CORPORACIÓN DEL CENTRO DE BELLAS ARTES DE PUERTO RICO
(A Component Unit of the Commonwealth of Puerto Rico)

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

FISCAL YEAR ENDED JUNE 30, 2019

CORPORACIÓN DEL CENTRO DE BELLAS ARTES DE PUERTO RICO
(A Component Unit of the Commonwealth of Puerto Rico)

FISCAL YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Corporación del Centro de Bellas Artes
de Puerto Rico
San Juan, Puerto Rico

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the **Corporación del Centro de Bellas Artes de Puerto Rico** (the Corporation), a component unit of the Commonwealth of Puerto Rico (the Commonwealth), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Corporation'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 error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion 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 auditor's 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 opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2019, and the changes in its financial position, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Uncertainty about Ability to Continue as a Going Concern

The accompanying financial statements of the Corporation, a component unit of the Commonwealth, that receives significant appropriations from the General Fund of the Commonwealth, have been prepared assuming that the Commonwealth will continue as a going concern. As discussed in **Note 14** to the basic financial statements, the Commonwealth's recurring deficits, negative financial position, further deterioration of its economic condition, and inability to access the credit markets raise substantial doubt about the ability to continue as a going concern. Additionally, the Commonwealth is currently restructuring its obligations in an orderly fashion under Title III of the U.S. Congress Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA). The Commonwealth has taken significant actions, as disclosed in **Note 13**, to address this matter. The financial statements of the Corporation do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

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 **10** and omitted complete schedule of of the corporation's proportionate share of the collective total pension liability and schedule of corporation's proportionate share of the collective total other postemployment benefit liability (see Required Supplementary Information) on page **43** 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.

September 10, 2021, except for the *Required Supplemental Information* which date is September 29, 2020

Stamp number E455487 was affixed to the original of this report.

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The following discussion and analysis present an overview of the financial activities of **Corporación del Centro de Bellas Artes de Puerto Rico** (the Corporation) for the year ended June 30, 2019. The intent of this discussion and analysis is to look at the Corporation's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the Corporation's financial performance.

FINANCIAL HIGHLIGHTS

Following are some of the highlights from the fiscal year 2019:

1) The Corporation's net position increased by $6,184,793, or 267% for the fiscal year 2019 compared to the prior fiscal year.

2) The restricted net position increased by $1,939,109 or 100% compared to the prior fiscal year.

3) The unrestricted net deficit decreased by $4,683,379, or 45% compared to the prior fiscal year.

4) Operating revenues in the form of charges and services increased by $1,246,559, or 64% compared to the prior fiscal year.

5) The Corporation's operating expenses decreased by $5,170,836 or 89% compared to the prior fiscal year.

6) Total net operating loss decreased by $6,417,395, or 167% compared to the prior fiscal year.

7) Non-operating revenues increased by $1,446,602, or 67% compared to the prior fiscal year.

8) Capital assets decreased by $437,695, or 4% compared to the prior fiscal year.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis serves as an introduction to the Corporation's basic financial statements, which include: 1) Statement of net position, 2) Statement of revenues, expenses, and changes in net position, 3) Statement of cash flows, and 4) Notes to financial statements. This report also contains the required supplementary information.

1) **Statement of net position -** This statement presents information of all the Corporation's assets, liabilities, and deferred outflows and inflows of resources. Net position (deficit) is the difference between (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources. Over time, increases or decreases in the Corporation's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

2) **Statement of revenues, expenses, and changes in net position -** This statement presents information showing how the Corporation's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

3) **Statement of cash flows -** This statement presents information related to cash flows of the Corporation by the following categories: operating activities, noncapital financing activities, capital and related financing activities and investing activities. This statement also portrays the health of the Corporation in that current cash flows are sufficient to pay current liabilities.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (CONTINUED)

4) **Notes to financial statements -** The notes to financial statements are an integral part of the basic financial statements and describe the significant accounting policies, related-party transactions, deposits, capital assets, long-term liabilities, defined-benefit pension plans, commitments, and contingencies. The reader is encouraged to review the notes in conjunction with the management discussion and analysis and financial statements.

FINANCIAL ANALYSIS OF THE CORPORATION'S BUSINESS-TYPE ACTIVITIES

The following table presents a summary of the Corporation's net position on June 30, 2019, and 2018:

CONDENSED STATEMENTS OF NET POSITION

	2019	(As restated) 2018	Change	Total % Change
Assets				
Current assets	$ 2,780,041	$ 3,432,123	$(652,082)	(19)%
Capital assets	11,665,765	12,103,460	(437,695)	(4)%
Non-current assets	2,510,481	571,372	1,939,109	339 %
Total assets	16,956,287	16,106,955	849,332	5 %
Deferred outflows of resources	838,602	2,068,775	(1,230,173)	(59)%
Liabilities				
Current liabilities	1,564,707	1,143,746	420,961	37 %
Non-current liabilities	7,326,041	13,235,078	(5,909,037)	(45)%
Total liabilities	8,890,748	14,378,824	(5,488,076)	(38)%
Deferred inflows of resources	399,401	1,476,959	(1,077,558)	(73)%
Net position				
Net investment in capital assets	12,237,137	12,674,832	(437,695)	(3)%
Restricted	1,939,109	-	1,939,109	100 %
Unrestricted deficit	(5,671,506)	(10,354,885)	4,683,379	(45)%
Total net position	$ 8,504,740	$ 2,319,947	$ 6,184,793	267 %

Current assets - the Corporation's current assets decreased by $652,082 or 19% from $3,432,123 on June 30, 2018, to $2,780,041 on June 30, 2019, mainly due to i) the reclassification of $1,939,109 in cash to restricted cash due to Act No. 26-2017 (as more fully disclosed in **Note 2**), ii) a deposit of $278,852 to the Puerto Rico Electric Power Authority; iii) deposits from producers by $155,574, and iv) the sales of tickets for future events $299,453 to be distributed to producers once the events take place.

Capital assets - the Corporation's current capital assets decreased by $437,695 or 3% from $12,103,460 on June 30, 2018, to $11,665,765 on June 30, 2019. Capital assets are funded with the proceeds from operations and capital grants from the Commonwealth of Puerto Rico (the Commonwealth). The decrease during the year was mainly due to depreciation and amortization expense of $732,686.

CONDENSED STATEMENTS OF NET POSITION (CONTINUED)

Non-current Assets - The Corporation's other assets increased by $1,939,109 or 339% compared to the prior fiscal year due to surplus generated revenues that need to be reclassified as restricted. This restriction results from Act No. 26-2017, *Fiscal Plan Compliance Act*, which establishes that all surplus generated revenues need to be transferred to the Puerto Rico Department of the Treasury (the Treasury) until further approval from the Committee's Act established on Section 4.02.

Current liabilities - Current liabilities consist primarily of accounts payable, accrued liabilities, voluntary termination benefits, and compensated absences. The current liabilities increased by $420,961 or 37% from $1,143,746 on June 30, 2018 to $1,564,707 on June 30, 2019 mostly due to the change in the current portion balance of voluntary termination benefit discounted at present value.

Non-current liabilities - Non-current liabilities comprise the accrual for compensated absences, termination benefits, and total pension liability. The Corporation's non-current liabilities decreased by $5,909,037 or 45% mainly due to the implementation of the Governmental Accounting Standard Board (GASB) Statement No. 73, *Governmental Accounting Standard Board, 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* (GASB Statement No. 73). Effective July 1, 2017, all employer contributions were eliminated pursuant to Act No. 106-2017 and the Commonwealth implemented a “pay-as-you-go” (PayGo) system for the payment of pensions. Also pursuant to Act No. 106-2017, the System was required to liquidate its assets and transfer the net proceeds to the Department of Treasury of the Commonwealth to pay pension benefits.

Net position - Net position presents the Corporation’s assets and deferred outflows of resources reduced by related liabilities and deferred inflows of resources. The Corporation's net position increased by $6,184,793 or 267% compared to the prior fiscal year. The unrestricted net position can be used to finance day to day operations without constraints established by debt covenants, legislation, or other legal requirements when funds are available. These changes are explained in the section entitled “Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position”.

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CORPORACIÓN DEL CENTRO DE BELLAS ARTES DE PUERTO RICO
(A Component Unit of the Commonwealth of Puerto Rico)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(Unaudited)

FISCAL YEAR ENDED JUNE 30, 2019

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	2019	2018	Change	Total % Change
Operating revenues				
Rental of facilities	$ 1,149,696	$ 641,999	$ 507,697	79 %
Food and beverage	268,970	165,145	103,825	63 %
Parking	569,581	500,637	68,944	14 %
Box office	722,950	443,425	279,525	63 %
Services to producers	213,186	137,062	76,124	56 %
Other	268,997	58,553	210,444	359 %
Total operating revenues	3,193,380	1,946,821	1,246,559	64 %
Operating expenses				
Salaries, payroll taxes and fringe benefits	1,706,562	2,063,701	(357,139)	(17)%
Pension expense (benefit)	(4,937,304)	768,364	(5,705,668)	(743)%
Voluntary termination benefits	27,133	(510,497)	537,630	105 %
Professional and consulting services	562,468	331,377	231,091	70 %
Utilities	1,342,776	1,040,254	302,522	29 %
Repairs and maintenance	221,639	368,781	(147,142)	(40)%
Food and beverage	77,121	55,061	22,060	40 %
Security	170,167	163,763	6,404	4 %
Insurance	427,110	234,151	192,959	82 %
Depreciation and amortization	732,686	920,377	(187,691)	(20)%
Cultural contributions to producers	64,496	49,249	15,247	31 %
Bad debt	25,061	23,934	1,127	5 %
Bank charges	58,192	41,237	16,955	41 %
Equipment rental	33,283	135,803	(102,520)	(75)%
Administrative supplies	78,037	78,035	2	- %
Other	27,952	24,625	3,327	14 %
Total operating expenses	617,379	5,788,215	(5,170,836)	(89)%
Operating income (loss)	2,576,001	(3,841,394)	6,417,395	(167)%
Other nonoperating revenues (expenses)				
Commonwealth contributions	3,342,852	3,148,090	194,762	6 %
Interest income	29,878	4,043	25,835	639 %
Insurance proceed	125,000	75,204	49,796	66 %
Federal grant	111,062	348,957	(237,895)	(68)%
Gain from change of laws	-	340,736	(340,736)	(100)%
Loss in written-off equipment	-	(1,754,840)	1,754,840	(100)%
Total nonoperating revenues	3,608,792	2,162,190	1,446,602	67 %
Changes in net position	6,184,793	(1,679,204)	7,863,997	(468)%
Total net position, beginning of year	2,319,947	3,999,151	(1,679,204)	(42)%
Total net position, end of year	$ 8,504,740	$ 2,319,947	$ 6,184,793	267 %

