



CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO  
RICO COMO DESTINO, INC.  
*(A Component Unit of the Commonwealth of Puerto Rico)*

Basic Financial Statements, Required Supplementary Information  
and Supplementary Information  
Fiscal Year Ended June 30, 2021



# CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO COMO DESTINO, INC.

*(A Component Unit of the Commonwealth of Puerto Rico)*

## BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION AND SUPPLEMENTARY INFORMATION

Fiscal Year Ended June 30, 2021

### Table of Contents

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	<u>Pages</u>
Independent Auditors' Report	1-2
Required Supplementary Information (Unaudited):	
Management's Discussion and Analysis	3-7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	10
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	13
Notes to Basic Financial Statements	14-28
Supplementary Information:	
Schedule of Allocation of Expenses	29-30



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## INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of  
Corporación para la Promoción de Puerto Rico como Destino, Inc.

We have audited the accompanying financial statements of the governmental activities and each major fund of Corporación para la Promoción de Puerto Rico como Destino, Inc., a component unit of the Commonwealth of Puerto Rico, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Corporación para la Promoción de Puerto Rico como Destino, Inc.'s basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Corporación para la Promoción de Puerto Rico como Destino, Inc., as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**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 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporación para la Promoción de Puerto Rico como Destino, Inc.'s basic financial statements. The accompanying schedule of allocation of expenses included in pages 29 and 30 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements or themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of allocation of expenses is fairly stated in all material respects in relation to the basic financial statements as a whole.

San Juan, Puerto Rico  
April 8, 2022.

Stamp No. E487518 was affixed to the original of this report.



RSM Puerto Rico

# CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO COMO DESTINO, INC.

## Management Discussion & Analysis (Unaudited) Fiscal Year Ended June 30, 2021

As management of Corporación para la Promoción de Puerto Rico Como Destino, Inc. (the “Organization”), we offer readers of these basic financial statements our discussion and analysis of the Corporación para la Promoción de Puerto Rico Como Destino, Inc.’s financial performance during the fiscal year ended on June 30, 2021. Please read the information presented in this section and the Organization’s basic financial statements, including the notes which follow this section.

This discussion and analysis are intended to serve as an introduction to the Corporación para la Promoción de Puerto Rico Como Destino, Inc.’s basic financial statements, which comprise the following components: (1) statement of net position; (2) statement of activities; and (3) notes to basic financial statements.

### Industry Highlights

For the last 15 months, it is indisputable that the world has been facing an unprecedented global health, social and economic emergency due to the COVID-19 pandemic. Travel and tourism are among the most affected sectors with a massive reduction of international demand amid global travel restrictions, including many closed borders to contain the virus. The impact of this global situation has had unprecedented repercussions in Puerto Rico. Of course, this occurs after having suffered the effects of Zika during 2016 and 2017, the devastating impact of hurricanes Irma and Maria during 2017, the massive political protests in the summer of 2019, and the seismic activity of early 2020.

To withstand this collection of devastating events, the Organization has taken decisive and resolute actions to guarantee efficient use of funds and maximize the return of investment of marketing and sales initiatives. These actions have required adjustments of the Organization’s operational budget and staffing levels, based on the Puerto Rico Tourism Company’s limitations to comply with the funding agreement. However, looking forward, the Organization is optimistic of the future of the economic sector based on:

- Proven resilience of tourism in past crises
- Adaptation capacity: safety and hygiene protocols, the value proposition of the destination, targeting travelers who are likely to demonstrate responsible consumer behavior
- Local and federal government support to the sector
- The roll-out of a vaccine will gradually increase consumer confidence and contribute to easing travel restrictions.

The uncertainties that this “new normal” brings to the economic sector are mitigated by the Organization’s ability to:

- Respond to changing trends and travel dynamics by innovative use of new or enhanced marketing, sales and publicity strategies
- Expanded use of digital channels
- Expanded digital sales activations targeting travel advisors, meeting planners, and travel consortia.
- Promote destination competitive advantages relying on the plans designed and implemented by the Organization to promptly react when the government lifts/adjusts travel restrictions and lockdown measures.
- Receive additional federal government financial support

# CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO COMO DESTINO, INC.

Management Discussion & Analysis (Unaudited)  
Fiscal Year Ended June 30, 2021

Implementation of a well-conceived strategy has provided astounding results and has positioned Puerto Rico as a shining example of resiliency and recovery in tourism. Despite the Island's COVID-19 infection rate fluctuations, the Organization has influenced \$257.8M in direct economic impact, generated \$18M in tax revenues, and delivered \$365M in publicity. Our digital marketing outperforms many competitors and peer organizations, providing record referrals to local businesses. Organization's sales team has generated \$333M of potential economic impact in meeting/convention leads and restored the future sales pipeline to pre-pandemic levels. As a result, the final four months of the fiscal year yielded a record level of accommodation tax collection, an encouraging sign as the Organization leads The Great Recovery of Travel and Tourism.

## Financial Highlights

- To carry out its sales and promotion activities, the Organization combined the assignments provided in the contract with the Puerto Rico Tourism Company (PRTC). They have seen room tax reduced during the 2020-2021 fiscal year due to the COVID-19 pandemic and the federal funds provided by the financial assistance initiatives under the CARES Act and CDBG-DR programs.
- Room tax collections continued to be impacted during the first half of the fiscal year by reducing tourism activities. Still, during the last four months of the fiscal year, tax collections recorded all-time record levels. The final balance for the fiscal year was an increase of 14% compared with the fiscal year 2019-2020. However, PRTC could not comply with the payment schedule due to total room tax collections irregularity during the fiscal year. This event was mitigated by the federal funds received through the financial assistance programs previously mentioned.
- The Organization increased its revenues by approximately \$21.8 million or 85% from the previous fiscal year, mainly driven by the federal programs that could have access. Funds received from these federal programs could only be used for the designated purposes, implying essential adjustments to the Organization's expense structure during the fiscal year.
- The Organization increased by approximately \$13.4 million or 61% of its total expenses from the previous fiscal year. This increase was primarily concentrated in Sales, Marketing, and Promotional expenses.
- The Organization spent approximately 97.8% of 2020-2021 fiscal year total expenditures on Marketing, Sales, Promotions, and Research activities, continuing its efficient use of funds.
- Business Development Fund is committed in approximately 77%. The ability of the Organization to attract new groups and conventions depends heavily on the availability of incentives to compete with other destinations. The board of directors and the Organization's management are committed to seeking additional funds to increase this valuable tool.

## Overview of the Financial Statements

The primary financial statements of the Organization are prepared in conformity with accounting principles generally accepted in the United States of America, as applicable to governmental entities. Accordingly, the basic financial statements include two kinds of statements that present different views of the Organization.

## CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO COMO DESTINO, INC.

Management Discussion & Analysis (Unaudited)  
Fiscal Year Ended June 30, 2021

The first two statements are the government-wide financial statements that provide both short and long-term information about the Organization's overall financial position and results of operations. These statements are presented on the accrual basis of accounting and comprise a statement of net position and a statement of activities.

The remaining statements are the fund financial statements focused on individual parts of the Organization's government, thus, reporting the Organization's operations in more detail than government-wide financial statements. The governmental funds' statements show how promotional activities were financed in the short term and what remains for future spending.

The notes to the basic financial statements provide additional information essential for a complete understanding of the data provided in the basic financial statements. The notes are an integral part of the basic financial statements.

### Financial Analysis

Condensed financial information of governmental activities in the statement of net position as of June 30, 2021, and 2020, is as follows:

Description	June 30		Change	
	2021	2020	Amount	Percent
<b>Assets:</b>				
Current assets	\$ 33,702,618	\$ 13,935,246	\$ 19,767,372	142%
Non-current assets	136,477	219,544	(83,067)	-38%
Capital assets, net	83,014	323,841	(240,827)	-74%
	<u>33,922,109</u>	<u>14,478,631</u>	<u>19,443,478</u>	<u>134%</u>
<b>Liabilities:</b>				
Current liabilities	10,711,598	2,836,278	7,875,320	278%
Non-current liabilities	1,503,057	2,794,698	(1,291,641)	-46%
	<u>12,214,655</u>	<u>5,630,976</u>	<u>6,583,679</u>	<u>117%</u>
<b>Net position:</b>				
Net investment in capital assets	83,014	319,616	(236,602)	-74%
Restricted	698,721	547,079	151,642	28%
Unrestricted	20,925,719	7,980,960	12,944,759	162%
	<u>\$ 21,707,454</u>	<u>\$ 8,847,655</u>	<u>\$ 12,859,799</u>	<u>145%</u>

As of June 30, 2021, the Organization's total assets consist of accounts receivable of approximately \$16.1 million and cash of approximately \$16 million. The increase in total assets of approximately \$19.4 million was mainly due to (i) increase in accounts receivables by approximately \$10.8 million (\$8.5 million related to the amounts invoiced and not received from Puerto Rico Tourism Company (PRTC) and \$7.6 million for CDBG-DR expenses incurred not yet reimbursed by the Puerto Rico Department of Housing), (ii) increase of approximately \$9.1 million in cash due to timing of cash received from PRTC as they were received closed to the end of the fiscal year; and cash received from CARES Act federal fund, not available in the previous year, and this was offset by (iii) decrease of approximately \$149 thousand in prepaid expenses, (iv) decrease of approximately \$53 thousand in other receivables, (v) decrease of approximately \$83 thousand in investments due to the unrealized loss recognized during June 30, 2021, and (vii) net decrease of capital assets of approximately \$251 thousand driven by current year depreciation.

## CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO COMO DESTINO, INC.

Management Discussion & Analysis (Unaudited)  
Fiscal Year Ended June 30, 2021

Total liabilities consist substantially of approximately \$6 million in marketing and sales service providers (\$2.8 million for CDBG-DR fund, \$1.9 million for CARES Act fund, and approximately \$1.3 million for the Fund of Promotion of Puerto Rico as a Destiny), business development incentive agreements for future events of approximately \$2.6 million, approximately \$1.5 million in accrued expenses, and deferred revenue of approximately \$1.4 million due to CARES Act fund portion of funds received that are still subject to use restrictions.

Total liabilities increased by approximately \$6.6 million, mainly due to (i) increased accounts payable, including federal funds as described above, and (ii) deferred revenue recognized for CARES Act fund not available in the previous year.

Condensed financial information of governmental activities in the statement of activities for the years ended June 30, 2021, and 2020, is presented below:

Description	June 30		Change	
	2021	2020	Amount	Percent
<b>Operating revenues</b>	\$ 47,359,554	\$ 25,533,393	\$21,826,161	85%
<b>Operating expenses</b>	35,295,358	21,898,756	13,396,602	61%
Operating income	12,064,196	3,634,637	8,429,559	232%
<b>Non-operating revenues (expenses):</b>				
Interest income	50,954	53,939	(2,985)	-6%
Investment income (loss)	(79,751)	(153,325)	73,574	-48%
Gain on extinguishment of debt	824,400	-	824,400	100%
	795,603	(99,386)	894,989	-901%
<b>Change in net position</b>	12,859,799	3,535,251	9,324,548	264%
<b>Net position, beginning of year</b>	8,847,655	5,312,404	3,535,251	67%
<b>Net position, end of year</b>	<u>\$ 21,707,454</u>	<u>\$ 8,847,655</u>	<u>\$ 12,859,799</u>	<u>145%</u>

Total operating revenues increased by approximately \$22 million, from approximately \$26 million on June 30, 2020, to approximately \$48 million on June 30, 2021. The increase was mainly driven by federal funds received in the fiscal year 2020-2021 of approximately \$14.4 million for the CARES Act fund and approximately \$7.7 million for the CDBG-DR fund.

Total operating expenses increased by approximately \$13 million during the year ended June 30, 2021, due to additional expenses related to new initiatives funded by federal funds.



# CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO COMO DESTINO, INC.

Management Discussion & Analysis (Unaudited)  
Fiscal Year Ended June 30, 2021

## Capital Assets

Capital assets activity for the fiscal year ended June 30, 2021, is as follows:

<u>Description</u>	<u>Balance as of June 30, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance as of June 30, 2021</u>
Capital assets-being depreciated:				
Computer equipment	\$ 304,495	\$ 10,185	\$ -	\$ 314,680
Leasehold improvements	134,714	-	-	134,714
Furniture and fixtures	8,714	-	-	8,714
Vehicle under capital leases	29,794	-	-	29,794
Booth for trade shows	<u>427,965</u>	<u>-</u>	<u>-</u>	<u>427,965</u>
	905,682	10,185	-	915,867
Less: Accumulated depreciation	<u>(581,841)</u>	<u>(251,012)</u>	<u>-</u>	<u>(832,853)</u>
	<u>\$ 323,841</u>	<u>\$ (240,827)</u>	<u>\$ -</u>	<u>\$ 83,014</u>

As of June 30, 2021, capital assets additions were approximately \$10 thousand. As of June 30, 2021, capital assets amounted to approximately \$83 thousand, net of accumulated depreciation and the depreciation expense was approximately \$251 thousand.

