION:		
Unrestricted cash	$	21,191
Restricted cash		2,001
TOTAL CASH AT END OF YEAR	$	23,192

See notes to basic financial statements.

(Continued)

PUERTO RICO MUNICIPAL FINANCE AGENCY
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025
(In thousands)

RECONCILIATION OF OPERATING LOSS AND CHANGE IN NET POSITION TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss and change in net position	$	(1,495)
Adjustments to reconcile operating loss and change in net position to net cash used by operating activities:		
Investment income		(8,673)
Interest expense		5,045
Changes in assets and liabilities:		
Decrease in prepaid expense		99
Decrease in accrued expenses and other liabilities		(18)
Net cash used in operating activities	$	(5,042)

See notes to basic financial statements. (Concluded)

1. REPORTING ENTITY

The Puerto Rico Municipal Finance Agency (the "Agency or MFA") is a component unit of the Commonwealth of Puerto Rico (the "Commonwealth"), created by Act No. 29 of June 30, 1972, as amended (the “Act 29-1972”), and subsequently substituted by Act 107-2020 of August 14, 2020, as amended, (the “2020 Municipal Code”). The 2020 Municipal Code stipulates the norms, rules, and laws related to the income and financing of the operation of municipalities. The Agency’s day to day operations are managed by the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”)

The Agency was created to assist Puerto Rico’s municipalities in financing their public improvement programs. The Agency’s activities consist of servicing its bond obligations and disbursing escrow deposits arising from the acquisition of investments in Puerto Rico municipal bonds and notes that were issued by the Government Development Bank for Puerto Rico (“GDB”).

The Agency has retired several outstanding bond series, thereby allowing the trustee of such bond series to release the restrictions and liens on the related bond debt service and debt service reserve accounts. As a result of these transactions, approximately $21 million in unrestricted cash was available as of December 31, 2025. These funds can be utilized for any authorized purposes other than the repayment of outstanding debt obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Agency conform to Accounting Principles Generally Accepted in the United States of America (“GAAP”) for governments as prescribed by the Governmental Accounting Standards Board (“GASB”), specifically, under the hierarchy established by GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of GAAP. The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

Measurement Focus, Basis of Accounting and Financial Statements Presentation - The Agency’s 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 incurred, regardless of the timing of related cash flows. Net investment income is the excess of amounts earned by the Agency on its interest-earning assets over the interest incurred on its interest-bearing liabilities. The Agency’s net investment income is subject to interest rate risk due to the re-pricing and maturity relationship of the Agency’s assets and liabilities. Revenues and expenses not meeting these criteria are reported as non-interest income and expenses.

The statement of net position presents the Agency’s assets and liabilities, with the difference reported as net position. Net position is reported in two categories:

(a) Restricted component of net position consists of restricted assets reduced by liabilities related to those assets. Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

(b) Unrestricted component of net position consists of net amount of the assets and liabilities that do not meet the definition of the preceding category. Unrestricted component of net position often is designated in order to indicate that management does not consider them to be available for general operations. Unrestricted component of net position often has constraints on use that are imposed by management, but such constraints may be removed or modified.

The statement of revenues, expenses, and changes in net position 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. Program revenues include: (1) interest income investments and (2) changes in fair value of investments. Operating expenses are those that relate to the administration of the Agency. Other items not meeting the definition of program revenues or operating expenses are reported as non-operating revenues or expenses.

***Income Tax* -** The Agency is exempt from taxation in Puerto Rico.

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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments - Investments and investment contracts are carried at fair value, except for money market investments and participating investment contracts with a remaining maturity at the time of purchase of one year or less, and non-participating investment contracts, which are carried at cost. Except for investments in Puerto Rico municipal bonds and notes, fair value is determined based on quoted market prices and quotations received from independent broker/dealers or pricing service organizations. Puerto Rico municipal bonds and notes fair values are estimated by management based on quoted market prices for the debt these investments collateralize. Such quoted market prices are obtained from independent sources.

GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. By contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 Investments with inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 Investments have unobservable inputs for an asset or liability and may require a degree of professional judgment.

Realized gains and losses from the sale of investments and unrealized changes in fair values are recorded as investment income.

Except for investments in Puerto Rico municipal bonds and notes, and bonds payable, the carrying values of the Agency's financial instruments are substantially similar to their fair value as of June 30, 2025, because such instruments have either short-term maturities or bear interest at rates that vary with the market.

Bond Premium/Discount - Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts.

Bond Issue Costs **-** Bond issue costs are recorded as expenditures when paid.

New Accounting Standards Adopted **-** During the fiscal year ended on June 30, 2025, certain governmental accounting pronouncements became effective, none of which had any impact in the results of the operations, or in the presentation of the financial statements of the Agency.

Recently Issued Accounting Guidance - GASB has issued the following accounting pronouncements that have an effective date after June 30, 2025:

(a) **GASB Statement No. 103,** ***Financial Reporting Model Improvements*** – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

Management's Discussion and Analysis - This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions.

Unusual or Infrequent Items - This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position - This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

Major Component Unit Information - This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

Budgetary Comparison Information - This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

(b) **GASB Statement No. 104, *Disclosures of Certain Capital Assets*** – The State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires certain information regarding capital assets to be presented by major class. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

(c) **GASB Statement No. 105, *Subsequent Events* -** The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users.

This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed.

This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. Earlier application is encouraged.

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

3. DEPOSITS PLACED WITH BANK

Deposits placed with commercial bank consist of cash and cash equivalent instruments which the Agency considers as highly liquid investments with a maturity of three months or less.

Custodial credit risk is the risk that in the event of a financial institution's failure, the Agency's deposits may not be returned to it. The Commonwealth requires that public funds deposited in commercial banks in Puerto Rico must be fully collateralized for the amount deposited in excess of federal depository insurance.

As of June 30, 2025, none of the Agency's depository balance is uninsured or uncollateralized, as indicated in the following table (in thousands):

	Carrying Amount	Bank Balance
Unrestricted	$ 21,191	$ 21,191
Restricted	2,001	2,001
	$ 23,192	$ 23,192

During the fiscal year ended on June 30 2025, the Agency made a contribution amounting to $5 million from its unrestricted cash to the Municipal Development Fund. Refer to note 6 for more information.

4. CLAIM RECEIVABLE FROM THE PUBLIC ENTITY TRUST

On November 29, 2018, GDB completed a restructuring of certain of its indebtedness pursuant to a Qualifying Modification under Title VI of PROMESA (the "Qualifying Modification"). Under the Qualifying Modification, holders of certain bond and deposit claims exchanged their claims for bonds issued by a newly created public instrumentality, the GDB Debt Recovery Authority, and GDB transferred to such entity its municipal loan portfolio, a portion of its public entity loan portfolio, its real estate assets, and its unencumbered cash. In addition, pursuant to Act No. 109 of 2017, also known as the *Government Development Bank for Puerto Rico Debt Restructuring Act* (the "GDB Restructuring Act"), the balance of liabilities owed between the Commonwealth and its agents, instrumentalities and affiliates, including the Agency (each a "Non-Municipal Government Entity") and GDB were determined by applying the outstanding balance of any deposits held at GDB in a Non-Municipal Government Entity's name against the outstanding balance of any loan of such Non-Municipal Government Entity owed to GDB or of any bond or note of such Non-municipal Government Entity held by GDB as of such date.

Those Non-Municipal Government Entities having net claims against GDB after giving effect to the foregoing adjustment, including the Agency, received their pro rata share of interests in a newly formed trust created by the GDB Restructuring Act, the Public Entity Trust (the "PET"). The interests a Non-Municipal Government Entity received against the PET was deemed to be in full satisfaction of any and all claims such Non-Municipal Government Entity may have against GDB.