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)

Operating Revenues - The Corporation's operating revenues (excluding nonoperating items) increased by $1,246,559 or 64%, compared to the prior fiscal year. The operating revenues amounted to $3,193,380 and $1,946,821 for the fiscal years ended June 30, 2019, and 2018, respectively. Operating revenues increased overall. However, the most significant increments relate to i) the rental of facilities by $422,261, which includes theater and rehearsal halls, ii) box office by $279,526, and iii) food and beverage by $103,825. The three revenues sources result from an increase in productions and events at the Corporation's facilities during the fiscal year ended June 30, 2019.

Operating expenses - The total expenses decreased by $5,170,836 or 89% during the present year compared to the prior year. The most significant variances are as follows:

1. Voluntary termination benefits - Act No. 70 of July 2, 2010, provided for the early retirement benefits as an economic incentive for voluntary employment termination. For 2019 termination benefits increased by $537,630 or 105% compared to prior fiscal year mostly due to the result of Act No.106-2017 in 2018 and the effect of the unpaid benefits discounted at present value.

2. Professional and consulting services - The professional and consulting services increased by $231,091 or 70% during the present fiscal year compared to the prior fiscal year due to the time closed as a result of Hurricanes Irma and María in September 2017.

3. Repairs and maintenance - Repairs and maintenance decreased by $147,142 or 40% during the current fiscal year due to the clean-up and repairs made as to the passage of Hurricane Irma and María in September 2017.

4. Insurance - Insurance expenses increased by $192,959 or 82% during the current fiscal year due to the damages caused by the hit of Hurricanes Irma and Maria in September 2017. The losses drove insurance policies to increase significantly.

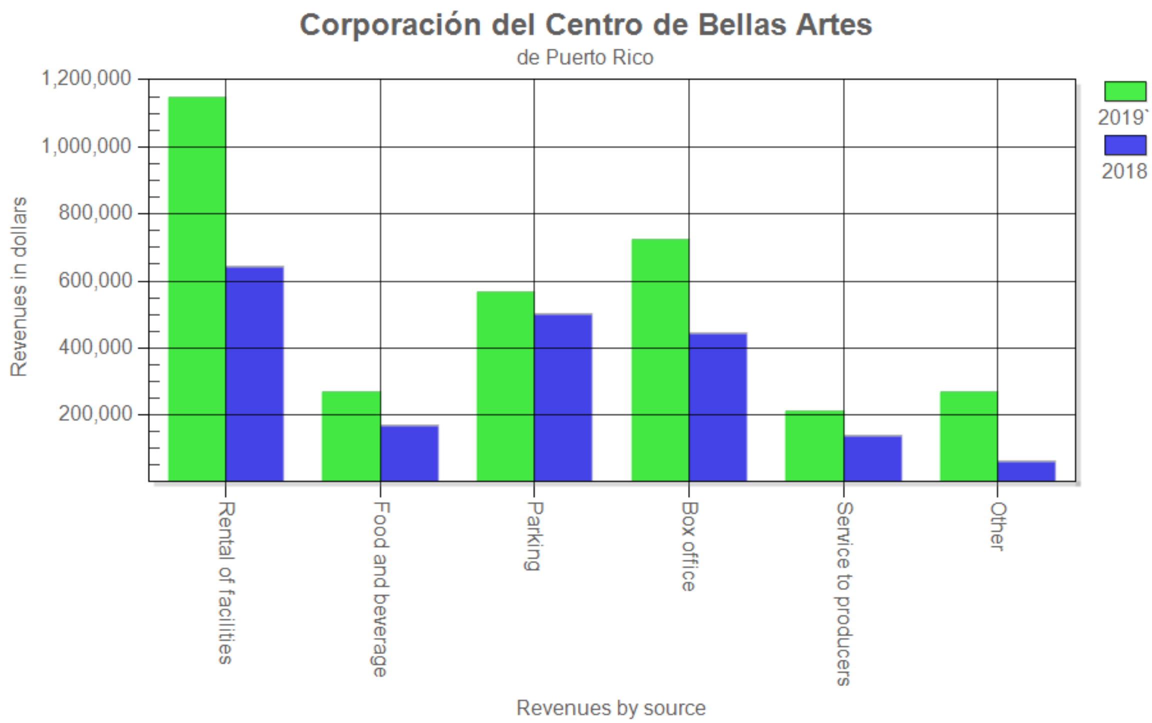
5. Cultural contributions to producers - Cultural contributions to producers increased by $15,247 or 31% compared to the prior year, mostly due to the closing of the Corporation to recover from the passage of the Hurricanes Irma and María in September 2017. Cultural contributions to producers represent projects performed under the Residency Program. This program was developed with the idea to help new and young producers to evolve in the performing arts industry. The Corporation receives lower fees for the use of the facilities from other governmental agencies, and cultural and educational organizations.

6. Equipment rental - Equipment rental decreased significantly by $102,520 or 75% compared to the prior fiscal year due to the rent of a generator that provided electricity to the facilities of the Corporation after the Hurricanes Irma and Maria in September 2017.

Nonoperating revenues- The nonoperating revenues increased by $1,446,602 or 67% compared to the prior fiscal year. Commonwealth special appropriations increased by $194,762 or 6%. Also, the Corporation received $111,062 from the Federal Emergency Management Agency (FEMA) and from the Insurance carrier $125,000 to cover the rent of a generator, security services and for the clean up of mold on the areas affected by the hit of Hurricane Irma and Maria in September 2017.

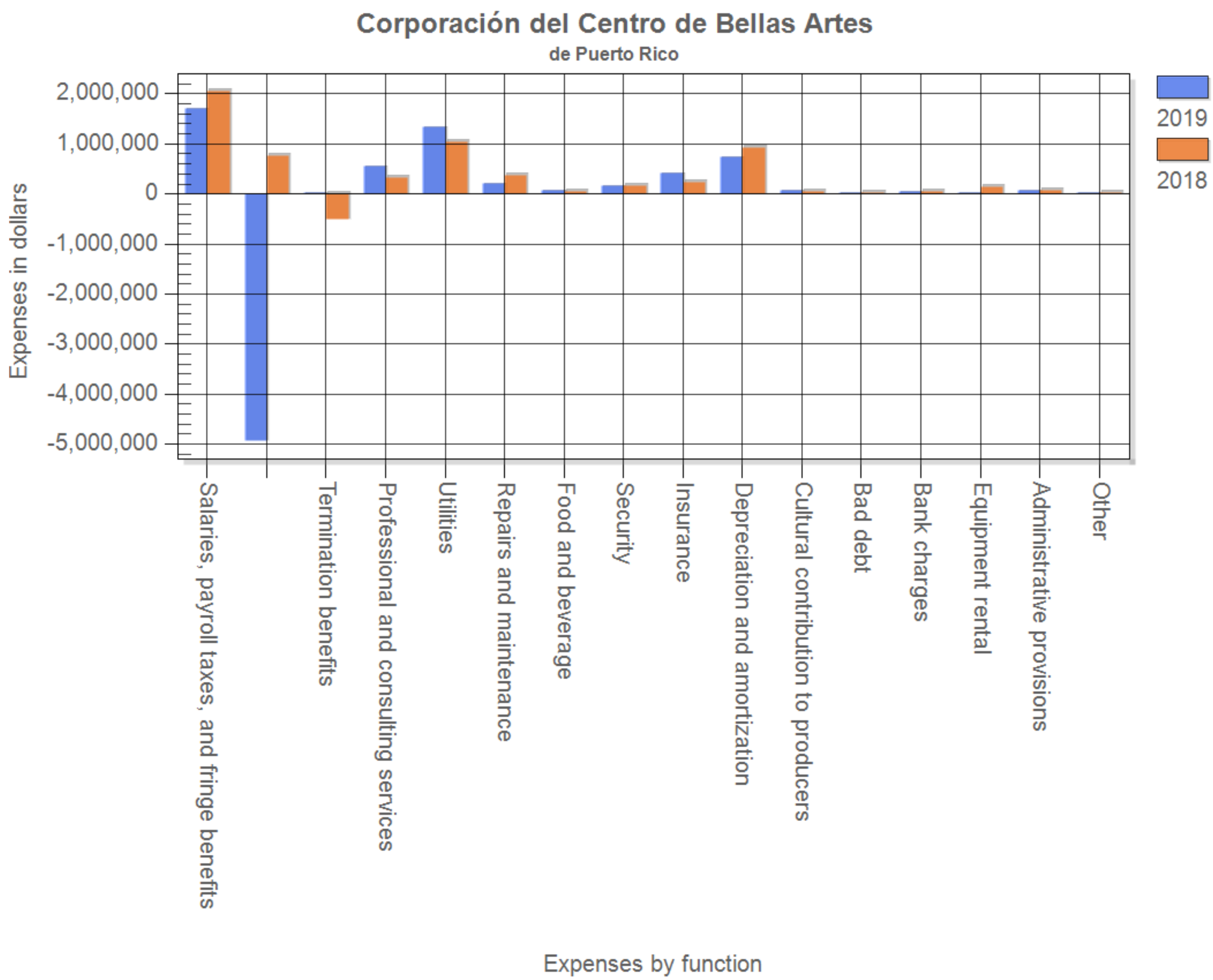
FINANCIAL ANALYSIS OF THE CORPORATION

The following chart presents revenues comparison by sources of the Corporation for the years ended June 30, 2019 and 2018:



FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)

The following chart presents operating expenses by function incurred by the Corporation during the fiscal years ended June 30, 2019, and 2018:



BUDGETARY HIGHLIGHTS

The consolidated budget for the fiscal year 2019-2018 was $4,793,000. The resources include: $3,094,000 coming from Joint Resolution No. 355 approved on June 21, 2018 by the Oversight Board from the General Budget; and $1,699,000 from operating revenues.

