Crowe PR PSC
100 Carr 165, Suite 410
Guaynabo, PR 00968-8051
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October 24, 2023

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, 2022.

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, 2022

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

FISCAL YEAR ENDED JUNE 30, 2022

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the **Corporación del Centro de Bellas Artes de Puerto Rico** (a component unit of the Commonwealth of Puerto Rico) (the Corporation) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the of the Corporation, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Change in Accounting Principle

As discussed in **Note 2** to the financial statements, the Corporation adopted new accounting guidance, Governmental Auditing Standards Board Statement No. 87*, Leases* in 2022. Our opinion is not modified with respect to this matter.

Restatement

As described in **Note 12** to the financial statements, the Corporation's net position has been restated as of July 1, 2020, to correct a revenue duplication. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Financial Statements (Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages **4** through **10**, 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 on page **39** through **42** be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Crowe PR PSC

October 23, 2023

Stamp number E540552 was affixed to the original of this report.

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, 2022. 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 financial statements to enhance their understanding of the Corporation's financial performance.

FINANCIAL HIGHLIGHTS

The following are the highlights from the fiscal year 2022:

1) The Corporation's net position increased by $5,791,841, or 48% for the fiscal year 2022 compared to the prior fiscal year.

2) The unrestricted deficit decreased by $1,326,832, or 20% compared to the prior fiscal year.

3) Operating revenues in the form of charges and services increased by $1,558,984, or 219% compared to the prior fiscal year.

4) The Corporation's operating expenses increased by $1,809,271 or 38% compared to the prior fiscal year.

5) Total operating loss increased by $250,287, or 6% compared to the prior fiscal year.

6) Capital assets decreased by $17,716, or 0% compared to the prior fiscal year.

7) Non-operating revenues increased by $5,436,356 or 138% compared to the prior fiscal year.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

1) **Statement of net position -** This statement presents information 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, 2022, and 2021:

CONDENSED STATEMENTS OF NET POSITION

	2022	(As Restated) 2021	Change	Total % Change
Assets				
Current assets	$ 2,006,570	$ 1,250,890	$ 755,680	60 %
Capital assets	11,178,189	11,195,905	(17,716)	- %
Other assets	13,437,242	7,362,191	6,075,051	83 %
Total assets	26,622,001	19,808,986	6,813,015	34 %
Deferred outflows of resources	1,431,567	1,676,866	(245,299)	(15)%
Liabilities				
Current liabilities	1,765,806	1,032,522	733,284	71 %
Non-current liabilities	7,282,739	7,603,279	(320,540)	(4)%
Total liabilities	9,048,545	8,635,801	412,744	5 %
Deferred inflows of resources	1,154,841	791,710	363,131	46 %
Net position				
Net investment in capital assets	11,178,189	11,195,905	(17,716)	- %
Restricted	11,844,916	7,362,191	4,482,725	61 %
Unrestricted deficit	(5,172,923)	(6,499,755)	1,326,832	(20)%
Total net position	$ 17,850,182	$ 12,058,341	$ 5,791,841	48 %

Current assets - The Corporation's current assets increased by $755,680 or 60% from $1,250,890 on June 30, 2022, to $2,006,570 on June 30, 2021, mostly due from the cash arising from federal grants and the adoption of GASB Statement No. 87, *Leases* (GASBS No. 87) requiring the recording of lease receivables.

Capital assets - The Corporation's capital assets decreased by $17,716 or 0% from $11,195,905 on June 30, 2022, to $11,178,189 on June 30, 2021. Capital assets are funded with the proceeds from operations, capital grants from the Commonwealth of Puerto Rico (the Commonwealth), and federal awards. The decrease during the year was due to depreciation and amortization expense of $664,344, the retirement of replaced assets of $180,084, which resulted in a loss of $12,032, and the offset by capital additions of $658,660. Of these capital additions, $517,920 were incurred with the capital contributions from the Commonwealth.

FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)

Other assets - Other assets increased by $6,075,051, or 83%, compared to the prior year. Other assets consist of restricted cash from the surplus of the generated revenues from the prior years and capital contributions as of June 30, 2022. 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 Financial Oversight and Management Board for Puerto Rico (the Oversight Board).

Deferred Outflows of Resources - Deferred outflows of resources decreased by $245,299 or 15% primarily due to the actuarial assumptions used for the determination of the total pension liability.

Current liabilities - Current liabilities consist primarily of accounts payable and accrued liabilities. The current liabilities increased by $733,284 or 71% from $1,032,522 on June 30, 2022, to $1,765,806 on June 30, 2021, primarily due to the accounts payables related to capital projects commenced during the year, and taxes to producers for the increase in artistic productions in 2022.

Non-current liabilities - Non-current liabilities comprise the accrual for compensated absences, pension, other postemployment benefits, and voluntary termination benefits. The Corporation's non-current liabilities decreased by $320,540 or 4%, mostly due to the payment process of liabilities.

Deferred Inflows of Resources - Deferred inflows of resources increased by $363,131 or 46% mostly due to implementation of GASB No. 87**.**

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 $5,791,841 or 48% compared to the prior fiscal year, primarily due to the increase in artistic productions in 2022 due to the easing of the COVID-19 pandemic restrictions throughout 2022 and federal grants received. These changes are explained in the “Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position.”

