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, 2021

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

FISCAL YEAR ENDED JUNE 30, 2021

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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 basic 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, 2021, 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, 2021, 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 **37** through **40** 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.

February 2, 2023

Crowe PR PSC

Stamp number E521647 was affixed to the original of this report.

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, 2021. 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

The following are some of the highlights from the fiscal year 2021:

1) The Corporation's net position increased by $4,705,772, or 58% for the fiscal year 2021 compared to the prior fiscal year.

2) The unrestricted net deficit increased by $182,031, or 3% compared to the prior fiscal year.

3) Operating revenues in the form of charges and services decreased by $1,173,053, or 62% compared to the prior fiscal year.

4) The Corporation's operating expenses decreased by $938,695 or 17% compared to the prior fiscal year.

5) Total operating loss decreased by $234,358, or 6% compared to the prior fiscal year.

6) Capital contributions increased by $4,740,000, or 7,900% compared to the prior fiscal year.

7) Capital assets decreased by $385,605, or 3% 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 on 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, 2021, and 2020:

CONDENSED STATEMENTS OF NET POSITION

	2021	2020	Change	Total % Change
Assets				
Current assets	$ 1,990,890	$ 2,471,068	$(480,178)	(19)%
Capital assets	11,195,905	11,581,510	(385,605)	(3)%
Other assets	7,362,191	2,088,783	5,273,408	252 %
Total assets	20,548,986	16,141,361	4,407,625	27 %
Deferred outflows of resources	1,676,866	1,110,501	566,365	51 %
Liabilities				
Current liabilities	1,032,522	1,097,171	(64,649)	(6)%
Non-current liabilities	7,603,279	7,662,774	(59,495)	(1)%
Total liabilities	8,635,801	8,759,945	(124,144)	(1)%
Deferred inflows of resources	791,710	399,348	392,362	98 %
Net position				
Investment in capital assets	11,195,905	11,581,510	(385,605)	(3)%
Restricted	7,362,191	2,088,783	5,273,408	252 %
Unrestricted deficit	(5,759,755)	(5,577,724)	(182,031)	3 %
Total net position	$ 12,798,341	$ 8,092,569	$ 4,705,772	58 %

Current assets - The Corporation's current assets decreased by $480,178 or 19% from $2,471,068 on June 30, 2020, to $1,990,890 on June 30, 2021, mostly due to the reclassification of the cash from the current surplus generated revenues to noncurrent in compliance with Act 26-2017, *Fiscal Plan Compliance Act*. See **Note 2**, *Cash and Restricted Cash.*

Capital assets - The Corporation's capital assets decreased by $385,605 or 3% from $11,581,510 on June 30, 2020, to $11,195,905 on June 30, 2021. 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 $723,173, offset by capital additions of $337,568. Of these capital additions, $74,750 were incurred with the capital contributions from the Commonwealth.

FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)

Other assets - Other assets increased by $5,273,408, or 252%, compared to the prior year. Other assets consist of restricted cash from the surplus of the generated revenues from the prior years and the unearned capital contributions as of June 30, 2021. The surplus of the generated revenues from current and prior years shall be deemed available resources of the Commonwealth or the Corporation as determined by the Oversight Board.

Current liabilities - Current liabilities consist primarily of accounts payable and accrued liabilities. The current liabilities decreased by $64,649 or 6% from $1,097,171 on June 30, 2020, to $1,032,522 on June 30, 2021.

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 decreased by $59,495 or 1% mostly due to the payment process of liabilities.

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 $4,705,772 or 58% compared to the prior fiscal year mostly due to the effect of no activities during the fiscal year as a result of the COVID-19 pandemic lockdown. 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

	2021	2020	Change	Total % Change
Operating revenues				
Rental of facilities	$ 235,965	$ 703,079	$(467,114)	(66)%
Food and beverage	2,339	131,220	(128,881)	(98)%
Parking	330,249	459,276	(129,027)	(28)%
Box office	17,503	445,205	(427,702)	(96)%
Services to producers	92,521	119,362	(26,841)	(22)%
Other	32,342	25,830	6,512	25 %
Total operating revenues	710,919	1,883,972	(1,173,053)	(62)%

Continues.

FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)

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

	2021	2020	Change	Total % Change
Operating expenses				
Salaries, payroll taxes and fringe benefits	1,473,284	1,642,295	(169,011)	(10)%
Pension expense	356,781	435,874	(79,093)	(18)%
OPEB expense (benefit)	(27,554)	8,572	(36,126)	(421)%
Voluntary termination benefits	9,180	90,370	(81,190)	(90)%
Professional and consulting services	158,893	334,984	(176,091)	(53)%
Utilities	1,162,747	1,365,117	(202,370)	(15)%
Repairs and maintenance	139,630	191,464	(51,834)	(27)%
Food and beverage	-	43,922	(43,922)	(100)%
Security	113,217	121,726	(8,509)	(7)%
Insurance	463,100	440,057	23,043	5 %
Depreciation and amortization	723,173	735,800	(12,627)	(2)%
Cultural contributions to producers	76,797	78,618	(1,821)	(2)%
Bank charges	13,980	41,059	(27,079)	(66)%
Equipment rental	29,602	29,590	12	- %
Administrative supplies	56,143	72,595	(16,452)	(23)%
Other	-	55,625	(55,625)	(100)%
Total operating expenses	4,748,973	5,687,668	(938,695)	(17)%
Operating loss	(4,038,054)	(3,803,696)	(234,358)	6 %
Other nonoperating revenues				
Commonwealth contributions	3,943,447	3,312,428	631,019	19 %
Interest income	379	19,097	(18,718)	(98)%
Total nonoperating revenues	3,943,826	3,331,525	612,301	18 %
Capital contributions				
Municipal capital contribution	-	60,000	(60,000)	(100)%
Commonwealth contributions	4,800,000	-	4,800,000	100 %
Total capital contributions	4,800,000	60,000	4,740,000	7,900 %
Changes in net position	4,705,772	(412,171)	5,117,943	(1,242)%
Total net position, beginning of year	8,092,569	8,504,740	(412,171)	(5)%
Total net position, end of year	$ 12,798,341	$ 8,092,569	$ 4,705,772	58 %

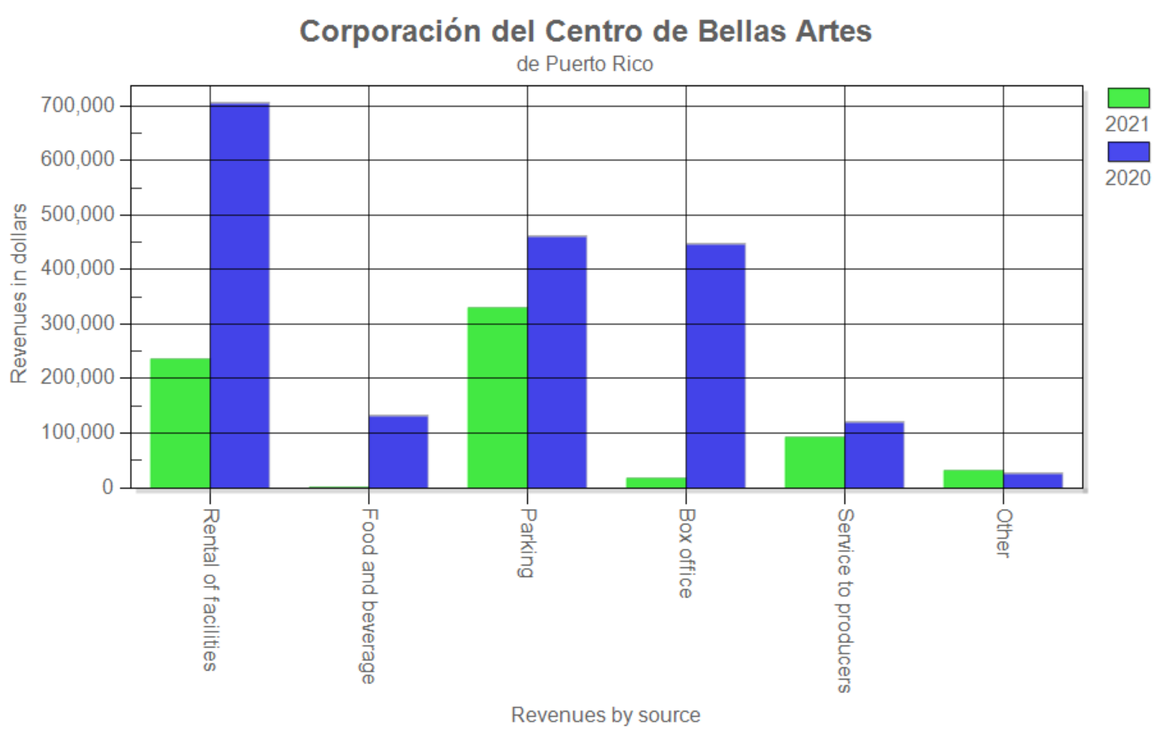
FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)

Operating Revenues - The Corporation's operating revenues (excluding nonoperating items) decreased by $1,173,053 or 62%, compared to the prior fiscal year. The operating revenues amounted to $710,919 and $1,883,972 for the fiscal years ended June 30, 2021, and 2020, respectively. Operating revenues decreased by the lockdown imposed by the Governor of the Commonwealth as a result of the COVID-19 pandemic.