As a result of the execution of the Qualifying Modification, the Agency received beneficial units of the PET amounting to $4.9 million in exchange for the deposits held at GDB.

The assets of the PET (the "PET Assets") consist of, among other items, an unsecured claim of $578 million against the Commonwealth, which is the subject of a proof of claim filed in the Commonwealth's Title III case (the "PET Claim"). Non-Municipal Government Entities' recoveries on account of their interests in the PET will depend upon the recovery ultimately received by the PET on account of the PET Assets. The Commonwealth Plan of Adjustment discharges any claim related to budgetary appropriations, including appropriations for the repayment of certain loans held by the PET. As of the date hereof, the Court has not determined if the PET Claim is an allowed claim that will be entitled to a distribution. As a result, units received from the PET were accounted for with a carrying value of zero.

5. INVESTMENTS

The GDB developed investment guidelines for the Government of Puerto Rico and their respective agencies and instrumentalities under the Act 113 of August 3, 1995, and Executive Order 1995-50A. Subsequently, AAFAF developed and authorized the Investment Policy Guidelines of February 8, 2019 (the “Investment Policy Guidelines”), which apply to the Agency and allow the Agency to invest in, among others, the following investment instruments (subject to any additional limitations as may be established by the Agency):

- Obligations of the U.S. government, its agencies and sponsored agencies
- Fully insured or collateralized Certificates of Deposit
- Commercial paper
- Mortgage and asset-backed securities
- Corporate bonds and notes
- Certain external investment pools

The Investment Policy Guidelines establish restrictions for investment instruments, such as rating requirements for specific instruments.

As of June 30, 2025, the fair value of the Agency’s investments, based on the hierarchy of inputs, is determined as follows (in thousands):

Investment Type	Level 1	Level 2	Level 3	Total
Puerto Rico municipal bonds and notes	$ -	$ 96,881	$ -	$ 96,881
U.S. Treasury bills	16,209	-	-	16,209
U.S. government, agencies and sponsored agencies obligations	-	4,083	-	4,083
Guaranteed investments contracts	-	13,100	-	13,100
Corporate debt	-	11,101	-	11,101
Money market	-	12,946	-	12,946
Total investments	$ 16,209	$ 138,111	$ -	$ 154,320

As of June 30, 2025, restricted investment securities held by trustees for repayment of bond issuances and other liabilities consist of the following (in thousands):

	Amount
Puerto Rico municipal bonds and notes	$ 96,881
U.S treasury bills	16,209
U.S government, agencies and sponsored agencies obligations	4,083
Guaranteed investment contracts	13,100
Corporate debt	11,101
Money Market	12,946
	$ 154,320

As of June 30, 2025, contractual maturities by investment securities consist of the following (in thousands):

	Contractual Maturities				
	Within One Year	After One to Five Years	After Five to Ten Years	After Ten Years	Total
Puerto Rico municipal bonds and notes	$ 23,520	$ 70,014	$ 3,347	$ -	$ 96,881
U.S. Treasury bills	16,209	-	-	-	16,209
U.S. government, agencies and sponsored agencies obligations	4,083	-	-	-	4,083
Guaranteed investments contracts	-	13,100	-	-	13,100
Corporate debt	11,101	-	-	-	11,101
Money market	12,946	-	-	-	12,946
	$ 67,859	$ 83,114	$ 3,347	$ -	$ 154,320

Expected maturities differ from contractual maturities when issuers or counterparties have the right-to-call or prepay such obligations with or without call or prepayment penalties.

