

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, 2024

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

FISCAL YEAR ENDED JUNE 30, 2024

CONTENTS

	Page
Independent Auditor's Report	1-3
Required Supplementary Information	
Management's Discussion and Analysis (Unaudited)	4-11
Basic Financial Statements	
Statement of Net Position	12
Statement of Revenues, Expenses, and Changes in Net Position	13
Statement of Cash Flows	14-15
Notes to Financial Statements	16-39
Required Supplementary Information	
Schedule of the Corporation's Proportionate Share of the Collective Total Pension Liability	40
Schedule of the Corporation's Proportionate Share of the Collective Total Other Postemployment Benefits Liability	41
Notes to Required Supplementary Information	42-43



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

INDEPENDENT AUDITOR'S REPORT

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

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, 2024, 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 financial statements present fairly, in all material respects, the financial position of the Corporation as of June 30, 2024, and the results of its operations and its cash flows 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 audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 opinion. 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 **11**, 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 **41** through **44** 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.

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September 26, 2025

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Corporación del Centro de Bellas Artes de
Puerto Rico

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023

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, 2024. 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 2024:

- 1) The Corporation's net position decreased by \$461,732, or 4% for the fiscal year 2024 compared to the prior fiscal year.
- 2) The unrestricted deficit decreased by \$2,570,181, or 22% compared to the prior fiscal year.
- 3) Capital assets increased by \$4,883,026, or 37% compared to the prior fiscal year.
- 4) Operating revenues in the form of charges and services decreased by \$562,549, or 17% compared to the prior fiscal year.
- 5) The Corporation's operating expenses decreased by \$803,646 or 9% compared to the prior fiscal year.
- 6) Total operating loss decreased by \$241,097, or 4% compared to the prior fiscal year.
- 7) Non-operating revenues decreased by \$1,015,773 or 20% 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023

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

The following table presents a summary of the Corporation's net position on June 30, 2024 and 2023:

CONDENSED STATEMENTS OF NET POSITION

	2024	(As Restated) 2023	Change	Total % Change
Assets				
Current assets	\$ 1,664,360	\$ 1,607,163	\$ 57,197	4 %
Capital assets	18,178,081	13,295,055	4,883,026	37 %
Other assets	15,365,313	16,741,907	(1,376,594)	(8)%
Total assets	35,207,754	31,644,125	3,563,629	11 %
Deferred outflows of resources	910,551	3,880,764	(2,970,213)	(77)%
Liabilities				
Current liabilities	1,958,929	1,755,568	203,361	12 %
Non-current liabilities	23,070,111	21,480,689	1,589,422	7 %
Total liabilities	25,029,040	23,236,257	1,792,783	8 %
Deferred inflows of resources	841,659	1,579,294	(737,635)	(47)%
Net position				
Net investment in capital assets	18,178,081	13,295,055	4,883,026	37 %
Restricted	1,027,353	8,942,292	(7,914,939)	(89)%
Unrestricted deficit	(8,957,828)	(11,528,009)	2,570,181	(22)%
Total net position	\$ 10,247,606	\$ 10,709,338	\$ (461,732)	(4)%

Current assets - The Corporation's current assets increased by \$57,197 or 4%, rising from \$1,607,163 on June 30, 2023, to \$1,664,360 on June 30, 2024. The increase is primarily attributed to higher accounts receivable from increased production rentals and reimbursement expected from the Puerto Rico Department of Labor related to Act 52 of 1991, also known as the Wage Incentives Act, as amended.

Capital assets - The Corporation's capital assets increased by \$4,883,026, or 37%, from \$13,295,055 as of June 30, 2023, to \$18,178,081 as of June 30, 2024. These capital assets are funded through proceeds from operations, capital grants from the Commonwealth of Puerto Rico (the Commonwealth), and federal awards.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023

FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)

Capital assets (continued) - During the year, the total increase amounted to \$5,915,646, driven by the acquisition of equipment and significant building improvements, construction in progress and artwork restorations. In 2024, the depreciation and amortization expense totaled \$966,059, and no assets were retired or replaced, except for the artwork impairment loss recognized in the amount of \$66,561, which relates to assets currently undergoing restoration. Of these capital additions, \$2,542,654 was funded by capital contributions from the Commonwealth and \$2,748,207 by federal funds.

Other assets - Other assets decreased by \$1,376,594, or 8%, compared to the previous year. This decline was mainly due to a reduction in deposits associated with capitalized construction that was in progress during the year. As of June 30, 2024, other assets primarily consist of restricted cash resulting from surplus revenues generated in previous years, along with federal funds and capital contributions. The surplus revenues from both the current and prior years are regarded as available resources for 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 \$2,970,213 or 77% 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 \$203,361 or 12% from \$1,755,568 on June 30, 2023, to \$1,958,929 on June 30, 2024, primarily due to the accounts payable related to capital projects completed.

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 increased by \$1,589,422, or 7%, mostly due to the changes in the actuarial assumptions used to determine the total pension liability.

Deferred inflows of resources - Deferred inflows of resources decreased by \$737,635 or 47% mostly due to implementation of GASB No. 87, and pension related assumptions.

Net position - Net position represents the Corporation's assets and deferred outflows of resources reduced by related liabilities and deferred inflows of resources. The Corporation's net position decreased by \$461,732, or 4%, compared to the prior fiscal year. This decrease is primarily due to the restatement related to federal fund advances received in 2024 and in previous years. These advances were previously recognized as revenue but were reclassified as unearned revenue, resulting in a \$5,074,319 reduction to the beginning net position. This correction, which includes transactions from prior years, was recorded as a cumulative adjustment to the beginning net position of July 1, 2023.

