



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, 2022



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, 2022

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RSM Puerto Rico
PO Box 10528
San Juan, PR 00922-0528

T 787-751-6164
F 787-759-7479
www.rsm.pr

INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Corporación para la Promoción de Puerto Rico como Destino, Inc., as of and for the year ended June 30, 2022, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Corporación para la Promoción de Puerto Rico como Destino, Inc., as of June 30, 2022, and the respective changes in financial position, and in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporación para la Promoción de Puerto Rico como Destino, Inc., 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 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 the Corporación para la Promoción de Puerto Rico como Destino, Inc.'s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporación para la Promoción de Puerto Rico como Destino, Inc.'s internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporación para la Promoción de Puerto Rico como Destino, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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
March 24, 2023.

Stamp No. E522972 was affixed to
the original of this report.



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

Management Discussion & Analysis (Unaudited) Fiscal Year Ended June 30, 2022

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 Organization’s financial performance during the fiscal year ended on June 30, 2022. Please read the information presented in this section and the Organization’s basic financial statements, including the notes which follows this section.

This management discussion and analysis is intended to serve as an introduction to the Organization’s basic financial statements, which comprise the following components: (1) Government-Wide Financial Statements, composed of (i) statement of net position and (ii) statement of activities; (2) Governmental Fund Financial Statements, composed of (i) balance sheet, (ii) reconciliation of the balance sheet to the statement of net position, (iii) statement of revenues, expenditures and changes in fund balances, and (iv) reconciliation of the statement of revenues, expenditures and changes in fund balances to the statement of activities; and (3) notes to the basic financial statements.

Industry Highlights

- Travel and tourism were among the most affected sectors of the economy, with a massive domestic and international demand reduction amid global travel restrictions, including many closed borders to contain the COVID -19 virus that has impacted us since 2020. The severe effect on the industry showed some signs of recovery during the second part of 2021. Conversely, our island’s tourism industry has performed remarkably well as we continue emerging from the global pandemic. The local industry numbers reveal an impressive story, with the fiscal year 2021-2022 bringing more visitors, yield, revenues, and jobs with better salaries than ever in our industry. Considering that the cruise and meeting/events industries have yet to recover fully, makes this feat is all more impressive.
- Leading the recovery among all domestic destinations has resulted from an effective and efficient execution of our strategic plans driven by best-in-class relevant research tools, technology, and adaptability to understand and meet travelers' needs and trends. The access to additional local and federal funds provided the means to reach new markets, expose our destination to more trade shows and conventions, invest in coop agreements to fuel the leisure segment and allow the development/continuation of programs and activations implemented during the previous fiscal year.
- The Organization has influenced \$494.3 million in direct economic impact (measured by the aggregated value of the economic impact of advertising plus the meeting and convention sales, plus the leisure sales), generated \$116.2 million in room tax revenues (49% higher than the best year room tax revenues prior to this fiscal year), and we have delivered \$168.5 million in publicity. Our digital marketing outperforms many competitors and peer organizations, providing increased referrals to local businesses. The Organization’s sales team has generated \$418.3 million of potential economic impact in meeting/convention leads and restored the future sales pipeline to pre-pandemic levels.

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”) with the federal funds provided by the financial assistance initiatives under the Coronavirus, Aid, Relief and Economic Security Act (the CARES Act), the Community Development Block Grants Disaster-Recovery (“CDBG-DR”), and the American Rescue Plan (“ARP”) Act Programs. The combination of funds provided the highest operational budget the Organization has had.