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

	2022	(As Restated) 2021	Change	Total % Change
Operating revenues				
Rental of facilities	$ 702,258	$ 235,965	$ 466,293	198 %
Food and beverage	172,177	2,339	169,838	7,261 %
Parking	524,931	330,249	194,682	59 %
Box office	432,434	17,503	414,931	2,371 %
Services to producers	223,218	92,521	130,697	141 %
Lease revenue	193,695	-	193,695	100 %
Other	21,190	32,342	(11,152)	(34)%
Total operating revenues	2,269,903	710,919	1,558,984	219 %

Continues.

FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)

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

	2022	(As Restated) 2021	Change	Total % Change
Operating expenses				
Salaries, payroll taxes and fringe benefits	1,832,427	1,473,284	359,143	24 %
Pension expense	370,207	356,781	13,426	4 %
OPEB benefit	(7,661)	(27,554)	19,893	100 %
Voluntary termination (benefit) expense	(27,990)	9,180	(37,170)	(405)%
Professional and consulting services	591,408	158,893	432,515	272 %
Utilities	1,717,976	1,162,747	555,229	48 %
Repairs and maintenance	249,049	139,630	109,419	78 %
Food and beverage	77,851	-	77,851	100 %
Security	141,392	113,217	28,175	25 %
Insurance	564,809	463,100	101,709	22 %
Depreciation and amortization	664,344	723,173	(58,829)	(8)%
Cultural contributions to producers	52,690	76,797	(24,107)	(31)%
Bank charges	43,447	13,980	29,467	211 %
Administrative supplies	196,596	56,143	140,453	250 %
Other	91,699	29,602	62,097	210 %
Total operating expenses	6,558,244	4,748,973	1,809,271	38 %
Operating loss	(4,288,341)	(4,038,054)	(250,287)	6 %
Non-operating revenues				
Commonwealth contributions	3,983,928	3,943,211	40,717	1 %
U.S. government grants	5,395,870	236	5,395,634	2,286,286 %
Interest income	384	379	5	1 %
Total non-operating revenues	9,380,182	3,943,826	5,436,356	138 %
Capital contributions				
Commonwealth contributions	700,000	4,800,000	(4,100,000)	(85)%
Change in net position	5,791,841	4,705,772	1,086,069	23 %
Total net position, beginning of year, as previously reported	12,058,341	8,092,569	3,965,772	49 %
Restatement	-	(740,000)	740,000	(100)%
Total net position, beginning of year, as restated	12,058,341	7,352,569	4,705,772	64 %
Total net position, end of year	$ 17,850,182	$ 12,058,341	$ 5,791,841	48 %

FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)

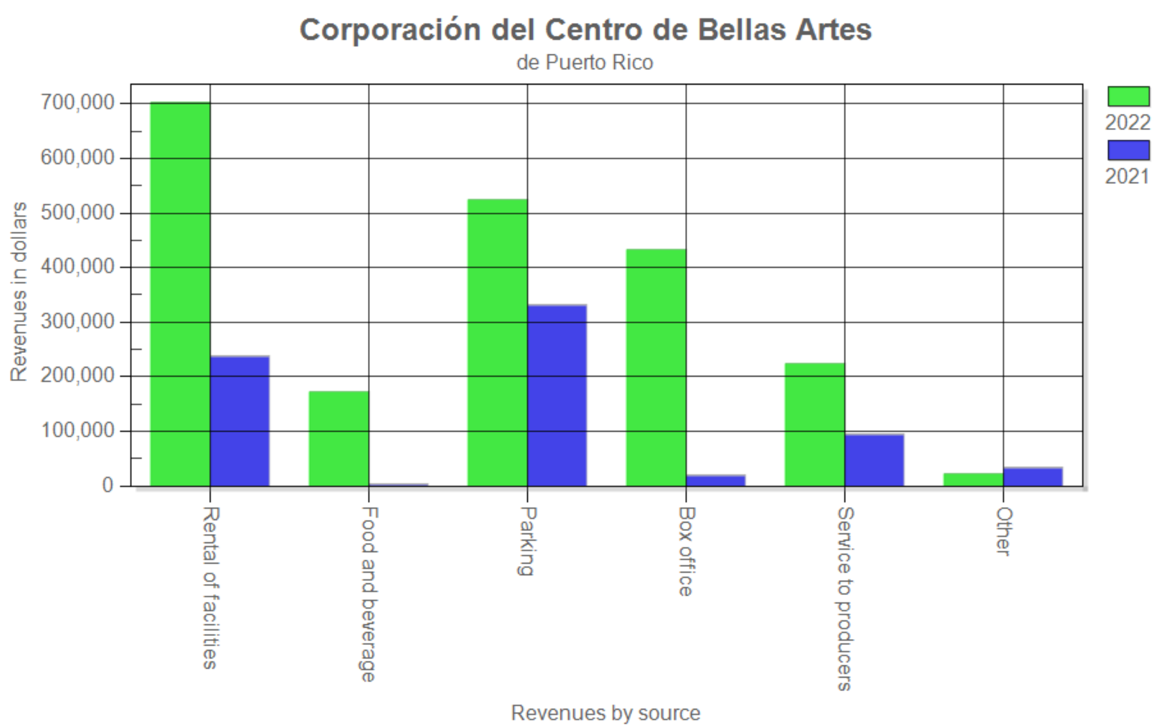
Operating Revenues - The Corporation's operating revenues increased by $1,558,984, or 219%, compared to the prior fiscal year. The operating revenues amounted to $2,269,903 and $710,919 for the fiscal years ended June 30, 2022, and 2022, respectively. Operating revenues increased due to the easing of the COVID-19 restrictions imposed by the Governor of the Commonwealth in 2021, and due to the implementation of GASB No. 87.