Additionally, the restatement includes the recognition of a liability of \$7,425,411 related to unencumbered surplus funds held in restricted cash, which must be transferred to the Commonwealth's General Fund according to Act 26-2017. Of this amount, \$5,978,767 pertains to prior year transactions and was also recorded as a cumulative adjustment to the beginning net position as of July 1, 2023. Refer to **Notes 2 and 14**.

Further details are provided in the "Condensed Statement of Revenues, Expenses, and Changes in Net Position."

Restatement Adjustments

The cumulative restatement adjustment reflects corrections to prior period errors affecting fiscal years before 2023. These adjustments were applied to the beginning net position of 2023 and 2024 to ensure comparability.

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

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

FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023

FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)

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

	2024	(As Restated) 2023	Change	Total % Change
Operating revenues				
Rental of facilities	\$ 986,129	\$ 949,563	\$ 36,566	4 %
Food and beverage	22,666	193,220	(170,554)	(88)%
Service Concession Arrangement -				
Bar	117,400	13,446	103,954	773 %
Parking	664,539	664,910	(371)	- %
Box office, net	631,068	697,073	(66,005)	(9)%
Services to producers	126,681	271,906	(145,225)	(53)%
Lease revenue	190,892	183,158	7,734	4 %
Other	<u>52,896</u>	<u>381,544</u>	(328,648)	(86)%
Total operating revenues	<u>2,792,271</u>	<u>3,354,820</u>	(562,549)	(17)%
Operating expenses				
Salaries, payroll taxes, and fringe benefits	1,804,365	1,929,991	(125,626)	(7)%
Pension expense	1,407,998	1,621,485	(213,487)	(13)%
OPEB benefit (benefit)	(25,305)	212,681	(237,986)	(112)%
Voluntary termination benefits	24,930	9,633	15,297	159 %
Professional and consulting services	939,818	1,139,284	(199,466)	(18)%
Utilities	1,362,377	1,790,459	(428,082)	(24)%
Repairs and maintenance	335,554	551,335	(215,781)	(39)%
Food and beverage	-	62,805	(62,805)	(100)%
Security	188,705	199,715	(11,010)	(6)%
Insurance	1,006,628	787,609	219,019	28 %
Depreciation and amortization	966,059	697,252	268,807	39 %
Cultural contributions to non-for profit producers	82,474	46,290	36,184	78 %
Bank charges	51,036	55,461	(4,425)	(8)%
Administrative supplies	388,207	282,947	105,260	37 %
Impairment loss on Artwork	66,561	-	66,561	100 %
Rentals	<u>46,104</u>	<u>62,210</u>	(16,106)	(26)%
Total operating expenses	<u>8,645,511</u>	<u>9,449,157</u>	(803,646)	(9)%
Operating loss	<u>(5,853,240)</u>	<u>(6,094,337)</u>	<u>241,097</u>	<u>(4)%</u>
Non-operating revenues				
Commonwealth of Puerto Rico contributions	3,299,636	2,381,009	918,627	39 %
U.S. government grants	8,176	2,280,459	(2,272,283)	(100)%
Interest income	<u>675,173</u>	<u>337,290</u>	<u>337,883</u>	<u>100 %</u>
Total non-operating revenues	<u>3,982,985</u>	<u>4,998,758</u>	(1,015,773)	(20)%

Continues.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023

FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)

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

	2024	(As Restated) 2023	Change	Total % Change
Capital contributions				
Commonwealth of Puerto Rico contributions	128,160	-	128,160	100 %
U.S. government grants	1,280,363	1,213,426	66,937	6 %
	<u>1,408,523</u>	<u>1,213,426</u>	<u>195,097</u>	<u>16 %</u>
Change in net position	<u>(461,732)</u>	<u>117,847</u>	<u>(579,579)</u>	<u>(492)%</u>
Total net position, beginning of year				
as previously reported	10,709,338	21,644,577	(10,935,239)	(51)%
Cumulative restatement	-	(11,053,086)	11,053,086	(100)%
Total net position, beginning of year, as restated	<u>10,709,338</u>	<u>10,591,491</u>	<u>117,847</u>	<u>1 %</u>
Total net position, end of year	<u><u>\$ 10,247,606</u></u>	<u><u>\$ 10,709,338</u></u>	<u><u>\$(461,732)</u></u>	<u><u>(4)%</u></u>

Operating revenues - The Corporation's operating revenues decreased by \$562,549, or 17%, compared to the prior fiscal year. The operating revenues amounted to \$2,792,271 and \$3,354,820 for the fiscal years ended June 30, 2024 and 2023, respectively.

Operating expenses - Total expenses decreased by \$803,646, or 9%, during the current fiscal year compared to the previous fiscal year. This increase is primarily attributable to the recognition of a liability to the Commonwealth related to unencumbered funds under the Oversight Board, as established by Act 26-2017. The overall increase was partially offset by reductions in professional services, repairs, and maintenance expenses due to the completion of various projects in 2023. Additionally, lower electricity usage in 2024 contributed to the overall expense reduction.

Non-operating revenues - The Corporation's non-operating revenues decreased by \$1,015,773, or 20% decrease. This decline was primarily attributed to grants received in 2023 from federal agencies. These grants were intended to cover operational expenses, restore and improve building facilities that were damaged by hurricanes Irma and María in 2017, and help the Corporation adapt to new technological standards in order to provide enhanced services to producers and the public.

