MUNICIPAL FINANCE CORPORATION
(A Component Unit of the
Commonwealth of Puerto Rico)

BASIC FINANCIAL STATEMENTS
YEARS ENDED
JUNE 30, 2025, AND 2024

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FINANCIAL SECTION

Ortiz, Rivera, Rivera & Co., LLC
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Members:
American Institute of Certified Public Accountants (AICPA)
AICPA's Private Companies Practice Section (PCPS)
Puerto Rico Board of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Municipal Finance Corporation
San Juan, Puerto Rico

Opinions

We have audited the accompanying financial statements of the Municipal Finance Corporation (the "Corporation") as of and for the fiscal years ended June 30, 2025 and 2024, and the related notes to the basic financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of June 30, 2025, and 2024, and the respective changes in financial position and cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

We conducted our audits in accordance with accounting principles generally accepted in the United States of America. 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's opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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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 it is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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 audits.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 7 be presented to supplement the basic financial statements. Such information although is not a part of the basic financial statements, is required by the Governmental Accounting Standard Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Supplementary Information

Our audits were conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Corporation's basic financial statements. The accompanying Schedules of Close Year Liquidation, on pages 18 through 23, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Ortiz, Rivera, Rivera & Co., LLC

San Juan, Puerto Rico
October 28, 2025

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Municipal Finance Corporation

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This section represents the management's discussion and analysis of the Municipal Finance Corporation (the "Corporation") financial performance for the fiscal years ended June 30, 2025, and 2024 and is presented as a narrative overview and analysis in conjunction with the basic financial statements. The information presented here should be read in conjunction with the basic financial statements, including the notes thereto.

The Corporation was created for purposes of collecting and distributing one percent (1%) of the municipal sales and use tax, and to issue bonds and use other financing mechanisms to pay or refinance debt of municipalities that is secured by the municipal sales and use tax.

1. Financial Highlights

- As of June 30, 2025, the Corporation's total assets decreased by approximately $16 million or 22% when compared to prior year, resulting from decreases in cash, due from municipalities and interest receivable of approximately $13.4 million, $2.4 million and $200 thousand, respectively.

- As of June 30, 2025, the Corporation's total liabilities decreased by approximately $19.6 million or 67% when compared to prior year, resulting from a decrease in accounts payable of approximately $25 million and an increase in due to municipalities of approximately $5.4 million.

- As of June 30, 2025, the Corporation's change in net position decreased by approximately $1.5 million or 29% when compared to prior year.

- On September 18, 2024, the Corporation made the distribution corresponding to unidentified location municipal sales and use tax collections deposited by the Treasury Department to the Corporation, for fiscal year 2024 amounting to approximately $26 million (the "Distribution"). On June 11, 2024, the Treasury Department issues the Internal Revenue Information Bulletin No. 24-02 ("BI RI 24-02) for the purpose of notifying the distribution percentages for fiscal year 2024-2025 that will correspond to each municipality of the Municipal IVU on Sales Dispatched by Mail of merchants who do not have a commercial location in Puerto Rico as determined in accordance with Article 6080.14 (a)(2)-1(b) of the Regulations.

2. Financial Statements Overview

Management discussion and analysis is required supplementary information to the basic financial statements of the Corporation. The basic financial statements comprise three components: (1) the independent auditors' report, (2) the management's discussion and analysis section, and (3) the basic financial statements of the Corporation. The notes on the basic financial statements explain in more detail some of the information in the financial statements.

3. Required Financial Statements

The financial statements of the Corporation report information using accounting methods similar to those used by private-sector entities. The statement of net position includes all the Corporation's assets and liabilities providing information about nature and amount of investment in resources (assets) and obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the Corporation and assessing its liquidity and financial flexibility.

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

The final required financial statement is the statement of cash flows. This statement reports on cash receipts, cash payments, and net change in cash resulting from operating, investing, capital and noncapital financial activities, and provides answers to such questions as where cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The statements are followed by the supplementary information that contains the Schedules of Close Year Liquidation.

4. Financial Analysis

The following is an analysis of the financial position and changes in financial position of the Corporation for fiscal years 2025 and 2024.