Operating expenses - The total expenses decreased by $938,695 or 17% during the present fiscal year compared to the prior fiscal year as the result of the lockdown imposed by the Governor of the Commonwealth due to the COVID-19 pandemic.

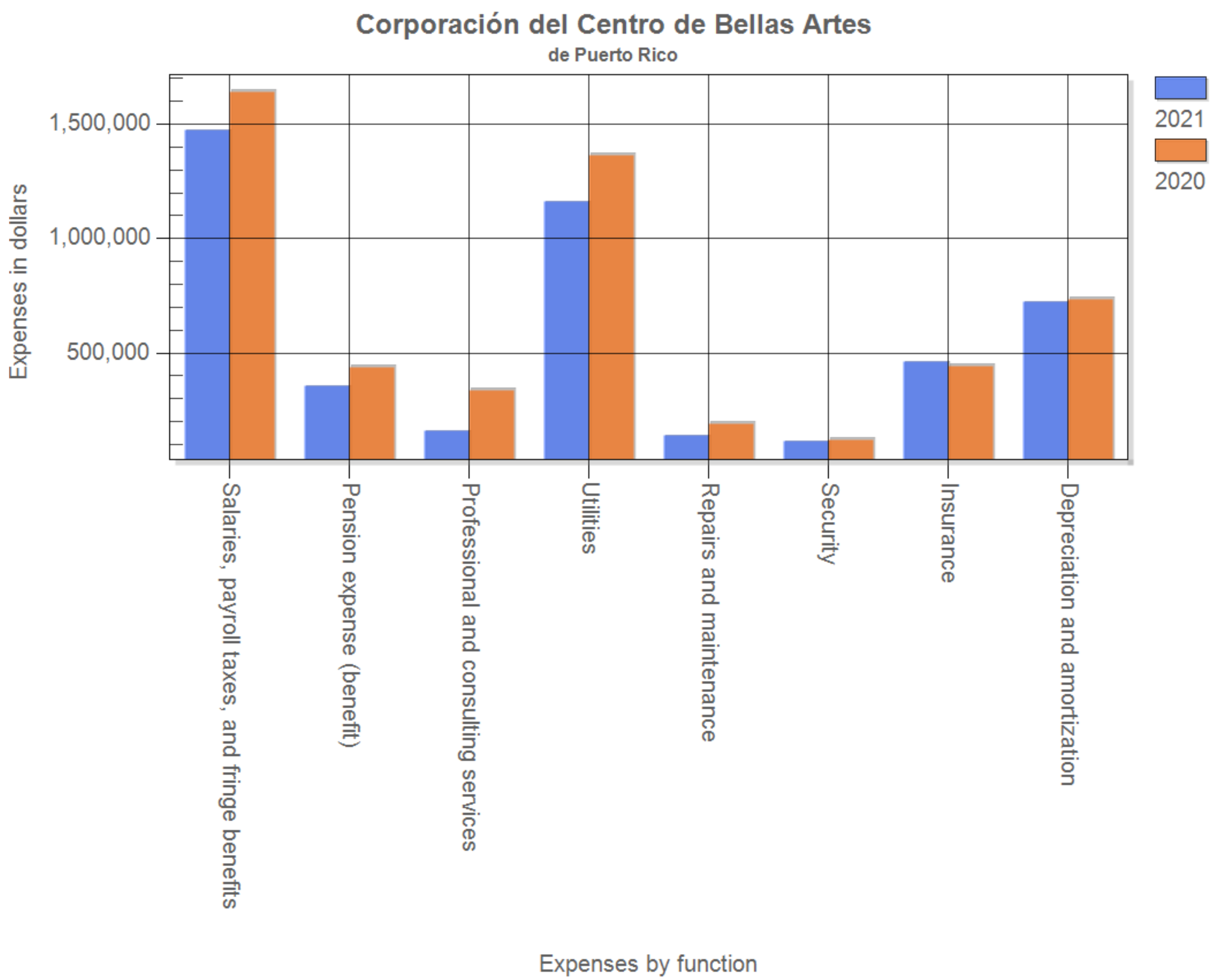
Capital contributions - In the fiscal year 2021, the Corporation received two capital contributions of $2,400,000 from the Commonwealth. These capital contributions are intended for the Corporation to upgrade the lighting system to LED and other building improvements. See **Note 12**, *Capital Contributions and Expenses*, and **Note 17**, *Subsequent Events*.