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

Management Discussion & Analysis (Unaudited)
Fiscal Year Ended June 30, 2022

- Room tax collections registered the highest amount ever, reaching \$116.2 million for the fiscal year 2021-2022. The final balance for the fiscal year was an increase of 81% compared with the fiscal year 2020-2021. The increase in room tax collections allowed PRTC to approve, for the first time since our contract inception, \$5 million as matching funds. These additional funds were billed at the end of fiscal year 2021-2022 and will be part of the fiscal year 2022-2023 operational budget.
- The Organization increased its revenues by approximately \$7 million or 15% from the previous fiscal year, mainly driven by the matching funds received from the PRTC.
- The Organization increased by approximately \$22 million or 64% of its total expenses from the previous fiscal year. This increase was primarily concentrated on Sales, Marketing, and Promotional expenses.
- The Organization spent approximately 97% of the 2021-2022 fiscal year total expenditures on Marketing, Sales, Promotions, and Research activities, continuing its efficient use of funds.
- The Business Development Fund is committed in approximately 72%. 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 have approved \$500,000 from the operational fund to supplement this fund 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 ("US GAAP"), as applicable to governmental entities. Accordingly, the basic financial statements include two kinds of statements that present different views of the Organization.

The first two statements are government-wide financial statements that provide 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.

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

Management Discussion & Analysis (Unaudited)
Fiscal Year Ended June 30, 2022

Financial Analysis

Condensed financial information of governmental activities in the statement of net position as of June 30, 2022, and 2021, is as follows:

Description	June 30		Change	
	2022	2021	Amount	Percent
Assets:				
Current assets	\$ 29,710,514	\$ 33,702,618	\$ (3,992,104)	-12%
Non-current assets	118,450	136,477	(18,027)	-13%
Capital assets, net	114,335	83,014	31,321	38%
	<u>29,943,299</u>	<u>33,922,109</u>	<u>(3,978,810)</u>	<u>-12%</u>
Liabilities:				
Current liabilities	10,129,006	10,711,598	(582,592)	-5%
Non-current liabilities	634,353	1,503,057	(868,704)	-58%
	<u>10,763,359</u>	<u>12,214,655</u>	<u>(1,451,296)</u>	<u>-12%</u>
Net position:				
Net investment in capital assets	114,335	83,014	31,321	38%
Restricted	1,462,531	698,721	763,810	109%
Unrestricted	17,603,074	20,925,719	(3,322,645)	-16%
	<u>\$ 19,179,940</u>	<u>\$ 21,707,454</u>	<u>\$ (2,527,514)</u>	<u>-12%</u>

As of June 30, 2022, the Organization's total assets consist of accounts receivable of approximately \$6.8 million and cash of approximately \$20 million. The decrease in total assets of approximately \$4 million was mainly due to (i) a decrease in accounts receivables by approximately \$9.4 million (\$6 million related to a decrease in the amount pending to be reimbursed by the Puerto Rico Department of Housing for CDBG-DR program and a decrease of approximately \$3.2 million in the amounts invoiced and not received from PRTC; and this was offset by (ii) an increase of approximately \$4 million in cash due to the timing of cash received from PRTC as they paid pending receivables from the previous year, by the end of the fiscal year, and (iii) an increase of approximately \$1.3 million in prepaid expenses.

Total liabilities consist substantially of approximately \$4 million in marketing and sales service providers (approximately \$1.1 million for ARP Fund, and approximately \$2.8 million for the Fund of Promotion of Puerto Rico as a Destiny), business development incentive agreements for future events of approximately \$2.9 million, accrued expenses of approximately 2.5 million, and deferred revenue of approximately \$1.5 million due to the ARP Fund portion received that are subject to use restrictions.

Total liabilities decreased by approximately \$1.5 million, mainly due to (i) \$2 million decrease in invoices due to service providers by the end of the year offset by an increase of approximately \$1 million in accrued expenses and approximately \$140 thousand in deferred revenues as described above.