Capital contributions - In 2024, the Corporation received a capital contribution of \$1,408,523 from the Commonwealth to rent two chillers for five months and to acquire time and assistance software, and from federal agencies. See *Capital assets* section above.

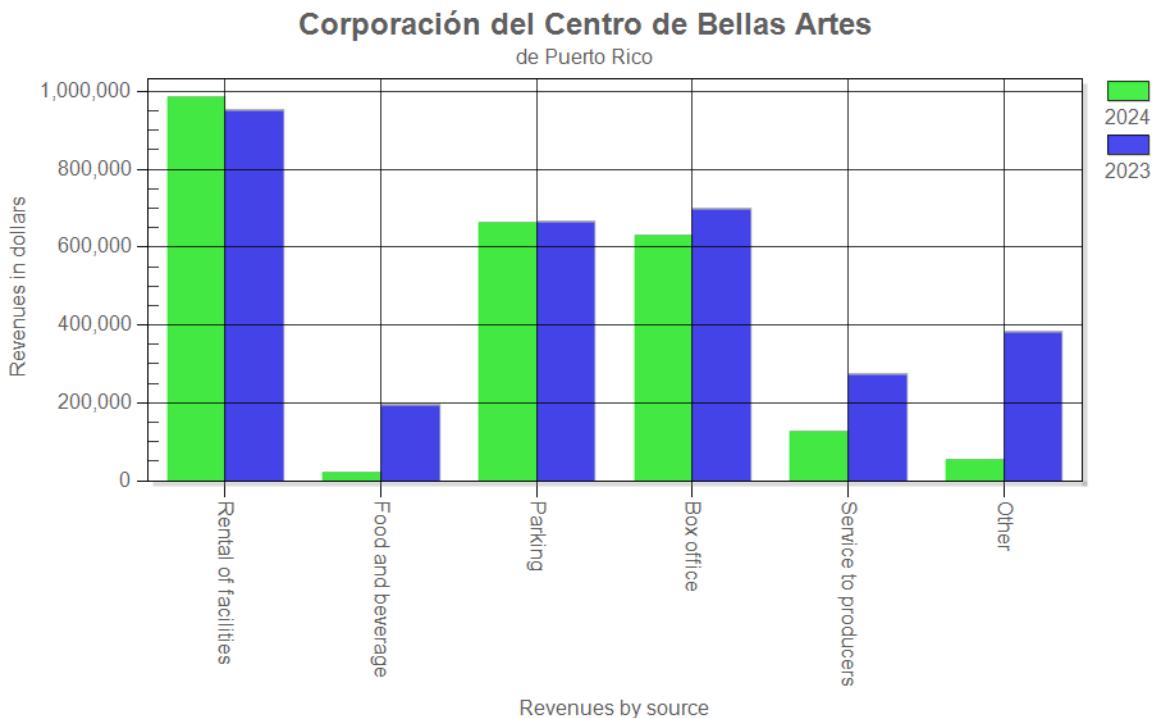
For capital contributions status, see **Note 15, Capital Contributions and Expenditures**, and **Note 21, Subsequent Events**.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023

FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)

The following chart presents revenues comparison by sources of the Corporation for the fiscal years ended June 30, 2024 and 2023:

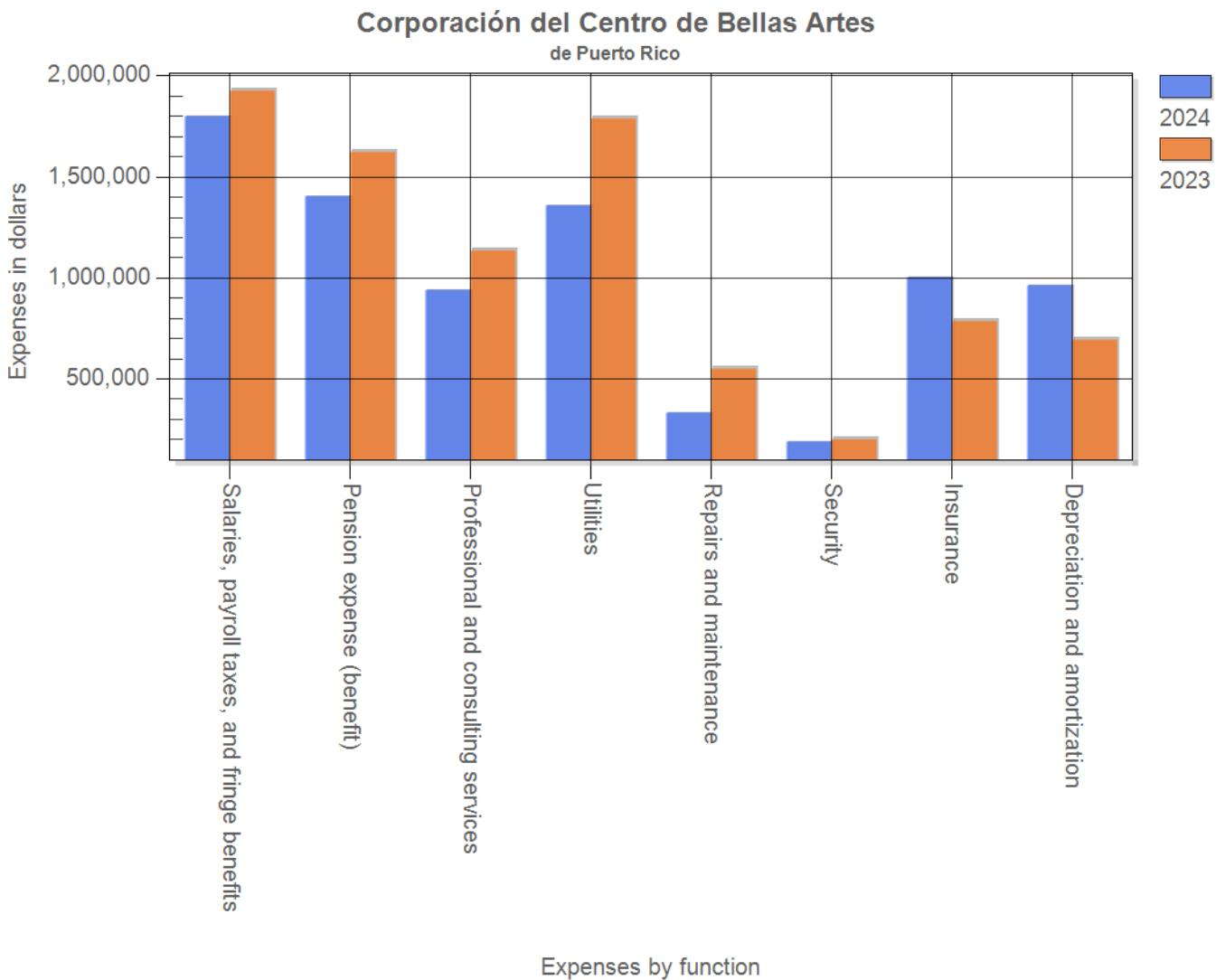


CORPORACIÓN DEL CENTRO DE BELLAS ARTES DE PUERTO RICO
(A Component Unit of the Commonwealth of Puerto Rico)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023

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, 2024 and 2023:



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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023

BUDGETARY HIGHLIGHTS

The combined budget for the fiscal year 2024-2023 was \$7,311,000. This sum comprises \$4,684,000 derived from the Commonwealth's General Budget, along with \$2,627,000 from Operating Revenues.

The following table summarizes the budget for the fiscal years ended June 30, 2024 and 2023:

BUDGET COMPARISON

Revenues	2024	2023	Change
Commonwealth contributions	\$ 4,684,000	\$ 4,230,000	\$ 454,000
Operating revenues	<u>2,627,000</u>	<u>2,616,000</u>	<u>11,000</u>
Total revenues	<u><u>\$ 7,311,000</u></u>	<u><u>\$ 6,846,000</u></u>	<u><u>\$ 465,000</u></u>

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, 2024

ASSETS

Current assets

Cash	\$ 755,139
Accounts receivable, net	222,197
Lease receivable	170,921
Prepaid expenses	<u>516,103</u>
Total current assets	<u>1,664,360</u>

Non-current assets

Restricted cash	14,846,420
Lease receivable	134,675
Service concession arrangement - Bar	384,218
Capital assets, net of accumulated depreciation	<u>18,178,081</u>
Total non-current assets	<u>33,543,394</u>
Total assets	<u>35,207,754</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension related	902,151
Other postemployment benefits related	<u>8,400</u>
Total deferred outflows of resources	<u>910,551</u>

LIABILITIES

Current liabilities

Accounts payable	687,140
Accrued expenses	143,282
Deposits from clients	141,402
Collections on behalf of producers	213,212
Compensated absences	59,530
Voluntary termination benefits	166,876
Total other postemployment benefit liability	8,400
Total pension liability	<u>539,087</u>
Total current liabilities	<u>1,958,929</u>

Non-current liabilities

Due to the Commonwealth of Puerto Rico - Special Fund	7,425,111
Unearned revenues	6,393,956
Compensated absences	110,112
Voluntary termination benefits	604,285
Total other postemployment benefit liability	279,276
Total pension liability	<u>8,257,371</u>
Total non-current liabilities	<u>23,070,111</u>
Total liabilities	<u>25,029,040</u>

DEFERRED INFLOWS OF RESOURCES

Pension related	185,008
Lease related	272,433
Service concession arrangement related	<u>384,218</u>
Total deferred inflows of resources	<u>841,659</u>

NET POSITION

Net investment in capital assets	18,178,081
Restricted	1,027,353
Unrestricted deficit	<u>(8,957,828)</u>
Total net position	<u>\$ 10,247,606</u>

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, 2024

Operating revenues

Rental of facilities	\$ 986,129
Food and beverage	22,666
Service Concession Arrangement - Bar	117,400
Parking	664,539
Box office, net	631,068
Services to producers	126,681
Lease revenue	190,892
Other	52,896
	<hr/>
Total operating revenues	2,792,271

Operating expenses

Salaries, payroll taxes ,and fringe benefits	1,804,365
Pension expense	1,407,998
OPEB benefit	(25,305)
Voluntary termination benefits	24,930
Professional and consulting services	939,818
Utilities	1,362,377
Repairs and maintenance	335,554
Security	188,705
Insurance	1,006,628
Depreciation	966,059
Cultural contributions to not-for-profit producers	82,474
Bank charges	51,036
Administrative supplies	388,207
Impairment loss on artwork	66,561
Rentals	46,104
	<hr/>
Total operating expenses	8,645,511
	<hr/>
Operating loss	(5,853,240)