Net Position

Condensed financial information from the statements of net position as of June 30, 2025, 2024, and 2023, is as follows (in thousands):

			Change			Change	
	2025	2024	Amount	%	2023	Amount	%
Current assets	$ 49,994	$ 64,281	$ (14,287)	-22%	$ 69,470	$ (5,189)	-7%
Non-current assets	7,341	8,975	(1,634)	-18%	10,504	(1,529)	-15%
Total Assets	57,335	73,256	(15,921)	-22%	79,974	(6,718)	-8%
Current liabilities	9,700	29,333	(19,633)	-67%	41,271	(11,938)	-29%
Total Liabilities	9,700	29,333	(19,633)	-67%	41,271	(11,938)	-29%
Net Position	$ 47,635	$ 43,923	$ 3,712	8%	$ 38,703	$ 5,220	13%

As of June 30, 2025, the Corporation's total assets decreased by $16 million, explained as follows: Cash decreased from approximately $61 million to $47.6 million as a result of cash received from municipal sales and use taxes of $251 million, less cash paid to municipalities of $269.2 million, less cash paid to suppliers of $1.3 million, plus $6.1 million from interest received and other collections. The Due from Municipalities account decreased from approximately $11.8 million to $9.4 million, as a result of regular payments and prepayments received amounting to approximately $2.4 million from municipalities related to collections agreements and regular collections. The interest receivable decreased from approximately $500 thousand to $300 thousand.

Total liabilities decreased by $19.6 million from approximately $29.3 million to $9.7 million. This is due to a decrease in accounts payable of approximately $25 million related to distribution of unidentified municipal sales and use tax for fiscal year 2024 of approximately $26 million and a deposit received that belongs to Municipality of Canóvanas operational bank account instead of the Corporation individual bank account amounting to $1 million for fiscal year 2025. The due to municipalities account increased by $5.4 million from $3.1 million to $8.5 million as a result of the fiscal year end conciliation settlement.

As of June 30, 2024, the Corporation's total assets decreased by $6.7 million, explained as follows: Cash decreased from approximately $65.8 million to $61 million as a result of cash received from municipal sales and use taxes of $211.6 million, less cash paid to municipalities of $221.6 million, less cash paid to suppliers of $1 million, plus $6.2 million from interest received. The Due from Municipalities account decreased from approximately $13.7 million to $11.8 million, as a result of regular payments and prepayments received amounting to approximately $1.9 million from municipalities related to collections agreements and regular collections.

Total liabilities decreased by $11.9 million from approximately $41.3 million to $29.4 million. This is due to a decrease in accounts payable of approximately $12.4 million related to distribution to the municipalities of the last month of fiscal year 2023 of approximately $18.1 million paid during fiscal year 2024 and the net effect of collection of unidentified municipal sales and tax use for fiscal year 2024 of approximately $5.7 million. The due to municipalities' account increased by $500 thousand from $2.6 million to $3.1 million as a result of the fiscal year end conciliation settlement.

Statements of Revenues, Expenses, and Changes in Net Position

Condensed financial information of the statements of revenues, expenses, and changes in net position for the years ended June 30, 2025, 2024, and 2023, is as follows (in thousands):

			Change			Change	
	2025	2024	Amount	%	2023	Amount	%
Operating revenues	$ 248,622	$ 209,632	$ 38,990	19%	$ 197,292	$ 12,340	6%
Expenses and non-operating revenues:							
Operating expenses	(249,769)	(210,720)	(39,049)	19%	(198,195)	(12,525)	6%
Non-operating revenues	4,859	6,308	(1,449)	-23%	4,412	1,896	43%
Total expenses and non-operating revenues	(244,910)	(204,412)	(40,498)	20%	(193,783)	(10,629)	5%
Change in net position	3,712	5,220	(1,508)	-29%	3,509	1,711	49%
Net position, beginning	43,923	38,703	5,220	13%	35,194	3,509	10%
Net position, ending	$ 47,635	$ 43,923	$ 3,712	8%	$ 38,703	$ 5,220	13%

As of June 30, 2025, the Corporation's change in net position decreased by approximately $1.5 million due to a decrease in interest income when compared with prior year.

As of June 30, 2024, the Corporation's change in net position increased by approximately $1.7 million due to an increase in interest income when compared with prior year.

5. Currently known Facts

On June 27, 2025, the Banco Popular de Puerto Rico Branch in Canóvanas, mistakenly made a deposit amounting to $1,085,000 into the Corporation's/Canóvanas individual bank account instead of deposited into the Municipality's operational bank account. On July 7, 2025, the Corporation authorized the reversal and return of such amount to the Municipality's operational bank account.

6. Contacting the Corporation's Financial Management

This financial report is designed to provide all interested parties with a general overview of the Corporation's finances and to facilitate the Corporation's accountability for the resources it manages. Questions concerning any of the information provided in this report or requests for additional information should be addresses to Municipal Finance Corporation, PO Box 42001, San Juan, Puerto Rico 00940-2001.