The Agency's investment in U.S Treasury securities carry the explicit guarantee of the U.S government. As of June 30, 2025, the credit ratings of the investment securities portfolio excluding U.S Treasury bills, are as follows (in thousands):

	Credit Rate Risk			
	AAA / Aaa	AA / Aa	BBB / Baa	Total
Puerto Rico municipal bonds and notes	$ -	$ 96,881	$ -	$ 96,881
U.S. government, agencies and sponsored agencies obligations	4,083	-	-	4,083
Guaranteed investments contracts	-	-	13,100	13,100
Corporate debt	11,101	-	-	11,101
Money market	12,946	-	-	12,946
	$ 28,130	$ 96,881	$ 13,100	$ 138,111

As required by the indentures and Act 29-1972, as amended, and subsequently substituted by the 2020 Municipal Code, the municipal bonds and notes are general obligations of each municipal issuer payable from ad valorem taxation, without limitation as to rate or amount, on all taxable property within the boundaries of the applicable municipal issuer. Each issuing municipality's good faith, credit, and unlimited taxing power are pledged for the payment of its general obligation municipal bonds and notes. Interest rates on general obligation municipal bonds and notes range from 4.45% to 7.71%. Act 29-1972, as amended, and subsequently substituted by the 2020 Municipal Code, also provides for the Commonwealth's general fund to fund municipalities' deficiencies in the Agency's debt service coverage. The Agency has never required the assistance of the Commonwealth to cover such debt service requirements, though there are no assurances that the Commonwealth's general fund will be able to cover future deficiencies. The availability of funds from the Commonwealth depends on budgetary appropriations made pursuant to a certified budget by the Fiscal Oversight and Management Board.

6. CONTRIBUTION TO THE MUNICIPAL DEVELOPMENT FUND

During the fiscal year ended on June 30, 2025, the Agency made a contribution to the Municipal Development Fund amounting to approximately $5 million . The Municipal Development Fund then disbursed the $5 million to forty-two (42) municipalities to cover underpayments of municipal sales tax distributions made by the Municipal Development Fund for the fiscal years 2018 and 2019. The Agency made the payment from its unrestricted general corporate cash.

7. BONDS PAYABLE

As of June 30, 2025, bonds payable consists of the following (in thousands):

	Interest Rate	Amount	Due within One Year
2002 Series A Bonds, including unamortized premium of $15, maturing at August 1, 2027.	5.00%	$ 36,120	$ -
2005 Series A, including unamortized premium of $738, maturing at various date through August 1, 2030.	4.45% - 5.25%	67,600	23,690
		$ 103,720	$ 23,690

As of June 30, 2025, debt services requirements for the 2002 and 2005 outstanding bonds are as follows (in thousands):

Year Ending June 30,	Principal	Interest	Total
2026	$ 23,690	$ 4,601	$ 28,291
2027	35,590	3,109	38,699
2028	16,530	1,807	18,337
2029	13,825	1,049	14,874
2030	7,980	504	8,484
2031	6,105	152	6,257
	103,720	$ 11,222	$ 114,942
Plus:			
Unamortized premium	753		
	$ 104,473		

Bonds activity for the year ended June 30, 2025, was as follows (in thousands):

	Balance at June 30, 2024	Issuances	Other Increases	Other Reductions	Payments	Balance at June 30, 2025
Bonds payable	$ 139,700	$ -	$ -	$ -	$ (35,980)	$ 103,720
Unamortized Premium	950	-	-	(197)	-	753
	$ 140,650	$ -	$ -	$ (197)	$ (35,980)	$ 104,473

On November 15, 2022, the Agency partially redeemed the 2005 Series A bonds with principal and accrued interest amounting to approximately $8.9 million and $135,000, respectively. As of June 30, 2025, principal outstanding on the 2005 Series A Bonds amounted to $67.6 million. The 2005 Series A Bonds outstanding include bonds maturing on August 1, 2030, with principal and interest amounts of $58,025,000 and $615,000 that are subject to redemption to the extent of the respective amortization requirements, upon not less than 30 days prior notice to registered owners starting on August 1, 2026, and thereafter at a redemption price equal to the principal amount to be redeemed plus accrued interest.

