PUERTO RICO SALES TAX FINANCING CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)

Basic Financial Statements and
Required Supplementary Information

June 30, 2022

(With Independent Auditors' Report Thereon)

PUERTO RICO SALES TAX FINANCING CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)

Table of Contents

KPMG LLP
American International Plaza
Suite 1100
250 Muñoz Rivera Avenue
San Juan, PR 00918-1819

Independent Auditors' Report

The Board of Directors
Puerto Rico Sales Tax Financing Corporation:

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, 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 Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis pages 3-8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

San Juan, Puerto Rico
October 19, 2022

Stamp No. E481834 of the Puerto Rico
Society of Certified Public Accountants
was affixed to the record copy of this report.

As management of the Puerto Rico Sales Tax Financing Corporation (the "Corporation" or "COFINA"), we offer readers of the Corporation's financial statements this narrative overview and analysis of its financial performance during the fiscal year ended June 30, 2022. Please read it in conjunction with the Corporation's basic financial statements, including the notes thereto, which follow this section.

Financial Highlights

- The Corporation's net deficit in the statement of net position (deficit) increased to $6,167 million at June 30, 2022, from $5,560 million at June 30, 2021, an increase of approximately $607 million, or 11%. The increase in net deficit is due to the Corporation recording interest on its bonds payable of approximately $600 million, of which $170 million represent the accretion of interest on capital appreciation bonds during the year ended June 30, 2022. Also, during the year ended June 30, 2022, the Corporation accrued the amount of $6 million representing the remaining sales and use tax ("SUT") collections deposited free and clear of the statutory lien that will be paid to the Commonwealth of Puerto Rico (the "Commonwealth") in accordance with Section 5.10 of the Indenture (as defined below).
- COFINA Revenues (as defined below) increased to $473 million in fiscal year 2022 from $454 million in fiscal year 2021, an increase of approximately $19 million, or 4%. This increase was due to a statutory rate increase of 4% provided by Act No.91, as amended. The term "COFINA Revenues" refers to the first funds up to an amount equal to fifty-three and sixty-five one hundredths percent (53.65%) of the Fixed Income Amount for each fiscal year, which is a statutorily determined amount that increases by four percent each fiscal year. For further information, refer to Note 6 to the basic financial statements.
- In February 2019, the Corporation completed a debt restructuring pursuant to a certain Third Amended Title III Plan of Adjustment (the "Plan of Adjustment"), confirmed under Title III of the Puerto Rico Oversight, Management and Economic Stability Act ("PROMESA"). In connection with the consummation and effectiveness of the Plan of Adjustment, the Corporation issued its Puerto Rico Sales Tax Financing Corporation Restructured Sales Tax Bonds, Series 2019 Bonds (the "COFINA Bonds") under a certain Master Trust Indenture, dated as of February 12, 2019, as supplemented and amended (the "Indenture").
- On October 4, 2021, the U.S. Supreme Court denied the Petition for a Writ of Certiorari presented by COFINA's junior bondholders on April 2, 2021, challenging the validity of the Plan of Adjustment under PROMESA. The petition challenged the United States Court of Appeals for the First Circuit's (the "First Circuit") decision to uphold Judge Laura Taylor Swain's order confirming the Plan of Adjustment. The First Circuit's March 2, 2021, decision concluded that efforts to revoke the Plan of Adjustment were barred under the doctrine of equitable mootness because the plan has already been implemented. The U.S. Supreme Court's decision conclusively resolves the last remaining challenge to the Plan of Adjustment.

Overview of the Financial Statements

These basic financial statements include management's discussion and analysis section, the independent auditor's report, and the basic financial statements of the Corporation. The basic financial statements also include notes that provide additional information that is essential for a full understanding of the data provided in the basic financial statements.

These basic financial statements and notes thereto should be read in conjunction with certain public documents concerning the Corporation. The COFINA Plan of Adjustment, the Findings and Conclusions, and the Confirmation Order are available without charge at https://cases.ra.kroll.com/puertorico/Home-DocketInfo. To the extent there is any discrepancy between the description contained herein and the terms set forth in each of these documents (collectively, the "Operative Documents"), the terms set forth in the Operative Documents control.

Required Financial Statements

- The statement of net position (deficit) provides information about the nature and amounts of resources (assets) and the Corporation's obligations (liabilities).
- Current year revenues and expenses are accounted for in the statement of activities. This statement measures the results of the Corporation's operations over the past year.
- Governmental funds' financial statements present the financial position and results of operations of the Corporation's two governmental fund types using a current financial resources measurement focus. The statement of revenues, expenditures, and changes in fund balance can be used to determine, for example, whether and how the Corporation met its debt service requirements for the year.

Financial Analysis

In evaluating the Corporation's finances, in addition to the Corporation's assets and liabilities, various non-financial factors, such as changes in economic conditions, and new or changed legislation should be considered. Due to the nature of the Corporation's activities, the Corporation's financial strength and ability to repay its obligations is solely dependent on the portion of the SUT collected and used to fund the debt service fund. The confirmation of the COFINA Plan of Adjustment ended the Corporation's restructuring under Title III of PROMESA and included sweeping changes to its financial situation. It should be noted that one matter in the Corporation's Title III case remains ongoing (see Note 13, Contingent Liability - Internal Revenue Service Administrative Claim Dispute).

Government-Wide Financial Analysis

The following is a condensed summary of the assets, liabilities, and net position (deficit) for the Corporation as of June 30, 2022, and June 30, 2021 (in thousands), presented from an accounting perspective:

	June 30		Change	
	2022	2021	Amount	Percent
Assets:				
Future sales and use tax receivable	$ 6,374,270	$ 6,846,923	$ (472,653)	(6.9)%
Investments	269,388	250,686	18,702	7.5%
Other assets	23,459	22,965	494	2.2%
Total assets	6,667,117	7,120,574	(453,457)	(6.4)%
Liabilities:				
Accounts payable and accrued interest payable	220,358	220,224	134	0.1%
Due to Commonwealth of Puerto Rico	5,867	5,346	521	100.0%
Long-term liabilities	12,607,434	12,454,510	152,924	1.2%
Total liabilities	12,833,659	12,680,080	153,579	1.2%
Net deficit – unrestricted	$ (6,166,542)	$ (5,559,506)	$ (607,036)	10.9%

Future SUT collections are recognized as revenue in the fund's financial statements upon the Corporation's receipt of such collections, but these payments reduce the future SUT receivable in the government-wide financial statements. The Corporation's receipt of COFINA Revenues for fiscal year 2022 of approximately $473 million reduced the balance of the future SUT receivable as of June 30, 2022. Also, as of June 30, 2022, the Corporation had $12,607 million of bonds payable issued and outstanding, an increase of approximately $153 million (or 1.2%) from $12,454 million as of June 30, 2021. The increase of $153 million was the result of the accretion of interest on capital appreciation bonds of $170 million reduced by scheduled principal debt service payments of $17 million for fiscal year 2022. Long term liabilities also include the lease liability of the net present value of future rent payments required by the adoption of GASB 87 during fiscal year 2022.

The increase in other assets when compared to the previous year is due to the COFINA Revenues increasing annually by a statutorily determined 4% and those resources are accumulated in the Trustee's cash management accounts to cover scheduled debt service payments. On July 1, 2022, debt service payments amounting to approximately $251 million were due on COFINA bonds while debt service payments of approximately $232 million were paid on July 1, 2021.

Pursuant to Section 5.10 of the Indenture, by and between the Corporation and The Bank of New York Mellon ("BNYM"), as trustee (the "Trustee"), remaining amounts deposited free and clear of the statutory lien in the Remainder Fund will be paid to the Commonwealth of Puerto Rico. As of June 30, 2022, the Corporation established an accrual due to the Commonwealth of $6 million ($5 million as of June 30, 2021) in accordance with this provision of the Indenture.

Condensed revenues, expenses, and change in net position (deficit) for the year ended June 30, 2022, and June 30, 2021, are presented below (in thousands):

	June 30		Change	
	2022	2021	Amount	Percent
Expenses:				
Payments to the Commonwealth of Puerto Rico	$ (5,867)	$ (5,346)	$ (521)	9.7%
Interest on long-term debt	(600,227)	(592,613)	(7,614)	1.3%
Other	(1,138)	(1,092)	(46)	4.2%
Total expenditures	(607,232)	(599,051)	(8,181)	1.4%
Program revenues:				
Investment earnings	196	47	149	317.0%
Total revenues	196	47	149	317.0%
Change in net deficit	$ (607,036)	$ (599,004)	$ (8,032)	1.3%

Total interest expense on long-term debt for the fiscal year ended June 30, 2022, was approximately $600 million, an increase of $8 million (or 1.3%) when compared to 2021. The increase in the interest expense on long-term debt is mainly related to the impact of the discount on capital appreciation bonds.