Operating expenses - The total expenses increased by $1,809,271 or 38% during the present fiscal year compared to the prior fiscal year as the artistic productions increased due to the release of the lockdown imposed by the Governor of the Commonwealth due to the COVID-19 pandemic in March 2020.

Non-operating Revenues - The Corporation's non-operating revenues increased significantly by $9,380,182 or 138% mostly due to the federal grants received in 2022 from Federal agencies to cover operational expenses, restore and improve building facilities damaged by hurricanes Irma and Maria in 2017, and to adapt the Corporation to new technological standards to provide new amenities to producers and the public.

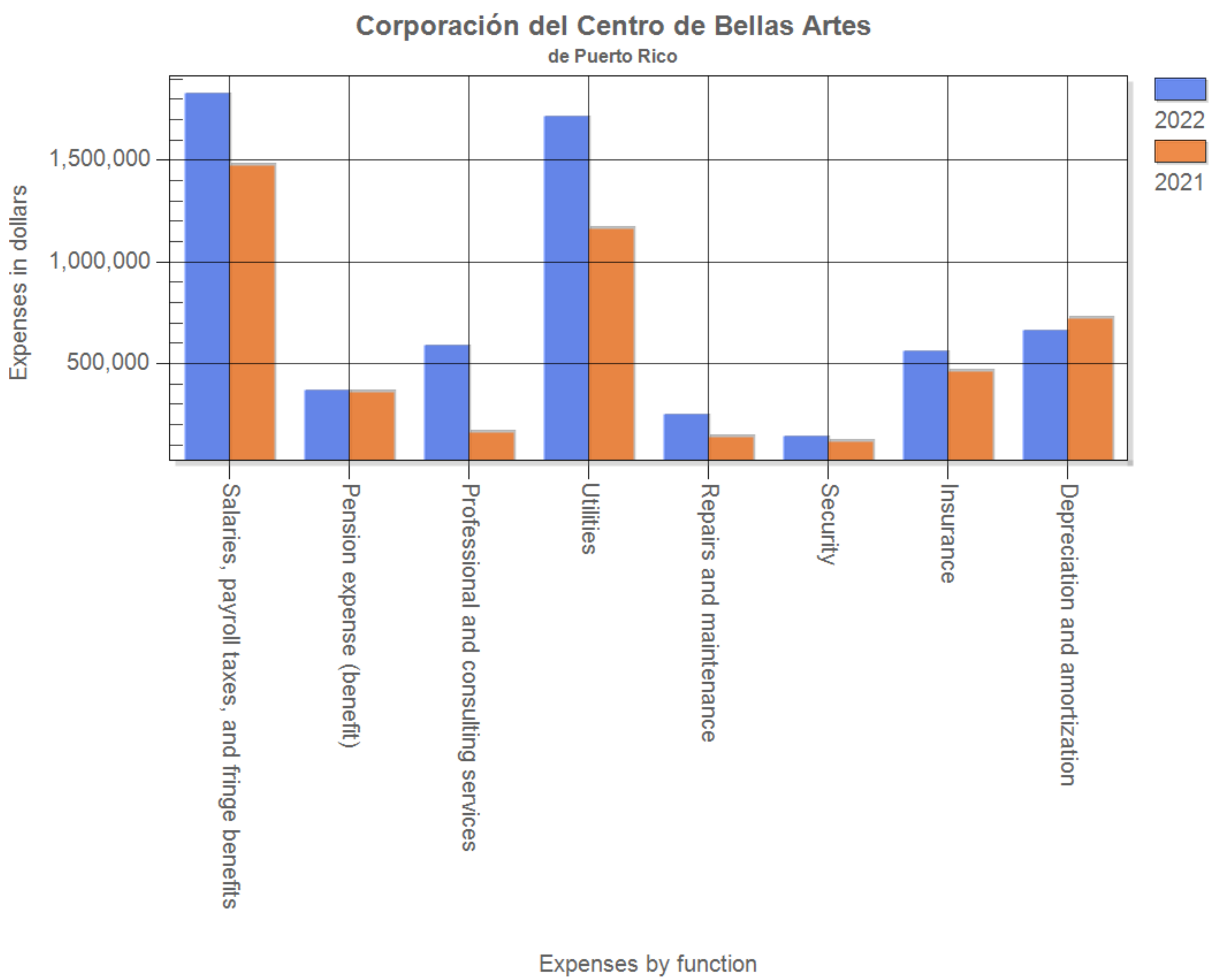
Capital contributions - In the fiscal year 2021, the Corporation received two capital contributions from the Commonwealth amounting to $2,400,000 each, totaling $4,800,000, of which only $1,212,257 has been incurred. These capital contributions are intended for the Corporation to upgrade the lighting system to LED and other building improvements, as mentioned before. See **Note 13**, *Capital Contributions and Expenditures*, and **Note 19**, *Subsequent Events*.