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

Management Discussion & Analysis (Unaudited) Fiscal Year Ended June 30, 2022

Condensed financial information of governmental activities in the statement of activities for the years ended June 30, 2022, and 2021 is presented below:

Description	June 30		Change	
	2022	2021	Amount	Percent
Operating revenues	\$ 54,326,814	\$ 47,359,554	\$ 6,967,260	15%
Operating expenses	57,740,867	35,295,358	22,445,509	64%
Operating income	(3,414,053)	12,064,196	(15,478,249)	-128%
Non-operating revenues (expenses):				
Interest income	74,815	50,954	23,861	47%
Investment loss	(12,676)	(79,751)	67,075	-84%
Gain on extinguishment of debt	824,400	824,400	-	-
	886,539	795,603	90,936	11%
Change in net position	(2,527,514)	12,859,799	(15,387,313)	-120%
Net position, beginning of year	21,707,454	8,847,655	12,859,799	145%
Net position, end of year	<u>\$ 19,179,940</u>	<u>\$ 21,707,454</u>	<u>\$ (2,527,514)</u>	<u>-12%</u>

Total operating revenues increased by approximately \$7 million, from approximately \$47.4 million on June 30, 2021, to about \$54.3 million on June 30, 2022. The increase was mainly driven by matching funds received by the PRTC in the fiscal year 2021-2022 of \$5 million and increase in in-kind donations received from partners of approximate \$1 million.

Total operating expenses increased by approximately \$22.4 million during the year ended June 30, 2022, due to a higher budget that included additional expenses related to new initiatives funded by federal funds and a portion of the supplemental budget added from prior periods.

During the fiscal year that ended on June 30, 2022, the change in net position finalized in a net loss of approximately \$2.5 million, mainly related that approved budget included an increase in expenses to be covered with reserves from prior years.

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

Management Discussion & Analysis (Unaudited)
Fiscal Year Ended June 30, 2022

Capital Assets

Capital assets activity for the fiscal year ended June 30, 2022, is as follows:

<u>Description</u>	<u>Balance as of June 30, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance as of June 30, 2022</u>
Capital assets-being depreciated:				
Computer equipment	\$ 314,680	\$ 76,631	\$ -	\$ 391,311
Leasehold improvements	134,714	-	-	134,714
Furniture and fixtures	8,714	-	-	8,714
Vehicle under capital leases	29,794	45,000	(10,500)	64,294
Booth for trade shows	427,965	-	-	427,965
	<u>915,867</u>	<u>121,631</u>	<u>(10,500)</u>	<u>1,026,998</u>
Less: Accumulated depreciation	<u>(832,853)</u>	<u>(90,310)</u>	<u>10,500</u>	<u>(912,663)</u>
	<u>\$ 83,014</u>	<u>\$ 31,321</u>	<u>\$ -</u>	<u>\$ 114,335</u>

As of June 30, 2022, capital assets additions were approximately \$122 thousand. As of June 30, 2022, capital assets amounted to approximately \$114 thousand, net of accumulated depreciation and the depreciation expense was approximately \$90 thousand.

Currently Known Facts and Events:

Puerto Rico tourism is leading the recovery of the COVID-19 pandemic among the domestic destinations and receiving breaking records of visits and room tax revenues during the current year. Access to additional local and federal funds played a key role in these results and provided the support needed to reach new markets, implement new strategies, and address the impact of these unexpected scenarios. The federal funds are expected to be used by the Organization by December 31, 2023. Management is committed to finding new sources of funding that will allow the Organization to keep the momentum for Puerto Rico tourism, continue promoting in new markets, and expanding the reach domestically and internationally, in a way that allows the island to remain competitive among the other destinations.

On September 18, 2022, Puerto Rico was hit by Hurricane Fiona, which created significant flooding and a power blackout. The South and West regions of the island were the most impacted areas. However, as most of the tourism regions were able to quickly recover and re-open to the public, the tourism industry was able to operate in those areas and did not experience a significant negative impact. Recognizing that the South and West regions were experiencing a different scenario and a slower recovery, the Board of Directors authorized a release of the Organization's contingency reserve of \$750,000 to promote the region's recovery.