The following chart presents revenues comparison by sources of the Corporation for the fiscal years ended June 30, 2021 and 2020:



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, 2021, and 2020:



BUDGETARY HIGHLIGHTS

The consolidated budget for the fiscal year 2021-2020 was $7,781,000. The resources include: $5,515,000 coming from the General Budget; and $2,266,000 from Operating Revenues.

The following table summarizes the budget for the fiscal years ended June 30, 2021, and 2020:

BUDGET COMPARISON

Revenues	2021	2020	Change
Commonwealth contributions	$ 5,515,000	$ 3,304,000	$ 2,211,000
Operating revenues	2,266,000	2,558,000	(292,000)
Total revenues	$ 7,781,000	$ 5,862,000	$ 1,919,000

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, 2021

ASSETS	
Current assets	
Cash	$ 803,714
Accounts receivable, net	768,815
Other assets, principally prepaid insurance	418,361
Total current assets	1,990,890
Non-current assets	
Restricted cash	7,362,191
Capital assets, net of accumulated depreciation	10,624,533
Artwork	571,372
Total non-current assets	18,558,096
	20,548,986
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	1,668,666
Other postemployment benefits related	8,200
Total deferred outflows of resources	1,676,866
LIABILITIES	
Current liabilities	
Accounts payable	201,367
Accrued expenses	39,277
Deposits from clients	66,370
Collections on behalf of producers	130,563
Compensated absences	119,751
Voluntary termination benefits payable	145,557
Total other postemployment benefit liability	8,200
Total pension liability	321,437
Total current liabilities	1,032,522
Non-current liabilities	
Compensated absences	119,517
Voluntary termination benefits payable	872,348
Total other postemployment benefit liability	99,561
Total pension liability	6,511,853
Total non-current liabilities	7,603,279
Total liabilities	8,635,801
DEFERRED INFLOWS OF RESOURCES	
Pension related	791,710
	791,710
NET POSITION	
Investment in capital assets	11,195,905
Restricted	7,362,191
Unrestricted deficit	(5,759,755)
Total net position	$ 12,798,341

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, 2021

Operating revenues	
Rental of facilities	$ 235,965
Food and beverage	2,339
Parking	330,249
Box office	17,503
Services to producers	92,521
Other	32,342
Total operating revenues	710,919
Operating expenses	
Salaries, payroll taxes and fringe benefits	1,473,284
Pension expense	356,781
OPEB expense	(27,554)
Voluntary termination benefits	9,180
Professional and consulting services	158,893
Utilities	1,162,747
Repairs and maintenance	139,630
Security	113,217
Insurance	463,100
Depreciation and amortization	723,173
Cultural contributions to not-for-profit producers	76,797
Bank charges	13,980
Equipment rental	29,602
Administrative supplies	56,143
Total operating expenses	4,748,973
Operating loss	(4,038,054)
Non-operating revenues	
Commonwealth contributions	3,943,447
Interest income	379
Total non-operating revenues	3,943,826
Capital contributions	
Commonwealth contributions	4,800,000
Total capital contributions	4,800,000
Change in net position	4,705,772
Total net position, at beginning of year	8,092,569
Total net position, end of year	$ 12,798,341

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, 2021

Cash flows from operating activities	
Receipts from customers	$ 643,194
Payments to suppliers	(2,164,523)
Payments to employees	(1,492,393)
Termination benefits payments	(148,643)
Pension payments	(381,418)
Other receipts	1,328
Net cash used in operating activities	(3,542,455)
Cash flows provided by non-capital financing activities;	
Commonwealth contributions	3,943,447
Cash flows from capital and related financing activities	
Capital expenditures	(337,568)
Capital contribution	4,060,000
Net cash provided by capital and related financing activities	3,722,432
Cash flows provided by investing activities;	
interest received	379
Net increase in cash	4,123,803
Cash, including restricted cash, at beginning of year	4,042,102
Cash, including restricted cash, at end of year	$ 8,165,905
Total Cash and Restricted Cash as shown in the Statement of Net Position	
Cash	$ 803,714
Restricted cash	7,362,191
	$ 8,165,905

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, 2021

Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$(4,038,054)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	723,173
Change in assets and liabilities:	
Decrease (increase) in:	
Accounts receivable	(14,929)
Other assets	85,501
Deferred outflows of resources - pension related	(567,265)
Deferred outflows of resources - Other postemployment benefits related	900
Increase (decrease) in:	
Accounts payable	(35,915)
Accrued expenses	1,329
Deposits from clients	(20,865)
Collections on behalf of producers	(31,932)
Compensated absences	(19,109)
Voluntary termination benefits payable	(139,463)
Total pension liability	150,266
Total other postemployment benefits liability	(28,454)
Deferred inflows of resources - pension related	392,362
Total adjustments	495,599
Net cash used in operating activities	$(3,542,455)

See notes to the financial statements.