The following table summarizes the budget for the fiscal years ended June 30, 2019, and 2018:

BUDGET COMPARISON

Revenues	2019	2018	Change
Commonwealth contributions	$ 3,094,000	$ 3,110,000	$(16,000)
Operating revenues	1,699,000	2,000,000	(301,000)
Total revenues	$ 4,793,000	$ 5,110,000	$(317,000)

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Corporation's finances for all those with interest in the government's finances. Questions concerning any of the information contained in this report or requests for additional financial information should be addressed to the Office of the Finance Director, Corporación Centro de Bellas Artes de Puerto Rico, PO Box 41287 Minillas Station, San Juan, Puerto Rico 00940-1287.

CORPORACIÓN DEL CENTRO DE BELLAS ARTES DE PUERTO RICO
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF NET POSITION - JUNE 30, 2019

ASSETS	
Current assets	
Cash and cash equivalents	$ 1,992,957
Accounts receivable, net	155,036
Other assets, principally prepaid insurance	632,048
Total current assets	2,780,041
Non-current assets	
Restricted Cash	1,939,109
Capital assets, net of accumulated depreciation	11,665,765
Artwork	571,372
Total non-current assets	14,176,246
Total assets	16,956,287
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	827,308
Other postemployment benefits related	11,294
Total deferred outflows of resources	838,602
LIABILITIES	
Current liabilities	
Accounts payable	519,694
Accrued expenses, including other postemployment benefits	76,497
Deposits from clients	186,466
Collections on behalf of producers	224,887
Compensated absences	28,357
Voluntary termination benefits payable	168,957
Total pension liability	359,849
Total current liabilities	1,564,707
Non-current liabilities	
Compensated absences	184,714
Voluntary termination benefits payable	1,046,683
Total other postemployment benefit liability	118,543
Total pension liability	5,976,101
Total non-current liabilities	7,326,041
Total liabilities	8,890,748
DEFERRED INFLOWS OF RESOURCES	
Pension related	399,401
NET POSITION	
Net investment in capital assets	12,237,137
Restricted	1,939,109
Unrestricted	(5,671,506)
Total net position	$ 8,504,740

CORPORACIÓN DEL CENTRO DE BELLAS ARTES DE PUERTO RICO
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FISCAL YEAR ENDED JUNE 30, 2019

Operating revenues	
Rental of facilities	$ 1,149,696
Food and beverage	268,970
Parking	569,581
Box office	722,950
Services to producers	213,186
Other	268,997
Total operating revenues	3,193,380
Operating expenses	
Salaries, payroll taxes and fringe benefits	1,706,562
Pension benefit	(4,937,304)
Voluntary termination benefits	27,133
Professional and consulting services	562,468
Utilities	1,342,776
Repairs and maintenance	221,639
Food and beverage	77,121
Security	170,167
Insurance	427,110
Depreciation and amortization	732,686
Cultural contributions to not-for-profit producers	64,496
Bad debt	25,061
Bank charges	58,192
Equipment rental	33,283
Administrative supplies	78,037
Other	27,952
Total operating expenses	617,379
Operating income	2,576,001
Non-operating revenues	
Commonwealth contributions	3,342,852
Interest income	29,878
Insurance proceeds	125,000
Federal grant	111,062
Total non-operating revenues	3,608,792
Change in net position	6,184,793
Total net position, at beginning of year	2,319,947
Total net position, end of year	$ 8,504,740

CORPORACIÓN DEL CENTRO DE BELLAS ARTES DE PUERTO RICO
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2019

Cash flows from operating activities	
Receipts from customers	$ 2,864,571
Payments to suppliers	(2,900,636)
Payments to employees	(1,720,177)
Termination benefits payments	(172,042)
Pension payments	(359,586)
OPEB payments	(11,294)
Other payments	(94,463)
Net cash used in operating activities	(2,393,627)
Cash flows from non-capital financing activities	
Commonwealth contributions	3,342,852
Insurance proceeds	125,000
Federal grant	111,062
Net cash provided by non-capital financing activities	3,578,914
Cash flows used in capital and related financing activities; capital expenditures	(294,991)
Cash flows provided by investing activities; interest received	29,878
Net increase in cash	920,174
Cash, including restricted cash, at beginning of year	3,011,892
Cash, including restricted cash, at end of year	$ 3,932,066
Total Cash and Restricted Cash as Shown in the Statement of Net Position	
Cash	$ 1,992,957
Restricted cash	1,939,109
	$ 3,932,066

CORPORACIÓN DEL CENTRO DE BELLAS ARTES DE PUERTO RICO
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF CASH FLOWS (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2019

Reconciliation of operating income to net cash used in operating activities	
Operating income	$ 2,576,001
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation and amortization	732,686
Bad debt	25,060
Change in assets and liabilities:	
Decrease (increase) in:	
Accounts receivable	(32,139)
Other assets	(359,774)
Deferred outflows of resources - pension related	(482,059)
Deferred outflows of resources - OPEB related	(510)
Increase (decrease) in:	
Accounts payable	134,653
Accrued expenses	(13,975)
Deposits from clients	38,086
Collections on behalf of producers	(39,365)
Compensated absences	(13,615)
Termination benefits payable	(144,909)
Total pension liability	(5,214,232)
Total OPEB liability	1,064
Deferred inflows of resources - pension related	399,401
Total adjustments	(4,969,628)
Net cash used in operating activities	$(2,393,627)

1. ORGANIZATION

The "Corporación del Centro de Bellas Artes de Puert Rico" (the Corporation) was created by Act No. 43 of May 12, 1980, of the Commonwealth of Puerto Rico (the Commonwealth) to manage the "Centro de Bellas Artes." The Corporation is a public corporation and an instrumentality of the Commonwealth of Puerto Rico. The Corporation commenced operations in April 1981, as part of the Arts and Cultural Development Administration. On July 1, 1985, the Corporation was transferred to the "Instituto de Cultura Puertorriqueña" under Act No. 1 of July 31, 1985, which amended Act No. 43 of May 12, 1980.

Financial Reporting Entity

The Corporation is a public corporation and component unit of the Commonwealth, a legally separate entity, consistent with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, *Determining Whether Certain Organizations Are Component Units*, and No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statement No. 14 and No. 34*. The Corporation is presented in the basic financial statements of the Commonwealth as a discretely component unit principally because of the nature of the services provided, the Commonwealth's ability to impose its will, through the appointment of its governing authorities, and because the discretely presented component units provide specific financial benefits to, or impose financial burdens on, the Commonwealth.

The Corporation is exempt from the payment of taxes on its revenues and properties. The University is a discretely presented major component unit of the Commonwealth.

Financial Independence

The Corporation is responsible for its debts and has the right to its surplus, however, because the Corporation has historically been unable to operate profitably, deficits have been covered by the Commonwealth contributions. No governmental agency receives the benefit nor can impose financial strains on the Corporation until Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) became law on June 30, 2016. See **Note 14** for more information.

Board of Directors

The Board of Directors (the Board) is appointed by the Governor of the Commonwealth, with the counsel and approval of the Senate of Puerto Rico. The Board has the power to make decisions and is responsible for them. The Corporation is governed by a five-member Board of Directors originally appointed in the following manner: the Board of Directors of the Institute of Puerto Rican Culture shall appoint three members for a term of four years each, and the Board of Directors of the Musical Arts Corporation shall appoint two members for a term of three years each. When said terms expire, subsequent appointments shall be made for a term of four years.

Designation of Management

The Board of Directors appoints a General Manager. The General Manager selects the other members of management. The powers and functions of management reside within the legal limits of the Corporation, and they are responsible to the Board of Directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting and Financial Statements Presentation

The Corporation uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States applicable to the proprietary fund. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Legislative grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The legislative grants and donations for permanent betterments or any specific activity not used in the fiscal year are credited to a deferred income account and income when used.

The Corporation distinguishes between operating and non-operating revenues and expenses in the Statements of Revenues, Expenses, and Changes in Fund Net Position. Operating revenues result from exchange transactions associated with the Corporation's principal activity. The principal operating revenues of the Corporation are rental of facilities, parking, and sales of tickets. Non-exchange revenues include contributions received from the Commonwealth of Puerto Rico for purposes other than capital acquisition, are reported as non-operating revenues. Operating expenses for the Corporation include salaries, utilities, depreciation on capital assets, among others.