Pursuant to Section 5.10 of the Indenture, on November 30, 2021, at the request of the Secretary of the Treasury of the Commonwealth, approximately $5 million was transferred from the trustee to the Commonwealth. As of June 30, 2022, a payable was accrued for approximately $6 million representing the free and clear remainder funds corresponding to fiscal year 2022 to be paid promptly by the Trustee to the Secretary of Treasury subsequent to year end.

In fiscal year 2019, the Corporation recorded approximately $4 million to cover any unfavorable outcome related to an administrative claim dispute with the Internal Revenue Service ("IRS") which seeks the return of post-petition direct subsidy payments with respect of certain pre-petition bonds (discussed in Note 13 to the basic financial statements). During the year ended June 30, 2022, management accrued interest of $160 thousand that the IRS asserted would be owed if its claim is successful, increasing the contingent liability to $5 million.

Interest income on investments increased from approximately $47,000 in fiscal year 2021 to approximately $196,000 in fiscal year 2022 due to ongoing increases in interest rates.

Governmental Fund Financial Analysis

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Corporation uses to keep track of specific sources of funding and spending for a particular purpose. Governmental fund financial statements provide more detailed information about the Corporation's most significant funds and not the Corporation as a whole. The Corporation maintains two governmental funds which are considered major funds: the general fund and the debt service fund. Information is presented separately in the governmental funds' balance sheets and in the governmental funds' statements of revenues, expenditures, and changes in fund balances. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on current inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. This information may be useful in evaluating the Corporation's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of financial decisions related to the Corporation's governmental activities. Both the governmental funds' balance sheets and the governmental funds' statements of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Corporation's governmental funds reported a total fund balance as of June 30, 2022 and June 30, 2021 of $286 million and $268 million, respectively. For the years ended June 30, 2022 and June 30, 2021 the receipts of SUT amounted to approximately $473 million and $454 million, respectively.

Pursuant to the Indenture, remaining amounts deposited in the Remainder Fund free and clear of the statutory lien will be paid to the Commonwealth of Puerto Rico. A subsequent payment of approximately $6 million ($5 million in 2021) to the Commonwealth was accrued as of June 30, 2022. The debt service fund is funded with the receipt of SUT and interest thereon.

At the Plan of Adjustment's effective date (February 12, 2019), the Corporation's general fund received $15 million, available for its operating expenses, plus additional funds remaining prior to the closing date that were held at the Corporation. The current balance as of June 30, 2022, was approximately $22 million, of which $15 million is currently on deposit in an operational account at a Puerto Rico banking institution (the "Operations Account"), and the remainder is on deposit in the Corporation's general account. In addition to these funds, operating expenses will be covered by investment earnings derived from interest income generated by funds deposited in the Corporation's bond trustee accounts held for the benefit of the Corporation prior to distribution. These amounts will be transferred to the Corporation's Operations Account, subject to the annual operating account cap amount of $15 million.

Debt Administration

As of June 30, 2022, the Corporation's outstanding bonds balance was approximately $12,607 million compared to $12,454 million as of June 30, 2021.

The COFINA Bonds include: (i) current interest bonds ("CIB") entitled to receive interest payments on a current basis and (ii) capital appreciation bonds ("CAB"), for which interest is added to principal and paid at maturity.

During the year ended June 30, 2022, COFINA made its scheduled principal payments of its Series 2019A-1 and Series 2019B-1 CABs amounting to approximately $17 million and $221,000, respectively.

The net increase in bonds payable of approximately $153 million was the result of the accretion in the discount on capital appreciation bonds amounting to approximately $170 million less the scheduled principal debt service payments of approximately $17 million.

On August 1, 2019, certain taxable COFINA bonds were exchanged for tax-exempt COFINA Bonds (i.e., interest on such bonds is excluded from gross income for federal tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Tax Code"), through an invitation to exchange. At that date, COFINA exchanged $3,108,661,000 aggregate principal amount of Series 2019A-2 Bonds and $45,570,000 aggregate principal amount of Series 2019B-2 Bonds and amendments to the First Supplemental Indenture and the Second Supplemental Indenture became effective.

On November 10, 2021, COFINA also exchanged taxable Bonds Series 2019A-2 with principal amount of approximately $26 million for tax-exempt Bonds Series 2019A-2B that will have the same terms of the exchanged bonds, except for the interest on such bonds is excluded from gross income for federal tax purposes under Section 103 of Tax Code. The exchange transaction, approved by the Oversight Board (as defined below), was made in connection with a debt restructuring of the Puerto Rico Infrastructure Financing Authority, a component unit of the Commonwealth and holder of COFINA Bonds. Certain amendments to the First Supplemental Trust Indenture were made to reflect the new tax-exempt status of the exchanged bonds. This Bond exchange did not have any impact on the 2022 basic financial statements.

The newly issued bonds are payable on various dates through fiscal year 2058. The COFINA Bonds do not have a debt service reserve fund nor rights of acceleration.

COFINA's Credit Ratings

COFINA's outstanding bonds are not rated and currently, there is no plan to obtain a rating on the COFINA Bonds.

Currently Known Facts and Events

COFINA's Emergence from Title III of PROMESA

COFINA has successfully completed its restructuring pursuant to a court-confirmed plan of adjustment under Title III of PROMESA, which became effective on February 12, 2019.

Receipt of Sales and Use Taxes

On October 15, 2021, Trustee had received SUT collections totaling $473 million, which equaled the amount of the COFINA Revenues for fiscal year 2022. Consistent with the COFINA Plan of Adjustment, upon the Trustee's receipt of the COFINA Revenues for fiscal year 2022, the Commonwealth of Puerto Rico is entitled to receive all collections from the pledged SUT until the end of fiscal year 2022 (June 30, 2022). As a result, temporary measures taken to address the COVID-19 pandemic, when coupled with the relief packages adopted by the U.S. Government and the Government of Puerto Rico to support residents and the Island's economy, did not have any adverse effect on the Corporation's receipt of SUT collections for fiscal years 2022 and 2021. On July 1, 2022, the Trustee began to receive collections from the pledged SUT for fiscal year 2023. The Trustee will continue to receive these collections until it receives all COFINA Revenues for fiscal year 2023, which will amount to $491,557,399.

Request for Information

This financial report is designed to provide those interested with a general overview of the Corporation's finances and to enhance the Corporation's accountability for the funds it receives. Questions about this report or requests for additional information should be addressed to Puerto Rico Sales Tax Financing Corporation, PO Box 42001, San Juan, Puerto Rico, 00940-2001. Additional information can also be found at: www.cofina.pr.gov.

PUERTO RICO SALES TAX FINANCING CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)

Governmental Funds Balance Sheets and Statement of Net Position (Deficit)

June 30, 2022

	Governmental Funds Balance Sheets				
	General Fund	**Debt Service Fund**	**Total**	**Adjustments**	**Statement of Net Position (Deficit)**
Assets:					
Deposits placed with commercial banks	$ 21,780,655	$ -	$ 21,780,655	$ -	$ 21,780,655
Cash held by trustee	-	1,009,827	1,009,827	-	1,009,827
Future sales and use tax receivable	-	6,374,269,745	6,374,269,745	-	6,374,269,745
Prepaid expenses and other assets	441,376	-	441,376	-	441,376
Investments	-	269,388,338	269,388,338	-	269,388,338
Intagible right-to-use leased asset, net	-	-	-	227,264	227,264
Total assets	22,222,031	6,644,667,910	6,666,889,941	227,264	6,667,117,205
Liabilities:					
Accounts payable and accrued liabilities	285,148	-	285,148	5,045,203	5,330,351
Accrued interest payable	-	-	-	215,028,009	215,028,009
Due to Commonwealth of Puerto Rico	5,866,649	-	5,866,649	-	5,866,649
Unearned revenue - sales and use tax	-	6,374,269,745	6,374,269,745	(6,374,269,745)	-
Lease liability					
Due within one year	-	-	-	7,145	7,145
Due in more than one year	-	-	-	224,665	224,665
Bonds payable, net					
Due within one year	-	-	-	35,660,811	35,660,811
Due in more than one year	-	-	-	12,571,541,311	12,571,541,311
Total liabilities	6,151,797	6,374,269,745	6,380,421,542	6,453,237,399	12,833,658,941
Fund balance/net position (deficit):					
Fund balance:					
Restricted	-	270,398,165	270,398,165	(270,398,165)	-
Unassigned	16,070,234	-	16,070,234	(16,070,234)	-
Total fund balance	16,070,234	270,398,165	286,468,399	(286,468,399)	-
Total liabilities and fund balance	$ 22,222,031	$ 6,644,667,910	$ 6,666,889,941		
Net deficit:					
Unrestricted				(6,166,541,736)	(6,166,541,736)
Net deficit				$ (6,166,541,736)	$ (6,166,541,736)

See accompanying notes to basic financial statements.

