Crowe PR PSC
100 Carr 165, Suite 410
Guaynabo, PR 00968-8051
+1 (787) 625-1800
www.crowe.pr

June 15, 2022

Mr. Jetppeht Pérez de Corcho
General Manager
Corporación del Centro de Bellas
Artes de Puerto Rico
Ave. Ponce de León
Parada 22 1/2
Santurce, PR 00940-1287

Dear Mr. Pérez de Corcho:

Enclosed are the financial statements of **Corporación del Centro de Bellas Artes de Puerto Rico** for the year ended June 30, 2020.

Kindly acknowledge receipt of the enclosures by signing and returning to us the enclosed copy of this letter.

Cordially,

CROWE PR PSC

José Penabaz, CPA
Vice-president

JP/npo

Enclosures

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, 2020

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

FISCAL YEAR ENDED JUNE 30, 2020

CONTENTS

Crowe PR PSC
100 Carr 165, Suite 410
Guaynabo, PR 00968-8051
+1 (787) 625-1800
www.crowe.pr

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, as of and for the fiscal year ended June 30, 2020, and the related notes to the basic financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 basic 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the basic 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 Corporation'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 basic 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, 2020, and the changes in its financial position, and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages **3** through **9**, the schedule of the Corporation's Proportionate Share of the Collective Total Pension Liability and the Schedule of the Corporation's Proportionate Share of the Collective Total Other Postemployment Benefits Liability (see Required Supplementary Information) on page **34** through **37** 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.

June 15, 2022

Stamp number E483084 was affixed to the original of this report.

Crowe PR PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

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 fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the Corporation's performance as a whole. Readers are encouraged to review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Corporation's financial performance.

FINANCIAL HIGHLIGHTS

Following are some of the highlights from the fiscal year 2020:

1) The Corporation's net position decreased by $412,171, or 5% for the fiscal year 2020 compared to the prior fiscal year.

2) The unrestricted net deficit decreased by $93,782, or 2% compared to the prior fiscal year.

3) Operating revenues in the form of charges and services decreased by $1,309,408, or 41% compared to the prior fiscal year.

4) The Corporation's operating expenses increased by $5,070,289 or 821% compared to the prior fiscal year.

5) Total operating income decreased by $6,379,697, or 248% compared to the prior fiscal year.

6) Capital contributions increased by $60,000, or 100% compared to the prior fiscal year.

7) Capital assets decreased by $655,627, or 5% 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 change 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 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, 2020, and 2019:

CONDENSED STATEMENTS OF NET POSITION

	2020	2019	Change	Total % Change
Assets				
Current assets	$ 2,471,068	$ 2,780,041	$(308,973)	(11)%
Capital assets	11,581,510	12,237,137	(655,627)	(5)%
Other assets	2,088,783	1,939,109	149,674	8 %
Total assets	16,141,361	16,956,287	(814,926)	(5)%
Deferred outflows of resources	1,110,501	838,602	271,899	32 %
Liabilities				
Current liabilities	1,097,171	1,564,707	(467,536)	(30)%
Non-current liabilities	7,662,774	7,326,041	336,733	5 %
Total liabilities	8,759,945	8,890,748	(130,803)	(1)%
Deferred inflows of resources	399,348	399,401	(53)	- %
Net position				
Net investment in capital assets	11,581,510	12,237,137	(655,627)	(5)%
Restricted	2,088,783	1,939,109	149,674	8 %
Unrestricted deficit	(5,577,724)	(5,671,506)	93,782	(2)%
Total net position	$ 8,092,569	$ 8,504,740	$(412,171)	(5)%

Current assets - The Corporation's current assets decreased by $308,973 or 11% from $2,780,041 on June 30, 2019, to $2,471,068 at June 30, 2020 mostly due to a reduction in accounts receivable.

Capital assets - The Corporation's current capital assets decreased by $655,627 or 5% from $12,237,137 on June 30, 2019, to $11,581,510 on June 30, 2020. 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 $735,800, offset by capital additions of $87,776.

Other assets - Other assets increased by $149,674 or 8% compared to the prior year. Other assets consist of restricted cash from the surplus of the generated revenues from the prior years. Said funds shall be deemed to be available resources of the Commonwealth or the Corporation as determined by the Oversight Board.

FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)

Current liabilities - Current liabilities consist primarily of accounts payable and accrued liabilities. The current liabilities decreased by $467,536 or 30% from $1,564,707 on June 30, 2019 to $1,097,171 on June 30, 2020 mostly due to accounts payable.

Non-current liabilities - Non-current liabilities comprise the accrual for compensated absences, pension, other postemployment benefits, and termination benefits. The Corporation's non-current liabilities increased by $336,733 or 5% mostly due to the total pension liability assumptions effect for the year.

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 decreased by $412,171 or 5% 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”.