The following chart presents revenues comparison by sources of the Corporation for the fiscal years ended June 30, 2022 and 2021:



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, 2022, and 2021:



BUDGETARY HIGHLIGHTS

The combined budget for the fiscal year 2022-2021 was $5,081,000. This sum comprises $3,049,000 derived from the Commonwealth's General Budget, along with $2,032,000 from Operating Revenues.

The following table summarizes the budget for the fiscal years ended June 30, 2022, and 2021:

BUDGET COMPARISON

Revenues	2022	2021	Change
Commonwealth contributions	$ 3,049,000	$ 5,515,000	$(2,466,000)
Operating revenues	2,032,000	2,266,000	(234,000)
Total revenues	$ 5,081,000	$ 7,781,000	$(2,700,000)

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, 2022

ASSETS	
Current assets	
Cash	$ 793,649
Account receivables	731,848
Lease receivables	137,450
Prepaid expenses	343,623
Total current assets	2,006,570
Non-current assets	
Restricted cash	11,844,916
Lease receivable	368,620
Construction deposits	1,223,706
Capital assets, net of accumulated depreciation	10,606,817
Artwork	571,372
Total non-current assets	24,615,431
Total assets	26,622,001
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	1,423,967
Other postemployment benefits related	7,600
Total deferred outflows of resources	1,431,567
LIABILITIES	
Current liabilities	
Accounts payable	784,266
Accrued expenses	67,989
Deposits from clients	59,871
Collections on behalf of producers	277,293
Compensated absences	101,193
Voluntary termination benefits	145,557
Total other postemployment benefit liability	8,200
Total pension liability	321,437
Total current liabilities	1,765,806
Non-current liabilities	
Compensated absences	101,193
Voluntary termination benefits	704,535
Total other postemployment benefit liability	91,300
Total pension liability	6,385,711
Total non-current liabilities	7,282,739
Total liabilities	9,048,545
DEFERRED INFLOWS OF RESOURCES	
Pension related	669,516
Lease related	485,325
	1,154,841
NET POSITION	
Net investment in capital assets	11,178,189
Restricted	11,844,916
Unrestricted deficit	(5,172,923)
Total net position	$ 17,850,182

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, 2022

Operating revenues	
Rental of facilities	$ 702,258
Food and beverage	172,177
Parking	524,931
Box office	432,434
Services to producers	223,218
Lease revenue	193,695
Other	21,190
Total operating revenues	2,269,903
Operating expenses	
Salaries, payroll taxes and fringe benefits	1,832,427
Pension expense	370,207
OPEB benefit	(7,661)
Voluntary termination benefits	(27,990)
Professional and consulting services	591,408
Utilities	1,717,976
Repairs and maintenance	249,049
Food and beverage	77,851
Security	141,392
Insurance	564,809
Depreciation and amortization	664,344
Cultural contributions to not-for-profit producers	52,690
Bank charges	43,447
Administrative supplies	196,596
Other	91,699
Total operating expenses	6,558,244
Operating loss	(4,288,341)
Non-operating revenues	
Commonwealth contributions	3,983,928
U.S. government grants	5,395,870
Interest income	384
Total non-operating revenues	9,380,182
Capital Contributions	
Commonwealth contributions	700,000
Change in net position	5,791,841
Total net position, beginning of year, as previously reported	12,798,341
Restatement	(740,000)
Total net position, beginning of year, as restated	12,058,341
Total net position, end of year	$ 17,850,182

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, 2022

Cash flows from operating activities		
Receipts from customers	$	2,365,166
Payments to suppliers	(	3,120,374)
Payments to employees	(	1,888,929)
Termination benefits payments	(	148,642)
Pension payments	(	373,844)
Other receipts		21,190
Other payments	(	79,790)
Net cash used in operating activities	(	3,225,223)
Cash flows provided by non-capital financing activities:		
Commonwealth contributions		3,983,928
U.S. government grants		5,395,870
Net cash provided by non-capital financing activities		9,379,798
Cash flows used in capital and related financing activities:		
Capital expenditures	(	658,660)
Construction deposits	(	1,023,639)
Net cash used in capital and related financing activities	(	1,682,299)
Cash flows provided by investing activities;		
interest received		384
Net increase in cash		4,472,660
Cash, including restricted cash, at beginning of year		8,165,905
Cash, including restricted cash, at end of year	$	12,638,565
Total Cash and Restricted Cash as shown in the Statement of Net Position		
Cash	$	793,649
Restricted cash		11,844,916
	$	12,638,565