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
June 30, 2022**

	Governmental Activities
ASSETS:	
Cash	\$ 20,094,641
Certificate of deposit	1,033,272
Accounts receivable-	
Trade	317,639
Due from governmental entities	6,508,236
Other receivables	12,575
Prepaid expenses	1,744,151
Investments	118,450
Capital assets, net	114,335
	<u>29,943,299</u>
LIABILITIES:	
Accounts payable	3,962,539
Accrued expenses	2,463,469
Deferred revenue	1,476,810
Commitments to definite groups	2,226,188
Obligations due in more than one year-	
Commitments to definite groups	634,353
	<u>10,763,359</u>
NET POSITION:	
Net investment in capital assets	114,335
Restricted	1,462,531
Unrestricted	17,603,074
	<u>\$ 19,179,940</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, 2022

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net Revenues/ (Expenses) and Change in Net Position
GOVERNMENTAL ACTIVITIES:			
General government	\$ 1,102,030	\$ 52,497,185	\$ 51,395,155
Marketing/Sales promotion	54,961,368	1,829,629	(53,131,739)
Research	1,046,484	-	(1,046,484)
Local industry/Community engagement	630,985	-	(630,985)
	<u>\$ 57,740,867</u>	<u>\$ 54,326,814</u>	<u>(3,414,053)</u>
GENERAL REVENUES (LOSSES):			
Interest income			74,815
Net investment loss			(12,676)
Gain on extinguishment of debt			824,400
			<u>886,539</u>
CHANGE IN NET POSITION			(2,527,514)
NET POSITION – Beginning of year			<u>21,707,454</u>
NET POSITION – End of year			<u>\$ 19,179,940</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, 2022

	General Fund	Fund for the Promotion of Puerto Rico as a Destination	Coronavirus Relief Fund	CDBG- Disaster Recovery Fund	ARP Fund	Total Governmental Funds
ASSETS:						
Cash	\$ -	\$ 15,810,305	\$ -	\$ -	\$ 4,284,336	\$ 20,094,641
Certificate of deposit	-	1,033,272	-	-	-	1,033,272
Accounts receivable	-	330,214	-	-	-	330,214
Due from governmental entities	-	5,000,000	-	1,508,236	-	6,508,236
Due from other funds	-	1,531,942	-	-	20	1,531,962
Prepaid expenses	-	939,051	-	-	805,100	1,744,151
Investments	-	118,450	-	-	-	118,450
	<u>\$ -</u>	<u>\$ 24,763,234</u>	<u>\$ -</u>	<u>\$ 1,508,236</u>	<u>\$ 5,089,456</u>	<u>\$ 31,360,926</u>
LIABILITIES:						
Accounts payable	\$ -	\$ 2,848,188	\$ -	\$ -	\$ 1,114,351	\$ 3,962,539
Accrued expenses	-	1,638,282	-	-	825,187	2,463,469
Deferred revenue	-	32,080	-	-	1,444,730	1,476,810
Due to other funds	-	20	-	1,508,236	23,706	1,531,962
Commitments to definite groups	-	1,439,730	-	-	786,458	2,226,188
	<u>-</u>	<u>5,958,300</u>	<u>-</u>	<u>1,508,236</u>	<u>4,194,432</u>	<u>11,660,968</u>
FUND BALANCES:						
Nonspendable	-	939,051	-	-	805,100	1,744,151
Restricted	-	657,431	-	-	89,924	747,355
Committed	-	4,200,000	-	-	-	4,200,000
Unassigned	-	13,008,452	-	-	-	13,008,452
	<u>-</u>	<u>18,804,934</u>	<u>-</u>	<u>-</u>	<u>895,024</u>	<u>19,699,958</u>
	<u>\$ -</u>	<u>\$ 24,763,234</u>	<u>\$ -</u>	<u>\$ 1,508,236</u>	<u>\$ 5,089,456</u>	<u>\$ 31,360,926</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, 2022

FUND BALANCES OF GOVERNMENTAL FUNDS \$ 19,699,958

**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 lease payable neither accumulated depreciation are recognized in the fund financial statements.