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

	2020	2019	Change	Total % Change
Operating revenues				
Rental of facilities	$ 703,079	$ 1,149,696	$(446,617)	(39)%
Food and beverage	131,220	268,970	(137,750)	(51)%
Parking	459,276	569,581	(110,305)	(19)%
Box office	445,205	722,950	(277,745)	(38)%
Services to producers	119,362	213,186	(93,824)	(44)%
Other	25,830	268,997	(243,167)	(90)%
Total operating revenues	1,883,972	3,193,380	(1,309,408)	(41)%
Operating expenses				
Salaries, payroll taxes and fringe benefits	1,642,295	1,706,562	(64,267)	(4)%
Pension expense (benefit)	435,874	(4,937,304)	5,373,178	(109)%
Voluntary termination benefits	90,370	27,133	63,237	233 %
Professional and consulting services	334,984	562,468	(227,484)	(40)%
Utilities	1,365,117	1,342,776	22,341	2 %
Repairs and maintenance	191,464	221,639	(30,175)	(14)%
Food and beverage	43,922	77,121	(33,199)	(43)%
Security	121,726	170,167	(48,441)	(28)%
Insurance	440,057	427,110	12,947	3 %
Depreciation and amortization	735,800	732,686	3,114	- %
Cultural contributions to producers	78,618	64,496	14,122	22 %
Bad debt	-	25,061	(25,061)	(100)%
Bank charges	41,059	58,192	(17,133)	(29)%
Equipment rental	29,590	33,283	(3,693)	(11)%
Administrative supplies	72,595	78,037	(5,442)	(7)%
Other	64,197	27,952	36,245	130 %
Total operating expenses	5,687,668	617,379	5,070,289	821 %
Operating income (loss)	(3,803,696)	2,576,001	(6,379,697)	(248)%

Continues.

FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)

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

	2020	2019	Change	Total % Change
Other nonoperating revenues				
Commonwealth contributions	3,312,428	3,342,852	(30,424)	(1)%
Interest income	19,097	29,878	(10,781)	(36)%
Insurance proceeds	-	125,000	(125,000)	(100)%
Federal grant	-	111,062	(111,062)	(100)%
Total nonoperating revenues	3,331,525	3,608,792	(277,267)	(8)%
Capital contributions				
Municipal capital contribution	60,000	-	60,000	100 %
Total capital contributions	60,000	-	60,000	100 %
Changes in net position	(412,171)	6,184,793	(6,596,964)	(107)%
Total net position, beginning of year	8,504,740	2,319,947	6,184,793	267 %
Total net position, end of year	$ 8,092,569	$ 8,504,740	$(412,171)	(5)%

Operating Revenues - The Corporation's operating revenues (excluding nonoperating items) decreased by $1,309,408 or 41%, compared to the prior fiscal year. The operating revenues amounted to $1,883,972 and $3,193,380 for the fiscal years ended June 30, 2020, and 2019, respectively. Operating revenues decreased by the lockdown imposed by the Governor of the Commonwealth as a result of the Coronavirus disease (COVID-19) pandemic.

Operating expenses - The total expenses increased by $5,070,289 or 821% during the present fiscal year compared to the prior fiscal year. In 2019, the Commonwealth implemented 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 (GASB Statement No. 73), which resulted in a pension benefit amounting $4,937,304. Furthermore, there are other significant variances to consider:

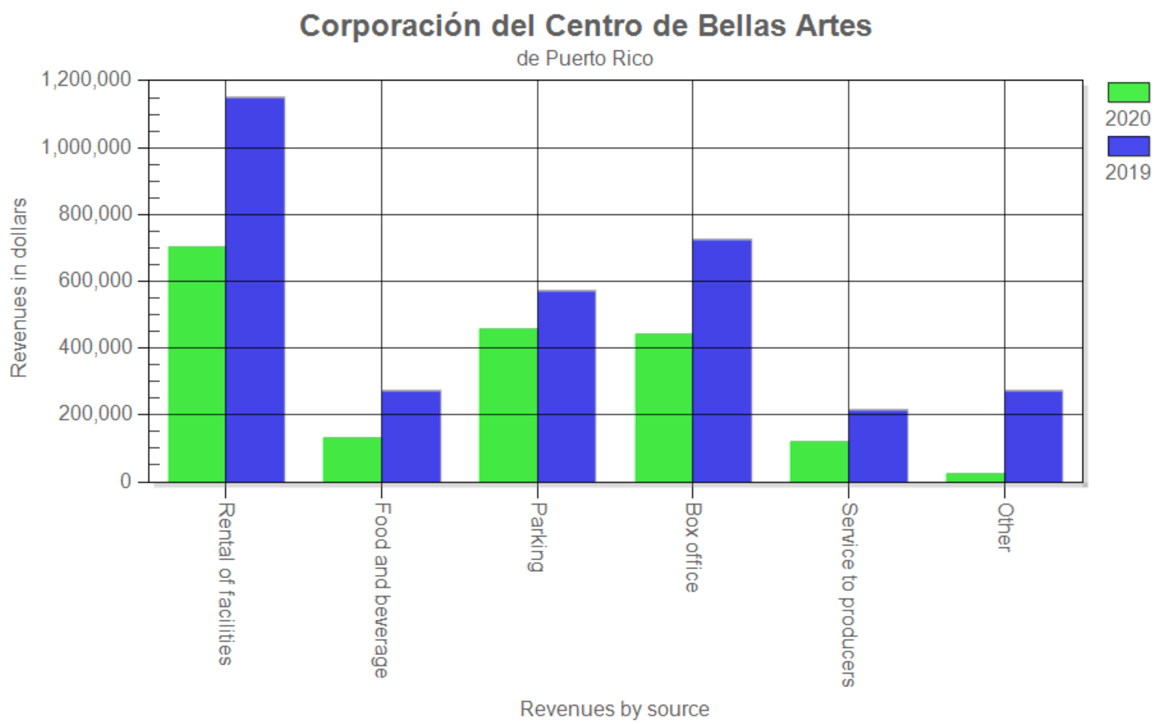
1. Professional and consulting services - The professional and consulting services decreased by $227,484 or 40% when compared to the prior fiscal year due to the lockdown mentioned before result of COVID-19 pandemic requirements.