1. ORGANIZATION

The "Corporación del Centro de Bellas Artes de Puerto Rico" (the Corporation) was created by Act No. 43 of May 12, 1980, of the Commonwealth of Puerto Rico (the Commonwealth) to manage the complex of performing arts facilities known as 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. The Commonwealth is financially accountable for the Corporation because of its fiscally dependent status on the Commonwealth contributions and for the Corporation's specific financial benefits to, or specific financial burdens on, the Commonwealth.

The Corporation is exempt from the payment of taxes on its revenues and properties.

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. The Commonwealth contributions and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Corporation distinguishes between operating and non-operating revenues and expenses in the Statements of Revenues, Expenses, and Changes in Net Position. Operating revenues result from exchange transactions associated with the Corporation administration of the "Centro de Bellas Artes", which consists of the rental of facilities, parking, and sales of tickets. Non-exchange revenues include contributions from the Commonwealth for purposes other than capital acquisition and are reported as non-operating revenues. Operating expenses for the Corporation include salaries, utilities, and depreciation on capital assets.

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 estimates and assumptions include 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 Restricted Cash

Cash

The Corporation's cash consists of 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) at the end of each fiscal year, if an extension for its use is not granted by the Puerto Rico Office of Management and Budget (PROMB) and by the Financial Oversight and Management Board for Puerto Rico (the Oversight Board), if not restricted by other enabling legislation, and 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, 2021, the Corporation has $3,323,166 in cash from surplus generated revenues subject to the requirements of Act No. 26-2017.

In 2021, the Corporation received two capital contributions from the Commonwealth, for the upgrade of the lighting system to LED and for the improvement of the Corporation's building. As of June 30, 2021, the Corporation has $4,039,025 cash restricted for capital improvements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

The Corporation maintains cash in bank accounts. The laws of Puerto Rico require that public funds deposited in commercial banks be collateralized when funds exceed the amount insured by the Federal Deposit Insurance Corporation. The securities pledged by the banks as collateral for those deposits are under custody of the Secretary of the Treasury in the name of the Commonwealth.

Accounts Receivable and Allowance for Doubtful Accounts

The allowance for doubtful accounts is an amount that management believes will be adequate to absorb 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

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.

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 fiscal year ended June 30, 2021, the Corporation evaluated its capital assets for impairment; if any, it would not have a material impact on 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 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. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

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.

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. 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.

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 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 reached 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. Refer to **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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Non-operating Revenue

The Corporation receives contributions from the Commonwealth for its operations, including contributions for capital outlays. Both types of contributions are recognized when granted.

As provided by Act 26-2017, *Fiscal Plan Compliance Act* (Act 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 June 30, 2021, the Corporation's cash balances do not include unencumbered previous-year revenue balances of non-current allocations from the General Fund accounts.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 considering 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.

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 on future financial statements. The following area has the more significant standards:

GASB Statement No. 87, *Leases*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The objective of this statement is to better meet the information needs of financial statement 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 financing 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 assets, 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, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards Issued but Not Yet Adopted (Continued)

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

The effective dates of certain provisions contained in the following pronouncements are postponed by one year after the original implementation date:

– GASB Statement No. 92, *Omnibus 2020*.

– GASB Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*

– GASB Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*

– GASB Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*

The effective dates of the following pronouncements are postponed by 18 months after the original implementation date:

– GASB Statement No. 87, *Leases*

– GASB Implementation Guide No. 2019-3, *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.

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* (GASB Statement No. 97). 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.

- 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards Issued but Not Yet Adopted (Continued)

GASB Statement No. 97 (Continued)

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 for adoption, as required.

GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for fiscal years beginning after June 15, 2023. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023. Earlier application is encouraged.

Subsequent Events

The Corporation evaluated subsequent events through February 2, 2023, 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. ACCOUNTS RECEIVABLE

Trade accounts receivable represent amounts from producers, artistic productions, and commissions from the productions reported 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, 2021, the Corporation reported the following amounts as accounts receivable:

	Amount
Commonwealth capital contributions	$ 740,000
Trade	62,272
Governmental entities	51,324
	853,596
Less allowance for doubtful accounts:	
Trade	(37,954)
Governmental entities	(46,827)
	(84,781)
	$ 768,815

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4. CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 2,593,000	$ -	$ -	$ 2,593,000
Capital assets, being depreciated:				
Building and betterments	29,010,194	285,117	-	29,295,311
Furniture and equipment	1,839,397	52,451	-	1,891,848
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	34,846,529	337,568	-	35,184,097
Less accumulated depreciation for:				
Building and betterments	21,079,682	622,104	-	21,701,786
Furniture and equipment	1,419,722	83,065	-	1,502,787
Musical instruments	304,612	1,881	-	306,493
Sound system equipment	2,757,807	750	-	2,758,557
Recording equipment	213,621	-	-	213,621
Illumination equipment	612,981	8,983	-	621,964
Motor vehicles	40,966	6,390	-	47,356
Total accumulated depreciation	26,429,391	723,173	-	27,152,564
Total capital assets, being depreciated, net	$ 11,010,138	$(385,605)	$ -	$ 10,624,533