114,335

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

(634,353)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 19,179,940

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, 2022**

	<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>ARP Fund</u>	<u>Total Governmental Funds</u>
REVENUES:						
Grants and contributions	\$ -	\$ 30,000,000	\$ 1,327,790	\$ 8,264,125	\$ 12,905,270	\$ 52,497,185
Contributed services	1,682,492	-	-	-	-	1,682,492
Coop advertising and events participation	147,137	-	-	-	-	147,137
Interest income	-	70,480	-	-	4,335	74,815
	<u>1,829,629</u>	<u>30,070,480</u>	<u>1,327,790</u>	<u>8,264,125</u>	<u>12,909,605</u>	<u>54,401,629</u>
EXPENDITURES:						
General government	-	1,102,030	-	-	-	1,102,030
Marketing/Sales promotion	1,829,629	31,580,635	1,348,023	8,264,125	11,564,221	54,586,633
Research	-	1,046,484	-	-	450,360	1,496,844
Local industry/Community engagement	-	630,985	-	-	-	630,985
Net investment loss	-	12,676	-	-	-	12,676
	<u>1,829,629</u>	<u>34,372,810</u>	<u>1,348,023</u>	<u>8,264,125</u>	<u>12,014,581</u>	<u>57,829,168</u>
REVENUES OVER EXPENDITURES (EXPENDITURES OVER REVENUES)	<u>-</u>	<u>(4,302,330)</u>	<u>(20,233)</u>	<u>-</u>	<u>895,024</u>	<u>(3,427,539)</u>
NET CHANGES IN FUND BALANCES	<u>-</u>	<u>(4,302,330)</u>	<u>(20,233)</u>	<u>-</u>	<u>895,024</u>	<u>(3,427,539)</u>
FUND BALANCES – Beginning of year	<u>-</u>	<u>23,107,264</u>	<u>20,233</u>	<u>-</u>	<u>-</u>	<u>23,127,497</u>
FUND BALANCES – End of year	<u>\$ -</u>	<u>\$ 18,804,934</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 895,024</u>	<u>\$ 19,699,958</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, 2022**

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS \$ (3,427,539)

**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 lease payable are recognized in the fund financial statements. 31,320

The forgiveness of the loan payable under the 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. 44,305

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (2,527,514)

See accompanying notes to basic financial statements.



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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 (“PRIRC”), 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, 2021, have been appropriately filed by the Organization. However, based on the statute of limitation established on Section 6010.05 (a)(1) of the PRIRC, the income tax returns filed by the Organization for the fiscal years ended from June 30, 2017 to June 2021 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, 2022, the Organization had maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the accompanying basic 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.



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Fiscal Year Ended June 30, 2022

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.

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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.

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NOTES TO BASIC FINANCIAL STATEMENTS Fiscal Year Ended June 30, 2022

- *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.
- *American Rescue Plan Fund* – This special revenue fund is used to account for proceeds from the Coronavirus State and Local Fiscal Recovery (“CSFR”) fund through an assignment with the Puerto Rico Treasury Department and the Puerto Rico Fiscal Agency and Financial Advisory Authority, under the Promote Puerto Rico Program, which is administered by the Coronavirus Relief Fund Disbursement Oversight Committee. The focus of this program is to boost Puerto Rico’s tourism industry with three high-level objectives: economic growth, brand health, and organizational excellence.

Summary of Significant Accounting Policies

Budgetary Accounting – The Organization is not required by the Act No. 17-2017 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 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.

To determine fair value measurement, a hierarchy of valuation inputs are established, based on the extent to which the inputs are observable in the marketplace. 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.



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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

Leases – The Organization adopted the *GASB Statement No. 87 – Leases*, with a date of initial application of July 1, 2021 (transition date). It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. As of June 30, 2022, the Organization has not active significant lease agreements subject to the implementation of this new statement.