2. All other decreases in significant variances were the result of the closing of the Corporation during the last quarter of the fiscal year because of COVID-19 requirements.

Capital contributions - In the fiscal year 2020, the Corporation received capital contributions from the Municipality of San Juan amounting to $60,000. This capital contribution is intended for the Escuela Jesús María Sanromá to improve the school theater.

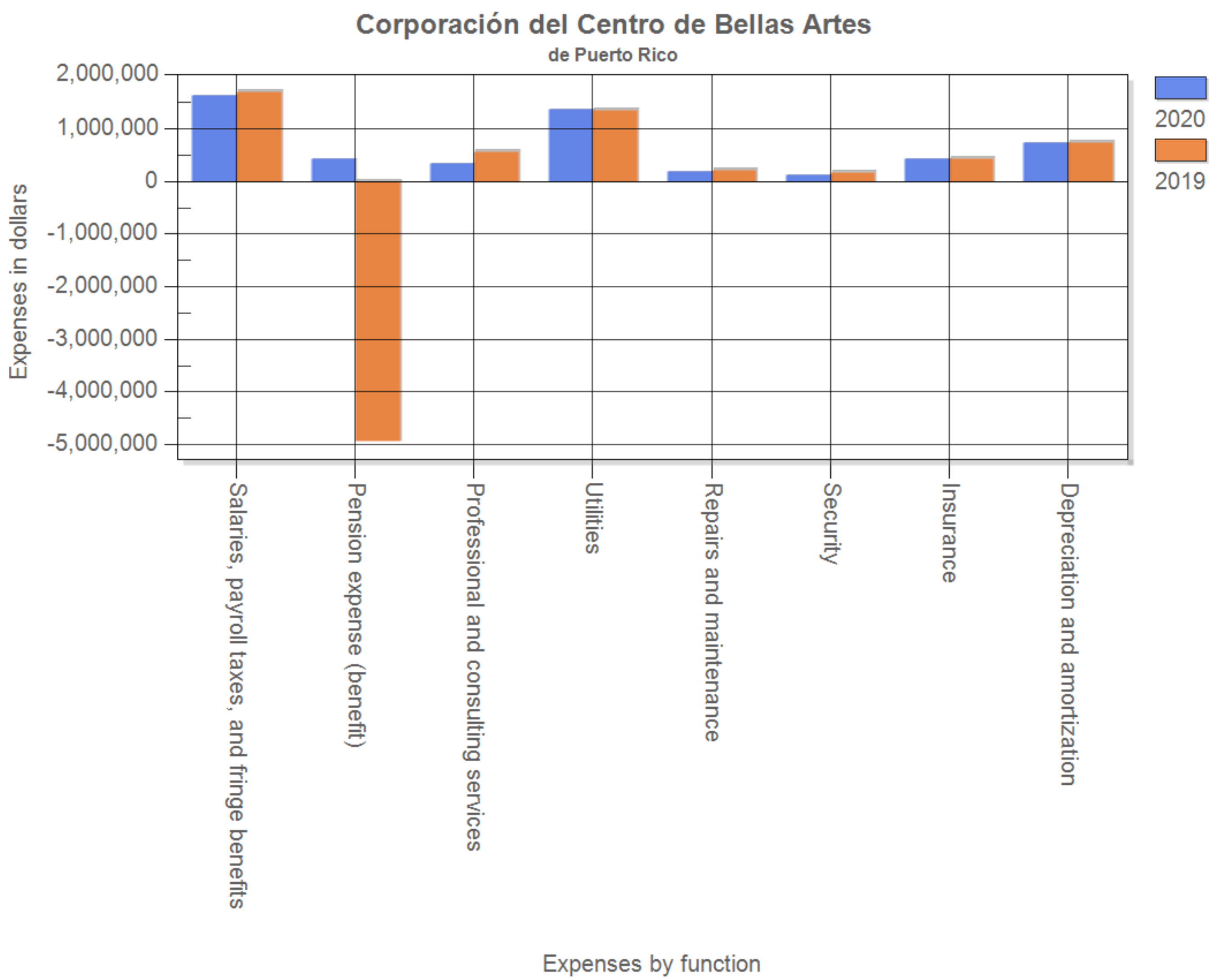
FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)