MUNICIPAL FINANCE CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENTS OF NET POSITION
JUNE 30, 2025 AND 2024

	2025	2024
ASSETS		
Current assets:		
Cash **(Note 3)**	$ 47,659,152	$ 61,014,866
Accounts receivable **(Notes 2 and 4)**	-	11,529
Interest receivable **(Note 3)**	333,121	493,540
Due from municipalities:		
Current year liquidation **(Note 5)**	215,340	1,084,966
Collections agreements **(Note 6)**	1,786,392	1,676,525
Total current assets	49,994,005	64,281,426
Noncurrent assets:		
Due from municipalities:		
Collections agreements **(Note 6)**	7,340,813	8,974,620
Total noncurrent assets	7,340,813	8,974,620
Total assets	57,334,818	73,256,046
LIABILITIES		
Current liabilities:		
Accounts payable **(Note 7)**	1,214,722	26,256,035
Due to Municipalities **(Note 8)**	8,485,519	3,077,470
Total current and total liabilities	9,700,241	29,333,505
NET POSITION		
Unrestricted	47,634,577	43,922,541
Total net position	$ 47,634,577	$ 43,922,541

The accompanying notes are an integral part of these basic financial statements.

MUNICIPAL FINANCE CORPORATION

(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
OPERATING REVENUES		
Municipal sales and use tax	$ 248,622,001	$ 209,632,067
OPERATING EXPENSES		
Distribution of municipal sales and use tax to municipalities	248,622,001	209,632,067
General and administrative	1,147,410	1,088,180
Total operating expenses	249,769,411	210,720,247
OPERATING LOSS	(1,147,410)	(1,088,180)
NON-OPERATING REVENUES		
Other income	46,235	43,125
Interest income	4,813,211	6,265,420
Total non-operating revenues	4,859,446	6,308,545
CHANGE IN NET POSITION	3,712,036	5,220,365
NET POSITION AT BEGINNING OF THE YEAR	43,922,541	38,702,176
NET POSITION AT THE END OF THE YEAR	$ 47,634,577	$ 43,922,541

The accompanying notes are an integral part of these basic financial statements.

MUNICIPAL FINANCE CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM/USED IN OPERATING ACTIVITIES		
Cash received from municipal sales and use taxes	$ 251,027,096	$ 211,570,103
Cash paid to municipalities	(269,238,794)	(221,632,045)
Cash paid to suppliers	(1,248,881)	(1,026,003)
Net cash used in operating activities	(19,460,580)	(11,087,945)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Net other collections	1,131,236	43,125
Net cash provided by noncapital financing activities	1,131,236	43,125
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	4,973,630	6,257,740
Net cash provided by investing activities	4,973,630	6,257,740
NET DECREASE IN CASH	(13,355,714)	(4,787,080)
CASH AT BEGINNING OF YEAR	61,014,866	65,801,946
CASH AT END OF YEAR	$ 47,659,152	$ 61,014,866
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (1,147,410)	$ (1,088,180)
Adjustment to reconcile operating loss to net cash used in operating activities		
Changes in assets and liabilities:		
(Increase) decrease:		
Accounts receivable	11,529	(6,367)
Due from municipalities	2,393,566	1,944,403
Increase (decrease):		
Accounts payable	(26,126,313)	(12,423,746)
Due to municipalities	5,408,049	485,945
Net cash used in operating activities	$ (19,460,580)	$ (11,087,945)

The accompanying notes are an integral part of these basic financial statements.

1. REPORTING ENTITY

The Municipal Finance Corporation (the "Corporation") is a public corporation and an independent instrumentality of the Commonwealth of Puerto Rico (the "Commonwealth"). The Corporation was originally created by Act No. 19 of January 24, 2014, as amended ("Act No.19-2014") known as the "Municipal Financing Corporation Law", which was superseded by Act No. 107-2020, as amended, establishing the Municipal Code of Puerto Rico (the "Code"). The Code stipulates the norms, rules and laws related to income and financing for the operation of municipalities as well as describes the operation and new responsibilities of the Corporation in its articles 7.302 (21 L.P.R.A. § 8284) to 7.306 (21 L.P.R.A. § 8295).

As a result of the approval of the Code, the Corporation is attached to the Puerto Rico Fiscal Agency and Financial Advisory Authority (the "FAFAA"). The Code established that the FAFAA shall cover the operating expenses of the Corporation; provided, however, that if the FAFAA cannot cover such expenses, they shall be paid from the funds deposited in the Corporation's accounts, which are derived from the municipal sales and use tax collections.

The Corporation was created for the purpose of collecting and distributing one percent (1%) of the municipal sales and use tax and to issue bonds or use other financing mechanisms to pay or refinance municipal debt secured by the municipal sales and use tax.