PUERTO RICO SALES TAX FINANCING CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)

Reconciliation of Governmental Funds Balance Sheets to the
Statement of Net Position (Deficit)

June 30, 2022

Total fund balances - governmental funds:	$	286,468,399
Amounts reported for governmental activities in the statement of net deficit are different because:		
Intangible right-to-use leased asset used in governmental activities is not financial resource and, therefore, is not reported in the fund financial statements		227,264
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund financial statements		(215,028,009)
Contingent liabilities are not due and payable in the current period, and, therefore, are not reported in the fund financial statements		(5,045,203)
Long-term lease liability is not due and payable in the current period, and therefore, is not reported in the fund financial statements		(231,810)
Bonds and notes payable are not due and payable in the current period, and, therefore, are not reported in the fund financial statements		(12,607,202,122)
Future sales and use tax receivable does not constitute current financial resources, and, therefore, is unearned in the fund financial statements		6,374,269,745
Net deficit of governmental activities	$	(6,166,541,736)

See accompanying notes to basic financial statements.

PUERTO RICO SALES TAX FINANCING CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)

Governmental Funds Statements of Revenues,
Expenditures, and Changes in Fund Balance and Statement of Activities

June 30, 2022

	Governmental Funds Statements of Revenue, Expenditures, and Changes in Fund Balances				
	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Expenditures/expenses:					
General government:					
Payments to the Commonwealth of Puerto Rico	$ 5,866,649	$ -	$ 5,866,649	$ -	$ 5,866,649
Other	1,211,507	-	1,211,507	(73,400)	1,138,107
Debt service:					
Principal	-	17,479,550	17,479,550	(17,479,550)	-
Interest	-	430,056,019	430,056,019	170,171,631	600,227,650
Total expenditures/expenses	7,078,156	447,535,569	454,613,725	152,618,681	607,232,406
Program revenues:					
Collections of sales and use tax	-	472,653,624	472,653,624	(472,653,624)	-
Investment earnings	1,061	195,308	196,369	-	196,369
Total revenues	1,061	472,848,932	472,849,993	(472,653,624)	196,369
Net program revenue (expenses)	(7,077,095)	25,313,363	18,236,268	(625,272,305)	(607,036,037)
Other financing sources (uses):					
Transfers (out) in	6,611,433	(6,611,433)	-	-	-
Lease financing	238,628	-	238,628	(238,628)	-
Total other financing sources (uses)	6,850,061	(6,611,433)	238,628	-	-
Excess (Deficiency) of revenues and other financing sources over expenditures and other financing uses	(227,034)	18,701,930	18,474,896	(18,474,896)	-
Change in net deficit	-	-	-	(607,036,037)	(607,036,037)
Fund balance/net deficit:					
At beginning of year	16,297,269	251,696,235	267,993,504	(5,827,499,203)	(5,559,505,699)
At end of year	$ 16,070,235	$ 270,398,165	$ 286,468,400	$ (6,453,010,136)	$ (6,166,541,736)

See accompanying notes to basic financial statements.

PUERTO RICO SALES TAX FINANCING CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)

Reconciliation of Governmental Funds Statements of Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities

June 30, 2022

Net changes in fund balances - total governmental funds:	$	18,474,896
Amounts reported for governmental activities in the statement of activities are different because:		
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds		(160,681)
Governmental funds report intangible right-to-use leased asset as expenditures and other financing sources but as they do not require the use or provide current financial resources, they are not reported as expenses or revenues in the statement of activities. However, in the statement of activities, this intagible asset is required to be amortized over its estimated useful lives and reported as amortization expense, and consistent with the lease liability treatment as a financing, recognize interest expense		(4,547)
Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net deficit		17,479,550
Accretion on capital appreciation bonds does not require the use of current financial resources and, therefore, is not reported as expenditure in the governmental funds		(170,171,631)
Collections of sales and use tax provide current financial resources to governmental funds; however, represent repayments of the future sales and use tax receivable in the statement of activities		(472,653,624)
Change in net deficit of governmental activities	$	(607,036,037)

See accompanying notes to basic financial statements.

(1) Reporting Entity

The Puerto Rico Sales Tax Financing Corporation (the "Corporation" or "COFINA") is a public corporation and instrumentality of the Commonwealth of Puerto Rico (the "Commonwealth"), constituting a corporate and political entity independent and separate from the Commonwealth. The Corporation was created by the Legislative Assembly under Act No. 91 of May 13, 2006; as amended by Act No. 291, approved on December 26, 2006; Act No. 56, approved on July 6, 2007; Act No. 1, approved on January 14, 2009; Act No. 7, approved on March 9, 2009; Act No. 18, approved on May 22, 2009; Act No.133, approved July 12, 2012; Act No. 116, approved October 10, 2013; Act No. 101, approved July 1, 2015; Act No. 84, approved July 22, 2016; and Act No. 241, approved November 15, 2018 (collectively, "Act No. 91"). Act No. 241-2018 was enacted to amend and restate Act No. 91, to establish the legal framework for the restructuring of the Corporation's previously issued and outstanding bonds. To this end, Act No. 241-2018, among other things, (i) modified the Corporation's corporate governance structure, (ii) authorized the issuance of the COFINA Bonds (as defined herein), (iii) confirmed the Corporation's ownership of the COFINA Revenues (as defined herein), (iv) created a statutory lien to secure the COFINA Bonds, and (v) enacted the covenants to secure further the repayment of the COFINA Bonds.

The Corporation is an independent and separate legal entity from the Government of Puerto Rico and any other government entity of the Commonwealth. The Corporation is operated independently, and its business and affairs are governed by or under the direction of its board of directors.

For more information on the sales and use tax ("SUT") and COFINA's ownership rights over certain portions of the SUT, see Note 6 to the basic financial statements.

COFINA, while a legally separate entity from the Commonwealth, meets the blending criteria established by Governmental Accounting Standards Board Statement No. 14, *The Reporting Entity*, as amended, to be reported as part of the primary government in the basic financial statements of the Commonwealth.

(2) Summary of Significant Accounting Policies

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") 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 changes in net position (deficit) during the reporting period. Actual results could differ from those estimates.

The accounting and reporting policies of the Corporation conform to U.S. GAAP, as applicable to governmental entities. The Corporation follows the Governmental Accounting Standards Board ("GASB") under the hierarchy established by GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, in the preparation of its basic financial statements.

Following is a description of the Corporation's most significant accounting policies:

(a) Basis of Presentation

The financial activities of the Corporation consist only of governmental activities. For its reporting purposes, the Corporation has combined the fund and government-wide financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column.

Government-Wide Financial Statements – The statement of net position (deficit) and the statement of activities report information on all activities of the Corporation. The effect of interfund balances has been removed from the statement of net position (deficit). Governmental activities are financed through revenue of the SUT deposited in the COFINA Revenues Fund, which is the segregated fund owned by the Corporation into which the COFINA Revenues are deposited and held by the Trustee (the "COFINA Revenues Fund"), and other financing sources.

The statement of net position (deficit) presents the Corporation's assets and liabilities, with the difference reported as net position (deficit). Net position (deficit) is reported in two categories:

- 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.
- Unrestricted Net Position – Consists of net position that does not meet the definition in the preceding category. Unrestricted net position often is designated in order to indicate that management does not consider them to be available for general operations. Unrestricted net position often has constraints on use that are imposed by management, but such constraints may be removed or modified.

The statement of activities demonstrates the degree to which 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 consist of investment earnings. Other items not meeting the definition of program revenues are reported as general revenues.

Governmental Funds Financial Statements – The accounts of the Corporation are organized on the basis of funds, each of which is considered a separate accounting entity. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All funds of the Corporation are major funds.

Fund Accounting – The financial activities of the Corporation are recorded in individual funds, each of which is deemed to be a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The financial activities of the Corporation that are reported in the accompanying basic financial statements have been classified into the following major governmental funds:

- General Fund – The general fund of the Corporation is used to account for all financial resources, except those required to be accounted for in another fund.
- Debt Service Fund – The debt service fund is used to account for the SUT deposited in the COFINA Revenues Fund for the payment of interest and principal on long-term obligations.

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

- Non-spendable – amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The Corporation did not have any non-spendable resources as of June 30, 2022.
- Restricted – amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of the resource provider or by constitutional provisions or enabling legislation.

- Committed – amounts that can be spent only for specific purposes determined by a formal action of the Corporation's highest level of decision-making authority. The Corporation's highest decision-making level of authority rests with the board of directors. The Corporation did not have any committed resources as of June 30, 2022.
- Assigned – amounts the Corporation intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed (generally executive orders approved by the Corporation's Executive Director).
- Unassigned – amounts that are available for any purpose.