The following chart presents revenues comparison by sources of the Corporation for the fiscal years ended June 30, 2020 and 2019:



FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)

The following chart presents significant operating expenses by function incurred by the Corporation during the fiscal years ended June 30, 2020, and 2019:



BUDGETARY HIGHLIGHTS

The consolidated budget for the fiscal year 2020-2019 was $5,862,000. The resources include: $3,304,000 coming from the General Budget; and $2,558,000 from Operating Revenues.

The following table summarizes the budget for the fiscal years ended June 30, 2020, and 2019:

BUDGET COMPARISON

Revenues	2020	2019	Change
Commonwealth contributions	$ 3,304,000	$ 3,064,000	$ 240,000
Operating revenues	2,558,000	2,539,000	19,000
Total revenues	$ 5,862,000	$ 5,603,000	$ 259,000

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, 2020

ASSETS	
Current assets	
Cash	$ 1,953,319
Account receivables, net	13,887
Other assets, principally prepaid insurance	503,862
Total current assets	2,471,068
Non-current assets	
Restricted cash	2,088,783
Capital assets, net of accumulated depreciation	11,010,138
Artwork	571,372
Total non-current assets	13,670,293
	16,141,361
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	1,101,401
Other postemployment benefits related	9,100
Total deferred outflows of resources	1,110,501
LIABILITIES	
Current liabilities	
Accounts payable	237,282
Accrued expenses	37,949
Deposits from clients	87,235
Collections on behalf of producers	162,495
Compensated absences	119,751
Voluntary termination benefits payable	145,557
Total other postemployment benefit liability	9,100
Total pension liability	297,802
Total current liabilities	1,097,171
Non-current liabilities	
Compensated absences	138,626
Voluntary termination benefits payable	1,011,811
Total other postemployment benefit liability	127,115
Total pension liability	6,385,222
Total non-current liabilities	7,662,774
Total liabilities	8,759,945
DEFERRED INFLOWS OF RESOURCES	
Pension related	399,348
NET POSITION	
Net investment in capital assets	11,581,510
Restricted	2,088,783
Unrestricted deficit	(5,577,724)
Total net position	$ 8,092,569

See notes to the financial statements.

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, 2020

Operating revenues	
Rental of facilities	$ 703,079
Food and beverage	131,220
Parking	459,276
Box office	445,205
Services to producers	119,362
Other	25,830
Total operating revenues	1,883,972
Operating expenses	
Salaries, payroll taxes and fringe benefits	1,642,295
Pension expense	435,874
Voluntary termination benefits	90,370
Professional and consulting services	334,984
Utilities	1,365,117
Repairs and maintenance	191,464
Food and beverage	43,922
Security	121,726
Insurance	440,057
Depreciation and amortization	735,800
Cultural contributions to not-for-profit producers	78,618
Bank charges	41,059
Equipment rental	29,590
Administrative supplies	72,595
Other	64,197
Total operating expenses	5,687,668
Operating loss	(3,803,696)
Non-operating revenues	
Commonwealth contributions	3,312,428
Interest income	19,097
Total non-operating revenues	3,331,525
Capital contributions	
Municipal capital contribution	60,000
Total capital contributions	60,000
Change in net position	(412,171)
Total net position, at beginning of year	8,504,740
Total net position, end of year	$ 8,092,569

See notes to the financial statements.

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, 2020

Cash flows from operating activities	
Receipts from customers	$ 1,837,668
Payments to suppliers	(2,873,358)
Payments to employees	(1,596,990)
Termination benefits payments	(148,642)
Pension payments	(351,652)
Other payments	(86,569)
Other receipts	25,830
Net cash used in operating activities	(3,193,713)
Cash flows provided by non-capital financing activities;	
Commonwealth contributions	3,372,428
Cash flows used in capital and related financing activities;	
capital expenditures	(87,776)
Cash flows provided by investing activities;	
interest received	19,097
Net increase in cash	110,036
Cash, including restricted cash, at beginning of year	3,932,066
Cash, including restricted cash, at end of year	$ 4,042,102
Total Cash and Restricted Cash as shown in the Statement of Net Position	
Cash	$ 1,953,319
Restricted cash	2,088,783
	$ 4,042,102

Continues.

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, 2020

Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$(3,803,696)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	735,800
Loss on disposition of capital assets	7,604
Change in assets and liabilities:	
Decrease (increase) in:	
Accounts receivable	141,149
Other assets	6,898
Deferred outflows of resources - pension related	(274,093)
Deferred outflows of resources - Other postemployment benefits related	2,194
Increase (decrease) in:	
Accounts payable	(161,124)
Accrued expenses	(38,549)
Deposits from clients	(99,231)
Collections on behalf of producers	(62,392)
Compensated absences	45,306
Voluntary termination benefits payable	(58,272)
Total pension liability	347,074
Total other postemployment benefits liability	17,672
Deferred inflows of resources - pension related	(53)
Total adjustments	609,983
Net cash used in operating activities	$(3,193,713)

See notes to the financial statements.