5. COMPENSATED ABSENCES

The activity of compensated absences liability balance for the year ended of June 30, 2021, follows:

	Beginning balance	Additions	Deductions	Ending balance	Current
Compensated absences	$ 258,377	$ 137,216	$(156,325)	$ 239,268	$ 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 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.

Participant Data as of July 1, 2020

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

The June 30, 2020, actuarial valuation contains more information on the census data provided by ERS.

Participant Data as of July 1, 2020:	
Active members	46
Inactive members in pay status	11
Total	57

The total pension liability was approximately $6,833,290 for the reporting year ended June 30, 2021. The pension liability has a valuation date as of July 1, 2019, a measurement date of June 30, 2020, and rolled forward to June 30, 2021.

6. PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2020, 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	2.21%, 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, PubG-2010 Employee Mortality Rates, adjusted by 100% for males and 110% for females, projected to reflect Mortality Improvement Scale MP-2020 on a generational basis. For members covered under Act No. 127, the PubS-2010 Employee Mortality Rates are assumed for males and females, projected to reflect Mortality Improvement Scale MP-2020 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 Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2020 on a generational basis. Prior to retiree's death, beneficiary mortality is assumed to be the same as the post-retirement healthy retiree mortality. For periods after the retiree's death, the PubG-2010(B) contingent survivor rates, adjusted by 110% for males and 120% for females, projected using MP-2020 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement. Post-Retirement Disabled Mortality: Rates which vary by gender are assumed for disabled retirees based on a study of the plan’s experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP-2020 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

6. PENSION PLAN (CONTINUED)

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, 2021, and the actual employer benefit payments during the fiscal year ended June 30, 2021:

Proportion	0.02434 %
Actual employer benefit payments	$ 322,439

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

The following presents the Corporation proportionate share of the total pension liability calculated using the discount rate of 2.21%, as well as what it would be if it were calculated using a discount rate of 1-percentage point lower (3.21% percent) than the current rate:

	1% Decrease (1.21%)	Current Discount (2.21%)	1% Increase (3.21%)
Total pension liability	$ 7,837,087	$ 6,833,290	$ 6,021,833

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, 2021:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 14,095	$ 153,824
Changes in assumptions	857,852	117,298
Changes in proportion	439,938	520,588
Benefits payments made after measurement date	356,781	-
	$ 1,668,666	$ 791,710

6. PENSION PLAN (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, 2021, will be recognized in the pension expense (benefit) in future years as follows:

Year ending June 30,		
2022	$	130,044
2023		130,044
2024		130,044
2025		130,044
	$	520,176

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, 2021. This amount is not included above.

Pension expense

The pension expense for the fiscal year ended June 30, 2021, is $356,781.

Pension Payments

During the fiscal year ended June 30, 2021, the Corporation's benefit payment to this plan amounted to $356,781. 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).

7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Description (Continued)

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.

On July 1, 2019, the membership consisted of 16 retired and disabled members.

Actuarial Methods and Assumptions

The total OPEB liability as of June 30, 2021, was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020 (measurement date as of June 30, 2020). The actuarial valuation used the following actuarial assumptions applied to all periods in the measurement period:

Discount rate	The discount rate for June 30, 2020 was 2.21%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the 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.

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, 2020, calculated using the discount rate of 2.21%, as well as the Corporation's total OPEB liability if it was calculated using the discount rate of 1-percentage point lower (1.21%) or 1-percentage point higher (3.21%) than the current rate

	1% Decrease 1.21%	Current Discount Rate 2.21%	1% Increase 3.21%
Other postemployment benefits liability	$ 118,798	$ 107,761	$ 98,423

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, 2021, the payments made subsequent to the measurement date are recognized as deferred outflows of resources.

7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Other Postemployment Benefit Expense

The OPEB benefit for the fiscal year ended June 30, 2021, is $(27,554).

Corporation Proportionate Share

The following table presents the Corporation's proportionate share of the total OPEB liability as of June 30, 2021, and the proportion percentage of the aggregate total pension liability of ERS allocated to the Corporation:

Corporation's proportion of the ERS total OPEB	0.01232 %
Corporation's proportionate share of the ERS total OPEB	$ 107,761

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 de Puerto Rico". 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.