Use of Estimates in the Preparation of Financial Statements

The Corporation has made specific estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and related disclosures at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimate and assumptions included the deferred outflows/inflows of resources related to pensions, total pension liability, termination benefits, and compensated absences. Actual results could differ from those estimates.

Cash and Cash Equivalents

Represent petty cash, checking and savings accounts.

Restricted Cash

The Corporation is hereby directed to transfer any unencumbered Commonwealth contributions and any surplus of the revenues generated to the Treasury once identified by the Committee created under Act No. 26-2017, *Fiscal Plan Compliance Act* (Act No. 26-2017). Said funds shall be deemed to be available resources of the State and shall be deposited by the Treasury in the General Fund of the Commonwealth to meet the liquidity requirements provided for in the Fiscal Plan adopted under the provisions of PROMESA. As of June 30, 2019, the Corporation has $1,939,109 in cash restricted composed of the surplus of the generated revenues.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

General Fund Budget Resolution and the State Special Funds Resolution

As provided by the General Fund Budget Resolution and the State Special Funds Resolution, any unencumbered previous-year balance of non-current allocations cannot longer be obligated. Any proposal to use said funds from previous years must be submitted through budget requests for the evaluation of the Oversight Board established by PROMESA. In addition, as a general rule, previous year unencumbered contributions from the Commonwealth should be closed and forwarded to the Puerto Rico Department of Treasury (the Treasury). As of June 30, 2019, the Corporation does not have unencumbered funds, as in practice the Commonwealth contributions are encumbered before internally generated resources.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is an amount that management believes will be adequate to absorb possible losses on existing accounts receivable that may become uncollectible based on evaluations of the collectability of the receivable and prior credit loss experience. Because of uncertainties inherent in the existing accounts receivable, the related allowance may change in the future.

Capital assets

Capital assets, which include land, building, betterments, and equipment donated to the Corporation by agencies of the Commonwealth, are stated at estimated fair market value at the date those assets were donated; other purchased assets are stated at historical cost.

The costs of regular maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets, renewals, and betterments are capitalized. Depreciation is computed on a straight-line basis over the following estimated useful lives:

Assets	Years
Building and betterments	50
Furniture and equipment	10
Sound system equipment	15
Musical instruments	20
Recording equipment	5
Motor vehicles	5
Computer equipment	5
Telephone equipment	5

Artwork

The Corporation records donated artwork at its fair market value at donation date or cost when it is purchased and is a non-depreciable capital asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Corporation follows the provision of GASB No. 42, *Accounting and Financial Reporting for Impairments of Capital Assets, and For Insurance Recoveries*. This Statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also establishes accounting requirements for insurance recoveries. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. During the year ended June 30, 2019, the Company evaluated its capital assets for impairment amount, if any, would not have a material impact in the Corporation's financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for the deferred outflow of resources, which represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The Corporation has two captions that qualify for reporting in this category in the statement of net position, an item related to pensions and another to Other Postemployment Benefits (OPEB). Pension related items (further disclosed in **Note 2**, Accounting for Pension Costs, and **Note 7**), changes in proportional share of contributions and differences between expected and actual experience, are capitalized and recognized over a period equal to the expected remaining working lifetime of active and inactive participants. Net difference between projected and actual earnings on pension plan investments is deferred and recognized as a reduction of the net pension liability after the next measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources, which represents an acquisition of net position and resources (revenue) until that time. The Corporation has only one caption arising from the accrual basis of accounting that qualifies for reporting in this category, items related to pensions. Pension related items (further disclosed in **Note 2**, Accounting for Pension Costs, and **Note 7**), changes in proportional share of contributions, differences between expected and actual experience and changes in actuarial assumptions, are deferred and recognized over a period equal to the expected remaining working lifetime of active and inactive participants. Net difference between projected and actual earnings on pension plan investments is deferred and recognized over five years.

Revenue Recognition

Operating Revenue

Revenue from rent collected from producers and artistic productions are recognized as unearned and then recognized as income when the productions are presented. Revenue from commissions received is recognized when the productions are presented, also.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Nonoperating Revenue

The Corporation annually receives contributions from the Commonwealth. These contributions are for the operations of the Corporation and are recognized when available. However, as provided by the General Fund Budget Resolution and the State Special Funds Resolution, any unencumbered previous-year balance of non-current allocations can no longer be obligated. Any proposal to use said funds from previous years must be submitted through budget requests for the evaluation of the Oversight Board. In addition, as a general rule, previous year unencumbered contributions from the Commonwealth should be closed and forwarded to the Treasury. In the event, the Corporation is able to gain access to those funds, through the approval of the Oversight Board, the amount recovered will be presented as a change in estimate in the Statement of Revenues, Expenses, and Changes in Net Position. As of June 30, 2019, the Corporation's cash balances do not include unencumbered previous-year balances of non-current allocations from the contributions of the Commonwealth.

Accounting for Pension Costs

The Corporation accounts pension costs under the provisions of Statement No. 73 of the Governmental Accounting Standard Board, *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* (GASB Statement No. 73). This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria as is the case of the Employees Retirement System of the Commonwealth of Puerto Rico (ERS).

Under GASB Statement No. 73, the Commonwealth and its component units are considered to be one employer, and are classified for financial reporting purposes as a single-employer defined benefit pension plan. GASB Statement No. 73 requires the Corporation to recognize its proportionate share of the total pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense (benefit). The Corporation allocation percentage presented in the accompanying schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer are based on the ratio of the Corporation's actual benefit payment for allocation to the aggregate total of benefit payments for allocation paid by all participating entities during the year ending on the measurement date. The Corporation allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of pension amounts by employer may result in immaterial differences. The differences between the actual benefit payments column and the benefits payments for allocation in the accompanying schedule of employer allocations represents lump-sum distributions of accumulated benefits that were not considered for allocation purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Postemployment Benefits

The Corporation provided, prior to August 23, 2017, other retirement benefits, such as summer and Christmas bonus, and postemployment healthcare benefits (collectively referred to as other post-employment benefits or OPEB) for its retired employees in accordance with local law. Substantially, all of the employees may become eligible for these benefits if they reach normal retirement age while working for the Corporation. The Corporation accounts for OPEB under the provisions of *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* since July 1, 2017, by replacing the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plan,* for OPEB. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expenses. Participating employers are required to recognize their proportionate share of the collective total OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense.

The employer allocation percentages presented in the schedule of employer allocations and applied to amounts presented in the Schedule of OPEB amounts by employees are based on the ratio of each agency's actual benefit payments to the total actual benefit payments paid during the year ending on the measurement date. See **Note 8**.

Compensated Absences

Compensated absences include paid time off made available to employees in connection with vacation, sick leave, and compensatory time. The liability for compensated absences is reported in the statement of net position (deficit). A liability for compensated absences is reported in the financial statements only when payment is due. The liability for compensated absences recorded in the accompanying statement of net position is limited to leave that is attributable to services already rendered and is not contingent on a specific event.

On April 29, 2017, Act No. 26, *Compliance with the Fiscal Plan Act*, was enacted to establish, among other matters, a uniform system of fringe benefits for the public employees, with certain exceptions. Under Act No. 26 the major fringe benefits were changed to:

- Vacations – 1 ¼ days per month, up to sixty days
- Sickness – 1 ½ days per month, up to ninety days
- Christmas Bonus – $600
- Elimination of the payment for all accumulated unpaid sick leave.

The accumulated vacations and sick leave amounted to $213,071 on June 30, 2019.

Cultural Contributions to Not-for-Profit Producers

As part of the commitment of the Corporation for the development of the arts, the Corporation grants cultural contributions. During the year ended June 30, 2019, the Corporation granted to producers contributions in the amount of $64,496.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risks Management

The Corporation is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption, errors and omissions, natural disaster, among others. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial insurance coverage in any of the three preceding years.

Net Position

In financial statements, the net position represents the difference between assets, deferred outflows from resources, liabilities, and deferred inflows from resources in the statement of net position. The net position is reported in three categories:

- Net investment in capital assets — These consist of capital assets, net of accumulated depreciation and amortization, and, if applicable, reduced by the outstanding balances of any borrowings that are attributed to the acquisition, construction, or improvement of those assets.

- Restricted Net Position — These result when constraints placed on the net position’s use is either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Position — This 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 them to be available for general operations. Unrestricted net position often has constraints on resources that are imposed by management but can be removed or modified.

When both restricted and unrestricted resources are available for use, generally, it is the Corporation’s policy to use restricted resources first, then the unrestricted resources as they are needed.

Voluntary Termination Benefits

The Corporation accounts for termination benefits in accordance with GASB Statement No. 47, *Accounting for Termination Benefits*. Pursuant to the provisions of GASB Statement No. 47, in financial statements prepared on the accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (for example, early-retirement incentives) when the offer is accepted, and the amount can be estimated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards Issued and Adopted

GASB has issued the following standards that have been adopted by the Corporation effective July 1, 2018:

GASB Statement No. 73 (GASB Statement No. 73) establishes requirements for defined benefit pension plans and defined contribution plans that are not within the scope of GASB 68. GASB 73 extends the approach to accounting and financial reporting established in GASB 68 to all pensions to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided though pension plans that are not administered through trusts that meet the criteria specified in GASB 68 should not be considered pension plan assets. It also required that information similar to that required by GASB 68 be included in the notes to the financial statements and required supplementary information by all similarly situated employers and non-employer contributing entities.