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 Corporation 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 Commonwealth contributions.

Board of Directors

The Board of Directors (the Board) is appointed by the Governor of the Commonwealth, with the consent and approval of the Senate of Puerto Rico. The Corporation is governed by a nine-member board comprising of the President of the Musical Arts Corporation (MAC) and eight members appointed by the Governor.

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 accountable 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 of America 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, net pension liability, termination benefits, and compensated absences. Actual results could differ from those estimates.

Cash and Restricted Cash

Cash

Represent petty cash, checking and savings accounts.

Restricted Cash

The Corporation is required to transfer any unencumbered Commonwealth contributions, and any surplus of the revenues generated, to the Department of the Treasury (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 the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA). As of June 30, 2020, the Corporation had $2,088,783 in cash restricted composed of the surplus of the generated revenues.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and 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 collectibility 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

Inexhaustible Works of Arts and Collections

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. The works of art and collections are (a) held for public exhibition, education or research in furtherance of public service rather than financial gain; (b) protected, kept unencumbered, cared for, and preserved; and (c) subject to an organizational policy that requires the proceeds from sales of collections items to be used to acquire other items for collection.

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 fiscal year ended June 30, 2020, the Corporation evaluated its capital assets for impairment amount, if any, would not have a material impact in the Corporation's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 6**), changes in proportional share of benefit payments 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 total 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 6**), changes in proportional share of benefit payments, 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.

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:

- Vacation – 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 vacation and sick leave amounted to $258,377 on June 30, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 accpeted, and the amount can be estimated. On July 2, 2010, the Commonwealth enacted Act No. 70 to establish a short-term program that provides early retirement benefits or economic incentives for voluntary employment termination to eligible employees, as defined. Act No. 70-2010 applied to agencies and component units whose budgets were funded in whole or in part by the General Fund, at the time Act No. 70 was enacted.

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.

Other Post-Employment Benefits

Prior to August 23, 2017, the Corporation provided, other retirement benefits, such as summer and Christmas bonuses, 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 were eligible for those benefits if they reach normal retirement age while working for the Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Post-Employment Benefits (Continued)

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 7**.

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.

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)

Government-mandated

- *Assets* —when all applicable eligibility requirements are met or resources are received, whichever is first. Eligibility requirements are established by the provider and may stipulate the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies.

- *Revenues*—when all applicable eligibility requirements are met. (On the modified accrual basis, revenues should be recognized when all applicable eligibility requirements are met *and* the resources are available.) For transactions in which the provider requires the recipient to use (sell, disburse, or consume) the resources in or beginning in the following period, resources provided before that period should be recognized as deferred revenues.

As provided by Act No. 26-2017, 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. In addition, as a general rule, previous year balances from the General Fund accounts 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 the June 30, 2020, the Corporation's cash balances do not include unencumbered previous-year revenue balances of non-current allocations from the General Fund accounts.

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 fiscal year ended June 30, 2020, the Corporation granted contributions to producers in the amount of $78,618.

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.

New Accounting Standards Adopted

GASB Statement No. 95, *Postponements of 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, 2019 and later.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The following area the more significant standards:

GASB Statement No. 83, *Certain Asset Retirement Obligations*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021, as amended by GASB Statement No. 95, *Postponement of the effective dates of Certain Authoritative Guidance*, which allowed for a one-year postponement of its effective date. Earlier application is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

GASB Statement No. 87, *Leases* The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 92, *Omnibus 2020*. The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement No. 87 and Implementation Guide 2019-3, 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 Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 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, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021. Earlier application is encouraged and is permitted by topic.

GASB Statement No. 95*, Postponement of the Effective Dates of Certain Authoritative Guidance*. The requirements of this Statement are effective immediately.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The requirements of this Statement are effective as follows:

- The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards Issued but Not Yet Adopted (Continued)

- The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021.
- All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Earlier application is encouraged and is permitted by specific requirement as follows:

1. Paragraph 4 of this Statement as it applies to arrangements other than defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans.
2. Paragraphs 6–9 of this Statement and the supersession of the remaining requirements of Statement 32 (as detailed in paragraph 3 of this Statement).

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

Subsequent Events

The Corporation evaluated subsequent events through June 15, 2022, 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 14**.