Non-operating revenues

Contributions from Commonwealth of Puerto Rico, net of statutory transfer provision Act 26-2027	3,299,636
U.S. government grants	8,176
Interest income	675,173
	<hr/>
Total non-operating revenues	3,982,985

Capital Contributions

Commonwealth of Puerto Rico contributions	128,160
U.S. government grants	1,280,363
	<hr/>
Total capital contributions	1,408,523

Change in net position

Total net position, beginning of year, as previously presented	21,762,424
Restatement	(11,053,086)
	<hr/>
Total net position, beginning of year, as restated	10,709,338
	<hr/>
Total net position, end of year	\$ 10,247,606

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, 2024

Cash flows from operating activities:

Receipts from customers	\$ 2,561,803
Payments to suppliers	(4,448,878)
Payments to employees	(2,280,737)
Other receipts	58,897
Other payments	(46,100)
Net cash used in operating activities	(4,155,015)

Cash flows from non-capital financing activities:

Commonwealth of Puerto Rico contributions	4,745,979
U.S. government grants	8,176
Net cash provided by non-capital financing activities	4,754,155

Cash flows from capital and related financing activities:

Capital expenditures	(5,915,646)
Capital contributions from the Commonwealth of Puerto Rico	128,160
Capital contributions from U.S. government grants	2,600,000
Net cash used in capital and related financing activities	(3,187,486)

Cash flows provided by investing activities;

interest received	675,173
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Net decrease in cash

Cash, including restricted cash, at beginning of year	17,514,732
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Cash, including restricted cash, at end of year

Cash, including restricted cash, at end of year	\$ 15,601,559
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Total Cash and Restricted Cash as shown in the Statement of Net Position

Cash	\$ 755,139
Restricted cash	14,846,420
	\$ 15,601,559

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, 2024

Reconciliation of operating loss to net cash used in operating activities

Operating loss	\$(5,853,240)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	966,059
Impairment loss on artwork	66,561
Change in assets and liabilities:	
Decrease (increase) in:	
Accounts receivable	(135,823)
Lease receivable	63,084
Prepaid expenses	(136,818)
Service concession arrangement - bar	(384,218)
Deferred outflows of resources - pension related	2,971,013
Deferred outflows of resources - other postemployment benefits related	(800)
Increase (decrease) in:	
Accounts payable	32,855
Accrued expenses	65,562
Deposits from clients	24,480
Collections on behalf of producers	(64,079)
Compensated absences	(35,076)
Voluntary termination benefits	56,992
Total pension liability	(1,029,427)
Total other postemployment benefits liability	(24,505)
Deferred inflows of resources - pension related	(1,056,620)
Deferred inflows of resources - lease related	(65,233)
Deferred inflows of resources - service concession arrangement related	<u>384,218</u>
Total adjustments	<u>1,698,225</u>
Net cash used in operating activities	<u>\$(4,155,015)</u>

See notes to the financial statements.

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

NOTES TO FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2024

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. Refer to Note 20, for information regarding a subsequent change in the Corporation's legal name.

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 discrete 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 Dependence

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 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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2024

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. Legislative grants and donations are recognized as revenue when all eligible requirements are met. If the grant includes a time requirement for future periods, the funds are recorded as deferred inflows of resources until the applicable period. Purpose-restricted grants are recognized as revenue when eligibility is met, and the related net position is reported as restricted.

The Corporation distinguishes between operating and non-operating revenues and expenses in the Statement 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 generated 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). These funds are deemed available resources of the Commonwealth and must be deposited by the Treasury into the General Fund to meet the liquidity requirements provided in the Fiscal Plan adopted under the provisions of the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA).

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Restricted Cash (Continued)

Restricted Cash (Continued)

Unencumbered Contributions (Contributed)

As of June 30, 2024, the Corporation holds \$7,425,111 in restricted cash, which consists entirely of unencumbered surplus from generated revenues and Commonwealth contributions. These funds are not available for the Corporation's discretionary use.

The Financial Oversight and Management Board for Puerto Rico (the Oversight Board) established under PROMESA retains authority to release funds upon request and may authorize transfers between governmental entities to ensure compliance with the Fiscal Plan and liquidity management objectives.

U.S. Government Operating and Capital Grants

In 2024, the Corporation received \$2,600,000 from the Coronavirus State Fiscal Recovery Fund, a grant provided by the US Department of Treasury through the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF, for its Spanish acronym). Of this amount, \$1,280,363 was designated for capital projects. As of June 30, 2024, the Corporation held \$7,013,372 in restricted cash subject to federal compliance requirements.

Commonwealth of Puerto Rico Capital Contributions

In 2024, the Corporation received \$128,160 for the rental of two chillers over five months, as well as for the acquisition of the time and attendance software. As of June 30, 2024, the Corporation has \$407,937 in restricted cash held by the Corporation specifically earmarked for capital contributions.

Budgetary Compliance and Restrictions on Fund Balances

As provided by Act No. 26-2017, any unencumbered previous-year balance of non-current allocations cannot longer be obligated. Any proposal to use said funds from previous years must be submitted through budget requests for the evaluation of the Oversight Board. In addition, as a general rule, previous year balances from the General Fund accounts should be closed and forwarded to the Treasury. In the event the Corporation is able to gain access to those funds, through the approval of the Oversight Board, the amount recovered will be presented as a change in estimate in the Statement of Revenues, Expenses, and Changes in Net Position. As of June 30, 2024, 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.