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, 2022

Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$(4,288,341)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	664,344
Loss on disposal of replaced equipment	12,032
Change in assets and liabilities:	
Decrease (increase) in:	
Accounts receivable	(3,032)
Lease receivables	126,914
Prepaid expenses	(125,329)
Deferred outflows of resources - pension related	244,699
Deferred outflows of resources - Other postemployment benefits related	600
Increase (decrease) in:	
Accounts payable	584,869
Accrued expenses	26,741
Deposits from clients	(6,499)
Collections on behalf of producers	146,730
Compensated absences	(36,882)
Voluntary termination benefits	(167,813)
Total pension liability	(126,142)
Total other postemployment benefits liability	(8,261)
Deferred inflows of resources - pension related	(122,194)
Deferred inflows of resources - leases related	(147,659)
Total adjustments	1,063,118
Net cash used in operating activities	$(3,225,223)

NONCASH CAPITAL AND FINANCING ACTIVITIES

Disposal of replaced equipment	$ 180,084

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 "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 component unit of the Commonwealth, a legally separate entity, consistent with Governmental Accounting Standards (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 and federal 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting and Financial Statements Presentation

The Corporation's operations are accounted for as a proprietary fund (enterprise fund) using the flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the Corporation's operations are included in the statement of net position. Revenue is recognized in the period in which it was earned, and expenses are recognized in the period in which they were incurred. 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 recognized as income when used.

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'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 and 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 estimates and assumptions include lease receivable, 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

Represent petty cash, checking and savings accounts.

Restricted Cash

Unencumbered Contributions

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, 2022, the Corporation holds $3,970,946 in restricted cash. This amount constitutes not encumbered surplus of generated revenues and Commonwealth contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Restricted Cash (Continued)

Restricted Cash (Continued)

U.S. Government Grants

In 2022, the Corporation received two awards from the Federal Government. As of June 30, 2022, there is $4,352,865 in restricted cash held subject to federal compliance requirements.

Capital Contributions

In the year 2021, the Corporation was given two capital contributions by the Commonwealth intended for the enhancement of the building owned by the Corporation and the transition of the lighting system to LED. As of June 30, 2022, there is $3,521,105 in restricted cash held by the Corporation that is specifically earmarked for capital contributions.

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 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 enhance the service capacity 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022, 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 *Accounting for Pension Costs* section below, and **Note 7**), 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 two captions arising from the accrual basis of accounting that qualifies for reporting in this category, items related to pensions and to leases. Pension related items (further disclosed in *Accounting for Pension Costs* section below, and **Note 7**), 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.

See *Leases* section below for deferred inflows for resources related to leases and **Note 14**.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Corporation is a lessor for noncancelable leases of space facilities. Lease receivables and deferred inflows of resources are recognized in the financial statements. At the commencement of the leases, the lease receivables are measured at the present value of payments expected to be received during the lease term. Subsequently, the lease receivables are reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the amounts of the lease receivables, adjusted for lease payments received at or before the lease commencement dates. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease terms.

Key estimates and judgments include how the Corporation determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

- The Corporation uses an estimated incremental borrowing rate of return for comparable periods as the discount rate for leases.
- The lease terms include the noncancelable periods of the leases.
- Lease receipts included in the measurement of the lease receivables are composed of fixed payments from the lessees. The Corporation monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivables and deferred inflows of resources if certain changes occur that are expected to significantly affect the amounts of the lease receivables. Lease details are included in **Note 14.**

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.

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 compensated absences liability amounted to $202,386 on June 30, 2022.

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 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. 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).

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. Other employers also participate in the pension plan. A proportionate share of pension related amounts is determined because certain participating employers, component units of the Commonwealth, issue stand-alone basic financial statements. 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 proportionate share as of each measurement date is based on the ratio of each employer's actual benefit payments to the total actual benefit payments paid during the year ending on the measurement date.

The Employees' Retirement System of the Commonwealth of Puerto Rico (ERS) elected to use July 1 of each fiscal year as the measurement date for financial information. Based on this election, the June 30, 2021, actuarial measurement data was used for the pension benefits financial reporting recognition as of and for the fiscal year ended June 30, 2022.

Other Post-Employment Benefits

In addition to the pension benefits described in **Note 7**, the Corporation provides other retirement benefits, such as 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,* 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 (benefit). Refer to **Note 8**.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 artistic productions are presented. Revenue from commissions received is recognized when the productions are presented, also.

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. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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 Financial Oversight and Management Board for Puerto Rico (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, 2022, the Corporation's cash balances do not include unencumbered previous-year revenue balances of non-current allocations from the Commonwealth's General Fund accounts. For more information see *Cash and Restricted Cash* section above.

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, 2022, the Corporation granted contributions to producers in the amount of $52,690.

Risk 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.

Newly Issued Accounting Standards

The Governmental Accounting Standard Board establishes accounting and financial reporting standards for U.S. state and local governments that follow generally accepted accounting principles (U.S. GAAP). Any recently issued accounting standards or pronouncements have been excluded as they either are not relevant to the Corporation, or they are not expected to have a material impact on the financial statements of the Corporation. The following new accounting standards were adopted by the Corporation effective July 1, 2021:

Newly Adopted Standards

GASB Statement No. 87, *Leases*. 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 impact of these standards on the Corporation resulted in the recognition of lease receivable and deferred inflow of resources of $715,321 as of July 1, 2021. There was no impact on the Corporation's net position. Refer to *Leases* section, above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Newly Adopted Standards (Continued)

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 No. 73 and No. 74 are effective for fiscal years beginning after June 15, 2021.