(b) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Government-Wide Financial Statements – Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental Funds Financial Statements – The governmental fund's financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Corporation considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred as under accrual accounting, except that interest on general long-term obligations is generally recognized when paid, and debt service principal expenditures and claims and judgments are recorded only when payment is due. Revenue arising from pledged SUT is recognized on an annual basis, upon collection or when the Commonwealth is obligated to make the payments.

(c) Budgetary Accounting

The Corporation is not required to submit a budget for approval by the Legislative Assembly; consequently, no formal budgetary accounting procedures are followed.

(d) Deposits placed with commercial banks

Deposits placed with commercial banks include deposits maintained by the Corporation in interest and non-interest-bearing accounts in commercial banks. The aggregate current balance as of June 30, 2022, of deposits placed with commercial banks was approximately $22 million. The balance is segregated among three unrestricted bank accounts available for any general corporate purposes. Refer to Note 11 of the basic financial statements for further information regarding the COFINA's operating reserve fund cap.

(e) Investments and Fair Value Measurement

Investments are reported at fair value, except for money market instruments with a remaining maturity at the time of purchase of one year or less and investment positions in funds regulated under Securities and Exchange Commission Rule 2a7 of the Investment Company Act of 1940, like external investment pools, which are carried at amortized cost pursuant GASB Statement No. 79, Certain External Investment

Pools and Pool Participants. There are no limitations nor restrictions on withdrawals related to the external investment pools held by the Corporation. Fair value is determined based on quoted market prices and quotations received from independent broker/dealers or pricing service organizations.

The Corporation categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. That hierarchy has three levels:

Level 1 - inputs whose values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices, included within Level 1 that are observable for the assets or liability, either directly or indirectly.

Level 3 - inputs are unobservable inputs for asset or liability and may require a degree of professional judgment.

(f) Future Sales and Use Tax Receivable

Collections of SUT are recognized as revenue in the fund financial statements upon collection. In the government-wide financial statements, these payments reduce the future SUT receivable. Refer to Note 6 to the basic financial statements for further information regarding the future SUT receivable.

(g) Leases

COFINA assesses whether a contract is or contains a lease, at inception of the contract. COFINA recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee. Lease liabilities include the net present value of fixed payments. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, COFINA uses the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions (estimated at 4.72% as of July 1, 2021).

Lease payments are allocated between principal and interest or finance cost. The interest or finance cost is charged to statement of activities over the lease period. Right-of-use assets are measured at cost and comprise of the following: (1) the amount of the initial measurement of lease liability; (2) any lease payments made at or before the commencement date less any lease incentives received; (3) any initial direct costs; and (4) restoration costs.

Right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The depreciation starts at the commencement date of the lease. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

(h) Bond Issue Costs and Premium/Discount on Bonds

Premium (discounts) on bonds are amortized in a systematic manner over the life of the debt in the government-wide financial statements. Premium (discounts) are recognized in the period when the related long-term debt is issued in the governmental funds' financial statements, and therefore are not accounted for in subsequent periods. Bond issue costs are expensed as incurred in both government-wide and governmental fund financial statements.

(i) Interfund Transactions

Transfers represent flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the fund making transfers and as other financing sources in the funds receiving transfers.

(j) New Accounting Standards Adopted and Accounting Pronouncements Issued but Not Yet Effective

New Accounting Standards Adopted

- GASB Statement No. 87, Leases. The objective of this Statement is to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. COFINA adopted GASB Statement No. 87, Leases, as of July 1, 2021. Refer to Note 10 to the basic financial statements for further information regarding adoption of GASB Statement No. 87, Leases.

New Accounting Pronouncements Issued But Not Yet Effective

- GASB Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (i) commitments extended by issuers, (ii) arrangements associated with conduit debt obligations, and (iii) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

  This Statement also addresses arrangements often characterized as leases that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

  This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, but postponed by GASB 95 until periods beginning after December 15, 2021, see below. Earlier application is encouraged. This Statement will not have an impact on the basic financial statements.

- *GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.* The primary objective of this Statement is to provide temporary relief to governments and other stakeholders considering the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

GASB Statement No. 95, postponed by one year or eighteen months in certain instances, the implementation of several pronouncements.

- *GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA).* This Statement provides guidance on accounting and financial reporting for subscription-based information technology arrangements ("SBITAs") for government end users (i.e., governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right to use a subscription asset –an intangible asset- and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB Statement No. 87 Leases, as amended. The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. This Statement will not have an impact on the basic financial statements.
- *GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit ("OPEB") plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement will not have an impact on the basic financial statements.

  This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or another employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. This Statement also requires that the financial burden criterion in paragraph 7 of GASB Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of GASB Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively.

  The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of GASB Statement 67 or paragraph 3 of GASB Statement 74, respectively, are effective immediately.

  The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

GASB Statement No. 98, The Annual Comprehensive Financial Report. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged. This Statement did not have an impact on the basic financial statements.

- *GASB Statement No. 99, Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:
    - Classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument
    - Clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives
    - Clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset
    - Clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability
    - Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt
    - Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
    - Disclosures related to nonmonetary transactions
    - Pledges of future revenues when resources are not received by the pledging government
    - Clarification of provisions in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as amended, related to the focus of the government-wide financial statements

- Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this Statement that are effective as follows:

The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

This Statement did not have an impact on the basic financial statements and the practice issues identified in GASB Statement No. 99, Omnibus 2022 related to the implementation and application of GASB Statement No.87, leases, did not have an additional impact on the basic financial statements.

- GASB Statement No. 100, *Accounting Changes and Error Corrections*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

  This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change.

  That preferability should be based on the qualitative characteristics of financial reporting understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

  This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period.

  The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

- GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Management is evaluating the impact that these Statements will have on the Corporation's basic financial statements.

(3) Puerto Rico Oversight, Management, and Economic Stability Act

On June 30, 2016, the then-President of the United States signed into law the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA). In general terms, PROMESA seeks to provide the Commonwealth, its instrumentalities, and public corporations with fiscal and economic discipline through, among other things: (i) the establishment of the Financial Oversight and Management Board for Puerto Rico (the Oversight Board), whose responsibilities include the certification of fiscal plans and budgets for the Commonwealth and its related entities; (ii) a temporary stay of all creditor lawsuits under Title IV of PROMESA; and (iii) two alternative methods to adjust unsustainable debt: (a) a voluntary debt modification process under Title VI of PROMESA, which establishes a largely out-of-court debt restructuring process through which modifications to financial debt can be accepted by a supermajority of creditors; and (b) a quasi-bankruptcy proceeding under Title III of PROMESA, which establishes an in-court debt restructuring process substantially based upon incorporated provisions of Title 11 of the United States Code (U.S. Bankruptcy Code).

In February 2019, the Corporation completed a debt restructuring pursuant to a certain Third Amended Title III Plan of Adjustment of Puerto Rico Sales Tax Financing Corporation [Case No. 13-3283, Docket No. 5053] (the “Plan of Adjustment”), confirmed under Title III of the Puerto Rico Oversight, Management and Economic Stability Act, Public Law 114 – 187 (“PROMESA”). The plan of adjustment reduced COFINA’s bond debt from approximately $18 billion to $12 billion through a bond exchange and resolved the allocation of Sales and Use Tax (SUT) revenues between the Commonwealth and COFINA.

In connection with the consummation and effectiveness of the Plan of Adjustment, the Corporation issued its Puerto Rico Sales Tax Financing Corporation Restructured Sales Tax Bonds, Series 2019 Bonds (the “COFINA Bonds”) under a certain Master Trust Indenture, dated as of February 12, 2019, as supplemented and amended (the “Indenture”). On August 1, 2019, (i) COFINA exchanged $3,108,661,000 aggregate principal amount of Series 2019A-2 Bonds and $45,570,000 aggregate principal amount of Series 2019B-2 Bonds and (ii) the amendments to the First Supplemental Indenture and the Second Supplemental Indenture became effective.

The Corporation is in compliance with its continuing disclosure obligations under that certain Continuing Disclosure Agreement dated as of February 12, 2019 (the “New CDA”). The New CDA was entered into by the Corporation in connection with the issuance of the COFINA Bonds pursuant to the Plan of Adjustment.

In February 2019, COFINA’s existing senior and subordinated bondholders received new senior lien bonds with a face value of approximately $12 billion on account of their approximately $18 billion in claims, which are secured by a statutory lien on the COFINA Revenues. See Note 9 to the basic financial statements.

On February 8, 2021, the United States Court of Appeals for the First Circuit rejected various challenges to the COFINA Plan of Adjustment based on, among other things the doctrine of equitable mootness. On March 2, 2021, the United States Court of Appeals for the First Circuit rejected another challenge to the Title III Courts order conforming the COFINA Plan of Adjustment based on the doctrine of equitable mootness.

On April 2, 2021, a certain group of Junior Bondholders filed a petition for a writ of certiorari seeking Supreme Court review of the U.S. Court of Appeals for the First Circuit’s decision. On October 4, 2021, the U.S. Supreme Court denied the petition for a writ of certiorari filed by a certain group of Junior Bondholders.