The Corporation's final settlement of the 1% municipal transfer is presented as supplementary information on the Schedule of Close Year Liquidation. The Schedule of Close Year Liquidation has been prepared on the cash basis of accounting. Sales and use tax revenues are recorded when collected and deducted when distributed to the municipalities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Corporation conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to governmental entities, as prescribed by the Governmental Accounting Standards Board ("GASB").

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

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

Measurement Focus and Basis of Accounting – The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The Corporation recognizes revenues when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Operating revenues consist primarily of the collection of the 1% municipal sales and use tax. Operating expenses consist primarily of the distribution of the municipal sales and use tax.

The statement of net position presents the Corporation's assets and liabilities, with the difference reported as net position. Net positions may be reported in three categories:

Net investment in capital assets – consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding debt balances that is attributable to the acquisition, construction, or improvement of those assets.

Restricted component – consists of restricted assets reduced by liabilities related to those assets. Restrictions are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

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

As of June 30, 2025, and 2024, the Corporation's net position was presented as unrestricted component.

The statement of revenues, expenses, and change in net position demonstrates the degree to which the operating expenses are offset by operating revenues.

The statement of cash flows reports cash receipts, cash payments, and net change in cash resulting from operating, investing, and capital and noncapital financial activities, and provides answers to such questions as where cash comes from, what was cash used for, and what was the change in the cash balance during the reporting period.

Accounts Receivable - Accounts receivable is stated net of estimated allowance for uncollectible accounts. The allowance is based on management's evaluation of the risk characteristics of the receivable, including such factors as past collection experience, sources of repayment, adverse situations that may affect the customer's ability to repay, and general economic conditions. Charge-offs are recorded against the allowance when management believes that the collectability is unlikely. Recoveries of the amount previously charged off are credited to the allowance. Because of uncertainties inherent in the estimation process, management's estimate may change in the future. Management estimates that the accounts receivable are collectible, therefore, did not establish a provision for uncollectible accounts.

New Accounting Standards Adopted and Accounting Pronouncements Issued but Not Yet Effective

New Accounting Standards Adopted

During the fiscal year ending on June 30, 2025, certain governmental accounting pronouncements became effective, none of which had any impact on the results of the operations, or in the presentation of the financial statements of the Corporation.

Accounting Pronouncements Issued but Not Yet Effective– The GASB has issued the following accounting pronouncements that are effective for periods subsequent to June 30, 2025:

- **GASB Statement No. 103, Financial Reporting Model improvements**- The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

This Statement requires that the information presented in the Management's Discussion and Analysis (MD&A) be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Assets and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions.

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence.

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses.

This Statement required governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements.

This Statement requires governments to present budgetary comparison information using a single method of communication-RSI.

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

- **GASB Statement No. 104, Disclosure of Certain Capital Assets-** The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

  This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, and intangible right-to-use assets recognized in accordance with Statement No. 94, should be disclosed separately by major class of underlying assets in the capital asset note disclosures. Subscription assets recognized in accordance with Statement No. 96, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

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

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

3. CASH

The Corporation is authorized to deposit only in bank institutions approved by the Department of Treasury of the Commonwealth. Such deposits should be kept in separate accounts in the name of the Corporation. It is the Corporation's policy to have all bank account openings approved by the Board of Directors.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution's failure, the Corporation's deposits may not be returned to it. The Corporation maintains cash deposits in one commercial bank located in Puerto Rico. Under the Commonwealth's statutes, public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of insurance provided by the Federal Deposit Insurance Corporation (FDIC). All securities pledged as collateral by the Corporation are held by the Puerto Rico Secretary of Treasury but in the Corporation's name. The total deposits in commercial banks amounted to $47,659,152 and $61,014,866 as of June 30, 2025, and 2024, respectively.

Deposits in Commercial Banks

The Corporation has the following depository accounts in a commercial bank:

	June 30, 2025		June 30, 2024	
Depository Account	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Deposits insured by the FDIC	$ 250,000	$ 250,000	$ 250,000	$ 250,000
Deposits subject to the collateral requirements	47,409,152	47,410,118	60,764,866	60,764,866
Total deposits	$ 47,659,152	$ 47,660,118	$ 61,014,866	$ 61,014,866

As of June 30, 2025 and 2024, bank accounts accrued $333,121 and $493,540, respectively, in interest receivable which were collected during the month of July.

4. ACCOUNTS RECEIVABLE

The balance of accounts receivable amounts is zero and $11,529 as of June 30, 2025, and 2024, respectively.

5. DUE FROM MUNICIPALITIES

The amount due from Municipalities consists of advances made in excess of the collected funds.