- The requirements related to application of Statement No. 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.

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.

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*

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).

- 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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Newly Adopted Standards (Continued)

GASB Statement No. 99, *Omnibus 2022*. The Corporation implemented paragraphs 11-17 of Statement No. 99, *Omnibus 2022*, which addresses practice issues that have been identified during implementation and application of GASB Statement N. 87. Statement No. 99 clarifies in paragraphs 11-17 the provisions in GASB Statement No. 87, *Leases,* related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives. The adoption of paragraphs 11-17 of this Statement was done in conjunction with the adoption of GASB Statement No. 87, *Leases*.

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. 94, *Public-Private and Public-Public Partnerships and Availability Payments Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange like transaction. This Statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87, *Leases*, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of a service concession arrangement (SCA). This Statement also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of Statement 87, as amended (as clarified in this Statement). This Statement also requires a government to account for PPP and non-PPP components of a PPP as separate contracts. This Statement also requires an amendment to a PPP to be considered a PPP modification, unless the operator’s right to use the underlying PPP asset decreases, in which case it should be considered a partial or full PPP termination. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

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. Except for the adoption of paragraphs 11-17 of this Statement done in conjunction with the adoption of GASB Statement No. 87, *Leases*. See New Accounting Standards Adopted, above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards Issued but Not Yet Adopted (Continued)

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.

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

Subsequent Events

The Corporation evaluated subsequent events through October 23, 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 19**.

3. CASH

Cash and restricted cash as of June 30, 2022, comprises the following:

Description	Unrestricted Cash	Restricted Cash	Total
Operational	$ 793,649	$ -	$ 793,649
U.S. Government grants	-	4,352,865	4,352,865
Surplus of generated revenue and unencumbered Commonwealth contributions	-	3,970,946	3,970,946
Capital contributions from the Commonwealth	-	3,521,105	3,521,105
	$ 793,649	$ 11,844,916	$ 12,638,565

4. 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, 2022, the Corporation reported the following amounts as accounts receivable:

	Amount
Trade	$ 65,304
Governmental entities	751,324
	816,628
Less allowance for doubtful accounts	(84,780)
	$ 731,848

5. 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	29,295,311	123,601	-	29,418,912
Furniture and equipment	1,891,848	320,059	(180,084)	2,031,823
Musical instruments	323,375	215,000	-	538,375
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	35,184,097	658,660	(180,084)	35,662,673
Less accumulated depreciation for:				
Building and betterments	21,701,786	573,686	-	22,275,472
Furniture and equipment	1,502,787	68,550	(168,052)	1,403,285
Musical instruments	306,493	7,703	-	314,196
Sound system equipment	2,758,557	313	-	2,758,870
Recording equipment	213,621	-	-	213,621
Illumination equipment	621,964	8,234	-	630,198
Motor vehicles	47,356	5,858	-	53,214
Total accumulated depreciation	27,152,564	664,344	(168,052)	27,648,856
Total capital assets	$ 10,624,533	$(5,684)	$(12,032)	$ 10,606,817

6. COMPENSATED ABSENCES

The activity of compensated absences liability balance for the year ended of June 30, 2022, follows:

	Beginning balance	Additions	Deductions	Ending balance	Current
Compensated absences	$ 239,268	$ 65,594	$(102,476)	$ 202,386	$ 101,193

7. 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 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 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, 2021

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

The June 30, 2021, actuarial valuation contains more information on the census data provided by ERS.

Participant Data as of July 1, 2021:	
Active members	44
Inactive members in pay status	21
Total	65

7. PENSION PLAN (CONTINUED)

The total pension liability was approximately $6,707,148 for the reporting year ended June 30, 2022. The pension liability has a valuation date as of July 1, 2020, a measurement date of June 30, 2021, and rolled forward to June 30, 2022.

The total pension liability in the June 30, 2021, 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	2.16%, 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-2021 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-2021 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. 127-1958. Post-retirement Retiree 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-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement. This assumption is also used for beneficiaries prior to the member's death. 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-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

7. PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Post-retirement Beneficiary Mortality: Prior to retiree's death, beneficiary mortality is assumed to be the same as the post-retirement 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, are projected using MP-2021 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, 2022, and the actual employer benefit payments during the fiscal year ended June 30, 2022:

Proportionate share	0.02467 %
Actual employer benefit payments	$ 370,207

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 2.16%, as well as what it would be if it were calculated using a discount rate of one-percentage point lower (1.16% percent) or one-percentage point higher (3.16%) than the current rate:

	1% Decrease 1.16%	Current Discount 2.16%	1% Increase 3.16%
Total pension liability	$ 6,640,077	$ 6,707,148	$ 6,774,219

7. PENSION PLAN (CONTINUED)

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, 2022:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 10,714	$ 199,820
Changes in assumptions	686,596	79,255
Changes in proportion	356,450	390,441
Benefits payments made after measurement date	370,207	-
	$ 1,423,967	$ 669,516

Amount reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2022, will be recognized in the pension expense (benefit) in future years as follows:

Year ending June 30,	
2023	$ 163,024
2024	163,021
2025	58,198
	$ 384,243

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, 2022. This amount is not included above.