Commonwealth Plan of Adjustment

On January 18, 2022, the Title III Court entered an order confirming the Commonwealth Eight Amended Plan of Adjustment. The Plan became effective in accordance with its terms on March 15, 2022, and the Commonwealth emerged from Title III of PROMESA.

For further information, refer to the final versions of the Commonwealth Plan of Adjustment, Findings of Fact, and Confirmation Order, which are available at https://cases.ra.kroll.com/puertorico/Home-DocketInfo.

(4) Deposits and Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure of a depository financial institution, the Corporation will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Commonwealth requires that public funds deposited in commercial banks in Puerto Rico must be fully collateralized for the amounts deposited in excess of federal depository insurance. All securities pledged as collateral are held by banks in the Corporation's name.

Deposits maintained by the Corporation as of June 30, 2022, represent the balance of interest and non-interest-bearing accounts in commercial banks and cash held by the Trustee under the Master Trust Indenture. The table presented below discloses the level of custodial credit risk assumed by the Corporation as of June 30, 2022.

	Carrying amount	Depository bank balance	Amount uninsured and uncollateralized
Deposits placed with bank	$ 21,780,655	$ 21,780,655	—
Cash held by trustee	1,009,827	1,009,827	759,827
Total	$ 22,790,482	$ 22,790,482	$ 759,827

(5) Deposits Claim Receivable from Public Entity Trust (PET)

On August 10, 2018, the Government Development Bank for Puerto Rico ("GDB") commenced an action to restructure certain of its indebtedness pursuant to a Qualifying Modification (the "Qualifying Modification") under Title VI of PROMESA. The United States District Court for the District of Puerto Rico approved GDB's proposed restructuring on November 6, 2018, and the Qualifying Modification went effective on November 29, 2018.

Pursuant to Act No. 109-2017, also known as the *Government Development Bank for Puerto Rico Debt Restructuring Act* (the "GDB Restructuring Act") and the terms of the Qualifying Modification, claims on account of deposits held by the Commonwealth and other public entities, including COFINA, were exchanged for beneficial units in the "Public Entity Trust" created pursuant to the GDB Restructuring Act. Specifically, under the provisions of the GDB Restructuring Act, on the closing date of the Qualifying Modification *i.e.*, November 29, 2018, (the Closing Date), the balance of liabilities owed between the Commonwealth and its agencies, instrumentalities and affiliates, including COFINA (each a "Non-Municipal Government Entity") and GDB was 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, which included COFINA, received their pro rata share of interests in the Public Entity Trust (or PET), which was deemed to be in full satisfaction of any and all claims such Non-Municipal Government Entity may have had against GDB.

The Corporation held deposits at GDB of approximately $27 million. A custodial credit loss on these deposits was recorded in previous years resulting in a reserve of the entire balance. As result of the GDB Qualifying Modification, COFINA received beneficial units of the PET amounting to approximately $27 million in exchange of deposits held at GDB. The units received from PET and the custodial credit loss were reclassified to deposits claim receivable from PET and into an allowance for doubtful accounts, respectively, with a net carrying amount of zero.

The assets of the PET (the "PET Assets") consist of, among other items, a claim in the amount of approximately $578 million against the Commonwealth (the "PET Claim"), which is the subject of a proof of claim filed in the Commonwealth's Title III case. 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. The Corporation's recovery on account of this deposit claim will depend upon the recovery ultimately received by the Public Entity Trust on account of the PET Assets, and as a result, units received from PET are fully reserved. PET claim receivable as of June 30, 2022 was as follows:

	Balance as of June 30, 2022	Claim Allowance	Net Carrying Value
Claim receivable	$ 26,577,918	$ (26,577,918)	$ -

(6) Future Sales and Use Tax Receivable

The Commonwealth imposes a SUT on a broad range of goods and services. As of June 30, 2022, the total SUT imposed was 11.5% and was allocated as follows: 5.5% for the benefit of the Commonwealth (the 5.5% Sales Tax), 0.5% for the benefit of the Municipal Administration Fund, 4.5% as an SUT surcharge for the benefit of the Commonwealth and 1.0% for the municipalities of the Commonwealth. Pursuant to Act. No. 91, each fiscal year, the first funds of the 5.5% Sales Tax are required to be transferred to COFINA until COFINA has received an amount equal to the COFINA Revenues for such fiscal year (see further information below).

Over the course of fiscal year 2022, the future SUT receivable was reduced by the fiscal year 2022 collections of the COFINA Revenues. As collections for fiscal year 2022 amounted to approximately $473 million, the Corporation's future SUT receivable is approximately $6 billion as of June 30, 2022. The COFINA Revenues that the Corporation receives every fiscal year will reduce the future SUT receivable until it equals $0. Based on the schedule of the COFINA Revenues presented in Note 9 to the basic financial statements, in fiscal year 2033 the Corporation should eliminate the outstanding future SUT balance of $6 billion as of June 30, 2022. After that, the COFINA Revenues that the Corporation receives each fiscal year will be recorded as revenue.

Act No.91, as amended, provides for the establishment of the COFINA Revenues Fund, which is held in the name of the Trustee for the benefit of the holders of the COFINA Bonds and may not be owned or controlled in any way by the Commonwealth or any government entity other than the Corporation. The COFINA Revenues Fund is maintained in one or more mainland U.S. banks.

Any and all ownership interests and rights to the COFINA Revenues were or have been transferred to the Corporation. The transfer described is an absolute transfer of all legal and equitable right, title and interest, and not a pledge or other financing. By the Confirmation Order, the Title III Court determined that the Corporation has title to the COFINA Revenues and definitively resolved as a legal matter all questions of title to those revenues and the Corporation's sole and exclusive ownership of them. The Corporation is and will be sole and exclusive owner of the COFINA Revenues until such time as the COFINA Bonds, together with any interest thereon, and all amounts and obligations under all ancillary agreements, have been completely paid in cash in full or have otherwise been discharged in accordance with their terms.

Persons designated as withholding agents for purposes of the imposition and collection of the sales tax pursuant to Act No. 1-2011, as amended, also known as the *Internal Revenue Code for a New Puerto Rico*, shall be deemed to collect any portion of the sales taxes in which the Corporation has an ownership interest on behalf of the Corporation. Any such withholding agent will continue to be subject to any and all obligations and responsibilities imposed by the Internal Revenue Code for a New Puerto Rico on withholding agents in relation to the imposition and collection of sales taxes. The COFINA Revenues do not constitute "available resources" or "available revenues" of the Government of Puerto Rico as used in Section 8 of Article VI of the Puerto Rico Constitution or as otherwise used in the Puerto Rico Constitution.

As of June 30, 2022, in each fiscal year, the first collections of the 5.5% SUT are deposited in the COFINA Revenues Fund and applied to fund the COFINA Revenues. The COFINA Revenues are the first funds up to an amount equal to fifty-three and sixty-five one hundredths percent (53.65%) of the Fixed Income Amount for each fiscal year and all legal and equitable rights, title and interest thereto. The Fixed Income Amount for the fiscal year ended June 30, 2022, was $880,990,393 ($916,230,008 for fiscal year 2023) and, pursuant to the provisions of Act 91, it increases each fiscal year at a statutory rate of 4.0% up to $1.85 billion. Regardless of the level of 5.5% SUT collections, Act 91 requires that in each fiscal year all collections of the 5.5% SUT be deposited in the COFINA Revenues Fund until an amount equal to the COFINA Revenues is deposited before any collections of the 5.5% SUT are deposited in the Commonwealth's General Fund.

Collections of SUT are recognized as revenue in the fund financial statements upon collection. In the government-wide financial statements, these payments reduce the future sales and use tax receivable.

(7) Investments

As of June 30, 2022, as provided by Act No. 241-2018, the Corporation may invest the funds on deposit with the Trustee as provided for in the Ancillary Agreements, which include the Master Trust Indenture. Any other funds are held by the Corporation in bank accounts and may not be otherwise invested.

Investments held by the Trustee are made in "Eligible Investments" in accordance with the provisions of Section 6.02 of the Master Trust Indenture, which include interest-bearing general obligations of the United States of America, United States treasury bills and other non-interest bearing general obligations of the United States of America and certain short-term discount United States government obligations that, in each case, mature no later than the next Monthly Disbursement Date in the case of investments held in the Revenue Fund and not later than the date required to pay principal and interest when due on the COFINA Bonds in the case of moneys held in the Debt Service Fund.

Interest Rate Risk **–** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2022, the Corporation's board of directors is responsible for implementing and monitoring the interest rate risk policies and strategies. As of June 30, 2022, the practice of the board of directors was to meet on a regular basis to coordinate and monitor the interest rate risk management of interest sensitive assets and interest sensitive liabilities, including matching of their anticipated level and maturities, consistent with the corresponding laws and the board of directors' objectives.