The Corporation is required by law to prepare a settlement statement on a fiscal year basis, whereby a reconciliation between the amounts advanced to the municipalities and amounts collected from taxpayers is made. The Corporation prepares a settlement not later than October 31, after the end of the fiscal year (see supplementary information). The amount due from Municipalities is recorded and amortized through a pro rata deduction from the next fiscal year collections.

The balance of due from municipalities amounts to $215,340 and $1,084,906 on June 30, 2025, and 2024, respectively.

6. DUE FROM MUNICIPALITIES ON COLLECTIONS AGREEMENTS

Annually, the Corporation reconciles the total cash remitted to the municipalities with the net cash collections received through all collection's channels, including the Web Portal of the Corporation or by direct deposit to the individual accounts of the Corporation on behalf of the Municipalities. Through this reconciliation, the Corporation determines if there were advances to the Municipalities in excess of the collections made, resulting in an accounts receivable to the Corporation, or if advances were less than collections, resulting in a debt of the Corporation to the Municipalities. Therefore, the Corporation identifies that several Municipalities maintain accounts receivable related from previous fiscal years, for which formal collection agreements were established.

In November 2018, the Corporation and certain Municipalities entered in several Collection Agreements for the repayment of prior year unpaid advances. The Collection Agreements applicable interest rate depends on the maturity option selected by each Municipality. The first due date of the payment plans was October 2019, with a fixed and discounted interest rate that fluctuates between 4% and 8%, and an amortization period from 5 to 15 years.

Due from Municipalities as of June 30, 2025, and 2024, respectively, consist of the following:

Municipality of	2025	2024
Bayamón	$ 3,390,526	$ 4,123,509
Mayagüez	2,458,048	2,986,995
Carolina	2,621,629	2,836,483
Canóvanas	657,002	704,158
Total	9,127,205	10,651,145
Less: Current portion	1,786,392	1,676,525
Long-term portion	$ 7,340,813	$ 8,974,620

7. ACCOUNTS PAYABLE

As of June 30, 2025 and 2024, the amount of accounts payable include: (1) funds deposited in the Corporation's concentration bank account that corresponds to unidentified location municipal sales and use tax collections of $21,139 and $26,045,981, respectively, (2) Deposit belongs to Municipality of Canóvanas operational bank account instead of the Corporation individual bank account amounting to $1,085,000 for fiscal year 2025, and (3) certain other administrative expenses amounting to approximately $108,583 and $210,054 for fiscal year 2025 and 2024, respectively.

The balance of accounts payable as of June 30, 2025, and 2024, respectively, consist of the following:

	2025	2024
Municipal sales and use taxes	$ 21,139	$ 26,045,981
Bank charges	79,090	182,654
Accrued expenses	9,493	7,400
Other liabilities	1,085,000	-
Audit fees	20,000	20,000
Total	$ 1,214,722	$ 26,256,035

8. DUE TO MUNICIPALITIES

The amount due to Municipalities represents the funds collected in excess to the advances of money made to the municipalities during the fiscal year.

The amount due to Municipalities is paid at settlement. The Corporation prepares a settlement not later than October 31, after the fiscal year ends (see supplementary information). The amount due to Municipalities is recorded and paid through the next fiscal year.

The balance of due to municipalities amounts to $8,485,519 and $3,077,470 as of June 30, 2025, and 2024, respectively.

9. SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through October 28, 2025, and determined that there have been no events that have occurred that would require adjustments to our disclosures in June 30, 2025, and 2024 basic financial statements, except for the following:

On June 27, 2025, the Banco Popular de Puerto Rico Branch in Canóvanas, mistakenly made a deposit amounting to $1,085,000 into the Corporation's/Canóvanas individual bank account instead of deposited into the Municipality's operational bank account. On July 7, 2025, the Corporation authorized the reversal and return of such amount to the Municipality's operational bank account.

SUPPLEMENTARY INFORMATION

MUNICIPAL FINANCE CORPORATION

(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF CLOSE YEAR LIQUIDATION (UNAUDITED)