GASB Statement No. 83, *Certain Asset Retirement Obligations* was issued in November 2016. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

New Accounting Standards Issued but Not Yet Adopted

GASB has issued the following standards that have not been adopted by the Corporation, and are currently under evaluation for their impact in future financial statements:

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statements users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 92, *Omnibus 2020* (GASB Statement No. 92), enhances comparability in accounting and financial reporting and improves 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 GASB 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 GASB 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 GASB Statement 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 GASB 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards Issued but Not Yet Adopted (Continued)

The requirements of GASB Statement No. 92 are effective as follows: the requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, regarding reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; the requirements related to intra-entity transfers of assets and those related to the applicability of GASB Statements No. 73 and No. 74 are effective for fiscal years beginning after June 15, 2020; the requirements related to application of GASB Statement No. 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; the requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance (GASB Statement No. 95). The primary 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 effective dates of certain provisions contained in the following pronouncements are postponed by one year:

Statement No. 83, *Certain Asset Retirement Obligations*
Statement No. 84, *Fiduciary Activities*
Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
Statement No. 90, *Majority Equity Interests*
Statement No. 91, *Conduit Debt Obligations*
Statement No. 92, *Omnibus 2020*

The effective dates of the following pronouncements are postponed by 18 months:

Statement No. 87, *Leases*

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued. The requirements of this Statement are effective immediately.

The Corporation is currently reviewing these statements and plans on adoption, as required.

Subsequent Events

The Corporation evaluated subsequent events through September 10, 2021, the date the financial statements were issued. There were no significant events that should have been recorded or disclosed in the financial statements, except as the events disclosed in **Note 17**.

3. CASH AND CASH EQUIVALENTS

Custodial credit risk related to deposits is the risk that in the event of a financial institution failure, the Corporation's deposits might not be recovered. The Corporation are authorized to deposit only in institutions approved by the Puerto Rico Department of the Treasury (the Treasury), and such deposits are maintained in separate bank accounts in the name of the Corporation. Such authorized depositories collateralize the amount deposited in excess of the federal depository insurance of $250,000 with securities that are pledged with the Treasury. There is no formal policy for custodial credit risk for cash accounts opened with commercial banks outside of Puerto Rico. All securities pledged as collateral are held by the Secretary of the Treasury, but not in the Corporation's name.

The Corporation is required by law to deposit funds only in institutions approved by the Treasury.

As of June 30, 2019, the Corporation's cash deposited in the banks amounted to approximately $3,932,066.

4. ACCOUNTS RECEIVABLE

Trade	$	262,213
Governmental entities		4,300
		266,513
Less allowance for doubtful accounts	(	111,477)
	$	155,036

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5. CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 2,593,000	$ -	$ -	$ 2,593,000
Construction in progress	18,045	220,120	(95,536)	142,629
	2,611,045	220,120	(95,536)	2,735,629
Capital assets, being depreciated:				
Building and betterments	28,828,305	-	-	28,828,305
Furniture and equipment	1,734,859	120,696	(28,175)	1,827,380
Musical instruments	323,375	-	-	323,375
Sound system equipment	2,758,869	-	-	2,758,869
Recording equipment	213,621	-	-	213,621
Illumination equipment	621,045	17,760	-	638,805
Motor vehicles	30,316	31,952	-	62,268
Total capital assets, being depreciated	34,510,390	170,408	(28,175)	34,652,623
Less accumulated depreciation for:				
Building and betterments	19,881,113	611,419	-	20,492,532
Furniture and equipment	1,238,327	106,951	(28,175)	1,317,103
Musical instruments	300,849	1,882	-	302,731
Sound system equipment	2,748,337	5,784	-	2,754,121
Recording equipment	213,621	-	-	213,621
Illumination equipment	605,413	2,390	-	607,803
Motor vehicles	30,316	4,260	-	34,576
Total accumulated depreciation	25,017,976	732,686	(28,175)	25,722,487
Total capital assets, being depreciated, net	$ 12,103,459	$(342,158)	$(95,536)	$ 11,665,765

6. COMPENSATED ABSENCES

The activity of compensated absences liability balance for the year ended of June 30, 2019, follows:

	Beginning balance	Additions	Deductions	Ending balance	Current
Compensated absences	$ 226,686	$ 80,125	$(93,740)	$ 213,071	$ 28,357

7. PENSION PLAN

Plan Description

The Defined Benefit Pension Plan for Participants of the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (the Commonwealth) (the Plan), a multiple employer plan, was created pursuant to Act No. 447 on May 15, 1951, as amended (Act No. 447) to provide pension and other benefits to retired employees of the Commonwealth, its component units, and municipalities. Prior to the effect of Act No. 106 of August 23, 2017 (Act No. 106-2017) the Plan was administered by the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (the System). Effective July 1, 2017, all employer contributions were eliminated pursuant to Act No. 106-2017 and the Commonwealth implemented a "pay-as-you-go" (PayGo) system for the payment of pensions. Also pursuant to Act No. 106-2017, the System was required to liquidate its assets and transfer the net proceeds to the Department of Treasury of the Commonwealth to pay pension benefits.

As a result of the implementation of the PayGo system, the Plan does not meet the criteria in paragraph 4 of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, to be considered a plan that is administered through a trust or equivalent arrangement and, therefore, is required to apply the guidance in GASB Statement No. 73. Under the guidance of GASB Statement No. 73, the Commonwealth and its component units are considered to be one employer, and are classified for financial reporting purposes as a single-employer defined benefit pension plan. Therefore, the accompanying schedule of employer allocations and the schedule of pension amounts by employer (collectively, the Schedules) present the pension amounts attributable to the Commonwealth reporting entity (i.e., the Commonwealth and its component units).

Significant Changes

Act No. 106-107 made the following benefit changes to the ERS:
1. New employees hired July 1, 2017 and later will not become ERS members.
2. Effective July 1, 2017 current ERS members will no longer make any contributions to ERS.

As the electing members are now known, this report reflects the impact of the early retirement incentive provided under Act 211-2015 (enacted December 8, 2015) as amended by Act 170-2016.

7. PENSION PLAN (CONTINUED)

Participant Data as of July 1, 2017

The following provides a brief summary of the number of participants included in the valuation in total.

The June 30, 2018 actuarial valuation contains more information on the census data provided by ERS.

Participant Data as of July 1, 2017	
Active members	50
Inactive members in pay status	13
Total	63

Pension Benefits

The benefits provided to the Plan participants are established by Commonwealth law and may be amended only by the Legislature with the Governor's approval, or by court decision.

Certain plan provisions are different for the three groups of members who entered the Plan prior to July 1, 2013 as described below:

- Members of Act No. 447 are generally those members hired before April 1, 1990 (contributory, defined benefit program).
- Members of Act No. 1 of February 16, 1990 (Act No. 1) are generally those members hired on or after April 1, 1990 and on or before December 31, 1999 (contributory, defined benefit program).
- Members of Act No. 305 of September 24, 1999 (Act No. 305 or System 2000) are generally those members hired on or after January 1, 2000 and on or before June 30, 2013 (defined contribution program).

All regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the defined benefit program and the System 2000 program, and were rehired on or after July 1, 2013, become members of the Contributory Hybrid Program as a condition to their employment. In addition, employees who at June 30, 2013, were participants of previous programs became part of the Contributory Hybrid Program on July 1, 2013. Also, Act No. 3 of April 4, 2013 (Act No. 3 of 2013) froze all retirement benefits accrued through June 30, 2013 under the defined benefit program and, thereafter, all future benefits accrued under the defined contribution formula used for the System 2000 program participants.

Service Retirement Eligibility Requirements

(1) Eligibility for Act No. 447 Members – Act No. 447 members who were eligible to retire as of June 30, 2013 continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 447 members could retire upon (1) attainment of age 55 with 25 years of credited service, (2) attainment of age 58 with 10 years of credited service, (3) any age with 30 years of credited service. In addition, Act No. 447 members who attained 30 years of credited service by December 31, 2013 are eligible to retire at any time.

7. PENSION PLAN (CONTINUED)

Pension Benefits (Continued)

Service Retirement Eligibility Requirements (Continued)

Act No. 447 members who were not eligible to retire as of June 30, 2013 and did not attain 30 years of credited service by December 31, 2013 are eligible to retire with 10 years of credited service upon attainment of the retirement eligibility age shown in the table below.

Date of birth	Attained age as of June 30, 2013	Retirement eligibility age
July 1, 1957 or later	55 or less	61
July 1, 1956 to June 30, 1957	56	60
Before July 1, 1956	57 and up	59

In addition to the requirements of the table above, Act No. 447 Public Officers in High Risk Positions who were not eligible to retire as of June 30, 2013 and did not attain 30 years of credited service by December 31, 2013, are eligible to retire directly from active service upon the attainment of age 55 with 30 years of credited service.

(2) Eligibility for Act No. 1 Members – Act No. 1 members who were eligible to retire as of June 30, 2013 continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 1 members could retire upon (1) attainment of age 55 with 25 years of credited service, (2) attainment of age 65 with 10 years of credited service.

Act No. 1 members who were not eligible to retire as of June 30, 2013 are eligible to retire upon attainment of age 65 with 10 years of credited service. In addition, Act No. 1 Public Officers in High Risk Positions who were not eligible to retire as of June 30, 2013 are eligible to retire directly from active service upon the attainment of age 55 with 30 years of credited service.

(3) Eligibility for System 2000 Members – System 2000 members who were eligible to retire as of June 30, 2013 continue to be eligible to retire at any time. Prior to July 1, 2013, System 2000 members could retire upon attainment of age 60.

System 2000 members who were not eligible to retire as of June 30, 2013 are eligible to retire upon attainment of the retirement eligibility age shown in the table below.