The following table summarizes the type and maturities of investments held by the Corporation as of June 30, 2022:

Investment type		Due within one year	Credit Risk Rating
Debt securities:			
U.S. Treasury State and Local Government Series (SLGs)	$	12,832,869	AAA
External Investment Pools:			
Dreyfus Government Cash Management		256,555,469	AAAm
Total investments	$	269,388,338	

As of June 30, 2022, investments in external investments pools consisted of $256,555,469 invested in Dreyfus Government Cash Management (Dreyfus), which is an external investment pool registered with the Securities and Exchange Commission.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Corporation's investment policies provide that investment transactions shall be entered into only with counterparties that are rated BBB+/A-1 or better by Standard & Poor's or an equivalent rating by Moody's or Fitch, depending on the type and maturity of the investment and the counterparty to the transaction. Any exceptions must be approved by the Corporation's board of directors. The investment policies also provide that purchases and sales of investment securities shall be made using the delivery versus payment procedures.

Investments in U.S. Treasury SLGs carry the explicit guarantee of the U.S. Government.

As of June 30, 2022, the credit rating of Dreyfus was "AAAm" by Standard & Poor's as shown in the table above. The "AAAm" is the Standard & Poor's highest rating defined as extremely strong capacity to maintain principal stability and limit exposure to principal losses due to credit market and liquidity risks. The investments in Dreyfus were held by Bank of New York Mellon, as trustee, in the name of the Corporation.

Concentration of Credit Risk - The Corporation places no limits on the amount it may invest in any one issuer. As of June 30, 2022, 5% of the Corporation's investments are in debt securities, 95% are in external investment pools. The following table shows the investments by fair value level held by the Corporation as of June 30, 2022:

Investments by fair value level		Fair Value Measurement Levels Level 1	Level 2	Level 3	Total
Debt securities:					
U.S. Treasury State and Local Government Series (SLGs)	$	–	12,832,869	–	12,832,869
Total investments by fair value level	$	–	12,832,869	–	12,832,869
Investments not measured at fair value:					
External Investment Pools:					
Dreyfus Government Cash Management					256,555,469
Total investments					$ 269,388,338

The debt securities classified in Level 2 of the fair value hierarchy are valued using inputs other than quoted prices under Level 1 and which are observable for the assets, either directly or indirectly on the measurement date.

(8) Relationship with FAFAA and the Commonwealth of Puerto Rico

Puerto Rico Fiscal Agency and Financial Advisory Authority ("FAFAA")

The Puerto Rico Emergency Moratorium and Financial Rehabilitation Act, Act No. 21-2016 (the "Moratorium Act"), as amended, created FAFAA as an independent public corporation to assume GDB's role as fiscal agent, financial advisor and reporting agent for the Commonwealth and its instrumentalities. Act No. 2-2017 subsequently repealed and replaced the provisions of the Moratorium Act regarding FAFAA. FAFAA has also been assigned the tasks of overseeing matters related to the restructuring or adjustment of the Commonwealth's financial liabilities, coordinating liability management or other transactions with respect to such obligations, and ensuring compliance with fiscal plans and budgets approved by the Oversight Board pursuant PROMESA. During the fiscal year ended June 30, 2022, FAFAA provided certain management and administrative services to the Corporation under a memorandum of understanding. FAFAA charged the Corporation $72,000 for management and administrative services during the fiscal year ended June 30, 2022.

Also, FAFAA made payments amounting to approximately $40,400 on behalf of COFINA to cover certain legal expenses incurred related to the Internal Revenue Service Administrative Claim Dispute discussed in Note 13. FAFAA assumed responsibility for covering legal expenses during the administrative claim dispute between COFINA and the IRS.

Commonwealth of Puerto Rico

Pursuant to Section 5.10 of the Master Trust Indenture, remaining amounts deposited free and clear of the statutory lien in the Remainder Fund will be paid to the Commonwealth. As of June 30, 2022, the Corporation established an accrual of $5,866,649 in accordance with this provision of the Mater Trust Indenture. This amount is presented as Due to Commonwealth of Puerto Rico in the fund financial statements as it was due and payable as of June 30, 2022.

As a result of the COFINA Plan of Adjustment, the Commonwealth became legally obligated to pay the expenses associated with the Commonwealth-COFINA adversary proceeding during the pendency of the COFINA Title III case.

The Corporation also leases office space from the Puerto Rico Public Buildings Authority, a component unit of the Commonwealth of Puerto Rico. Refer to Note 10 for further information.

(9) Bonds Payable

As of June 30, 2022, bonds payable of the Corporation consists of the following (in thousands)[12]:

Description	Face/Effective interest rate	Amount
New COFINA Bonds, Series 2019A-1:		
Current Interest Bonds due from July 1, 2033 to July 1, 2058	4.50%-5.00%	$ 5,412,723
Capital Appreciation Bonds due from July 1, 2019 to July 1, 2051	4.250%-5.625%	3,443,680
New COFINA Bonds, Series 2019A-2, Series 2019A-2A, Series 2019A-2B:		
Current Interest Bonds due from July 1, 2035 to July 1, 2058	4.329%-5.00%	3,591,809
New COFINA Bonds, Series 2019B-1:		
Current Interest Bonds due from July 1, 2033 to July 1, 2058	4.50%-5.00%	69,318
Capital Appreciation Bonds due from July 1, 2019 to July 1, 2051	4.250%-5.625%	44,102
New COFINA Bonds, Series 2019B-2:		
Current Interest Bonds due from July 1, 2035 to July 1, 2058	4.329%-4.784%	45,570
Bonds payable - net		$ 12,607,202

All current interest bonds have fixed interest rates.

[12] For purposes of this Statement, the term "COFINA Bonds" has the same meaning as "Restructured Sales Tax Bonds" as used in the COFINA bond documents.

Bonds payable activity for the year ended June 30, 2022, is as follows (in thousands):

Description	Balance at June 30, 2021	Additions	Reductions	Balance at June 30, 2022	Due within one year
Bonds payable	$ 9,119,420	–	–	9,119,420	–
Capital appreciation bonds - principal	9,618,644	–	(17,480)	9,601,164	35,661
Discount on capital appreciation bonds	(6,283,554)	170,172	–	(6,113,382)	–
Bonds payable - net	$ 12,454,510	170,172	(17,480)	12,607,202	35,661

The COFINA Bonds are secured by a statutory lien on the COFINA Pledged Taxes subject to the Commonwealth's right to substitute "New Collateral" (as defined below) in accordance with the terms of the COFINA Plan of Adjustment. The "New Collateral" is defined as all or a portion of a tax of general applicability throughout Puerto Rico that is enacted in full substitution of the COFINA Pledged Taxes or otherwise constitutes like or comparable security for COFINA.

The COFINA Bonds include (i) current interest bonds (CIB) entitled to interest payments on a current basis and (ii) capital appreciation bonds (CAB), for which interest is added to principal and paid at maturity. Notwithstanding the timing of the effective date of the COFINA Plan of Adjustment, interest on the COFINA Bonds commenced to accrue or accrete as of August 1, 2018. Interest payments and interest accretion terms for current interest bonds and capital appreciation bonds, respectively, are as follows:

(a) The current interest bonds or CIBs bear interest from August 1, 2018, until paid (whether at maturity, prior to redemption or after maturity following payment default by the Corporation), payable on the effective date and semiannually thereafter on each payment date at the corresponding interest rates. Interest on current interest bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest will accrue on overdue interest and principal at the corresponding interest rate and will compound on each interest payment date. All overdue interest and principal (and any interest accruing thereon) will remain due and payable until paid.

(b) Interest on capital appreciation bonds or CABs accrue and accrete from August 1, 2018, until paid (whether at maturity, prior to redemption or after maturity following payment default by the Corporation). Interest on capital appreciation bonds will not be paid on a current basis but will be added to the principal thereof in the form of accretion on the effective date and semiannually thereafter on each valuation date, and will be treated as if accruing on the basis of a 360-day year consisting of twelve 30-day months between valuation dates, until paid (whether at maturity, prior to redemption or after maturity following payment default by the Corporation).