## Currently Known Facts and Events:

- Pandemic- The Organization continues dealing with the impact of the COVID-19 pandemic and its effect over tourism. Our Marketing team have developed and implemented a plan to maintain the destination presence in customers' top of mind and be ready when travel restrictions be lifted. The Organization feel confident that will be well prepared to resume sales and promotional activities when permitted.
- Federal Funds- The Organization has received federal grants that have helped to mitigate the impact of hurricane Maria in 2017, earthquakes and COVID-19 since March 2020. These federal grants and federal assistance programs provide financial support to the recovery activities that has been promoted.

## Request for Information:

This financial report is designed to provide a general overview of the Corporación para la Promoción de Puerto Rico Como Destino, Inc. Operation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Finance 500 Calle de la Tanca, Ochoa Building Suite 402B, San Juan, PR, 00901-1969.

**CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO  
COMO DESTINO, INC.**



**STATEMENT OF NET POSITION  
Fiscal Year Ended June 30, 2021**

	<b>Governmental Activities</b>
<b>ASSETS:</b>	
Cash	\$ 16,040,982
Certificate of deposit	1,016,505
Accounts receivable-	
Trade	74,961
Due from governmental entities	16,113,109
Other receivables	25,793
Prepaid expenses	431,268
Investments	136,477
Capital assets, net	83,014
	<u>33,922,109</u>
<b>LIABILITIES:</b>	
Accounts payable	6,004,976
Accrued expenses	1,487,733
Deferred revenue	1,336,790
Commitments to definite groups	1,882,100
Long-term obligations due in more than one year-	
Commitments to definite groups	678,656
Loan payable under Paycheck Protection Program	824,400
	<u>12,214,655</u>
<b>NET POSITION:</b>	
Net investment in capital assets	83,014
Restricted	698,721
Unrestricted	20,925,719
	<u>\$ 21,707,454</u>

See accompanying notes to basic financial statements.

**CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO  
COMO DESTINO, INC.**



**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net Revenues/ (Expenses) and Change in Net Position</u>
<b>GOVERNMENTAL ACTIVITIES:</b>			
General government	\$ 770,833	\$ 47,122,187	\$ 46,351,354
Marketing/Sales promotion	33,570,504	237,367	(33,333,137)
Research	549,631	-	(549,631)
Local industry/Community engagement	404,390	-	(404,390)
	<u>\$ 35,295,358</u>	<u>\$ 47,359,554</u>	12,064,196
<b>GENERAL REVENUES (LOSSES):</b>			
Interest income			50,954
Net investment loss			(79,751)
Gain on extinguishment of debt			824,400
			<u>795,603</u>
<b>CHANGE IN NET POSITION</b>			12,859,799
<b>NET POSITION – Beginning of year</b>			<u>8,847,655</u>
<b>NET POSITION – End of year</b>			<u>\$ 21,707,454</u>

See accompanying notes to basic financial statements.

**CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO  
COMO DESTINO, INC.**



**BALANCE SHEET — GOVERNMENTAL FUNDS  
Fiscal Year Ended June 30, 2021**

	<u>General Fund</u>	<u>Fund for the Promotion of Puerto Rico as a Destination</u>	<u>Coronavirus Relief Fund</u>	<u>CDBG- Disaster Recovery Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Cash	\$ -	\$ 13,240,594	\$ 2,800,388	\$ -	\$ 16,040,982
Certificate of deposit	-	1,016,505	-	-	1,016,505
Accounts receivable	100,755	-	-	-	100,755
Due from governmental entities	-	8,500,000	-	7,613,109	16,113,109
Due from other funds	-	4,825,212	1,573,053	-	6,398,265
Prepaid expenses	-	411,035	20,233	-	431,268
Investments	-	136,477	-	-	136,477
	<u>\$ 100,755</u>	<u>\$ 28,129,823</u>	<u>\$ 4,393,674</u>	<u>\$ 7,613,109</u>	<u>\$ 40,237,361</u>
<b>LIABILITIES:</b>					
Accounts payable	\$ -	\$ 1,306,887	\$ 1,910,192	\$ 2,787,897	\$ 6,004,976
Accrued expenses	-	352,274	1,135,459	-	1,487,733
Deferred revenue	9,000	-	1,327,790	-	1,336,790
Due to other funds	91,755	1,481,298	-	4,825,212	6,398,265
Commitments to definite groups	-	1,882,100	-	-	1,882,100
	<u>100,755</u>	<u>5,022,559</u>	<u>4,373,441</u>	<u>7,613,109</u>	<u>17,109,864</u>
<b>FUND BALANCES:</b>					
Nonspendable	-	411,035	20,233	-	431,268
Restricted	-	678,488	-	-	678,488
Committed	-	4,200,000	-	-	4,200,000
Unassigned	-	17,817,741	-	-	17,817,741
	<u>-</u>	<u>23,107,264</u>	<u>20,233</u>	<u>-</u>	<u>23,127,497</u>
	<u>\$ 100,755</u>	<u>\$ 28,129,823</u>	<u>\$ 4,393,674</u>	<u>\$ 7,613,109</u>	<u>\$ 40,237,361</u>

See accompanying notes to basic financial statements.

**CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO  
COMO DESTINO, INC.**



**RECONCILIATION OF THE BALANCE SHEET- GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION**

**For the Fiscal Year Ended June 30, 2021**

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**FUND BALANCES OF GOVERNMENTAL FUNDS** \$ 23,127,497

**AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES ARE  
DIFFERENT IN THE STATEMENT OF NET POSITION BECAUSE:**

Capital assets are not capitalized in the governmental fund financial statements such expenditure is considered an expense when they were acquired and consequently no capital lease neither accumulated depreciation are recognized in the fund financial statements. 83,014

Loan payable under Paycheck Protection Program is not due and payable in the current period and, therefore, is not reported in the fund financial statements. (824,400)

Commitments to definite groups are not due and payable in the current period and, therefore, are not reported in the fund financial statements. (678,656)

**NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 21,707,455

See accompanying notes to basic financial statements.

**CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO  
COMO DESTINO, INC.**



**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

**For the Fiscal Year Ended June 30, 2021**

	<u>General Fund</u>	<u>Fund for the Promotion of Puerto Rico as a Destination</u>	<u>Coronavirus Relief Fund</u>	<u>CDBG - Disaster Recovery Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>					
Grants and contributions	\$ -	\$ 25,000,000	\$ 14,452,210	\$ 7,669,977	\$ 47,122,187
Contributed services	176,259	-	-	-	176,259
Coop advertising and events participation	61,108	-	-	-	61,108
Interest income	-	50,954	-	-	50,954
	<u>237,367</u>	<u>25,050,954</u>	<u>14,452,210</u>	<u>7,669,977</u>	<u>47,410,508</u>
<b>EXPENDITURES:</b>					
General government	-	754,568	-	-	754,568
Marketing/Sales promotion	237,367	12,309,458	14,431,977	7,669,977	34,648,779
Research	-	547,307	-	-	547,307
Local industry/Community engagement	-	399,743	-	-	399,743
Net investment loss	-	79,751	-	-	79,751
	<u>237,367</u>	<u>14,090,827</u>	<u>14,431,977</u>	<u>7,669,977</u>	<u>36,430,148</u>
<b>REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>10,960,127</u>	<u>20,233</u>	<u>-</u>	<u>10,980,360</u>
<b>OTHER FINANCING SOURCES/(USES):</b>					
Proceeds from loan under Paycheck Protection Program	-	824,400	-	-	824,400
Transfers in/(out)	(828,604)	828,604	-	-	-
	<u>(828,604)</u>	<u>1,653,004</u>	<u>-</u>	<u>-</u>	<u>824,400</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>(828,604)</u>	<u>12,613,131</u>	<u>20,233</u>	<u>-</u>	<u>11,804,760</u>
<b>FUND BALANCES – Beginning of year (as restated)</b>	<u>828,604</u>	<u>10,494,133</u>	<u>-</u>	<u>-</u>	<u>11,322,737</u>
<b>FUND BALANCES – End of year</b>	<u>\$ -</u>	<u>\$ 23,107,264</u>	<u>\$ 20,233</u>	<u>\$ -</u>	<u>\$ 23,127,497</u>

See accompanying notes to basic financial statements.

**CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO  
COMO DESTINO, INC.**



**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2021**

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**NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS** \$ 11,804,760

**AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES ARE  
DIFFERENT IN THE STATEMENT OF ACTIVITIES BECAUSE:**

Capital assets are not capitalized in the governmental fund financial statements such expenditure is considered an expense when they were acquired and consequently no depreciation expense neither capital lease payable are recognized in the fund financial statements. (236,602)

Cash proceeds from the loan payable under Paycheck Protection Program is considered as revenue in the governmental funds. (824,400)

The forgiveness of the loan payable under Paycheck Protection Program is not considered as revenue in the governmental funds. 824,400

Repayment of commitments to definite groups is an expenditure in the governmental funds, but the repayment reduces commitments to definite groups in the statement of net position. 1,291,641

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 12,859,799

See accompanying notes to basic financial statements.

# CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO COMO DESTINO, INC.

(A Component Unit of the Commonwealth of Puerto Rico)

## NOTES TO BASIC FINANCIAL STATEMENTS Fiscal Year Ended June 30, 2021

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### 1) Reporting Entity:

The Corporación para la Promoción de Puerto Rico como Destino, Inc. (the Organization), is a Destination Marketing Organization (DMO), created under the provisions of Act No. 17 of March 30, 2017, known as Act for the Promotion of Puerto Rico as Destination (Act No. 17-2017). The purpose of Act No. 17-2017 was to combine within the Organization the sales and marketing efforts performed by the Puerto Rico Convention Bureau (the Bureau) for the groups and convention segment, and those performed by the Puerto Rico Tourism Company (PRTC) for the leisure segment in order to unify the brand and provide consistency in the efforts to attract visitors and increase the exposure of Puerto Rico as a tourist destination worldwide.

On June 8, 2017, the Organization was incorporated as a Not-for-Profit entity under the laws of the Commonwealth of Puerto Rico, and is reported as a discrete component unit of the Commonwealth of Puerto Rico (the Commonwealth), in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

The Organization is exempt from Puerto Rico income taxes under the provisions of Section 1101(a)(2)(i) of the Puerto Rico Internal Revenue Code of 2011, as amended. In addition, the Organization was granted exemption under Section 501(c)(3) of the United States Internal Revenue Code. All tax returns through the year ended June 30, 2020, have been appropriately filed by the Organization. However, based on the statute of limitation established on Section 6010.05 (a)(1) of the Puerto Rico Internal Revenue Code of 2011, as amended, the income tax returns filed by the Organization for the fiscal years ended from June 30, 2018 to June 2020 can still be audited by the Puerto Rico Treasury Department. Management evaluated the tax position taken by the Organization and concluded that as of June 30, 2021, the Organization had maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the accompanying financial statements.

On February 28, 2018, the Organization and PRTC entered into an Agreement for Destination Marketing Services (the DMS Agreement), whereby the Organization assumed PRTC's current function of marketing the island to non-residents as a visitor destination. It establishes the obligations of the Organization and PRTC in accordance with the requirements imposed by Act No. 17-2017. Among the provisions covered by the DMS Agreement are the following: (i) mutual obligations, (ii) annual business and marketing plan, (iii) reporting and accounting, (iv) funding, and (v) key performance indicators. It has an initial term of ten (10) years.

To accomplish its objectives, the Organization established the following programs:

- *Marketing/Sales Promotion* – Refers to all the activity and investments directed to increasing awareness, improving perception and generating demand for Puerto Rico as a destination for visitors.
- *Research* – Refers to the investment made in different tools, initiatives and studies to help understand the market and Puerto Rico's position in it. Also, includes resources to measure results of the efforts of the Organization and overall industry performance.
- *Local Industry/Community Engagement* – Refers to efforts related to engaging the community in the collaborative effort of promoting Puerto Rico as a destination. It includes efforts to communicate the work that the Organization does and how all communities can work alongside with of the Organization, providing a unified message and branding.



# CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO COMO DESTINO, INC.

(A Component Unit of the Commonwealth of Puerto Rico)

## NOTES TO BASIC FINANCIAL STATEMENTS Fiscal Year Ended June 30, 2021

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### 2) Basis of Presentation and Summary of Significant Accounting Policies:

The accounting and reporting policies of the Organization conform to U.S. GAAP, for governments as prescribed by the Governmental Accounting Standards Board (GASB).

Following is a description of the Organization's financial statements presentation, measurement focus and basis of presentation and summary of most significant accounting policies:

#### Government-Wide and Fund Presentation

*Government-Wide Financial Statements* – The statement of net position and the statement of activities report information on all balances and activities of the Organization. Governmental activities are financed through contributions from the PRTC, federal grants and investment earnings.

The statement of net position presents the Organization's assets and liabilities with the difference reported as net position.

Net position is reported in three categories:

- *Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets, if any.
- *Restricted* – This component of net position results when constraints placed on net position use are either externally imposed by creditors, contributors, and other external sources, or imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* – This component of net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often is designated to indicate that management does not consider it to be available for general operations. Unrestricted net position often has constraints on resources, which are imposed by management, but can be removed or modified.

When both restricted and unrestricted resources are available for use, it is the Organization's policy to use restricted resources first and the unrestricted resources when they are needed.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not meeting the definition of program revenues are reported as general revenues.