Date of birth	Attained age as of June 30, 2013	Retirement eligibility age
July 1, 1957 or later	55 or less	65
July 1, 1956 to June 30, 1957	56	64
July 1, 1955 to June 30, 1956	57	63
July 1, 1954 to June 30, 1955	58	62
Before July 1, 1954	59 and up	61

7. PENSION PLAN (CONTINUED)

Pension Benefits (Continued)

Service Retirement Eligibility Requirements (Continued)

(4) Eligibility for Members Hired after June 30, 2013 – Attainment of age 67.

Service Retirement Annuity Benefits

An annuity payable for the lifetime of the member equal to the annuitized value of the balance in the Defined Contribution Hybrid Contribution Account at the time of retirement, plus, for Act No. 447 and Act No. 1 members, the accrued benefit determined as of June 30, 2013. If the balance in the Defined Contribution Hybrid Contribution Account is $10,000 or less, it shall be paid as a lump sum instead of as an annuity. For System 2000 participants this service retirement annuity benefit is not available.

(1) Accrued Benefit as of June 30, 2013 for Act No. 447 Members – The accrued benefit as of June 30, 2013 shall be determined based on the average compensation, as defined, for Act No. 447 members, the years of credited service, and the attained age of the member all as of June 30, 2013. For Act No. 447 Mayors, the highest compensation, as defined, as a Mayor is determined as of June 30, 2013.

If the Act No. 447 member had at least 30 years of credited service as of June 30, 2013, the accrued benefit equals 65% of average compensation if the member was under age 55 as of June 30, 2013 or 75% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting to coordinate with social security (the Coordination Plan), the benefit is re-calculated at the Social Security Retirement Age (SSRA), as defined, as 1.5% of average compensation up to $6,600 multiplied by years of credited service, up to 30 years, plus 65% (75% if member was at least age 55 as of June 30, 2013) of average compensation in excess of $6,600.

If the Act No. 447 member had less than 30 years of credited service as of June 30, 2013, and attains 30 years of credited service by December 31, 2013, the accrued benefit equals 55% of average compensation if the member was under age 55 as of June 30, 2013 or 60% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting the Coordination Plan, the benefit is re-calculated at SSRA as 1.5% of average compensation up to $6,600 multiplied by years of credited service, up to 30 years, plus 55% (60% if member was at least age 55 as of June 30, 2013) of average compensation in excess of $6,600. Member contributions received from Act No. 447 members eligible for this transitory benefit during the period beginning July 1, 2013 and ending upon the attainment of 30 years of credited service are considered pre-July 1, 2013 contributions; the contributions to the Defined Contribution Hybrid Contribution Account begin after the member attains 30 years of credited service.

7. PENSION PLAN (CONTINUED)

Pension Benefits (Continued)

Service Retirement Annuity Benefits (Continued)

If the Act No. 447 member had less than 30 years of credited service as of December 31, 2013, the accrued benefit equals 1.5% of average compensation multiplied by years of credited service up to 20 years, plus 2% of average compensation multiplied by years of credited service in excess of 20 years. Maximum benefit is 75% of average compensation. The benefit is actuarially reduced for each year payment commences prior to age 58. For participants selecting the Coordination Plan, the basic benefit is re-calculated at SSRA as 1% of average compensation up to $6,600 multiplied by years of credited service up to 20 years, plus 1.5% of average compensation up to $6,600 multiplied by years of credited service in excess of 20 years, plus 1.5% of average compensation in excess of $6,600 multiplied by years of credited service up to 20 years, plus 2.0% of average compensation in excess of $6,600 multiplied by years of credited service in excess of 20 years. The benefit is actuarially reduced for each year payment commences prior to age 58.

(2) Accrued Benefit as of June 30, 2013 for Act No. 1 Members – The accrued benefit as of June 30, 2013 shall be determined based on the average compensation for Act No. 1 members, the years of credited service, and the attained age of the member all as of June 30, 2013. The accrued benefit equals 1.5% of average compensation multiplied by years of credited service. The benefit is actuarially reduced for each year payment commences prior to age 65.

Special Benefits

(1) Minimum Benefits

– Past Ad hoc Increases

The legislature, from time to time, increases pensions for certain retirees as described in Act No. 124 approved on June 8, 1973 and Act No. 23 approved on September 23, 1983.

– Minimum Benefits for Members who Retired before July 1, 2013 (Act No. 156 of 2004, Act No. 35 of 2007, and Act No. 3 of 2013).

The minimum monthly lifetime income for members who retired or become disabled before July 1, 2013 is $500 per month effective July 1, 2013 ($400 per month effective July 1, 2007 and $300 per month up to June 30, 2007).

– Coordination Plan Minimum Benefit
A minimum monthly benefit is payable upon attainment of SSRA such that the benefit, when added to the Social Security Benefit, is not less than the benefit payable prior to SSRA.

7. PENSION PLAN (CONTINUED)

Special Benefits (Continued)

(2) Cost-of-Living Adjustments (COLA) to Pension Benefits

The Legislature, from time to time, increased pensions by 3% for retired and disabled members. Beneficiaries are not entitled to COLAs granted after the retiree's death. The first increase was granted by Act No. 10 of 1992. Subsequent 3% increases have been granted every third year since 1992, with the latest 3% increase established on April 24, 2007 and effective July 1, 2007 (retroactive to January 1, 2007) for retired and disabled members that were receiving a monthly benefit on or before January 1, 2004 (Act No. 35 of 2007). In addition, effective July 1, 2008, any retired or disabled member that was receiving a monthly annuity on or before January 1, 2004 less than $1,250 per month received an increase of up to 3% without exceeding the limit of $1,250 per month (Act No. 35 of 2007).

(3) Special "Bonus" Benefits

– Christmas Bonus (Act No. 144, as Amended by Act No. 3)

An annual bonus of $200 for each retiree, beneficiary, and disabled member paid in December provided the member retired prior to July 1, 2013.

– Medication Bonus (Act No. 155, as Amended by Act No. 3)
An annual bonus of $100 for each retiree, beneficiary, and disabled member to cover health costs paid in July provided the member retired prior to July 1, 2013. Evidence of coverage is not required. The amount is prorated if there are multiple beneficiaries.

8. TOTAL PENSION LIABILITY

The total pension liability was approximately $6,335,950 as of June 30, 2018. The total pension liability as of June 30, 2018 was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018 (measurement date as of June 30, 2018).

Actuarial Methods and Assumptions

The actuarial valuations were determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Inflation	Not applicable
Salary increases	3.00% per year. No compensation increases are assumed until July 1, 2021 as a result of Act No. 3-2017 and the current general economy
Discount rate	The discount rate for June 30, 2018 was 3.87%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

8. TOTAL PENSION LIABILITY (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Mortality	Pre-retirement Mortality: For general employees not covered under Act No. 127, RP-2014 Employee Mortality Rates for males and females adjusted to reflect Mortality Improvement Scale MP-2018 on generational basis. For members covered under Act No. 127, RP-2014 Employee Mortality Rates with blue collar adjustments for males and females adjusted to reflect Mortality Improvement Scale MP-2016 from 2016 base year, and projected forward using MP-2016 on generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date. 100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127. Post-retirement Healthy Mortality: Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from UP-1994 Mortality Table for Males and 95% of the rates from the UP-1994 to 2010 using Scale AA. The base rates are projected using mortality Improvement Scale MP-2016 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date. Post-Retirement Disabled Mortality: Rates which vary by gender are assumed for disabled retirees based on a study of the plan’s experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP-2016 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Other Assumptions as of June 30, 2018

Actuarial cost method	Entry age normal
Inflation rate	Not applicable
Salary increases	3.00% per year. No compensation increases are assumed until July 1, 2021 as a result of Act No. 3-2017, four year extension of Act No. 66-2014, and the current general economy.

8. TOTAL PENSION LIABILITY (CONTINUED)

Proportionate Share and Actual Employer Benefit Payments

The following presents the Corporation's proportionate share of the total pension liability as of June 30, 2019, and the actual employer benefit payments during the fiscal year ended June 30, 2019:

Proportionate share	0.01259 %
Actual employer benefit payments	$ 344,986

Sensitivity of the Proportional Share from Central Government Total Pension Liability to Changes in the Discounted Rated

The following presents the Corporation proportionate share of the net pension asset calculated using the discount rate of 3.87%, as well as what the proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage lower (2.87% percent) or one percentage point higher (4.87 percent) than the current rate:

	1% Decrease (2.87%)	Current Discount (3.87%)	1% Increase (4.87%)
Total pension liability	$ 7,209,821	$ 6,335,950	$ 5,626,799

Deferred Outflows of Resources and Deferred Inflows of Resources from Pension Activities

The following presents a summary of changes in the deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the fiscal year ended June 30, 2019:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ -	$ 191,632
Changes in assumptions	-	207,769
Changes in proportion	467,459	-
Benefits payments made after measurement date	359,849	-
	$ 827,308	$ 399,401

8. TOTAL PENSION LIABILITY (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources from Pension Activities (Continued)

Amount reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2019 will be recognized in the pension expense (benefit) in future years as follows:

Year ending June 30,	
2020	$ 13,612
2021	13,612
2022	13,612
2023	13,612
2024	13,611
	$ 68,059

In addition, benefits paid subsequent to the measurement date should be reported under deferred outflows of resources and recognized as a reduction of the total pension liability in the fiscal year ended June 30, 2019. This amount is not included above.

Pension Benefit

The following presents the Corporation's pension benefit for the fiscal year ended June 30, 2019:

Proportionate share of pension expense	$ 216,782
Net amortization from changes in proportion	(93,492)
	123,290
Change in allocation due to application of GASB Statement No. 73	4,814,014
Total pension benefit	$ 4,937,304

Pension Payment

During the year ended June 30, 2019, the Corporation's benefit payment to this plan amounted to $359,849. This amount represented 100% of the required payment for the corresponding year.