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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

All works of art are capitalized at their fair market value at the date of donation or at cost if purchased. All restoration and conservation costs are also capitalized, as they are considered to extend the useful life and preserve the integrity of the assets. The Corporation does not depreciate these assets due to their inexhaustible nature and ongoing preservation efforts. Restoration costs are capitalized when they extend the useful life of the asset.

The costs of regular maintenance and repairs that do not enhance the service capacity of the asset or materially extend asset's 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

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, 2024, the Corporation evaluated its capital assets for impairment and identified impairment indicators related to certain works of art due to physical deterioration. In accordance with applicable accounting standards, an impairment adjustment was recognized to reflect the decline in service utility of the affected assets.

Subsequently, the Corporation undertook restoration efforts to preserve and extend the useful life of the impaired artworks. These restoration costs, totaling \$412,624, net of impairment loss, were capitalized as they significantly improved the condition of the assets. The net impact of the impairment and restoration activities has been reflected in the capital asset balances as of June 30, 2024. Refer to **Note 6**.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for the deferred outflow of resources, which represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The Corporation has two captions that qualify for reporting in this category in the statement of net position, an item related to pensions and another to Other Postemployment Benefits (OPEB). Pension related items (further disclosed in *Accounting for Pension Costs* section below, and **Note 8**), 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 three captions arising from the accrual basis of accounting that qualifies for reporting in this category, items related to pensions, leases, and service concession arrangements. Pension related items (further disclosed in *Accounting for Pension Costs* section below, and **Note 8**), 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 16**.

See *Service Concession Arrangement* section below for deferred inflows of resources related to SCA and **Note 13**.

Unearned Revenues

Unearned revenues represent resources received by the Corporation before the eligibility requirements or time requirements have been met. These include federal funds received under the American Rescue Plan Act (ARPA), which are recognized as revenue only when qualifying expenditures are incurred in accordance with program guidelines. Until such conditions are satisfied, the funds are recorded as unearned revenue in the statement of net position.

Leases

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

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 receivable 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 receivable 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 16**.

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 \$169,642 on June 30, 2024.

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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023, actuarial measurement data was used for the pension benefits financial reporting recognition as of and for the fiscal year ended June 30, 2024.

Other Post-Employment Benefits

In addition to the pension benefits described in **Note 8**, 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 9**.

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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

- **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 is often 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 unearned revenues.

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, 2024, the Corporation granted contributions to producers in the amount of \$82,474.

Service Concession Agreement

The Corporation has entered into a bar service concession agreement under which it has transferred the administration and operation of the bars to private organizations in exchange for concession fees. Amounts collected in advance are reported as deferred inflows of resources and are amortized into concession revenue in a systematic and rational manner over the term of the agreement. Improvements performed by Connected Group (Concessionaire) to the transferred assets are capitalized by the Corporation, as applicable. The assets are still owned by the Corporation and, therefore, are reported in the Corporation's basic financial statements. Refer to **Note 13** to the basic financial statements, for additional information regarding the service concession agreements in effect as of June 30, 2024.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023:

Newly Adopted Standards

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. The application of this standard had no effect on the financial statements of the Corporation.

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. 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.

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model. The purposes of the improvements are to (a) enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and (b) address certain application issues identified through pre agenda research conducted by the GASB. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Newly Issued Accounting Standards (Continued)

New Accounting Standards Issued but Not Yet Adopted (Continued)

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. 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 September 26, 2025, 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 disclosed in **Note 21**.

3. CASH

Cash and restricted cash as of June 30, 2024, comprises the following:

Description	Unrestricted Cash	Restricted Cash	Total
Operational	\$ 755,139	\$ -	\$ 755,139
U.S. Government grants	-	7,013,372	7,013,372
Surplus of generated revenue and unencumbered Commonwealth contributions	-	7,425,111	7,425,111
Capital contributions from the Commonwealth	-	407,937	407,937
	\$ 755,139	\$ 14,846,420	\$ 15,601,559

4. CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event of a bank failure, the Corporation's deposits may not be recoverable. As a component unit of the Commonwealth, the Corporation is subject to the deposit requirements established by Commonwealth law. Under these provisions, public funds deposited in commercial banks must be fully collateralized for any amount exceeding the limits insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2024, the Corporation's deposits exceeded FDIC insurance limits by \$15,347,185, and were fully collateralized in accordance with these legal requirements. The Corporation does not maintain a formal deposit policy specifically addressing custodial credit risk but adheres to the statutory requirements established by the Commonwealth.

5. 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 relevant factors.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2024

5. ACCOUNTS RECEIVABLE (CONTINUED)

As of June 30, 2024, the Corporation reported the following amounts as accounts receivable:

	Amount
Trade	\$ 259,011
Governmental entities	<u>4,300</u>
	263,311
Less allowance for doubtful accounts	(41,114)
	<u>\$ 222,197</u>

6. CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,593,000	\$ -	\$ -	\$ 2,593,000
Artwork, including restorations in progress	571,372	479,185	(66,561)	983,996
Construction in progress	<u>69,116</u>	<u>1,628,719</u>	<u>-</u>	<u>1,697,835</u>
	<u>3,233,488</u>	<u>2,107,904</u>	<u>(66,561)</u>	<u>5,274,831</u>
Capital assets, being depreciated:				
Building and betterments	30,997,538	3,414,309	-	34,411,847
Furniture and equipment	2,672,749	393,433	-	3,066,182
Musical instruments	538,375	-	-	538,375
Sound system equipment	2,782,443	-	-	2,782,443
Recording equipment	213,621	-	-	213,621
Illumination equipment	638,805	-	-	638,805
Motor vehicles	<u>62,268</u>	<u>-</u>	<u>-</u>	<u>62,268</u>
Total capital assets, being depreciated	<u>37,905,799</u>	<u>3,807,742</u>	<u>-</u>	<u>41,713,541</u>
Less accumulated depreciation for:				
Building and betterments	22,415,291	787,601	-	23,202,892
Furniture and equipment	1,440,712	159,526	-	1,600,238
Musical instruments	324,722	12,631	-	337,353
Sound system equipment	2,759,263	2,357	-	2,761,620
Recording equipment	213,621	-	-	213,621
Illumination equipment	632,084	1,814	-	633,898
Motor vehicles	<u>58,539</u>	<u>2,130</u>	<u>-</u>	<u>60,669</u>
Total accumulated depreciation and amortization	<u>27,844,232</u>	<u>966,059</u>	<u>-</u>	<u>28,810,291</u>
Total capital assets	<u>\$ 13,295,055</u>	<u>\$ 4,949,587</u>	<u>\$(66,561)</u>	<u>\$ 18,178,081</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2024

7. COMPENSATED ABSENCES

The activity of compensated absences liability balance for the year ended on June 30, 2024, follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Current
Compensated absences	\$ 204,718	\$ 90,533	\$(125,609)	\$ 169,642	\$ 59,530

8. 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 Employees’ Retirement System of the Government of the Commonwealth of Puerto Rico (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 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, 2022

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

The June 30, 2022, actuarial valuation contains more information on the census data provided by ERS.

Participant Data as of July 1, 2022:

Active members	15
Inactive members in pay status	34
Total	49

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2024

8. PENSION PLAN (CONTINUED)

Participant Data as of July 1, 2022 (Continued)

The total pension liability was approximately \$8,796,458 for the reporting year ended June 30, 2024. The pension liability has a valuation date as of July 1, 2022, a measurement date of June 30, 2023, and rolled forward to June 30, 2024.

The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Municipal bond index	3.65%, 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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2024

8. PENSION PLAN (CONTINUED)

Other Assumptions

Mortality (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.
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, 2024, and the actual employer benefit payments during the fiscal year ended June 30, 2024:

Proportionate share	<u>0.04235 %</u>
Actual employer benefit payments	\$ <u>539,087</u>

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

The following presents the Corporation proportionate share of the net pension asset calculated using the discount rate of 3.65%, as well as what it would be if it were calculated using a discount rate of one-percentage point lower (2.65%) or one-percentage point higher (4.65%) than the current rate:

	1% Decrease 2.65%	Current Discount 3.65%	1% Increase 4.65%
Total pension liability	\$ <u>9,806,551</u>	\$ <u>8,796,458</u>	\$ <u>7,952,966</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2024

8. 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, 2024:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 6,130	\$ 54,861
Changes in assumptions	335,881	-
Changes in proportion	21,053	130,147
Benefits payments made after measurement date	<u>539,087</u>	<u>-</u>
	<u>\$ 902,151</u>	<u>\$ 185,008</u>

Amount reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2024, will be recognized in the pension expense (benefit) in future years as follows:

Year ending June 30,
2025 \$ 287,149

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, 2024. This amount is not included above.

Pension Payments and Expense

During the fiscal year ended June 30, 2024, the Corporation's benefit payment to this plan amounted to \$539,087. This amount represented 100% of the benefit payments for the corresponding year, and the related expenses.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2024

9. 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, 2022, 34 retired and disabled members participated in this plan.

Actuarial Methods and Assumptions

The total OPEB liability as of June 30, 2024, was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2024 (measurement date as of June 30, 2023). The actuarial valuation used the following actuarial assumptions applied to all periods in the measurement period:

Discount rate

The discount rate for June 30, 2023 was 3.65%. 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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2024

9. OTHER POSTEMPLOYMENT BENEFITS (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, 2023, calculated using the discount rate of 3.65%, as well as the Corporation's total OPEB liability if it was calculated using the discount rate of one-percentage point lower (2.65%) or one-percentage point higher (4.65%) than the current rate.

	1% Decrease 2.65%	Current Discount Rate 3.65%	1% Increase 4.65%
Other postemployment benefits liability	\$ 321,823	\$ 287,676	\$ 259,281

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, 2024, the payments made subsequent to the measurement date are recognized as deferred outflows of resources.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2024

9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Other Postemployment Benefit Expense

The components of OPEB expense for the fiscal year ended June 30, 2024, are as follows:

Proportionate share of OPEB Benefit	\$ 6,140
Net amortization from changes in proportion	(23,045)
Benefits payments made after measurement date	<u>(8,400)</u>
Proportionate Share of OPEB Benefit	<u><u>\$ (25,305)</u></u>

Corporation Proportional Share

The following table presents the Corporation's proportionate share of the total OPEB liability as of June 30, 2024, and the proportion percentage of the aggregate total pension liability of ERS allocated to the Corporation:

Corporation's proportion of the ERS total OPEB	<u>0.04449 %</u>
Corporation's proportionate share of the ERS total OPEB	<u><u>\$ 287,676</u></u>

10. SALA SINFÓNICA

In March 2004, the Corporation entered into an agreement with "Autoridad para el Financiamiento de la Infraestructura de Puerto Rico" (AFI) for the construction of the "Sala Sinfónica del Centro de Bellas Artes 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, 2024, the Corporation incurred approximately \$1.3 million in the operation of the Sala Sinfónica. According to Act No. 77-2025, all rights and responsibilities associated with the Sala Sinfónica will be transferred to the new Corporación de la Orquesta Sinfónica de Puerto Rico.