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.



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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.

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. 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. 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 *GASB Statement No. 87, Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.
- *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.

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- *GASB Statement No. 99 – Omnibus 2022.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:
 - Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument;
 - Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives;
 - Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset;
 - Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability;
 - Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt;
 - Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP);
 - Disclosures related to nonmonetary transactions;
 - Pledges of future revenues when resources are not received by the pledging government;
 - Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements;
 - Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*;
 - Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this Statement that are effective as follows:

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

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- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.
- ***GASB Statement No. 100- Accounting Changes and Error Corrections*** - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections.

The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

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

- ***GASB Statement No. 101- Compensated Absences*** – The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

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

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023 (FY 2024-2025), and all reporting periods thereafter. Earlier application is encouraged.



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

3) Concentration of Risks:

Financial instruments, which potentially subject the Organization to concentration of credit risks, consist principally of cash and investment securities. As of June 30, 2022, the Organization had its cash deposited in various financial institutions. The cash deposits, at times, may exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2022, the Organization had approximately \$23,660,000 in cash and cash deposits in banking institutions. As of June 30, 2022, the Organization had cash deposits of approximately \$22,910,000 and that exceed the FDIC guarantee limit of \$250,000.

The Organization had cash and investments with a brokerage firm as of June 30, 2022, aggregating approximately \$14,400 and \$118,500, respectively. Balances are insured up to \$500,000, with a limit of \$250,000 for cash, by the Security Investor Protection Corporation (SIPC). As of June 30, 2022, the Organization had no balances in excess of SIPC limits.

4) Due from Governmental Entities:

As of June 30, 2022, due from governmental entities consist of the following:

Description	Amount
Puerto Rico Tourism Company	\$ 5,000,000
Puerto Rico Department of Housing	1,508,236
	<u>\$ 6,508,236</u>

5) Interfund Balances:

The summary of the amounts due from/to other funds as of June 30, 2022, is as follows:

Receivable By	Payable By	Amount
Fund for the Promotion of Puerto Rico as a Destination	CDBG-Disaster Recovery Fund	\$ 1,508,236
American Rescue Plan Fund	Fund for the Promotion of Puerto Rico as a Destination	20
Fund for the Promotion of Puerto Rico as a Destination	American Rescue Plan Fund	<u>23,706</u>
		<u>\$ 1,531,962</u>

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6) Investments:

As of June 30, 2022, 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	\$ 93,650
Preferred securities	2	24,800
		<u>\$ 118,450</u>

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.

For the fiscal year ended June 30, 2022, net investment (loss) related to investment securities consist of the following:

Description	Amount
Interests and dividends	\$ 1,610
Unrealized loss on investments	<u>(18,026)</u>
	<u>\$ (16,416)</u>

7) Capital Assets:

Capital assets activity for the year ended June 30, 2022, 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	\$ 314,680	\$ 76,631	\$ -	\$ 391,311	\$ (321,584)	\$ 69,727
Leasehold improvements	134,714	-	-	134,714	(134,714)	-
Furniture and fixtures	8,714	-	-	8,714	(6,856)	1,858
Vehicle	29,794	45,000	(10,500)	64,294	(21,544)	42,750
Booth for trade shows	427,965	-	-	427,965	(427,965)	-
	<u>\$ 915,867</u>	<u>\$ 121,631</u>	<u>\$ (10,500)</u>	<u>\$ 1,026,998</u>	<u>\$ (912,663)</u>	<u>\$ 114,335</u>

For the year ended June 30, 2022, depreciation expense amounted to approximately \$90,000.



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8) 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, 2022, contributed services were approximately \$1,038,000.

9) Loan Payable under Paycheck Protection Program:

On January 22, 2021, the Organization applied for and was approved a second loan of \$824,400 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 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 February 18, 2021, the Organization received the funds of this loan. On August 19, 2021, the Organization received the approval of extinguishment for the total amount of the loan.