Pension Plan Fiduciary Information

Additional information on the Plan for the fiscal year ended June 30, 2019, can be obtained from the Employees' Retirement System of the Commonwealth of Puerto Rico, P.O. Box 42003, San Juan, PR 00940-2003.

9. TOTAL OTHER POSTEMPLOYMENT BENEFITS

Plan Description

As further described in **Note 2**, the Corporation provides postemployment healthcare benefits through a defined benefit plan that is administered by the Employees' Retirement System of the Government of Puerto Rico and its Instrumentalities Medical Insurance Plan Contribution (the OPEB Plan). The OPEB Plan is an unfunded, defined benefit other postemployment healthcare benefit plan (OPEB). The OPEB Plan is administered on a pay- as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB Statement No. 75). Under the guidance of GASB Statement No. 75, the Commonwealth and its component units are considered to be one employer and are classified for financial reporting purposes as a single-employer defined benefit OPEB plan. Therefore, the accompanying schedule of employer allocations and the schedule of OPEB amounts by employer (collectively, the Schedules) present the OPEB amounts attributable to the Commonwealth reporting entity (i.e., the Commonwealth and its component units).

The Plan covers a payment of up to $100 per month to the eligible medical insurance plan selected by each member provided that the member retired prior to July 1, 2013 (Act No. 483, as amended by Act No. 3). The Plan is financed by the Commonwealth through legislative appropriations. There is no contribution requirement from the plan members during active employment. The retirees contribute the amount of the healthcare insurance premium not covered by the Commonwealth contribution. Plan members were eligible for benefits upon reaching the applicable retirement age. Act No. 3 of 2013 eliminated this healthcare benefit to the Plan members that retired after June 30, 2013.

At July 1, 2018, the membership consisted of 14 retired and disabled members.

During the fiscal year ended June 30, 2019, OPEB contributions paid to the pensioners amounted to $11,848.

Actuarial Methods and Assumptions

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018 (measurement date as of June 30, 2018). The actuarial valuation used the following actuarial assumptions applied to all periods in the measurement period:

Discount rate	The discount rate for June 30, 2018 was 3.87%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Mortality	Pre-retirement Mortality: For general employees not covered under Act No. 127, RP-2014 Employee Mortality Rates for males and females adjusted to reflect Mortality Improvement Scale MP-2018 from the 2016 base year and projected forward using MP-2018 on generational basis. For members covered under Act No. 127, RP-2014 Employee Mortality Rates with blue collar adjustments for males and adjusted to reflect Mortality Improvement Scale MP-2018 from 2016 base year, and projected forward using MP-2018 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.
	100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127.
	Post-retirement Healthy Mortality: Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the OPEP Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from UP-1994 Mortality Table for Males and 95% of the rates from the UP-1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. The base rates are projected using Mortality Improvement Scale MP-2018 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.
	Post-Retirement Disabled Mortality: Rates which vary by gender are assumed for disabled retirees based on a study of the plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP-2018 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Sensitivity of the Total Other Postemployment Benefits Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Corporation at June 30, 2018 calculated using the discount rate of 3.58%, as well as the Corporation's total OPEB liability if it was calculated using the discount rate of 1-percentage point lower (2.58%) or 1-percentage point higher (4.58%) than the current rate.

9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

	1% Decrease 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
Other post employment benefits liability	$ 141,813	$ 128,773	$ 117,777

Deferred Outflows of Resources and Deferred Inflows of Resources

Because all participants are inactive, there are no deferred outflows or inflows of resources as changes in actuarial assumptions, economic, or demographic gains and losses, and changes in proportionate share are recognized immediately during the measurement year. However, as of June 30, 2018, the payments made subsequent to the measurement date are recognized as deferred outflows of resources.

Other Postemployment Benefit Expense

The components of OPEB expense for the fiscal year ended June 30, 2018 are as follows:

Interest on total OPEB liability	$ 4,890
Effect on economic/demographics gains and losses	(2,384)
Effect of assumptions changes or inputs	(3,804)
Net amortization from changes in proportion	13,146
Proportionate Share of OPEB expense	$ 11,848

Corporation Proportional Share from Central Government OPEB

The following table presents the Corporation's proportionate share of the total OPEB liability as of June 30, 2019, and the proportion percentage of the aggregate net pension liability of ERS allocated to the Corporation:

Corporation's proportion of the central government total OPEB	0.01542 %
Corporation's proportionate share of the central government total OPEB	$ 129,837

OPEB Plan Fiduciary Informationz

Additional information on the OPEB Plan for the fiscal year ended June 30, 2019, can be obtained from the Employees' Retirement System of the Commonwealth of Puerto Rico, P.O. Box 42003, San Juan, PR 00940-2003.

10. "SALA SINFÓNICA"

In March 2004, the Corporation entered into an agreement with "Autoridad para el Financiamiento de la Infraestructura de Puerto Rico" (AFI) for the construction of the "Sala Sinfónica del Centro de Bellas Artes - Luis A. Ferré". Under this agreement, the facilities will be owned by AFI and operated by the Corporation for the benefit of the Symphonic Orchestra. Operations of these facilities began during 2009. During the fiscal period presented herein, the Corporation did not receive an annual legislative appropriation to subsidize these operations.

11. VOLUNTARY TERMINATION BENEFITS

On July, 2010, the Commonwealth enacted Act No. 70 to establish a program that provides early retirement benefits or economic incentives for voluntary employment termination to eligible employees, as defined, including employees of the Corporation. Act No. 70's implementation was completed on March 31, 2013, due to an amendment extending the original option period, December 31, 2012, in which eligible career employees irrevocable opt to avail him/herself of the program benefits. Voluntary termination benefits are funded in whole by the General Fund.

Act No. 70 established that early retirement benefits will be provided to eligible employees that have completed between 15 to 29 years of credited service in the Retirement System and will consist of biweekly benefits ranging from 37.5% and 50% of each employee' salary, as defined. The Corporation assumes the corresponding payments until the employee meets with the age and 30 years of credited service requirements in the Retirement System.

The following is the voluntary termination liability for the year ended June 30, 2019:

	Beginning balance	Additions	Deductions	Ending balance	Current
Termination benefits	$ 1,360,549	$ 27,133	$(172,042)*	$ 1,215,640	$ 168,957

* Additions include interest expense of $186,147 and changes in assumptions of $(159,014).

At June 30, 2019, the Corporation's unpaid long-term benefits granted by Act No. 70 was discounted at an interest rate of 2.50%.

12. RELATED PARTY TRANSACTIONS

For the purpose of these financial statements all Commonwealth's agencies, instrumentalities and public companies are considered related parties of the Corporation. The accounts receivable and payable of the Corporation include, at June 30, 2019, the following balances considered related parties:

Balance due from other governmental entities	$ 50,157
Balance due to other governmental entities	$ 154,438

13. CONTINGENCIES

Litigation and Claims

The Commonwealth's Act No. 4 of June 30, 1955, as amended, known as Claims and Lawsuits against the State provides that lawsuits against an agency or instrumentality of the Commonwealth, present and former employees, directors and other may be represented by the Department of Justice of the Commonwealth. Any adverse claims to the defendants are to be paid by the Commonwealths General Fund. However, the Secretary of the Treasury of the Commonwealth has the discretion of requesting reimbursement of the funds expended for these purposes from the public corporations, governmental institutions and municipalities of the defendants.

The Corporation is involved in litigation arising on the normal course of business. The management of the Corporation believes that the ultimate liability, if any, in connection with these matters will not have a material effect on the Corporation's financial position and results of operations.

14. REORGANIZATION OF THE COMMONWEALTH OF PUERTO RICO GOVERNMENT

Puerto Rico Oversight, Management, and Economic Stability Act

On June 30, 2016, the President of the United States signed PROMESA into law (as codified under 48 U.S.C. §§ 2101-2241). In general terms, PROMESA seeks to provide the Commonwealth and its covered instrumentalities with fiscal and economic discipline through, among other things: (i) the establishment of the Oversight Board, whose responsibilities include the certification of fiscal plans and budgets for the Commonwealth and its related entities; (ii) a temporary stay of all creditor lawsuits under Title IV of PROMESA, which expired on May 1, 2017; and (iii) two alternative methods to adjust unsustainable debt: (1) a voluntary debt modification process under Title VI of PROMESA, which establishes a largely out-of-court debt restructuring process through which modifications to financial debt can be accepted by a supermajority of creditors; and (b) a quasi-bankruptcy proceeding under Title III of PROMESA, which establishes an in-court debt restructuring process substantially based upon incorporated provisions of the US Bankruptcy Code (11 U.S.C. §§ 101, *et seq.*).

Title III of PROMESA establishes an in-court process for restructuring the debts of Puerto Rico and other United States territories that is modeled after the process under Chapter 9 of the U.S. Bankruptcy Code. In order to be a debtor under Title III, the territory and/or its instrumentalities must: (i) have an Oversight Board established for it or be designated a "covered entity" (ii) have the Oversight Board issue a restructuring certification under PROMESA section 206(b); and (iii) "desire to effect a plan to adjust its debt." PROMESA § 302. The Oversight Board has sole authority to file a voluntary petition seeking under Title III of PROMESA. See PROMESA § 304(a).

14. REORGANIZATION OF THE COMMONWEALTH OF PUERTO RICO GOVERNMENT (CONTINUED)

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

In a Title III case, the Oversight Board acts as the debtor's representative and is authorized to take any actions necessary to prosecute the Title III case. See PROMESA § 315. Immediately upon filing the Title III petition, Bankruptcy Code section 362 (which is incorporated into Title III cases under PROMESA) applies to automatically stay substantially all litigation against the debtor (the Title III Stay). After the Title III case is commenced, the Chief Justice of the United States Supreme Court must designate a district court judge to sit by designation and preside over the Title III proceedings. PROMESA also provides that the commencement of Title III case "does not limit or impair the powers of a covered territory to control by legislation or otherwise the exercise of the political or governmental powers of the territory or territorial instrumentality." PROMESA § 303.