Pension Payments and Expense

During the fiscal year ended June 30, 2022, the Corporation's benefit payment to this plan amounted to $370,207. This amount represented 100% of the benefit payments for the corresponding year, and the related expenses.

8. 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.

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, 2020, the membership consisted of 21 retired and disabled members.

Actuarial Methods and Assumptions

The total OPEB liability as of June 30, 2022, was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2022 (measurement date as of June 30, 2021). The actuarial valuation used the following actuarial assumptions applied to all periods in the measurement period:

Discount rate	The discount rate for June 30, 2021 was 2.16%. 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.
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-2021 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-2021 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. 127-1958.

8. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Mortality (Continued)	Post-retirement Retiree 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-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement. This assumption is also used for beneficiaries prior to the member's death.
	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-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.
	Post-retirement Beneficiary Mortality: Prior to retiree's death, beneficiary mortality is assumed to be the same as the post-retirement 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, are projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

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

The following presents the total OPEB liability of the Corporation on June 30, 2022, calculated using the discount rate of 2.16%, as well as the Corporation's total OPEB liability if it was calculated using the discount rate of one-percentage point lower (1.16%) or one-percentage point higher (3.16%) than the current rate.

	1% Decrease 1.16%	Current Discount Rate 2.16%	1% Increase 3.16%
Other postemployment benefits liability	$ 98,505	$ 99,500	$ 100,495

8. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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, 2022, 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, 2022, are as follows:

Proportionate share of OPEB Benefit	$(1,339)
Net amortization from changes in proportion	1,278
Benefits payments made after measurement date	(7,600)
Proportionate Share of OPEB Benefit	$(7,661)

Corporation Proportional Share

The following table presents the Corporation's proportionate share of the total OPEB liability as of June 30, 2022, and the proportion percentage of the aggregate total pension liability of ERS allocated to the Corporation:

Corporation's proportion of the ERS total OPEB	0.01247 %
Corporation's proportionate share of the ERS total OPEB	$ 99,500

9. "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" ("Sala Sinfónica"). 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 in 2009. During the fiscal period presented herein, the Corporation did not receive an annual legislative appropriation to subsidize these operations. For the year ended June 30, 2022, the administration of the "Sala Sinfónica" amounted to $1,056,678.

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. Act No. 70 election window was completed on March 31, 2013, the date in which eligible career employees irrevocably opted 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 years of credited service requirements in the Retirement System.

The following is the voluntary termination liability for the year ended June 30, 2022:

	Beginning balance	Additions	Deductions	Ending balance	Current
Termination benefits	$ 1,017,905	$ 22,527	$(190,340)	$ 850,092	$ 145,557

Additions include interest expense and deductions include payments, and changes in assumptions.

On June 30, 2022, the Corporation's unpaid long-term benefits granted by Act No. 70 was discounted at an interest rate of 2.65**%.**

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, 2022, include the following balances considered by related parties:

Balance due from other governmental entities:

Puerto Rico Department of Treasury	$ 703,000
Puerto Rico Symphony Orchestra Corporation	44,629
Puerto Rico Musical Arts Corporation	6,912
Puerto Rico Department of Education	8,940
Other	1,585
	$ 765,066

11. RELATED PARTY TRANSACTIONS (CONTINUED)

The accounts payable of the Corporation on June 30, 2022, include the following balances considered by related parties:

Balance due to other governmental entities:

Puerto Rico Aqueduct and Sewer Authority	$	39,112
Puerto Rico Department of Labor and Human Resources		6,000
Puerto Rico Department of Treasury		4,320
Other		377
	$	49,809

12. RESTATEMENT

The Corporation identified the revenue duplication of part of the second Commonwealth capital contribution of $2,400,000 granted in 2021. As a result, the net position was adjusted as of July 1, 2020, by $740,000 to correct the error.

13. 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. On April 30, 2021, a second capital contribution of $2,400,000 was approved, of which $1,660,000 was collected immediately. 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 revised budget and actual expenditures for capital projects are, as follows:

		Revised Budget (June 30, 2023)		Expenditures (June 30, 2022)
Equipment	$	2,498,343	$	149,703
Lighting system upgrades, including consultant		1,710,626		783,729
Parking system		162,200		155,750
Public elevator		287,925		108,075
Waterproofing		542,436		-
Construction		283,470		-
Other		15,000		15,000
	$	5,500,000	$	1,212,257

The Corporation is subject to request an extension from the Oversight Board for funds not used at the end of each fiscal year. As of the date these financial statements were issued, extensions have been ordered and approved by the Oversight Board.

13. CAPITAL CONTRIBUTIONS AND EXPENDITURES (CONTINUED)

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), 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 the date these financial statements were issued, the Corporation has received approximately $168,000 from these two Federal agencies.

14. LEASES

The Corporation leases land, building and space facilities to third parties with various terms and at an interest rate. Lease terms range between two to five years. In estimating the present value of the lease receivable balance, the Corporation estimated the discount rate based on its incremental borrowing rate of return for comparable periods.

The following is a schedule of future minimum payments to be received by year by the Corporation as of June 30, 2022.