3. ACCOUNTS RECEIVABLE

Trade accounts receivable represent amounts from producers, artistic productions, and commissions from the productions reported net of allowances. Account receivable from governmental entities represents a contribution of $2,400,000 from the Commonwealth, net of allowances. Allowances for uncollectible accounts are reported based on management's best estimate of fiscal year-end considering type, collection history, and other appropriate factors. As of June 30, 2020, the Corporation reported the following amounts as account receivable:

	Amount
Trade	$ 121,064
Governmental entities	4,300
	125,364
Less allowance for doubtful accounts	
Trade	(107,177)
Governmental entities	(4,300)
	(111,477)
	$ 13,887

4. CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 2,593,000	$ -	$ -	$ 2,593,000
Construction in progress	142,629	84,288	(230,225)	(3,308)
	2,735,629	84,288	(230,225)	2,589,692
Capital assets, being depreciated:				
Building and betterments	28,828,305	218,389	(36,500)	29,010,194
Furniture and equipment	1,827,380	15,325	-	1,842,705
Musical instruments	323,375	-	-	323,375
Sound system equipment	2,758,869	-	-	2,758,869
Recording equipment	213,621	-	-	213,621
Illumination equipment	638,805	-	-	638,805
Motor vehicles	62,268	-	-	62,268
Total capital assets, being depreciated	34,652,623	233,714	(36,500)	34,849,837
Less accumulated depreciation for:				
Building and betterments	20,492,532	616,046	(28,896)	21,079,682
Furniture and equipment	1,317,103	102,619	-	1,419,722
Musical instruments	302,731	1,881	-	304,612
Sound system equipment	2,754,121	3,686	-	2,757,807
Recording equipment	213,621	-	-	213,621
Illumination equipment	607,803	5,178	-	612,981
Motor vehicles	34,576	6,390	-	40,966
Total accumulated depreciation	25,722,487	735,800	(28,896)	26,429,391
Total capital assets, being depreciated, net	$ 11,665,765	$(417,798)	$(237,829)	$ 11,010,138

5. COMPENSATED ABSENCES

The activity of compensated absences liability balance for the year ended of June 30, 2020, follows:

	Beginning balance	Additions	Deductions	Ending balance	Current
Compensated absences	$ 184,714	$ 110,701	$(37,038)	$ 258,377	$ 119,751

6. PENSION PLAN

Plan Description

The Commonwealth, through Act No. 106-2017, created a "New Defined Contribution Plan" (the Plan) that consisted of a trust fund, not subject to the provisions of Act No. 219-2012, known as "*The Trusts Act*", that will maintain an individual account for each participant of the Retirement Systems that becomes a participant of the plan. Substantially, all active employees and beneficiaries of the Employee Retirement System (ERS), will participate in the Plan.

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 (ERS). 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.

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).

Contributions

Contributions by members consist, as a minimum, of an 8.5% of their compensation directly deposited by the Treasury in the individual member accounts under the New Defined Contribution Plan created pursuant to Act No. 106-2017. Also, as of that date, System's participants shall make no individual contributions or payments to the accumulated pension benefits payment account or additional contributions to ERS.

6. PENSION PLAN (CONTINUED)

Participant Data as of July 1, 2019

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

The June 30, 2019, actuarial valuation contains more information on the census data provided by ERS.

Participant Data as of July 1, 2019:	
Active members	-
Inactive members in pay status	44
Total	44

The total pension liability was approximately $6,683,024 for reporting year ended June 30, 2020. The pension liability has a valuation date as of July 1, 2019, a measurement date of June 30, 2019, and rolled forward to June 30, 2020.

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2019, the actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Municipal bond index	3.50%, as per Bond Buyer General Obligation (GO) 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.
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-2019 from the 2016 base year and projected forward using MP-2019 on a generational basis. For members covered under Act No. 127, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for males and females adjusted to reflect Mortality Improvement Scale MP-2019 from the 2006 base year and projected forward using MP-2019 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.

6. PENSION PLAN (CONTINUED)

Actuarial methods and assumptions (Continued)

Mortality (Continued)	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-2019 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-2019 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Other Assumptions

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.

Proportionate Share and Actual Employer Benefit Payments

The following presents the Corporation's proportionate share of the total pension liability as of June 30, 2020, and the actual employer benefit payments during the fiscal year ended June 30, 2020:

Proportionate share	0.02689 %
Actual employer benefit payments	$ 356,504

6. PENSION PLAN (CONTINUED)

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 3.50%, as well as what it would be if it were calculated using a discount rate of 1-percentage point lower (4.50% percent) than the current rate:

	1% Decrease (2.50%)	Current Discount (3.50%)	1% Increase (4.50%)
Total pension liability	$ 7,598,815	$ 6,683,024	$ 5,937,679

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, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ -	$ 226,574
Changes in assumptions	217,014	172,774
Changes in proportion	586,585	-
Benefits payments made after measurement date	297,802	-
	$ 1,101,401	$ 399,348

Amount reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2020 will be recognized in the pension expense (benefit) in future years as follows:

Year ending June 30,	
2021	$ 101,063
2022	101,063
2023	101,063
2024	101,062
	$ 404,251

In addition, employer contributions 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 year ended June 30, 2020. This amount is not included above.