The amortization requirements of the 2005 Series A Bonds subject to redemption are as follows (in thousands):

Amortization requirement for 2005 Series A Bonds Maturing on August 1

	Principal	Interest	Total
2026	$ 14,085	$ 145	$ 14,230
2027	16,335	165	16,500
2028	13,685	140	13,825
2029	7,885	95	7,980
2030	6,035	70	6,105
	$ 58,025	$ 615	$ 58,640

On December 21, 2022, the Agency notified Banco Popular de Puerto Rico, as trustee, of the intention of the Agency to redeem $7,430,000 in principal amount of the $77,875,000 5% Term Bonds, outstanding at December 21, 2022 and maturing on August 1, 2027, at par plus accrued interest on February 1, 2023 which resulted in a partial redemption of the 2002A bonds series which amounted to $510.6 million.

As of June 30, 2025, the Agency's 2002 Series A Bonds and 2005 Series A Bonds Refunding Bonds were rated AA by Standard & Poor's.

TRUST INDENTURE EVENTS OF DEFAULT

Agency trust indenture contains events of default which are summarized as follows:

- Missed payment of principal and interest when they become due.
- Failure to retire bonds by purchase or redemption in any fiscal year in a principal amount at least equal to the Amortization Requirement for such fiscal year.
- The amount on deposit to the credit of the Reserve Account shall be less than the Required Debt Service Reserve and the Executive Director of the Agency shall fail or refuse to comply with the Trust Indenture, which requires the Executive Director to certify the amount of such deficiency to the Secretary of the Treasury of Puerto Rico, or the Commonwealth shall fail to apportion and pay to the Agency, in conformity with the Trust Indenture, for deposit in the Reserve Account such amount or amounts as shall be certified by the Executive Director pursuant to such provisions of the Enabling Act.
- The Agency shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the bonds or in this Indenture on the part of the Agency to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall, subject to the provisions of Article XIII hereof of the Trust Indenture, have been given to the Agency by the holders of not less than ten per centum (10%) in aggregate principal amount of the bonds then outstanding.

ENFORCEMENT OF REMEDIES

Upon the happening and continuance of any event of default specified in the Trust Indenture, then, and in every such case, the Trustee may, and upon the written request of the holders of not less than twenty-five percent (25%) in aggregate principal amount of the bonds then outstanding shall, proceed to protect and enforce its rights and the rights of the bondholders under the laws of the Commonwealth or under the Trust Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the Trust Indenture or in aid or execution of any power granted by the Trust Indenture or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights.

8. ARBITRAGE

Bonds payable are subject to arbitrage regulations issued by the Internal Revenue Service of the United States of America ("IRS"), requiring a rebate to the federal government of excess investment earnings on tax exempt debt proceeds if the yield on those earnings exceeds the effective yield on the related tax-exempt debt issued. Excess earnings must be rebated at least once every five years or upon maturity of the debt whichever is earlier. For computation dates other than the final computation date, the issuer must pay at least 90% of the rebate owed.

Management of the Agency periodically reviews the accounting records and legal documentation of the remaining bonds outstanding and unspent bond proceeds usage to ascertain compliance with applicable IRS regulations. Bonds of this type are subject to compliance audits from the IRS from time to time which may result in possible discoveries.

9. DEBT SERVICE RESERVE FUND

The Agency's outstanding bonds have their respective debt-service reserve fund accounts ("DSRF") that were set-up to cover any potential principal or interest debt-service shortfalls for those bonds. The DSRF for the Agency's outstanding bonds are with the trustee banks for those bonds and are governed by the terms and conditions of the applicable bond trust agreements.