The COFINA Bonds will be subject to redemption at the option of the Corporation, in whole or in part, in any order of maturity, at par plus accrued interest thereon or accreted value as applicable, upon thirty (30) days prior to written notice as follows:

Current Interest Bonds (CIBs)

Maturity	*Optional Redemption*
2034	Redeemable at Par commencing July 1, 2025
2040	Redeemable at Par commencing July 1, 2028
2053	Redeemable at Par commencing July 1, 2028
2058	Redeemable at Par commencing July 1, 2028

Capital Appreciation Bonds (CABs)

Maturity	*Optional Redemption*
2024 & 2027	Not subject to redemption prior to maturity
2029	Redeemable at 103% of Accreted Value ("AV") commencing July 1, 2028
2031 Red	Redeemable at 105% of AV commencing July 1, 2028 and at 103% of AV commencing on July 1, 2029
2033 Re	Redeemable at 107.5% of AV commencing July 1, 2028, at 105% of AV commencing July 1, 2031 and 103% of AV commencing July 1, 2032
2046 & 2051	Redeemable at 107.5% of AV commencing July 1, 2028, at 105% of AV commencing July 1, 2038, at 103% of AV commencing July 1, 2038 and at 100% of AV commencing July 1, 2043

The COFINA Bonds are also subject to mandatory redemption prior to their respective maturity dates from sinking fund installments. All such mandatory redemptions of CIBs will be at a redemption price equal to par and mandatory redemptions of CABs will be at a redemption price equal to 100% of the then current accreted value.

The COFINA Bonds have neither a debt service reserve fund nor rights of acceleration.

On November 10, 2021, COFINA exchanged taxable Bonds Series 2019A-2 with principal amount of approximately $26 million for tax-exempt Bonds Series 2019A-2B that will have the same terms of the exchanged bonds, except for the interest on such bonds is excluded from gross income for federal tax purposes under Section 103 of Tax Code. The exchange transaction, approved by the Oversight Board, was made in connection with a debt restructuring of the Puerto Rico Infrastructure Financing Authority, a component unit of the Commonwealth and holder of COFINA Bonds. Certain amendments to the First Supplemental Trust Indenture were made to reflect the new tax-exempt status of the exchanged bonds. This Bond exchange did not have any impact on the 2022 basic financial statements.

As of June 30, 2022, debt service requirements for bonds outstanding were as follows:

Year ending June 30	Principal	Interest	Total
2023	$ 54,565,877	$ 430,056,019	$ 484,621,896
2024	74,225,000	430,056,019	504,281,019
2025	94,674,754	430,056,019	524,730,773
2026	115,941,475	430,056,019	545,997,494
2027	138,060,000	430,056,019	568,116,019
2028-2032	1,054,296,216	2,150,280,094	3,204,576,310
2033-2037	1,861,380,000	2,046,973,424	3,908,353,424
2038-2042	3,164,957,311	1,568,503,051	4,733,460,362
2043-2047	3,543,671,530	1,410,164,489	4,953,836,019
2048-2052	3,543,671,792	1,410,164,489	4,953,836,281
2053-2057	4,094,225,000	861,985,293	4,956,210,293
2058	945,255,000	46,904,585	992,159,585
	18,684,923,955	$ 11,645,255,520	$ 30,330,179,475
Less: Unaccreted interest	(6,113,382,644)		
	$ 12,571,541,311		

The current and long-term portions of the bonds payable, net at June 30, 2022 were $35,660,811 and $12,571,541,311, respectively. The scheduled principal payments of approximately $36 million paid on July 1, 2022 (fiscal year 2023) were payable from the COFINA Revenue Fund deposited during fiscal year 2022 of approximately $473 million. Future scheduled principal payments due on the (1st) first of July will be payable from COFINA Revenue Fund scheduled to be deposited in each previous fiscal year.

The first collections of the 5.5% SUT are deposited in the COFINA Revenues Fund and applied to fund the COFINA Revenues. The Fixed Income Amount for the fiscal year ended June 30, 2022, was $880,990,393 ($916,230,008 for fiscal year 2023). Under Act No. 91, as amended, the Fixed Income Amount increases each fiscal year at a statutory rate of 4.0% up to $1.85 billion. COFINA Revenues are the first funds up to an amount equal to fifty-three and sixty-five one hundredths percent (53.65%) of the Fixed Income Amount for each fiscal year, follows:

Year ending June 30		Amount
2023	$	491,557,399
2024		511,219,696
2025		531,668,483
2026		552,935,223
2027		575,052,631
2028-2032		3,239,257,363
2033-2037		3,941,051,873
2038-2042		4,748,499,799
2043-2047		4,962,625,000
2048-2052		4,962,625,000
2053-2057		4,962,625,000
2058		992,525,000
	$	30,471,642,467

On January 18, 2022, the Plan of Adjustment for the Commonwealth was confirmed by the Title III Court. The Commonwealth Plan of Adjustment included certain contingent value instruments payable based on an outperformance metric of SUT collections. The Commonwealth's contingent value instruments do not have an impact on COFINA Revenues, as defined by the COFINA Indenture.

(10) Intangible Right-to-Use Leased Asset and Lease Liability

COFINA leases office space from the Puerto Rico Public Buildings Authority, a component unit of the Commonwealth of Puerto Rico in what is known as Roberto Sanchez Villella Government Center in the Municipality of San Juan Puerto Rico, under a lease agreement that expires on July 1, 2042. As of July 1, 2021, COFINA adopted *GASB Statement No. 87, Leases* which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this GASB Statement, COFINA, as a lessee, is required to recognize a lease liability and an intangible right-to-use lease asset at the present value of its future minimum lease payments as of the inception date. The right-to-use leased asset as of June 30, 2022, amounted to $227,264, net of accumulated amortization of $11,363.

U.S. GAAP also directs that governmental funds report both an other financing source and an expenditure equal to the present value of the future lease payments at the inception of the lease to reflect commitment of financial resources associated with acquiring the right-to-use leased asset. As of July 1, 2021, the amount of $238,627 was recognized as both an other financing source and an expenditure in the fund financial statements.

The future minimum right-to-use lease obligations and the net present value of these minimum right-to-use lease payments as of June 30, 2022, were as follows:

Year Ending June 30,	Amount
2023	$ 17,924
2024	17,924
2025	17,924
2026	17,924
2027	17,924
2028-2032	89,620
2033-2037	89,620
2038-2042	89,620
Total future minimum right-to-use lease payments	$ 358,480
Less amount representing interest costs	126,670
Present value of minimum right-to-use lease payments	$ 231,810

Amortization and finance costs applicable to right-to-use leased asset and included within rent expense amounted to approximately $11,000 and $11,000, respectively, for the year ended June 30, 2022.

The current and long-term portions of the lease liability at June 30, 2022 were $7,145 and $224,665, respectively.

(11) The Operating Reserve Fund Cap

As part of the Corporation's restructuring in fiscal year 2019, the general fund received $15 million, available for its operating expenses, to establish the operating reserve fund. In addition to these funds, operating expenses will be covered by investment earnings derived from interest income generated by funds deposited in the Corporation's bond trustee accounts held for the benefit of the Corporation prior to distribution. In each fiscal year, an authorized officer of the Corporation will certify in writing to the Trustee the necessary amounts to deposit in the operating reserve fund established pursuant to the Trust Agreement, which amounts may not exceed the operating reserve fund cap of $15 million established in the Trust Agreement. During the year ended June 30, 2022, the amount of $1,265,452 was transferred to the general fund from the debt service fund to comply with this requirement. The operating reserve fund with a balance of approximately $15 million is included within deposits placed in commercial banks in the accompanying governmental funds balance sheets and statement of net position (deficit).

(12) Inter-fund Transfers

The following table includes the inter-fund transfers for the year ended June 30, 2022. These inter-fund transfers were made to comply with the requirements of the Master Trust Indenture. Refer to Notes 8 and 11 to the basic financial statements for further information.

Transfer out	Transfer in	Transfer for	Amount
Debt Service Fund	General Fund	Deposit to COFINA Operating Reserve Fund	$ 1,265,452
Debt Service Fund	General Fund	Remainder Fund for fiscal year 2021	$ 5,345,981

(13) Contingencies

Litigation related to or Resolved by the COFINA Title III Case

On October 4, 2021, the U.S. Supreme Court denied the Petition for a Writ of Certiorari presented by COFINA's junior bondholders on April 2, 2021 challenging the validity of the Plan of Adjustment under PROMESA. The petition challenged the United States Court of Appeals for the First Circuit's (the "First Circuit") decision to uphold Judge Laura Taylor Swain's order confirming the Plan of Adjustment. The First Circuit's March 2, 2021, decision concluded that efforts to revoke the Plan of Adjustment were barred under the doctrine of equitable mootness because the plan has already been implemented. The U.S. Supreme Court's decision conclusively resolves the last remaining challenge to the Plan of Adjustment.

Contingent Liability - *Internal Revenue Service Administrative Claim Dispute*

Under former sections of the Tax Code, COFINA was permitted to issue Build America Bonds ("BABs") during 2009 and 2010. Under applicable Tax Code sections, with respect to each interest payment date, holders of BABs were entitled to a tax credit equal to 35 percent of the interest payable by the issuer of the BABs (i.e., COFINA) with respect to the interest payment date. In lieu of bondholders receiving a tax credit, however, the Tax Code permitted issuers of BABs such as COFINA to instead elect to receive with respect to each interest payment date a direct subsidy payment from the Internal Revenue Service (the IRS) equal to 35 percent of the interest payable to the holder under that BAB for that date. Under applicable rules issued by the IRS, issuers of direct payment BABs are required to submit to the IRS requests for payment of the direct subsidy.