6. PENSION PLAN (CONTINUED)

Pension expense

The following presents the Corporation's pension benefit for the fiscal year ended June 30, 2020:

Proportionate share of pension expense	$	220,739
Net amortization from changes in proportion		146,647
Total pension expense	$	367,386

Pension Payments

During the fiscal year ended June 30, 2020, the Corporation's benefit payment to this plan amounted to $297,802. This amount represented 100% of the benefit payments for the corresponding year.

7. 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. 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 OPEB 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 OPEB 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.OPEB Plan members were eligible for benefits upon reaching the applicable retirement age. Act No. 3 of 2013 eliminated this healthcare benefit to the OPEB Plan members that retired after June 30, 2013.

7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Description (Continued)

On July 1, 2018, the membership consisted of 18 retired and disabled members.

During the fiscal year ended June 30, 2020, OPEB contributions paid to the pensioners amounted to $8,572.

Actuarial Methods and Assumptions

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019 (measurement date as of June 30, 2019). The actuarial valuation used the following actuarial assumptions applied to all periods in the measurement period:

Discount rate	The discount rate for June 30, 2019 was 3.50%. 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.

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

The following presents the total OPEB liability of the Corporation on June 30, 2019 calculated using the discount rate of 3.50%, as well as the Corporation's total OPEB liability if it was calculated using the discount rate of 1-percentage point lower (2.50%) or 1-percentage point higher (4.50%) than the current rate

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Other postemployment benefits liability	$ 149,425	$ 136,215	$ 125,034

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, 2020, 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, 2020, are as follows:

Proportionate share of OPEB Expense	$ 9,670
Net amortization from changes in proportion	8,002
Proportionate Share of OPEB expense	$ 17,672

7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Corporation Proportional Share from the ERS OPEB

The following table presents the Corporation's proportionate share of the total OPEB liability as of June 30, 2020, and the proportion percentage of the aggregate net pension liability of ERS allocated to the Corporation:

Corporation's proportion of the ERS total OPEB	0.01637 %
Corporation's proportionate share of the ERS total OPEB	$ 136,215

8. "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.

9. VOLUNTARY TERMINATION BENEFITS

In 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.

9. VOLUNTARY TERMINATION BENEFITS (CONTINUED)

The following is the voluntary termination liability for the year ended June 30, 2020:

	Beginning balance	Additions	Deductions	Ending balance	Current
Termination benefit	$ 1,215,640	$ 90,370 *	$(148,642)	$ 1,157,368	$ 145,557

* Additions include interest expense of $98,465 and changes in assumptions of $(8,095).

On June 30, 2020, the Corporation's unpaid long-term benefits granted by Act No. 70 was discounted at an interest rate of 1.50%.

10. 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 payable of the Corporation include, on June 30, 2020, the following balances considered related parties:

Balance due to other governmental entities:	
Puerto Rico Aqueduct and Sewer Authority	$ 45,192
Puerto Rico Electricity and Power Authority	79,966
Puerto Rico Department of the Treasury	22,989
	$ 148,147

11. 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 others 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.

12. REORGANIZATION OF THE COMMONWEALTH OF PUERTO RICO AND MITIGATION OF GOING CONCERN MATTERS

On May 3, 2017, the Puerto Rico Fiscal Oversight and Management Board (the PRFOMB), at the request of the Governor, commenced a Title III case for the Commonwealth by filing a petition for relief under Title III of PROMESA in the United States District Court for the District of Puerto Rico (the Title III Court). Title III of PROMESA incorporates the automatic stay provisions of Bankruptcy Code section 362 and 922, which are made applicable to Title III cases pursuant to PROMESA section 301(a). Accordingly, upon the filing of the Commonwealth's Title III case, an automatic stay immediately went into effect to stay creditor litigation.

After years of negotiations with creditors to draft a Debt Adjustment Plan (DAP), implementing annual balanced budgets and drafting a Certified Fiscal Plan (CFP), on January 18, 2022, the DAP presented by the PRFOMB was approved by US District Court Judge Laura Taylor Swain. The ruling significantly reduces the obligations of the Puerto Rico's central government and certain other instrumentalities. Starting in March 2022, the Commonwealth will resume payments to its creditors in the amount of $1.5 billion annually, for 30 years. The savings in debt service will allow liquidity to pay the PayGo pension benefits, in excess of $2 billion annually. However, certain creditors sought a stay as part of an appeal of the DAP. Nevertheless, on March 11, 2022, the US Court of Appeals for the First Circuit issued the denial order. Therefore, the DAP will go into effect on March 15, 2022.

The CFP is the road map for Puerto Rico's recovery and transformation. It aims to ensure efficient and affordable government services for the people and businesses of Puerto Rico and a more competitive economy, which collectively result in fiscal sustainability. PROMESA mandates a Fiscal Plan that provides a method to achieve fiscal responsibility and access to the capital markets and provide realistic revenue and expenditure estimates.

The Corporation is highly dependent on the Commonwealth to offset cash shortfalls for operations and additional cash needed for capital improvements. Therefore, the reorganization of the Commonwealth, as discussed herein, is important for the future sustained liability of the Corporation. Furthermore, for the fiscal year ending June 30, 2023 budget, the Oversight Board approved approximately $3.8 million to the Corporation, including operating revenues of $2.3 million. This assignment should mitigate the risk of going concern uncertainty through the end of fiscal year 2023.