The 2002 Series A Bond's DSRF requires an amount equal to the sum of: (i) the higher of (a) 50% of the maximum principal and interest payments requirements for any fiscal year on all 2002 indenture bonds then outstanding and (b) the largest amount of the maximum principal and interest payments requirements for any fiscal year on the 2002 municipal bonds of any 2002 municipal issuer, and (ii) 50% of the annual earnings for such fiscal year on the larger of the amounts in clauses (a) and (b) above based on the assumption that said amount is invested in investment instrument in accordance with the United States Internal Revenue Code of 1986, as amended. Pursuant to the Series 2002A Bonds, the required DSRF is approximately $14 million. On June 30, 2025, the Agency maintains approximately $14.8 million in the DSRF of the 2002 Series A Bonds.

The Series 2005 A Bond's DSRF requires an amount equal to the sum of: (i) the higher of (a) 50% of the maximum principal and interest payments requirements for any fiscal year on all of the Series 2005 A Bonds then outstanding and (b) the largest amount of the maximum principal and interest payments requirement for any fiscal year on the 2005 municipal bonds of any 2005 municipal issuer, and (ii) 50% of the annual earnings for such fiscal year on the larger for the amounts in clauses (a) and (b) above based on the assumption that said amount is invested in investment instrument in accordance with the United States Internal Revenue Code of 1986, as amended. Pursuant to the Series 2005 A Bonds, the required DSRF is approximately $13.1 million.

10. MUNICIPAL REVENUE COLLECTION CENTER

On November 2, 2015, the Municipal Revenue Collection Center (CRIM) and GDB executed a deed of trust that established the mechanics of where the funds that are collected by the CRIM are deposited and used for debt service payments of the general obligations bonds of the municipalities that are borrowers of the Agency. On November 28, 2018, the CRIM as settlor, the Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA) as Trustee, and Banco Popular as custody bank, entered into a second amended and restated trust account custody agreement in which FAFAA replaced GDB as trustee of the Trust.

All monies going in the Trust are subject to Law 80 and Law 64 ("Municipal Finance Act"). The Trust is composed of three funds:

- Municipal Public Debt Redemption Fund – This fund is used to pay bonds and loans payable from the Special Additional Tax (CAE), such as the municipal general obligation bonds held by the Agency. There are four main creditors: private banks, the Agency, the GDB Debt Recovery Authority (DRA) and the Commonwealth Employees Association (AEELA for its Spanish acronym).

- Matching Fund – These are the Commonwealth's General Fund contributions to the municipalities.

- State Redemption Fund – This is comprised of the 1.03% of the property tax that is dedicated to the payment of the Commonwealth's General Obligation Bonds (GOs).

11. SUBSEQUENT EVENTS

Subsequent events were evaluated through May 12, 2026, the date the basic financial statements were available to be issued, to determine if any such events should either be recognized or disclosed in the June 30, 2025 financial statements.

On January 13, 2026, the Agency signed two Memorandum of Understanding (MOU) to provide economic assistance to the Municipality of Cabo Rojo and the Municipality of Añasco. The Municipality of Cabo Rojo will receive $1.4 million to cover operating expenses of the mass transit trolley services and the Municipality of Añasco will receive $3.7 million for the construction and substantial rehabilitation of the boat ramp infrastructure at the "Villa Pesquera Tres Hermanos". This economic assistance will be provided from the unrestricted funds of the agency.

SUPPLEMENTAL SCHEDULE

PUERTO RICO MUNICIPAL FINANCE AGENCY
(A Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE I – INVESTMENTS HELD BY TRUSTEES BY BOND SERIES
AS OF JUNE 30, 2025
(In thousands)

	2005 Series A Bonds	2002 Series A Bonds	Total
Puerto Rico municipal bonds and notes	$ 67,961	$ 28,920	$ 96,881
U.S. treasury bills	16,209	-	16,209
U.S. government, agencies and sponsored			
agencies obligations	2,159	1,924	4,083
Gurantee Investments contracts	-	13,100	13,100
Corporate debt	11,101	-	11,101
Money Market	12,946	-	12,946
Total invesments	$ 110,376	$ 43,944	$ 154,320
Cash	$ -	$ 2,001	$ 2,001