JUNE 30, 2025

Municipality of	Collections	Prior Year Collections	Total Collections	Advances to Municipality	Due from Municipality	Due to Municipality
Adjuntas	$ 560,992	$ 82,310	$ 643,302	$ 636,551	$ -	$ 6,751
Aguada	2,160,111	197,128	2,357,240	2,339,107	-	18,132
Aguadilla	6,309,525	413,949	6,723,474	6,701,558	-	21,916
Aguas Buenas	734,444	115,078	849,522	843,498	-	6,024
Aibonito	1,549,221	82,623	1,631,844	1,626,033	-	5,811
Añasco	1,384,267	125,341	1,509,608	1,499,729	-	9,878
Arecibo	4,836,139	334,920	5,171,059	5,155,476	-	15,583
Arroyo	637,571	91,271	728,842	722,365	-	6,477
Barceloneta	5,037,507	310,201	5,347,708	5,328,931	-	18,776
Barranquitas	1,151,783	76,189	1,227,972	1,223,235	-	4,737
Bayamón	3,196,971	2,439,567	5,636,537	2,439,567	-	3,196,971
Cabo Rojo	2,732,020	166,106	2,898,125	2,881,668	-	16,457
Caguas	25,484,110	1,624,824	27,108,934	26,832,371	-	276,562
Camuy	1,457,654	100,778	1,558,432	1,546,774	-	11,658
Canóvanas	4,116,900	225,520	4,342,420	4,349,495	7,075	-
Carolina	2,504,517	1,719,637	4,224,154	1,719,637	-	2,504,517
Cataño	6,003,807	414,183	6,417,990	6,462,128	44,138	-
Cayey	6,456,104	361,228	6,817,332	6,795,487	-	21,845
Ceiba	365,474	42,900	408,375	406,317	-	2,058
Ciales	527,246	34,174	561,420	561,956	536	-
Cidra	2,160,019	171,107	2,331,126	2,313,263	-	17,863
Coamo	1,365,522	123,101	1,488,623	1,477,903	-	10,721
Comerío	442,290	31,622	473,912	472,783	-	1,128
Corozal	1,210,203	89,291	1,299,494	1,306,115	6,621	-
Culebra	357,291	92,521	449,812	444,468	-	5,344
Dorado	5,611,758	349,950	5,961,707	5,952,153	-	9,555
Fajardo	5,423,268	232,449	5,655,717	5,570,743	-	84,974
Florida	354,624	93,146	447,771	440,271	-	7,500
Guánica	489,950	60,404	550,354	546,009	-	4,345
Guayama	3,832,772	270,088	4,102,860	4,080,364	-	22,496
Guayanilla	592,624	105,727	698,352	687,349	-	11,002
Guaynabo	1,997,254	1,323,218	3,320,472	3,208,571	-	111,902
Gurabo	2,753,696	187,048	2,940,744	2,919,821	-	20,923

MUNICIPAL FINANCE CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF CLOSE YEAR LIQUIDATION (UNAUDITED) (CONTINUED)
JUNE 30, 2025

Municipality of	Collections	Prior Year Collections	Total Collections	Advances to Municipality	Due from Municipality	Due to Municipality
Hatillo	$ 9,534,028	$ 604,591	$ 10,138,619	$ 10,074,012	$ -	$ 64,607
Hormigueros	1,531,521	159,932	1,691,454	1,680,471	-	10,982
Humacao	8,009,210	517,019	8,526,229	8,545,229	19,000	-
Isabela	3,634,417	145,945	3,780,361	3,773,265	-	7,097
Jayuya	632,363	103,461	735,824	726,693	-	9,131
Juana Díaz	2,506,792	202,494	2,709,286	2,701,126	-	8,160
Juncos	1,712,232	143,679	1,855,911	1,850,730	-	5,181
Lajas	921,453	96,715	1,018,168	1,008,198	-	9,970
Lares	1,097,898	121,147	1,219,045	1,206,369	-	12,676
Las Marías	247,381	116,146	363,527	352,365	-	11,162
Las Piedras	1,760,761	85,124	1,845,885	1,842,708	-	3,177
Loíza	659,157	79,263	738,420	733,521	-	4,899
Luquillo	1,425,297	142,142	1,567,439	1,561,797	-	5,642
Manatí	5,449,331	266,910	5,716,241	5,699,145	-	17,096
Maricao	50,304	24,068	74,372	72,344	-	2,028
Maunabo	215,326	78,143	293,469	286,319	-	7,150
Mayagüez	1,017,599	795,650	1,813,250	795,650	-	1,017,599
Moca	1,363,423	133,598	1,497,021	1,489,037	-	7,984
Morovis	1,033,601	129,170	1,162,771	1,158,497	-	4,274
Naguabo	782,917	59,232	842,149	832,253	-	9,897
Naranjito	1,408,666	70,224	1,478,890	1,485,490	6,599	-
Orocovis	765,546	81,242	846,789	840,623	-	6,166
Patillas	586,668	92,651	679,320	683,216	3,896	-
Peñuelas	714,212	36,701	750,913	752,002	1,089	-
Ponce	21,779,885	1,306,444	23,086,329	22,944,443	-	141,886
Quebradillas	1,148,322	131,332	1,279,654	1,266,886	-	12,768
Rincón	1,281,078	138,808	1,419,886	1,406,556	-	13,330
Río Grande	3,754,353	260,346	4,014,699	3,967,735	-	46,964
Sabana Grande	865,689	106,040	971,729	965,429	-	6,300
Salinas	1,483,716	140,892	1,624,607	1,620,911	-	3,696
San Germán	2,136,000	159,958	2,295,959	2,280,155	-	15,803
San Juan	7,056,216	4,901,040	11,957,256	11,542,905	-	414,351
San Lorenzo	1,869,915	150,607	2,020,522	2,005,965	-	14,557
San Sebastián	2,424,008	185,355	2,609,363	2,583,199	-	26,164