13. 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 CFP, 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).

14. SUBSEQUENT EVENTS

Capital Expenditures

On June 26, 2020, the Puerto Rico Office of Management and Budget (PROMB) approved for the fiscal year ended June 30, 2021, a capital contribution of $2,400,000 to upgrade the lighting system to LED and building improvements. These funds were transferred to the Corporation on August 18, 2021, and will be presented as a deferred capital contribution and amortized as funds are disbursed for the assigned capital improvements. Then, on April 30, 2021, a second capital contribution of $2,400,000 was approved, of which $1,660,000 was collected on April 30, 2021 and the difference was collected in monthly installments until June 30, 2021. During the year ended June 30, 2021, the Corporation incurred $1,172,267 in capital improvements related to these contributions, and the utilization of the remaining balance has been extended to future years.

Small Business Administration Grant

On April 26, 2021, the Corporation applied for a Shuttered Venue Operators Grant (SVOG) with the Small Business Administration (SBA). 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 were issued, the application was approved by the SBA for $2,005,870.

Premium Pay

In September 2021, the Corporation received approval from PROMB to receive $90,000 from the Premium Pay Program. The Corporation collected $76,000 and $14,000 on September 13, 2021 and September 20, 2021, respectively. This program represents a reward to essential workers within the public and private sector who responded to the effect of COVID-19. The Corporation distributed the funds between forty-five employees.

American Rescue Plan

On September 30, 2021, the Corporation received approval from PROMB to receive $3,000,000 from the American Rescue Plan funds (ARP), due to the effects of the COVID-19 pandemic on the industry of entertainment. The Corporation collected these funds on October 5, 2021.

Federal Emergency Management Agency

On October 28, 2021, the Corporation received $300,000 from the Federal Emergency Management Agency through the Central Office for Recovery, Reconstruction, and Resiliency following 44 CFR Section 13.21 in response to the loss of the insurance proceeds due to the insurance company's bankruptcy.

Noncompliance with Operating Revenues Budget

See **Note 12** for the disclosure of this matter.

14. SUBSEQUENT EVENTS (CONTINUED)

Memorandum of Understanding

The Oversight Board will execute and implement a Memorandum of Understanding (MOU) with the Corporation and Musical Arts Corporation that consolidates administrative and back-office functions such as human resources, finance, communications, legal, and information technology in compliance with the 2022 Fiscal Plan. Part of this collaboration includes identifying duplicate back-office positions and roles, redesigning internal procedures to eliminate non-value-added tasks, incorporating best practices to replace manual processes with automation and innovative solutions, training employees who have been reassigned to different positions, and educating employees on newly implemented automated processes.

The execution plan must include a clear description of the shared services to be offered and the new structure. The execution plan will include an incentive of $450,000 in additional payroll expenses once the MOU is drafted, reviewed by the Oversight Board, and executed by or before December 31, 2022.

REQUIRED SUPPLEMENTAL 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

FISCAL YEAR ENDED JUNE 30, 2020

	2020 (Measured as of June 30, 2019	2019 (Measured as of June 30, 2018	2018 (Measured as of June 30, 2017)
Proportion of the total pension liability	0.02689 %	0.02587 %	0.02388 %
Proportionate share of the total pension liability **(a)**	$ 6,683,024	$ 6,335,950	$ 6,736,168
Covered-employee payroll **(b)**	N/A	N/A	N/A
Total pension liability as a % of covered payroll **(a)/(b)**	N/A	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's effectiveness, as more fully disclosed in **Note 6** 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

FISCAL YEAR ENDED JUNE 30, 2020

	2020 (Measured as of June 30, 2019	2019 (Measured as of June 30, 2018	2018 (Measured as of June 30, 2017)
Proportion of the total other postemployment benefits liability	0.01637 %	0.01542 %	0.01399 %
Proportionate share of the total other postemployment benefits liability	$ 136,215	$ 129,837	$ 128,773
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	3.50%
20 Year Tax-Exempt Municipal Bond Yield	3.50%

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, 2019 valuation that was dated January 28, 2022, for the other actuarial assumptions used.

Valuation date	July 1, 2018
Measurement date	June 30, 2019
Actuarial cost method	Entry Age Normal

Total Other Postemployment Benefits Liability

Discount Rate

Discount rate	3.50%
20 Year Tax-Exempt Municipal Bond Yield	3.50%

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, 2019 valuation dated January 25, 2022 for the other actuarial assumptions used.

Valuation date	July 1, 2018
Measurement date	June 30, 2019
Actuarial cost method	Entry Age Normal
Medical trend rate	Not applicable

2. FUNDING PROCESS

Total 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, *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 Postemployment 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 is provided through legislative appropriations. However, the Commonwealth claims reimbursements from the Corporation, monthly, 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 Postemployment 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.