9. 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, 2021, the Corporation granted contributions to producers in the amount of $76,797.

10. 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. The implementation of Act No. 70 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 as a 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 the age and 30 years of credited service requirements in the Retirement System.

10. VOLUNTARY TERMINATION BENEFITS (CONTINUED)

The following is the voluntary termination liability for the year ended June 30, 2021:

	Beginning balance	Additions	Deductions	Ending balance	Current
Termination benefits	$ 1,157,368	$ 9,180 *	$(148,643)	$ 1,017,905	$ 145,557

* Additions include interest expense of $92,370 and changes in assumptions of $(83,190).

On June 30, 2021, the Corporation's unpaid long-term benefits granted by Act No. 70 were discounted at an interest rate of 1.70**%.**

11. 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 of the Corporation on June 30, 2021, include the following balances considered by related parties:

Balance due from other governmental entities:

Puerto Rico Symphony Orchestra Corporation	$ 34,735
Puerto Rico Department of Education	6,050
Other	10,539
	$ 51,324

The accounts payable of the Corporation on June 30, 2021, include the following balances considered by related parties:

Balance due to other governmental entities:

Puerto Rico Department of Treasury	$ 31,742
Puerto Rico Electric Power Authority	18,249
	$ 49,991

12. CAPITAL CONTRIBUTIONS AND 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, 2020. Then, on April 30, 2021, a second capital contribution of $2,400,000 was approved, of which $1,660,000 was collected immediately and the remaining balance through monthly installments of $61,667. Then, On June 22, 2022, the PROMB approved an increase of the capital contributions by $700,000 to acquire a power generator.

As of the date these financial statements were issued, the Corporation's capital projects are:

	Budgeted
Equipment	$ 1,812,696
Lighting system upgrades, including consultant	1,663,801
Cashier system	164,735
Public elevator	150,925
Waterproofing	549,216
Construction	967,627
Mural "Las Musas" restoration	80,000
Other	111,000
	$ 5,500,000

Refer to **Note 17**, *Subsequent Events*, for fund extensions.

On June 21, 2021, the Corporation signed a subrecipient agreement under the cost-reimbursement method with the Puerto Rico Department of Housing to receive $767,746 from the Community Development Block Grant - Disaster Recovery (CDBG-DR). CDBG-DR program is a federal program assigned to match the Federal Emergency Management Agency (FEMA) budgets. The agreement consists of three projects with matching percentages ranging between 63% through 90%. As of June 30, 2021, the Corporation had not received or expensed funds under this assignment.

13. CONTINGENCIES

Litigation and Claims

The Corporation is involved in litigations arising in 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. ALLEVIATED GOING CONCERN

In 2017, the United States Congress pursuant to the Puerto Rico Oversight, Management and Economic Stability Act (PROMESA), established the Oversight Board, which resulted in the orderly restructuring of the Commonwealth obligations and an extended budgetary based on economic discipline. On January 18, 2022, the Title III Court confirmed the Eight Amended Plan of Adjustment (PoA), which became effective on March 15, 2022. On that date, the Commonwealth emerged from Title III of PROMESA.

Historically, the Commonwealth has been contributing to public corporations that are not self-sufficient. Furthermore, it is in the Commonwealth's best interest to promote the so-needed performing arts, and in the first annual budget after the approval of the PoA, the Commonwealth approved $33,000,000 for three institutions involved in cultural affairs, including the Corporation.

Therefore, management believes that the matters discussed herein should allow the Corporation a reasonable opportunity to continue as a going concern for a period of one year after the release of the financial statements.

15. 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).

16. PUERTO RICO ELECTRIC POWER AUTHORITY (PREPA) EMPLOYEES' MOBILITY

Since June 1, 2021, the Corporation has contracted four employees under the Puerto Rico Electric Power System Transformation Act (Act 120-2018). These were former employees of the Puerto Rico Electric Power Authority (PREPA) and participants of the Employees' Retirement System of the Puerto Rico Electric Power Authority (the PREPA ERS Plan). Currently, funds have been budgeted to meet the employees' salaries but not to meet the pension obligation due to the PREPA ERS Plan. Refer to **Note 17**, *Subsequent Events*.

Furthermore, even when Act 120-2018 and (Act 8 of 2017), Government of Puerto Rico Human Resources, Administration Act (Act 8 of 2017), clearly provide for the contracting agencies to assume all benefit obligations of the mobilized employers, at the present time, it is impracticable to determine if the Corporation will be responsible for assuming pension obligations created in negations between the public corporation and the labor union representing the employees of said entity. Therefore, no pension obligation has been recorded as of June 30, 2022. If an obligation were to be recorded, a basic estimate could be in the $1,200,000 range.

17. SUBSEQUENT EVENTS

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.