10) 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, 2022 amounted to approximately \$93,000, and is included within employee benefits in the accompanying basic financial statements.

11) 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, 2022, there was approximately \$657,400 restricted from contributions received under this Agreement that were still uncommitted.

12) 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. 17-2017, 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.



**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, 2022

13) Commitments:

As of June 30, 2022, 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, 2022, rental expense related to this agreement amounted to approximately \$96,000.

On August 3, 2022, the lease agreement was renewed for an initial term of five years commencing on July 1, 2022, and possess the option to extend it for an additional period of five years. The new agreement calls for a monthly payment of approximately \$10,200.

- *Commitments to definite groups* – As of June 30, 2022, the Organization had certain commitments to pay sponsorship for group activities, conferences and conventions to be celebrated in Puerto Rico, as follows:

Years ending June 30,	Amount
2023	\$ 2,226,188
2024	267,740
2025	98,915
2026	184,778
2027	20,220
2028	62,700
	<u>\$ 2,860,541</u>

- *Subrecipient agreement with the PRDH* – On October 24, 2019, the Organization entered into a subrecipient agreement with the PRDH. Federal funds granted to the Organization under the CDBG administered by the U.S. Department of Housing and Urban Development (“HUD”) were approximately \$15,040,000. 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.

In November 2021, the Organization and PRDH signed the amendment D (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 one assigned.

For the fiscal year ended June 30, 2022, revenues and expenditures related to this agreement amounted to approximately \$8,264,000. As of June 30, 2022, receivable balance related to this agreement amounted to approximately \$1,508,000.

**CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO
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(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2022

- *CRF Transfer Agreement* – On December 8, 2020, the Organization entered into a 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, 2022, related revenues and expenditures of the CRF amounted to approximately \$1,327,790 and \$1,348,023, respectively.

- *Coronavirus State and Local Fiscal Recovery (CSFR) Subrecipient agreement* – On December 1, 2021, the Organization entered into a Coronavirus State and Local Fiscal Recovery Fund (CSFR) Transfer Agreement with the Puerto Rico Treasury Department and the Puerto Rico Fiscal Agency and Financial Advisory Authority under the Promote Puerto Rico 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 the American Rescue Plan Act, Public Law 117-2 Section 9901. On December 1, 2021, the Organization received an assignment of \$50,000,000 of federal funds in connection with this Subrecipient Agreement. The funds' disbursements are made quarterly, based on a distribution plan presented by the Organization. During the fiscal year ended June 30, 2022, related revenues and expenditures of the CRF amounted to approximately \$12,910,000 and \$12,105,000, respectively (including approximately \$90,000 of commitments due in more than one year).

14) Uncertainty:

Puerto Rico tourism is leading the recovery of the COVID-19 pandemic among the domestic destinations and receiving breaking records of visits and room tax revenues during the current year. Access to additional local and federal funds played a key role in these results and provided the support needed to reach new markets, implement new strategies, and address the impact of these unexpected scenarios. The federal funds are expected to be used by the Organization by December 31, 2023. Management is committed to finding new sources of funding that will allow the Organization to keep the momentum for Puerto Rico tourism, continue promoting in new markets, and expanding the reach domestically and internationally, in a way that allows the island to remain competitive among the other destinations.

15) Subsequent Events:

On September 18, 2022, Puerto Rico was hit by Hurricane Fiona, which created significant flooding and a power blackout. The South and West regions of the island were the most impacted areas. However, as most of the tourism regions were able to quickly recover and re-open to the public, the tourism industry was able to operate in those areas and did not experience a significant negative impact. Recognizing that the South and West regions were experiencing a different scenario and slower recovery, the Board of Directors authorized a release of the Organization's contingency reserve of \$750,000 to promote the region's recovery.