*Fund Financial Statements* – 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. All of the financial activities of the Organization are reported in the accompanying basic financial statements and have been classified as governmental. All funds of the Organization are considered as major funds.

**CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO  
COMO DESTINO, INC.**  
*(A Component Unit of the Commonwealth of Puerto Rico)*

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Fiscal Year Ended June 30, 2021**

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

- *Nonspendable* – Represents 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.
- *Restricted* – Represents 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.
- *Committed* – Represents amounts that can be spent only for specific purposes determined by a formal action of the Organization's highest level of decision-making authority (the Board of Directors).
- *Assigned* – Represents amounts the Organization intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* – Represents amounts not contained in other classifications.

**Measurement Focus and Basis of Accounting**

*Government-Wide Financial Statements* – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all of the eligibility requirements imposed by the provider have been met.

*Governmental Fund's 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Organization considers revenues to be available if they are to be collected within 120 days after the end of the current fiscal year-end. Expenditures are recorded when the related liability is incurred

The financial activities of the Organization that are reported in the accompanying basic financial statements have been classified into the following major governmental funds:

- *General Fund* – The general fund is the general operating fund of the Organization and is used to account for all financial resources, except those to be required to be accounted for in another fund.
- *Fund for the Promotion of Puerto Rico as a Destination* – This special revenue fund is used to account for proceeds from the DMS agreement.
- *Coronavirus Relief Fund* – This special revenue fund is used to account for proceeds from the Coronavirus Relief Fund (CRF) Transfer Agreement with the Puerto Rico Treasury Department and the Puerto Rico Fiscal Agency and Financial Advisory Authority, under the Strategic Tourism Project Program, which is administered by the Coronavirus Relief Fund Disbursement Oversight Committee.

# CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO COMO DESTINO, INC.

(A Component Unit of the Commonwealth of Puerto Rico)

## NOTES TO BASIC FINANCIAL STATEMENTS Fiscal Year Ended June 30, 2021

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- *CDBG-Disaster Recovery Fund* – This special revenue fund is used to account for proceeds from the subrecipient agreement with the Puerto Rico Department of Housing (PRDH). The focus of this program is to undertake promotion activities outside the Island in order to attract visitors and businesses, to bring external capital that can contribute to Puerto Rico's economy, encourage external investments, promote economic development, and create new jobs.

### Summary of Significant Accounting Policies

*Budgetary Accounting* – The Organization is not required by the Act No. 17 to submit a budget for approval by the Legislature of the Commonwealth; consequently, no formal budgetary accounting procedures are followed.

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

*Prepaid Expenses* – Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items.

*Accounts Receivable* – Accounts receivable are stated net of estimated allowance for uncollectible accounts. The allowance is based on the evaluation of the risk characteristics of the receivable, including past collection experience and current economic conditions. Write-offs are recorded against the allowance when management believes that collectability is unlikely. Recoveries of amounts previously charged off are credited to the allowance. Because of uncertainties inherent in the estimation process, management's estimate may change in the future. The Organization considers revenues available if they are collected within 120 days after the end of the current fiscal year.

*Investments* – Investments are carried at fair value, except for money market investments and participating investment contracts with a remaining maturity at the time of purchase of one year or less, and non-participating investment contracts, carried at cost, which approximate fair value. Fair value is determined based on quoted market prices, and quotations received from independent broker/dealers or pricing services organizations. *GASB Statement No. 72 – Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument.



**CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO  
COMO DESTINO, INC.**

*(A Component Unit of the Commonwealth of Puerto Rico)*

**NOTES TO BASIC FINANCIAL STATEMENTS**

**Fiscal Year Ended June 30, 2021**

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

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

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

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

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

*Capital Assets* – Capital assets are defined by the Organization as assets with a cost of \$1,000 or more at the date of acquisition and an expected useful life of three or more years. Purchased and constructed capital assets are valued at historical cost or estimated historical cost. Donated fixed assets are recorded at their fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are expensed.

Capital asset additions in governmental activities are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Estimated useful lives are as follows:

Description	Estimated Useful Life
Computer equipment	3 years
Leasehold improvements	5 years or lease term, whichever is less
Furniture and fixtures	5 years
Booth for trade shows	3 years
Vehicle	5 years

*Deferred Revenue* – Deferred revenue at the governmental fund level arises when potential revenue does not meet the “available” criteria for revenue recognition in the current period. Deferred revenue also arises when resources are received before the Organization has a legal claim to them, as when grant moneys are received prior to incurring the qualifying expenditures. In subsequent periods, when the revenue recognition criteria is met, or when the Organization has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet, and the revenue is recognized. Deferred revenue at the government wide level arises only when the Organization receives resources before it has a legal claim to them.

# CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO COMO DESTINO, INC.

(A Component Unit of the Commonwealth of Puerto Rico)

## NOTES TO BASIC FINANCIAL STATEMENTS Fiscal Year Ended June 30, 2021

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*Interfund Activities* – The Organization has interfund transactions representing reimbursements, which consists of repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

*Transfers* – Represents 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.

*Future Accounting Pronouncements* – The GASB has issued the following accounting pronouncements that will have future impact on the accounting and financial practices of the Organization:

- *GASB Statement No. 87 – Leases.* Statement No. 87 establishes a single model for lease accounting by state and local governments, with limited exceptions (most notably for "short-term" leases with a maximum possible term of 12 months). Statement No. 87 is effective for reporting periods beginning after June 15, 2021.
- *GASB Statement No. 89 – Accounting for Interest Cost Incurred before the End of a Construction Period.* Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Statement No. 89 is effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.
- *GASB Statement No. 90 – Majority Equity Interests.* An amendment of GASB Statements No. 14 and No. 61. Statement No. 90 clarifies the accounting and financial reporting for a state or local government's majority equity interest in an organization that remains legally separate after acquisition. Statement No. 90 effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.
- *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 (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) 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. Statement 91 is effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

# CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO COMO DESTINO, INC.

(A Component Unit of the Commonwealth of Puerto Rico)

## NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2021

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- *GASB Statement No. 92 – Omnibus 2020.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; the applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits; the applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements; measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and terminology used to refer to derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.
- *GASB Statement No. 93 – Replacement of Interbank Offered Rates.* The objective of this statement is to address accounting and financial implications that result from the replacement of an LIBOR most notably the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020.
- *GASB Statement No. 94 – Public – Private and Public – Public Partnership and Availability Payment Arrangement.* The objective of this Statement is to improve financial reporting by addressing issues related to public – private and public – public partnership arrangements (PPP's). The requirements of this statement are effective for fiscal years beginning after June 15, 2022. Earlier application is encouraged.
- *GASB Statement No. 95 – Postponement of the effective dates of Certain Authoritative Guidance.* The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of 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. The new effective dates for the applicable statements to the Organization were included in each statement previously described.



# CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO COMO DESTINO, INC.

(A Component Unit of the Commonwealth of Puerto Rico)

## NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2021

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- *GASB Statement No. 96 – Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use 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 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.
- *GASB Statement No. 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32 - 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 (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

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 Statement 67 or paragraph 3 of 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.

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

**CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO  
COMO DESTINO, INC.**

*(A Component Unit of the Commonwealth of Puerto Rico)*

**NOTES TO BASIC FINANCIAL STATEMENTS**

**Fiscal Year Ended June 30, 2021**

**3) Correction of Prior Year Governmental Funds Financial Statements:**

*Fund for the Promotion of Puerto Rico as a Destination-*

During the year ended June 30, 2021, the Organization corrected the beginning balance of fund balance and total assets of the Fund for the Promotion of Puerto Rico as a Destination for the amount of \$580,517, in order to properly present the nonspendable fund balance related to prepaid expenses. Accordingly, the figures as of and for the year ended June 30, 2020, are presented as restated in the accompanying governmental funds financial statements.

The effect of the restatement on the funds financial statements of the Fund for the Promotion of Puerto Rico as a Destination as of and for the year ended June 30, 2020, is as follows:

Description	Total Assets	Nonspendable Fund Balance
As previously reported	\$ 13,455,756	\$ -
Recognition of prepaid expenses	580,517	580,517
	<u>\$ 14,036,273</u>	<u>\$ 580,517</u>

**4) Cash:**

The Organization is authorized to deposit funds in the custody of financial institutions approved by the Commonwealth. Commonwealth's regulations require domestic commercial banks to maintain collateral securities pledged for the security of public deposits at an amount in excess of federal insurance coverage.

Deposits, either insured or collateralized, are not considered to be subject to custodial credit risk. Custodial credit risk is the risk that, in the event of a failure of the counterparty to the transaction, the Organization may not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

As of June 30, 2021, the Organization's cash in commercial banks, excluding cash on hand of \$200, consist of the following:

Description	Carrying Amount	Depository Bank Balance
Commercial banks	\$ 17,057,000	\$ 18,693,000

**5) Due from Governmental Entities:**

As of June 30, 2021, due from governmental entities consist of the following:

Description	Amount
Puerto Rico Tourism Company	\$ 8,500,000
Puerto Rico Department of Housing	7,613,109
	<u>\$ 16,113,109</u>





**CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO  
COMO DESTINO, INC.**

*(A Component Unit of the Commonwealth of Puerto Rico)*

**NOTES TO BASIC FINANCIAL STATEMENTS**

**Fiscal Year Ended June 30, 2021**

**6) Interfund Balances:**

The summary of the amounts due from/to other funds as of June 30, 2021, is as follows:

Receivable By	Payable By	Amount
Fund for the Promotion of Puerto Rico as a Destination	CDBG-Disaster Recovery Fund	\$ 4,825,212
Coronavirus Relief Fund	General Fund	91,755
Coronavirus Relief Fund	Fund for the Promotion of Puerto Rico as a Destination	1,481,298
		\$ 6,398,265

**7) Investments:**

As of June 30, 2021, investment securities at fair value and its classification within the fair value hierarchy are as follows:

Description	Classification Level	Amount
Closed end mutual funds	1	\$ 120,477
Preferred securities	2	16,000
		\$ 136,477

Closed end funds are principally valued at the regular trading session closing price on the exchange or market in which such funds are principally traded.

Net investment loss during the year ended June 30, 2021, consist of the following:

Description	Amount
Interests and dividends	\$ 3,316
Unrealized loss on investments	(83,067)
	\$ (79,751)

**CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO  
COMO DESTINO, INC.**  
*(A Component Unit of the Commonwealth of Puerto Rico)*

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Fiscal Year Ended June 30, 2021**

**8) Capital Assets:**

Capital assets activity for the year ended June 30, 2021, is as follows:

Description	Beginning Balance, at Cost	Additions	Retirements	Ending Balance, at Cost	Accumulated Depreciation	Net Ending Balance
Capital assets-being depreciated:						
Computer equipment	\$ 304,495	\$ 10,185	\$ -	\$ 314,680	\$ (279,010)	\$ 35,670
Leasehold improvements	134,714	-	-	134,714	(134,714)	-
Furniture and fixtures	8,714	-	-	8,714	(5,113)	3,601
Vehicle under capital leases	29,794	-	-	29,794	(29,794)	-
Booth for trade shows	427,965	-	-	427,965	(384,222)	43,743
	<u>\$ 905,682</u>	<u>\$ 10,185</u>	<u>\$ -</u>	<u>\$ 915,867</u>	<u>\$ (832,853)</u>	<u>\$ 83,014</u>

For the year ended June 30, 2021, depreciation expense amounted to approximately \$251,000.

**9) Contributed Services:**

Contributed services represent promotional, advertising, and related specialized donated services provided by hospitality industry members as part of certain promotional activities. For the year ended June 30, 2021, contributed services were approximately \$168,000.

**10) Loan Payable under Paycheck Protection Program:**

On June 5, 2020, the Organization applied for and was approved a \$824,400 loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 pandemic and administered by the Small Business Administration (SBA). The loan accrues interest at 1% and will be payable on each payment date. The principal amount of the loan shall be payable in eighteen (18) consecutive monthly installments commencing on December 8, 2020, which it is the sixth (6) month after the disbursement date. The Organization is eligible for loan extinguishment of up to 100% of the loan, upon meeting certain requirements. The Organization has ten (10) months after the last day of the loan extinguishment covered period to apply for the loan extinguishment and it will not be required to make any payments until the extinguishment amount is remitted to the lender by the SBA. The loan is uncollateralized and is fully guaranteed by the Federal Government. On June 1, 2021, the Organization received the approval of extinguishment for the total amount of the loan.

On January 22, 2021, the Organization applied for and was approved a second loan of \$824,400 under the Paycheck Protection Program. The loan accrues interest at 1% and will be payable on each payment date. The principal amount of the loan shall be payable in eighteen (18) consecutive monthly installments commencing on the sixth (6) month after the disbursement date. The Organization is eligible for loan extinguishment of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal Government. On February 18, 2021, the Organization received the funds of this loan. As described in Note 16, on August 19, 2021, the Organization received the approval of extinguishment for the total amount of the loan.



**CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO  
COMO DESTINO, INC.**

*(A Component Unit of the Commonwealth of Puerto Rico)*

**NOTES TO BASIC FINANCIAL STATEMENTS**

**Fiscal Year Ended June 30, 2021**

**11) Employee Benefit Plans:**

The Organization has two defined contribution plans (the Plans), which cover substantially all of its employees in Puerto Rico that have completed six (6) months of service. Under the provisions of these Plans, employees may elect to contribute up to 10% of their annual salary. The Organization matches up to 50% of the amount contributed by the employees. The employer's contribution to these Plans for the year ended June 30, 2021 amounted to approximately \$101,000, and is included within employee benefits in the accompanying financial statements.

**12) Business Development Fund:**

As part of the Asset Transfer Agreement with the Puerto Rico Convention Bureau, Inc., the Organization acquired a contract with the Puerto Rico Tourism Company, for the purpose of providing financial support to potential groups considering Puerto Rico for their event or convention. The Agreement was effective on September 25, 2013, and expires on the date that all funds held in the Business development fund have been disbursed in accordance with the terms of the Agreement. Funds received under this Agreement are initially recorded as restricted, since the Agreement imposes certain restrictions over the use of the funds. Once the commitments from the prospect groups and conventions are obtained, those restrictions are considered met. For the year ended June 30, 2021, there was approximately \$678,500 restricted from contributions received under this Agreement that were still uncommitted.

**13) Contingency Fund:**

During the year ended on June 30, 2019, the Board of Directors approved the establishment of a contingency fund to provide additional funding to target specific future industry needs or recover from any potential future disasters or emergencies. This contingency fund was established for an initial amount of \$1,000,000, with a target amount equivalent to three (3) months of operations in a ten-years (10) period. The establishment of a contingency fund is a standard to become an accredited DMO as required by Act No. 17, section 3(q). On August 23, 2021, the Board of Directors approved the increase to the contingency fund to the amount of \$4,200,000, and made this increase effective as of June 30, 2021.

**14) Commitments:**

As of June 30, 2021, commitments are as follows:

- *Operating lease* – The Organization is committed under an operating lease agreement covering the main location offices expiring on June 30, 2022. The lease agreement calls for monthly rental payments of \$8,010. During the year ended June 30, 2021, rental expense related to this agreement amounted to approximately \$96,000. Future minimum payment for the year ending June 30, 2022 is \$96,120.
- *Commitments to definite groups* – As of June 30, 2021, the Organization had certain commitments to pay sponsorship for group activities, conferences and conventions to be celebrated in Puerto Rico, as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2022	\$ 1,882,100
2023	555,655
2024	84,590
2025	38,411
	<u>\$ 2,560,756</u>

# CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO COMO DESTINO, INC.

(A Component Unit of the Commonwealth of Puerto Rico)

## NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2021

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- *Subrecipient agreement with the Puerto Rico Department of Housing* – On October 24, 2019, the Organization entered into a subrecipient agreement with the Puerto Rico Department of Housing (PRDH). Federal funds granted to the Organization under the Community Development Block Grants (CDBG) administered by the U.S. Department of Housing and Urban Development (HUD) were approximately \$8,000,000. The focus of this program is to undertake promotion activities outside the Island in order to attract visitors and businesses, to bring external capital that can contribute to Puerto Rico's economy, encourage external investments, promote economic development, and create new jobs.

The performance period of this agreement is sixteen (16) months from the date of its execution, ending in February 7, 2021. However, in response to the COVID-19 pandemic, on January 6, 2021, HUD provided a one-year extension of the previously established expiration deadline. For the fiscal year ended June 30, 2021, revenues and expenditures related to this agreement amounted to approximately \$7,700,000. As of June 30, 2021, receivable balance related to this agreement amounted to approximately \$7,700,000.

- *Coronavirus Relief Fund Transfer Agreement* – On December 8, 2020, the Organization entered into a Coronavirus Relief Fund (CRF) Transfer Agreement with the Puerto Rico Treasury Department and the Puerto Rico Fiscal Agency and Financial Advisory Authority, under the Strategic Tourism Project Program, which is administered by the Coronavirus Relief Fund Disbursement Oversight Committee.

The Organization is subject to the eligibility and compliance requirements included in the Federal Program. The funds are appropriated under Division A, Title V of the Coronavirus Aid Relief, and Economic Security (CARES Act). On December 16, 2020, the Organization received approximately \$16,000,000 of federal funds in connection with this Transfer Agreement. During the fiscal year ended June 30, 2021, related revenues and expenditures of the CRF amounted to approximately \$14,500,000.

### 15) Uncertainties Related to the Tourism Industry:

On March 11, 2020, the World Health Organization declared the Coronavirus disease ("COVID-19") as a global pandemic. As a result of the health threat and to contain the virus spread across the island, former Governor Vázquez-Garced issued executive order EO 2020-020, on March 12, 2020, declaring a state of emergency in Puerto Rico to concentrate all efforts and implement necessary measures to safeguard the health, well-being, and public safety of the citizens of Puerto Rico. The executive order authorizes the Commonwealth's Secretary of the Treasury and the Executive Director of the Puerto Rico Office Management Budget (PROMB) to set up a special budget, from any available funds, including the Emergency Fund, to cover all necessary costs for the containment of the virus throughout the island and sharing information with the municipalities.

Since the beginning of the pandemic, until the present, the government of Puerto Rico has implemented subsequent executive orders, including curfew directives and other protective measures in response to the COVID-19 spread. Also, economic stabilization measures have been implemented by both the Government of Puerto Rico and the U.S. Government to provide support and stimulus to frontline workers, educators and students, hospitals, and small businesses, including individuals and businesses in Puerto Rico, in response to the economic distress caused by the COVID-19 pandemic.

During 2021 with the approval of the COVID-19 vaccination and some flexibility offered to travel among different markets, there were multiple efforts made by the Organization directed to the recovery of tourism and travel to Puerto Rico. However, travel and tourism continues to be among the most affected sectors mainly due to the presence of unexpected variants to the virus that resulted in a massive reduction of international demand amid new global travel restrictions including many borders closings, additional testing, and vaccinations requirements to contain the virus. The impact of this global situation has had unprecedented repercussions in Puerto Rico. This occurs after having suffered the effects of Zika during 2016 and 2017, the devastating impact of hurricanes Irma and Maria during 2017, the massive political protests in the summer of 2019 and the seismic activity of early 2020.

# CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO COMO DESTINO, INC.

(A Component Unit of the Commonwealth of Puerto Rico)

## NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2021

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The Organization has taken decisive and resolute actions to guarantee an efficient use of funds and maximize the return of investment of marketing and sales initiatives. During fiscal year 2020-2021 the Organization received additional funding, which was destined to these recovery efforts, along with actions taken to make necessary adjustments on the budget to align the promotional activities with the health and safety guidelines and travel requirements. An increase in domestic travel was registered during the second part of the year compared to 2020 statistics. However, international travel was still very impacted. Looking forward, the Organization is optimistic of the future of the economic sector based on:

- Proven resilience of tourism in past crises
- Adaptation capacity: safety and hygiene protocols, value proposition of the destination, targeting travelers who are likely to demonstrate responsible consumer behavior
- Local and federal Government support to the sector
- Approval of the vaccine, and a massive effort to enforce vaccination, increased consumer confidence and contributed to ease travel restrictions.

The uncertainties that result from this situation and its impact to the economic sector are mitigated by the Organization's ability to:

- Respond to changing trends that results from this situation and its impact and travel dynamics by innovative use of new or enhanced marketing, sales and publicity strategies
- Expanded use of digital channels
- Expanded digital sales activations targeting travel advisors, meeting planners and travel consortia
- Promote destination competitive advantages relying on the plans designed and implemented by the Organization to promptly react when the government lifts/adjusts travel restrictions and lockdown measures.
- Receipt of additional federal government financial support

### 16) Subsequent Events:

Subsequent events are as follows:

#### *Paycheck Protection Program*

On August 19, 2021, the Organization received the approval of extinguishment for the total amount of the second loan of \$824,400 under the Paycheck Protection Program.

#### *Community Development Block Grants*

In November 2021, the Organization and PRDH entered into an agreement (Amendment D), to its contract as a subrecipient of CDBG-DR funds for the Tourism and Business Marketing Program. A reallocation of funds granted, assigning an additional \$1,000,000 to the Organization for a new total budget amount of \$16,040,000. The requirements for the use of this additional funding are the same established for the original ones assigned.



**CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO  
COMO DESTINO, INC.**

*(A Component Unit of the Commonwealth of Puerto Rico)*

**NOTES TO BASIC FINANCIAL STATEMENTS**

**Fiscal Year Ended June 30, 2021**

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*American Rescue Plan Act Funds*

On March 11, 2021, President Joseph R. Biden signed into law the American Rescue Plan Act, Public Law 117-2 (“ARP”). The Commonwealth received an allocation of these funds. Resolution 2021-142 made by the Coronavirus Relief Fund Disbursement Oversight Committee, provided authorization and allocation of \$50,000,000 from the Promote Puerto Rico Program to the Organization. Through this resolution an initial disbursement of \$7,725,000 was authorized to the Organization, in December 2021 for the Promotion of Puerto Rico as a tourist destination.

Management evaluated subsequent events through April 8, 2022, the date on which the financial statements were available to be issued.

**CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO  
COMO DESTINO, INC.**



**SUPPLEMENTARY INFORMATION - SCHEDULE OF ALLOCATION OF EXPENSES  
For the Fiscal Year Ended June 30, 2021**

Description	Amount
Salaries and related expenses	\$ 4,685,620
Marketing and sales promotion: *	
Strategic advisory board	7,484
Commitments to definite groups	116,504
Tradeshows expenses	148,156
Site inspections and FAMs	241,541
Sales and marketing consultants	220,072
Sales and marketing events	945,083
Local community/industry events	49,379
Advertising	21,527,441
Webpage	465,713
Public relations and press FAMs	4,020,166
International sales, PR and advertising	313,291
Booth and promotional material	28,593
Digital content development	165,509
Booth depreciation	142,655
Research	374,798
Sales and marketing training	3,112
Strategic alliances	748,911
Other sales and marketing expenses	209,866
Total marketing and sales promotion	<u>29,728,274</u>
Management and general: **	
Facilities rental	152,259
Utilities and office maintenance	58,581
Equipment rental and maintenance	14,227
Supplies and misc. office furniture/equip.	2,302
Recruitment expenses	47,605
Training/onboarding expenses	24,626
Legal and consulting fees	158,236
Audit, accounting and payroll fees	31,843
Telephone/internet/licenses expense	175,819
Depreciation expense	108,356
Insurance	79,977
Other	27,633
Total management and general	<u>881,464</u>
Total expenses	<u>\$ 35,295,358</u>

\* Excluding salaries, related expenses and overhead

\*\* Excluding salaries and related expenses

See accompanying independent auditors' report.

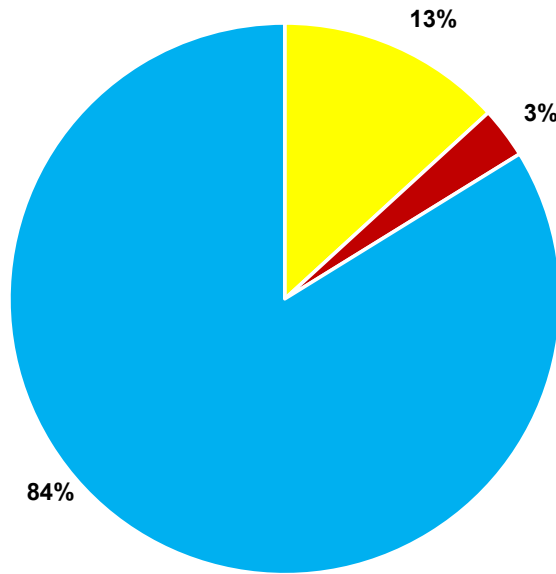
**CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO  
COMO DESTINO, INC.**



**SUPPLEMENTARY INFORMATION - SCHEDULE OF ALLOCATION OF EXPENSES**  
For the Fiscal Year Ended June 30, 2021

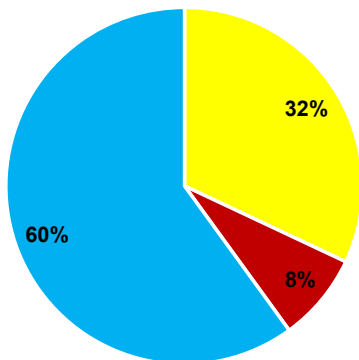
**Exhibit I**

**Allocation of Expenses  
FY 2020-2021**

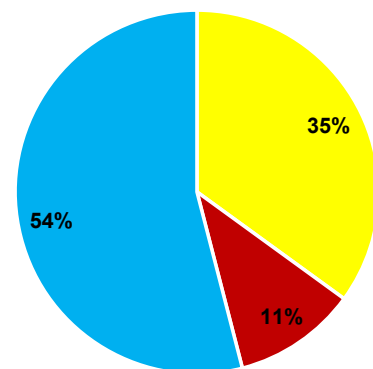


■ Payroll & Related Expenses ■ General & Administrative Expenses ■ Promotional Expenses

**DMOs  
\$20M-\$30M budget**



**DMOs  
All budget ranges**



See accompanying independent auditors' report.