On July 8, 2022, the PROMB approved from ARP funds $1,000,000 for the acquisition of new chairs for the "Sala de Festivales", "Sala de Drama" and "Sala Experimental" of the Corporation to comply with the actual safety codes. Then, on August 19, 2022, the PROMB approved $800,000 for a second round of ARP funds for the same project.

On December 5, 2022, the Secretary of the Disbursement Oversight Committee of the Oversight Board issued Resolution 2022-184, to authorize an allocation of $90,000 from the Cultural Rescue Program to the Corporation to cover costs of general maintenance services for six months.

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.

Alleviated Going Concern

See **Note 14** for the disclosure of this matter.

Capital Contributions

On October 4, 2021, the Oversight Board approved for the fiscal year ended June 30, 2022, a reapportionment of $500,000 to reclassify FY2021 Capital Expenditures (CaPex) appropriation to complete the funding of an ongoing CaPex project related to the acquisition of a new lighting system for the theaters.

On April 11, 2022, the Oversight Board approved a fund extension of the unused capital contribution funds of $2,217,062 granted in FY2021 until June 30, 2023, to continue improvements to its facilities.

On April 12, 2022, the Oversight Board approved a third extension until June 30, 2023, of FY2020 CaPex funds amounting $1,418,671 related to permanent improvements to the Corporation's infrastructure which include the acquisition of a generator, a lighting system, and a handicap elevator.

17. SUBSEQUENT EVENTS

Capital Contributions (Continued)

On June 22, 2022, the Puerto Rico Office of Management and Budget (PROMB) approved for the fiscal year ended June 30, 2022, a capital contribution of $700,000 for the acquisition of a new power generator.

Operating Contributions

Subsequently, PROMB approved reapportionments, extensions, and releases of funds amounting to $318,438 from the Corporation's current and past budgets.

The funds were assigned as follows:

Professional services	$	193,438
Insurance premiums		125,000
	$	318,438

Also, PROMB approved intergovernmental transfers amounting to $636,290 to cover legal costs of $40,000 and insurance premiums of $493.082, including $103,208 from the Utility Reserve under PROMB custody to cover a need in Puerto Rico Electric Power Authority (PREPA) expenses.

Puerto Rico Electric Power Authority Employees Mobility

On February 23, 2022, PROMB approved $268,259 to cover the salaries of the employees transferred from the Puerto Rico Electric Power Authority. Refer to **Note 16** for more information.

On November 16, 2022, the Board of Trustees of the Puerto Rico Electric Power Authority Retirement System (the PREPA Plan) requested the payment of the employer contributions related to the employees transferred to the Corporation under Act 120 of June 20, 2018, *Act to Transform the Puerto Rico Energy System*. As of October 31, 2022, the balance claimed amounts to $252,432. Though on January 26, 2023, the ERS clarified that the percentage of the contributions in relation to those employees under Act 120-2018 shall be 6.51%, which reduces the Corporation’s contribution significantly if it becomes a participant employer of the PREPA Plan.

However, as of the date these financial statements were issued, it was impracticable to determine what entity would assume the pension liability of the employees in mobility. One alternative under consideration is to fund PREPA Plan participants' pension liability, including those participants in mobility, through a monthly charge to be billed to PREPA customers. It is impracticable to determine if the Corporation will finally be required to assume this obligation. Accordingly, a provision for the pension liability of these employees has not been recognized in the financial statements of the Corporation.

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, 2021

	2021 (Measured as of June 30, 2020)	2020 (Measured as of June 30, 2019)
Proportion of the total pension liability	0.02434 %	0.02689 %
Proportionate share of the total pension liability **(a)**	$ 6,833,290	$ 6,683,024
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:

No assets are accumulated in a trust that meets the criteria in paragraph .101 of 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) for the payment of these benefits.

The schedule is intended to show information for ten years; however, for the Corporation, only information after July 1, 2019, at the implementation of 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, 2021

	2021 Measurement as of 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	0.01232 %	0.01637 %	0.01542 %	0.01399 %
Proportionate share of the total other postemployment benefits liability	$ 107,761	$ 136,215	$ 130,901	$ -
Covered employee payroll	N/A	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	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, 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	2.21%
20 Year Tax-Exempt Municipal Bond Yield	2.21%

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, 2020, valuation that was dated January 28, 2022, for the other actuarial assumptions used.

Valuation date	July 1, 2019
Measurement date	June 30, 2020
Actuarial cost method	Entry Age Normal

Total Other Postemployment Benefits Liability

Discount Rate

Discount rate	2.21%
20 Year Tax-Exempt Municipal Bond Yield	2.21%

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, 2019
Measurement date	June 30, 2020
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.