MUNICIPAL FINANCE CORPORATION

(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF CLOSE YEAR LIQUIDATION (UNAUDITED) (CONTINUED)

JUNE 30, 2025

Municipality of	Collections	Prior Year Collections	Total Collections	Advances to Municipality	Due from Municipality	Due to Municipality
Santa Isabel	$ 2,701,477	$ 196,633	$ 2,898,111	$ 2,879,919	$ -	$ 18,192
Toa Alta	2,008,621	194,914	2,203,535	2,183,717	-	19,818
Toa Baja	8,660,562	684,792	9,345,354	9,337,969	-	7,385
Trujillo Alto	3,603,794	237,606	3,841,400	3,967,785	126,385	-
Utuado	907,234	42,588	949,822	939,353	-	10,469
Vega Alta	2,072,435	164,777	2,237,213	2,234,059	-	3,154
Vega Baja	3,251,919	247,088	3,499,006	3,460,716	-	38,290
Vieques	704,409	79,185	783,593	779,159	-	4,434
Villalba	494,360	58,789	553,149	552,711	-	439
Yabucoa	992,582	99,606	1,092,188	1,085,584	-	6,604
Yauco	2,520,081	187,959	2,708,040	2,703,909	-	4,131
Total	$ 222,574,395	$ 26,047,606	$ 248,622,001	$ 240,351,822	$ 215,340	$ 8,485,519

MUNICIPAL FINANCE CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF CLOSE YEAR LIQUIDATION (UNAUDITED)
JUNE 30, 2024

Municipality of	Collections	Prior Year Collections	Total Collections	Advances to Municipality	Due from Municipality	Due to Municipality
Adjuntas	$ 466,383	$ 104,519	$ 570,902	$ 572,062	$ 1,160	$ -
Aguada	1,936,495	181,216	2,117,712	2,124,465	6,753	-
Aguadilla	5,626,259	301,455	5,927,714	5,910,719	-	16,995
Aguas Buenas	589,114	128,808	717,922	717,162	-	760
Aibonito	1,455,504	114,549	1,570,053	1,584,735	14,682	-
Añasco	1,192,048	107,790	1,299,839	1,293,479	-	6,360
Arecibo	4,414,409	280,312	4,694,720	4,686,592	-	8,129
Arroyo	544,413	107,672	652,085	647,876	-	4,209
Barceloneta	4,516,104	218,380	4,734,484	4,740,861	6,377	-
Barranquitas	1,043,420	101,513	1,144,932	1,147,331	2,399	-
Bayamón	257,228	1,546,349	1,803,578	1,546,349	-	257,228
Cabo Rojo	2,497,995	152,294	2,650,290	2,649,195	-	1,094
Caguas	23,249,441	1,132,222	24,381,663	24,548,607	166,944	-
Camuy	1,280,984	119,558	1,400,542	1,408,638	8,096	-
Canóvanas	3,756,228	221,072	3,977,300	3,997,943	20,643	-
Carolina	373,058	1,026,776	1,399,834	1,026,776	-	373,058
Cataño	5,941,581	296,393	6,237,974	6,309,764	71,790	-
Cayey	6,094,883	324,938	6,419,820	6,467,424	47,604	-
Ceiba	281,539	72,447	353,986	352,658	-	1,328
Ciales	471,383	106,403	577,786	583,567	5,781	-
Cidra	1,936,877	184,187	2,121,063	2,134,046	12,983	-
Coamo	1,170,700	131,583	1,302,283	1,310,963	8,681	-
Comerío	399,679	96,225	495,904	495,842	-	63
Corozal	1,085,708	86,578	1,172,286	1,165,873	-	6,414
Culebra	235,363	109,508	344,871	341,955	-	2,917
Dorado	5,028,412	258,326	5,286,738	5,374,824	88,086	-
Fajardo	5,068,930	302,047	5,370,977	5,366,593	-	4,385
Florida	224,459	104,840	329,299	336,346	7,046	-
Guánica	428,754	86,686	515,440	517,139	1,699	-
Guayama	3,411,531	217,031	3,628,561	3,617,300	-	11,261
Guayanilla	471,363	105,325	576,687	578,201	1,513	-
Guaynabo	582,402	662,930	1,245,332	667,689	-	577,643
Gurabo	2,338,264	184,057	2,522,321	2,544,514	22,193	-