The core component of the Title III case is the confirmation of a plan of adjustment of the debts of the debtor. The Oversight Board has the exclusive authority to file and modify a plan of adjustment prior to confirmation. See PROMESA § 312. In order to be confirmed, a proposed plan of adjustment must meet the requirements set forth under PROMESA section 314.

Fiscal Plan Compliance Act

On April 29, 2017, Act No. 26 of 2017 introduced a series of changes and freezes to existing public employees' labor bargaining agreements, reductions and eliminations to previously granted public employee benefits, and other fiscal control measures geared toward compliance with the government expenditures cuts and savings.

PayGo Pension Reform

On June 27, 2017, the Treasury Department issued Circular Letter No. 1300-46-17 in order to convey to the central government agencies, public corporations and municipalities the new implementation procedures to adopt, effective July 1, 2017, a new "pay-as-you-go" (PayGo) mechanism for the System. See **Note 17** for Subsequent Events.

15. GOING CONCERN, UNCERTAINTIES AND LIQUIDITY RISK

The accompanying financial statements have been prepared assuming that the Corporation will continue as a going concern. However, the reorganization of the Commonwealth more fully discussed in **Note 14** and the COVID-19's outbreak, more fully discussed in **Note 17**, raise substantial doubt about the Corporation's ability to continue as a going concern for 12 months beyond the date of these basic financial statements or for an extended period. Considering that, historically, the Corporation has been significantly dependent on the financial support provided by the Commonwealth, combined with the decreased business due to the COVID-19 Pandemic, may the limit the Corporation's ability to meet its obligations on a timely manner.

15. GOING CONCERN, UNCERTAINTIES AND LIQUIDITY RISK (CONTINUED)

Mitigation Plan

In response to the Corporation's dependency on governmental appropriations and the effects of COVID-19, the Corporation designed a Plan to mitigate its economic limitations by emphasizing a reduction in operational expenditures, other than payroll, and the seeking of available federal grant. The Corporation applied with the U.S. Small Business Administration (SBA) for a grant amounting to $1,337,247, as more fully disclosed in **Note 17**. Also, in order to reduce the electricity consumption, the Corporation is upgrading the illumination system to LED technology and performing building improvements with the capital contributions of $4,860,000, mostly from the Commonwealth, received during fiscal years ended June 30, 2020 and 2021.

Because it is not possible at this time to predict the outcome of management's efforts, substantial doubt remains regarding the ability of the Corporation to continue as a going concern during the ensuing year.

16. COLLABORATIVE AGREEMENT

On October 5, 2018, the Corporation signed a Collaborative Agreement (the Agreement) with the Institute of Puerto Rican Culture and the Corporation of the Musical Arts, including its subsidiaries, until June 30, 2023. The Agreement's purpose is to comply with the Commonwealth's Certified Fiscal Plan, which pursues significant reductions in operational and administrative expenses. As part of the Agreement, an Implementation Plan needs to be prepared for the review and monitoring of the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF).

17. SUBSEQUENT EVENTS

Capital Expenditure

In 2020, the PROMB approved two capital contribution of $2,400,000 each, for the upgrade of the lighting system to LED and building improvements. The fisrt appropriation was transferred to the Corporation in August 2020. Also, on June 30, 2020, the PROMB assigned $250,000 for the acquisition of the cooling tower, which actual costs was $235,700.

Small Business Administration Grant

On April 26, 2021, the Corporation applied for a Shuttered Venue Operators Grant (SVOG) with the SBA for the amount of $1,337,247. The SVOG program was established in Section 324 of the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (Economic Aid Act) signed into law on Dec. 27, 2020, as part of H.R. 133 Consolidated Appropriations Act, 2021 (Public Law No: 116-260). Section 324 of the Economic Aid Act was amended by Section 5005 of the American Rescue Plan Act (Public Law No.: 117-2) signed into law on March 11, 2021. The SVOG assists operators and promoters that have suffered revenue loss due to the COVID-19 pandemic. As of the date these financial statements are issued, the application is still under review by the SBA.

17. SUBSEQUENT EVENTS

COVID-19 Pandemic

In March 2020, the World Health Organization officially declared the COVID-19 outbreak a global pandemic. Then, an emergency declaration was issued to coordinate the Commonwealth's response and protective actions to address COVID-19 public health emergency and to provide for the health, safety, and welfare for residents and visitors located in Puerto Rico. The long-term impact of the COVID-19 outbreak is uncertain at this time and will depend on future developments.

REQUIRED SUPPLEMENTARY INFORMATION

CORPORACIÓN DEL CENTRO DE BELLAS ARTES DE PUERTO RICO
(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF THE CORPORATION'S PROPORTIONATE SHARE OF THE COLLECTIVE TOTAL PENSION LIABILITY (UNAUDITED)

FISCAL YEAR ENDED JUNE 30, 2019

	2019	2018
Proportion of the total pension liability	0.02587 %	0.02388 %
Proportionate share of the total pension liability **(a)**	$ 6,335,950	$ 6,736,168
Covered-employee payroll **(b)**	N/A	N/A
Total pension liability as a % of covered payroll **(a)/(b)**	N/A	N/A

Note to Schedule:

GASB Statement No. 73 was implemented as of July 1, 2017, because since that date there are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 68, *Accounting and Accounting and Financial Reporting for Pensions - An amendment of GASB Statement No. 27* (GASB Statement No. 68) to pay related benefits.

The schedule is intended to show information for ten years; however, for the Corporation, only information after July 1, 2017, date of Act No. 106-2017 is available, as more fully disclosed in **Note 7** to the basic financial statements was implemented.

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions presented, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB Statement 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* (GASB Statement No. 73).

CORPORACIÓN DEL CENTRO DE BELLAS ARTES DE PUERTO RICO
(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF THE CORPORATION'S PROPORTIONATE SHARE OF THE COLLECTIVE TOTAL OTHER POSTEMPLOYMENT BENEFITS LIABILITY (UNAUDITED)

FISCAL YEAR ENDED JUNE 30, 2019

	2019 (Measured as of June 30, 2018)	2018 (Measured as of June 30, 2017)	2017 (Measured as of June 30, 2016)
Proportion of the total other postemployment benefits liability	0.01542 %	0.01399 %	0.01278 %
Proportionate share of the total other postemployment benefits liability	$ 129,837	$ 128,773	$ 151,485
Covered employee payroll	N/A	N/A	N/A
Proportionate share of the total other postemployment benefits liability as a percentage of covered employee payroll	N/A	N/A	N/A

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB Statement No. 75) for the payment of these benefits.

The schedule is intended to show information for ten years; however, the GASB Statement No. 75 was implemented in July 2017.

1. CHANGES OF BENEFIT TERMS

Total Pension Liability

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB Statement 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* (GASB Statement No. 73).

Discount Rate

Discount rate	3.87%
20 Year Tax-Exempt Municipal Bond Yield	3.87%

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Other Key Actuarial Assumptions

Except for the discount rate, please refer to Milliman's June 30, 2018 valuation dated August 6, 2021 for the other actuarial assumptions used.

Valuation date	July 1, 2017
Measurement date	June 30, 2018
Actuarial cost method	Entry Age Normal

Total Other Postemployment Benefits Liability

Discount Rate

Discount rate	3.87%
20 Year Tax-Exempt Municipal Bond Yield	3.87%

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Other Key Actuarial Assumptions

Except for the discount rate, please refer to Milliman's June 30, 2018 valuation dated August 6, 2021 for the other actuarial assumptions used.

Valuation date	July 1, 2017
Measurement date	June 30, 2018
Actuarial cost method	Entry Age Normal
Medical trend rate	Not applicable

2. FUNDING PROCESS

Tota Pension Liability

Act No. 106-2017 provided that ERS will be funded on a pay-as-you-go basis. This funding change resulted in the change in the applicable accounting standard from GASB Statement No. 68, GASB Statement No. 68, *Accounting and Accounting and Financial Reporting for Pensions - An amendment of GASB Statement No. 27* (GASB Statement No. 68) to GASB Statement No. 73 for employer accounting purposes.

Total Other Postemployement Benefits Liability

The contribution requirement of ERS MIPC, is established by Act No. 95-1963. Its benefit consists of a maximum of $100 per month to the eligible medical insurance plan selected by each member. This OPEB plan is financed by the Corporation on a pay as you go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The funding of the OPEB benefits are provided through legislative appropriations. However, the Commonwealth claims reimbursements from the Corporation on a monthly basis for the corresponding amount of the OPEB payments made by the Commonwealth in relation to the retirees associated with the Corporation.

The Corporation employees became plan members upon their date of employment. Plan members were eligible for benefits upon reaching the applicable pension benefits retirement age. Act No. 3-2013 eliminated this healthcare benefit to ERS MIPC members retired after June 30, 2013.

3. ADDITIONAL INFORMATION

Total Pension Liability

The information presented relates solely to the Corporation and not the Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities as a whole.

1 The Corporation implemented GASB Statement No. 73 during fiscal year 2018, and these schedules are now required.

Total Other Postemployement Benefits Liability

The information presented relates solely to the Corporation and not the Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities as a whole.

1. The Corporation implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during fiscal year 2017, and these schedules are now required.

2. This information is intended to help users assess the Corporation's ERS MIPC's status on a going concern basis.