Year ending June 30,	Principal	Interest
2023	$ 137,450	$ 35,500
2024	132,366	24,684
2025	140,894	13,756
2026	95,360	2,870
	$ 506,070	$ 76,810

Lease and interest revenue recognized on these leases were $147,659 and $46,036, respectively, for the year ended June 30, 2022. The discounted interest rate on these leases is 8%.

15. COMMITMENTS AND 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.

From time to time the Corporation may be 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.

16. FINANCIAL SUPPORT

The Corporation is highly dependent on the Commonwealth to fund its cash shortfalls from operations. After the reorganization of the Commonwealth under PROMESA, the Commonwealth has been able to operate under a balanced budget. Therefore, management believes, based on current facts and circumstances, that the Commonwealth will have the capacity to continue to provide financial support to the Corporation through the foreseeable future. Furthermore, current federal assistance is helping the Corporation in maintaining the property to the standards necessary to attract new business.

17. 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 Certificate Fiscal Plan, which pursues 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), which has not occurred as of the dated these financial statements were issued.

18. PUERTO RICO ELECTRIC POWER AUTHORITY 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 Plan). On November 16, 2022, the PREPA Plan requested the payment of the employer contributions related to the employees transferred to the Corporation under Act 120-2018. As of October 31, 2022, the balance claimed amounts to $252,432. The Corporation has not recognized any liability for the accumulation of this liability, as management understands that any payment related to this liability will be funded by the Commonwealth.

19. SUBSEQUENT EVENTS

American Rescue Plan

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 an additional $800,000 of ARP funds for the same project.

Insurance Premium

On October 18, 2022, the Puerto Rico Miscellaneous Insurance Guaranty Association paid the Corporation $300,000 in response to a $640,361 claim to cover the damages caused by Hurricane Maria in 2017.

Puerto Rico Electric Power Authority Employees Mobility

See **Note 18**, for the subsequent events related to the employees in mobility.

19. SUBSEQUENT EVENTS (CONTINUED)

Cultural Rescue Program

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.

On January 12, 2023, the Disbursement Oversight Committee issued Resolution 2023-02 to authorize an allocation for an additional $600,000 from the Cultural Rescue Program to the Corporation to cover the additional cost associated with the construction of the new open-air theater as approved under Phase I Project. The open-air theater will form part of the new attractions the Corporation will be offering to the community, artists, and producers. It will have the technical and service attributes of a modern theater such as storage space, dressing rooms, restrooms, lighting, and sound system, with adequate dimensions to present theater, symphonic, opera, and dance concerts.

On June 4, 2023, the Disbursement Oversight Committee issued Resolution 2023-54 to authorize an allocation of $1,371,587 from the Cultural Rescue Program to the Corporation for the conservation project of historical artwork. The historical artwork conservation project includes the restoration of three works of art: “Las Musas” by Augusto Marin (1982), “Forma y Tropico” by Luis Hernandez Cruz (1980), and “Cloud” by John Balossi (1973).

Federal Emergency Management Agency

On June 6, 2023, the Corporation received a transfer of $1,291,312 from the Federal Emergency Management Agency under the Working Capital Advance (WCA) pilot program for the purchase of materials and equipment necessary for the rehabilitation of Puerto Rico’s electrical system.

Private Public Partnership Arrangements

In June 2023, the Corporation signed a private-public partnership arrangement (PPP) with a third party to administer the sale of food and beverage during artistic productions. The Corporation will receive a percentage of the sales plus monthly rent.

A second PPP for the box office administration by a third party is expected to be signed in October 2023. Under this PPP, the third party will be accountable for the sale of tickets through the Internet, at their points of sales around the island, and at the Corporation’s box office. The third party will be responsible for the acquisition of the hardware and software to be used and will provide real-time access to the Corporation. As part of the arrangement, the Corporation will continue to receive the $3 fee per ticket sold and will be responsible to cover the salaries of the box office personnel.

Management expects that the above two contracts will result in added efficiency and improved profitability.

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, 2022

	2022 (Measured as of (June 30, 2021)	2021 (Measured as of (June 30, 2020)	2020 (Measured as of (June 30, 2019)
Proportion of the total pension liability	0.02467 %	0.02434 %	0.02689 %
Proportionate share of the total pension liability **(a)**	$ 6,707,148	$ 6,833,290	$ 6,683,024
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:

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, *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, 2022

	2022 Measurement as of (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	0.01247 %	0.01232 %	0.01637 %	0.01542 %	0.01399 %
Proportionate share of the total other postemployment benefits liability	$ 99,500	$ 107,761	$ 136,215	$ 130,901	$ -
Covered employee payroll	N/A	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	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	2.16%
20 Year Tax-Exempt Municipal Bond Yield	2.16%

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, 2021, valuation that was dated January 17, 2023, for the other actuarial assumptions used.

Valuation date	July 1, 2020
Measurement date	June 30, 2021
Actuarial cost method	Entry Age Normal

Total Other Postemployment Benefits Liability

Discount Rate

Discount rate	2.16%
20 Year Tax-Exempt Municipal Bond Yield	2.16%

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, 2021 valuation dated January 17, 2023 for the other actuarial assumptions used.

Valuation date	July 1, 2020
Measurement date	June 30, 2021
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 the Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico for Retired Participants of the Employees' Retirement Plan (the OPEB Plan) 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 the OPEB Plan 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.