MUNICIPAL FINANCE CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF CLOSE YEAR LIQUIDATION (UNAUDITED) (CONTINUED)
JUNE 30, 2024

Municipality of	Collections	Prior Year Collections	Total Collections	Advances to Municipality	Due from Municipality	Due to Municipality
Hatillo	$ 8,535,911	$ 417,937	$ 8,953,848	$ 8,963,376	$ 9,528	$ -
Hormigueros	1,396,228	166,060	1,562,288	1,560,375	-	1,914
Humacao	7,320,843	336,833	7,657,676	7,585,291	-	72,385
Isabela	3,408,530	200,714	3,609,244	3,603,158	-	6,086
Jayuya	513,823	119,229	633,051	632,940	-	111
Juana Díaz	2,255,926	182,712	2,438,638	2,452,154	13,516	-
Juncos	1,512,199	137,338	1,649,537	1,634,087	-	15,450
Lajas	794,853	116,597	911,450	914,925	3,476	-
Lares	911,033	130,809	1,041,841	1,049,064	7,223	-
Las Marías	105,685	99,924	205,609	204,445	-	1,164
Las Piedras	1,600,989	96,695	1,697,684	1,698,332	647	-
Loíza	543,127	102,047	645,174	647,272	2,099	-
Luquillo	1,189,751	150,583	1,340,334	1,344,923	4,589	-
Manatí	5,156,453	324,036	5,480,489	5,482,839	2,351	-
Maricao	21,661	98,705	120,366	120,366	-	-
Maunabo	125,996	87,886	213,882	215,985	2,103	-
Mayagüez	46,387	528,153	574,540	528,153	-	46,387
Moca	1,177,992	151,591	1,329,583	1,324,055	-	5,528
Morovis	874,139	107,414	981,553	977,100	-	4,454
Naguabo	683,681	122,055	805,736	805,713	-	23
Naranjito	1,308,726	149,711	1,458,437	1,463,107	4,669	-
Orocovis	664,144	103,373	767,517	769,325	1,808	-
Patillas	495,931	106,215	602,146	592,524	-	9,622
Peñuelas	653,820	97,487	751,307	758,294	6,986	-
Ponce	19,886,550	868,392	20,754,942	20,763,063	8,120	-
Quebradillas	934,523	140,258	1,074,781	1,075,275	493	-
Rincón	1,093,093	144,735	1,237,829	1,245,096	7,267	-
Río Grande	3,412,446	176,370	3,588,816	3,603,844	15,027	-
Sabana Grande	742,940	122,081	865,021	868,132	3,111	-
Salinas	1,314,212	137,750	1,451,961	1,455,268	3,307	-
San Germán	1,815,277	168,636	1,983,913	1,980,009	-	3,904
San Juan	1,569,154	3,017,811	4,586,965	3,017,811	-	1,569,154
San Lorenzo	1,696,440	158,061	1,854,500	1,844,428	-	10,073
San Sebastián	2,148,814	194,256	2,343,070	2,350,370	7,300	-

MUNICIPAL FINANCE CORPORATION

(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF CLOSE YEAR LIQUIDATION (UNAUDITED) (CONTINUED)

JUNE 30, 2024

Municipality of	Collections	Prior Year Collections	Total Collections	Advances to Municipality	Due from Municipality	Due to Municipality
Santa Isabel	$ 2,440,321	$ 197,566	$ 2,637,887	$ 2,644,902	$ 7,015	$ -
Toa Alta	1,709,119	185,553	1,894,672	1,894,465	-	207
Toa Baja	7,560,322	435,696	7,996,018	8,003,627	7,608	-
Trujillo Alto	3,321,095	235,354	3,556,449	3,871,824	315,375	-
Utuado	849,617	129,381	978,998	976,782	-	2,216
Vega Alta	1,906,992	177,576	2,084,568	2,083,936	-	633
Vega Baja	2,933,898	212,682	3,146,580	3,103,747	-	42,833
Vieques	601,246	90,802	692,048	691,495	-	552
Villalba	434,524	85,376	519,900	520,055	154	-
Yabucoa	866,398	116,958	983,356	986,165	2,809	-
Yauco	2,237,248	185,712	2,422,960	2,410,028	-	12,932
Sub-total	189,142,968	20,489,099	209,632,067	207,485,611	931,014	3,077,470
2021 Liquidation					153,952	
Total	$ 189,142,968	$ 20,489,099	$ 209,632,067	$ 207,485,611	$ 1,084,966	$ 3,077,470