Management evaluated subsequent events through March 24, 2023, 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, 2022**

Description	Amount
Salaries and related expenses	\$ 6,400,589
Marketing and sales promotion: *	
Strategic advisory board	135,028
Commitments to definite groups	1,035,357
Tradeshows expenses	1,978,529
Site inspections and FAMs	1,338,639
Sales and marketing consultants	377,258
Sales and marketing events	3,396,116
Local community/industry events	179,941
Advertising	28,146,056
Webpage	550,044
Public relations and press FAMs	5,134,035
International sales, PR and advertising	2,504,179
Booth and promotional material	120,439
Digital content development	459,573
Booth depreciation	43,743
Research	1,343,997
Sales and marketing training	52,239
Strategic alliances	2,178,485
Promotional Partnerships	656,667
Other sales and marketing expenses	593,672
Total marketing and sales promotion	<u>50,223,997</u>
Management and general: **	
Facilities rental	162,078
Utilities and office maintenance	71,955
Equipment rental and maintenance	15,479
Supplies and misc. office furniture/equip.	6,565
Recruitment expenses	44,861
Training/onboarding expenses	55,415
Legal and consulting fees	117,824
Audit, accounting and payroll fees	59,982
Telephone/internet/licenses expense	143,839
Depreciation expense	46,567
Insurance	90,098
Other	301,618
Total management and general	<u>1,116,281</u>
Total expenses	<u>\$ 57,740,867</u>

* Excluding salaries, related expenses and overhead

** Excluding salaries and related expenses

See accompanying independent auditors' report.

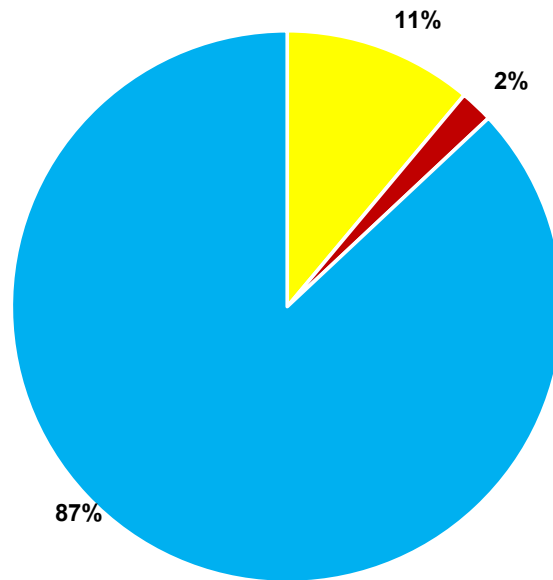
**CORPORACIÓN PARA LA PROMOCIÓN DE PUERTO RICO
COMO DESTINO, INC.**



SUPPLEMENTARY INFORMATION - SCHEDULE OF ALLOCATION OF EXPENSES
For the Fiscal Year Ended June 30, 2022

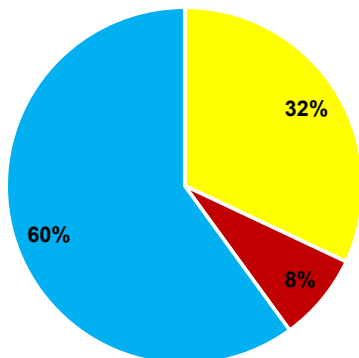
Exhibit I

**Allocation of Expenses
FY 2021-2022**

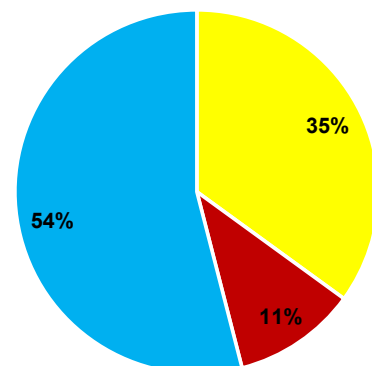


■ Payroll & Related Expenses ■ General & Administrative Expenses ■ Promotional Expenses

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



**DMOs
All budget ranges**



See accompanying independent auditors' report.