Similarly, the Tax Code permitted COFINA to issue recovery zone economic development bonds (RZEDBs) during 2009 and 2010. RZEDBs were similar to BABs except that the IRS's direct subsidy payments were established at 45 percent of the interest payable, rather than 35 percent. RZEDBs, like BABs, provided the issuer with the ability to elect to receive direct subsidies from the IRS.

On June 30, 2010, COFINA issued both BABs and RZEDBs and elected to treat those bonds as direct payment bonds. For each interest payment date on the BABs, through and including February 1, 2019, COFINA submitted the request for the direct payment, and the IRS made all requested payments except for the February 1, 2019 payment. For each interest payment date on the RZEDBs, COFINA submitted the request for the direct payment, but the IRS ceased making payments to COFINA beginning with the May 1, 2018 payment. The direct payments that COFINA requested, but which the IRS did not pay, totaled $2.6 million (the “Unpaid Subsidies”).

After the commencement of COFINA’s Title III Case on May 5, 2017, the Title III Court ordered BNYM, as trustee, to hold the pledged sales taxes used to pay interest on the bonds and not pay those funds to the COFINA bondholders, including holders of the COFINA BABs and RZEDBs, pending resolution of the interpleader adversary proceeding filed by BNYM (the “interpleader”) and the COFINA-Commonwealth dispute adversary proceeding (the “COFINA-Commonwealth Dispute”). As a result, throughout the pendency of COFINA’s Title III Case, all required interest payments, including with respect to the BABs and RZEDBs, were deposited by the Corporation into the appropriate BNYM accounts. Under the Title III Court’s order, the Corporation was deemed not to be in payment default despite interest payments being withheld from COFINA bondholders during the pendency of the interpleader and the COFINA-Commonwealth Dispute.

By letter dated February 14, 2019, the IRS notified the Corporation that it was examining Form 8038-CP for the August 1, 2017 interest payment date of its Sales Tax Revenue Bonds, First Subordinate Series 2010D (Issuer Subsidy Build America Bonds) (the “Series 2010D”). By letter dated March 18, 2019, the IRS notified the Corporation that it was examining Form 8038-CP for the August 1, 2017 interest payment date of its Sales Tax Revenue Bonds, First Subordinate Series 2010E (Issuer Subsidy Recovery Zone Economic Development Bonds) (the “Series 2010E”). Subsequently, the IRS expanded the examinations to include all interest payment dates occurring after the Petition Date. The Corporation responded and intends to respond to all correspondence from the IRS and intends to cooperate with the IRS in connection with the examinations.

The Corporation is not aware of any potential violation of the Form 8038-CP related to the Series 2010D and 2010E or federal taxes and/or events that may negatively impact the holders’ tax status of such bonds or any other bonds. As of the date hereof, neither the IRS nor any other entity has asserted that the Corporation has committed any such violation. The Corporation has been advised by counsel that the IRS examination for which notices were recently received will have no negative impact on the tax-exempt status of the Restructured Sales Tax Bonds issued as tax-exempt bonds by the Corporation.

On April 10, 2019, the IRS filed an administrative expense claim against the Corporation seeking the return of $2,520,731 in post-petition direct subsidy payments made to COFINA in connection with the Series 2010D Bonds and $1,677,625 in post-petition direct subsidy payments related to the Series 2010E Bonds, totaling $4,198,357. Specifically, the claim seeks the return of direct subsidy payments made to COFINA for August 2017, November 2017, February 2018, May 2018, August 2018, and November 2018 (collectively, the “Paid Subsidies”). In June 2019, the IRS administrative expense claim was amended to total $4,201,956.

On June 12, 2019, FAFAA, on its own behalf and on behalf of the Corporation, filed an objection to the IRS’s request for an administrative expense claim, arguing that the IRS is not entitled to a refund of the payments as COFINA had fully complied with its obligations under the applicable bond documents and tax laws, and thus the claims should be disallowed and expunged in their entirety.

On July 30, 2019, FAFAA, on its own behalf and on behalf of the Corporation, responded directly to the IRS’s letter of February 12, 2019, stating that the $4,201,956 was properly paid and that the IRS had improperly failed to pay COFINA direct subsidy payments with respect to post-petition interest in the amount of $2,663,705 with respect to the Series 2010D Bonds and the Series 2010E Bonds and requested that the IRS pay these amounts to the Corporation (collectively the “Direct Subsidy Underpayments”).

The current dispute between the Corporation and the IRS concerns the IRS's claim for return of the Paid Subsidies through both the filing of an administrative expense claim and an IRS audit, and a potential demand by COFINA that the IRS pay the Unpaid Subsidies.

On October 25, 2019, the IRS responded to COFINA's objection. On December 24, 2019, the Corporation filed its reply to the IRS's response.

On March 24, 2020, the IRS sent to the Corporation with respect to each of the Series 2010D Bonds and the Series 2010E Bonds, Form 886-A, Explanation of Items, and Form 4549-T, Adjustments to Credits Under Section 6431 (collectively, the 30 Days Letters). The 30-Day Letters contain the IRS's conclusions that the post-petition direct subsidy payments described above (i.e., the $4,201,956) are required to be returned to the IRS. In addition, the IRS determined that it was not required to pay COFINA the Direct Subsidy Underpayments. Under the applicable IRS procedures, the Corporation had the ability to appeal these determinations to the IRS Office of Appeals not later than August 14, 2020, which it did on that date. FAFAA, on behalf of itself and the Corporation, appealed these IRS determinations. During fiscal year 2019, the Corporation established an accrual of approximately $4 million for the potential loss related to this matter. During the year ended June 30, 2022, management accrued interest of $160 thousand, for the interest that would be owed to the IRS if its claim is successful, increasing the contingent liability to approximately $5 million. In March 2021, COFINA and IRS consented to extend the time to assess federal taxes to June 30, 2022. The Corporation intends to vigorously defend itself. Negotiations between the Corporation and the IRS regarding settlement of the IRS claim are ongoing. This amount is presented as accounts payables and accrued liabilities in the accompanying statement of net position (deficit).

Impact of COVID-19

On October 15, 2021, Trustee had received SUT collections totaling $473 million, which equaled the amount of the COFINA Revenues for fiscal year 2022. Consistent with the COFINA Plan of Adjustment, upon the Trustee's receipt of the COFINA Revenues for fiscal year 2022, the Commonwealth of Puerto Rico is entitled to receive all collections from the pledged SUT until the end of fiscal year 2022 (June 30, 2022). As a result, temporary measures taken to address the COVID-19 pandemic, when coupled with the relief packages adopted by the U.S. Government and the Government of Puerto Rico to support residents and the Island's economy, did not have any adverse effect on the Corporation's receipt of SUT collections for fiscal year 2022. On July 1, 2022, the Trustee began to receive collections from the pledged SUT for fiscal year 2023. The Trustee will continue to receive these collections until it receives all COFINA Revenues for fiscal year 2023, which will amount to $491,557,399.

(14) Risk Management

The COFINA's by-laws require COFINA to indemnify the members of the Board and Officers to the fullest extent permitted under the Commonwealth law against liabilities that may arise by reason of their service to COFINA, and to advance expenses reasonably incurred as result of claim actions against them for which they could be indemnified. To minimize the risk of loss for potential liabilities, COFINA purchases insurance coverage for directors and officers (D&O) liability, along with legal fees and expenses payable from amounts on the Operating Reserve Fund and the Remainder Fund established under the Bond Indenture.

The selection of the insurer has to be approved by the Public Insurance Office of the Department of Treasury of the Commonwealth. Insurance coverage is updated annually to account for changes in operating risk. For the year ended June 30, 2022, there has been neither insurance settlements nor related claims against COFINA board members. Insurance expense for the year ended June 30, 2022, amounted to approximately $458,000.

(15) Subsequent Events

Subsequent events were evaluated through October 19, 2022, to determine if any such events should either be recognized or disclosed in the June 30, 2022 basic financial statements. The subsequent event disclosed below is a matter that management believes is intrinsically related to the basic financial statements of the Corporation and is of public interest.

Hurricane Fiona

On September 18, 2022, Hurricane Fiona struck Puerto Rico, causing damage to the island's electric, aqueduct and sewer systems, buildings, residences and other structures. As a result, the Government of Puerto Rico implemented various temporary measures to support residents and the island's economy. Accordingly, on September 19, 2022, the Puerto Rico Treasury Department issued a temporary SUT payment exemption for prepared foods and carbonated beverages effective from September 22, 2022 to October 6, 2022 (extended until October 13, 2022). This temporary measure is not expected to have an adverse effect on COFINA's SUT collections for fiscal year 2023.

***