11. VOLUNTARY TERMINATION BENEFITS

Act No. 70

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's 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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2024

11. VOLUNTARY TERMINATION BENEFITS (CONTINUED)

Act No. 211

On December 8, 2015, Act No. 211 was signed, called the Voluntary Pre-Retirement Program. It was created to establish a program that identifies eligible employees, who can be separated voluntarily and incentivized from their employment before they meet the requirements to retire. The purpose of this program is to offer incentives for personnel who have been contributing to the Retirement System before April 1, 1990, under the Act No. 447-1951, or who began to contribute at a later date, and have made all the corresponding payments before April 1, 1990, without having received a refund of their contributions and who at least have 20 years of service registered.

On December 8, 2015, Act No. 211 was signed, called the Voluntary Pre-Retirement Program. It was created to establish a program that identifies eligible employees, who can be separated voluntarily and incentivized from their employment before they meet the requirements to retire. The purpose of this program is to offer incentives for personnel who have been contributing to the Retirement System before April 1, 1990, under the Act No. 447-1951, or who began to contribute at a later date, and have made all the corresponding payments before April 1, 1990, without having received a refund of their contributions and who at least have 20 years of service registered.

The following is the voluntary termination liability for the year ended June 30, 2024:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current</u>
Termination benefits	\$ 913,106	\$ 35,680	\$ (177,625)	\$ 771,161	\$ 166,876

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

On June 30, 2024, the Corporation's unpaid long-term benefits granted under Act No. 70 and Act No. 211 were discounted at an interest rate of 3.40%.

12. UNEARNED REVENUES

As of June 30, 2024, the Corporation reported unearned revenues totaling \$6,393,956 related to funding received under the American Rescue Plan Act (ARPA). These funds were awarded by the U.S. Department of the Treasury to support eligible expenditures in response to the COVID-19 public health emergency and its economic impacts.

The balance of unearned ARPA funds as of June 30, 2024, is summarized as follows:

<u>Description</u>	<u>Amount</u>
ARPA Funds Received	\$ 9,559,763
ARPA Funds Expended	(3,165,807)
Unearned Revenue Balance	<u>\$ 6,393,956</u>

Unearned revenues represent amounts received but not yet earned in accordance with the eligibility and timing requirements established by the ARPA program. The component unit recognizes revenue when qualifying expenditures are incurred.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2024

12. UNEARNED REVENUES (CONTINUED)

These funds are restricted for use in accordance with federal guidelines and are subject to compliance audits under the Uniform Guidance (2 CFR Part 200). The Corporation continues to monitor expenditures to ensure compliance with applicable federal requirements.

13. SERVICE CONCESSION ARRANGEMENT

The Corporation entered into a bar service concession arrangement with the Concessionaire to administrate and operate the bars in the Corporation's facilities. Beginning on August 1, 2023, until June 30, 2027, the Concessionaire conveyed the operations of the bars located in various areas of the Corporation's facilities, which includes the main lobbies on both floors of the Antonio Paoli Festival Hall, René Marques Hall, the main lobbies of both floors of the Pablo Casals Symphony Hall, and the Plazoleta Juan Morel Campos this last with prior authorization. The arrangement includes a renewal option for three additional years.

The Concessionaire pays 15% of the gross revenues generated by the sale of beverages and food, and under the contract, is required to maintain certain inventory levels. Any change to basic inventory shall be approved by the Corporation. The estimated annual revenue from the bars is \$138,000, with monthly revenue amounting to \$11,500. The present value of the arrangement as of August 1, 2023, was \$501,618, calculated using a discount rate of 4.02%. Revenue from the bar services concession is recognized systematically over the term of the arrangement.

During the year ended June 30, 2024, the earnings under the service concession arrangement amounted to \$117,400.

14. DUE TO COMMONWEALTH OF PUERTO RICO

As of June 30, 2024, the Corporation reports a liability of \$7,425,111 under Due to Commonwealth – Special Funds in the Statement of Net Position. This amount corresponds mostly to unencumbered surplus of generated revenues and Commonwealth contributions held in restricted cash. Pursuant to Act No. 26-2017, the Corporation is required to transfer these funds to the Treasury once identified by the Committee created under Act No. 26-2017. These funds are deemed available resources of the Commonwealth and must be deposited into the General Fund to support liquidity requirements. Although the cash remains in the Corporation's bank accounts as of the reporting date, the Corporation has recognized a statutory transfer Provision – Act 26-2017 resulting in the liability due to the Commonwealth disclosed above.

The Oversight Board established under PROMESA retains authority to release funds upon request and may authorize transfers between governmental entities to ensure compliance with the Fiscal Plan and liquidity management objectives.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2024

15. CAPITAL CONTRIBUTIONS AND EXPENDITURES

Capital Contributions by the Commonwealth

During 2024, the Corporation incurred capital expenditures totaling \$2,542,654. These expenditures included investments in equipment, lighting, public elevators, waterproofing and other general constructions projects. As of February 28, 2025, the Corporation's revised remaining budget for capital projects is as follows:

	Revised Budget (February 28, 2025) (Unaudited)
Equipment	\$ 190,181
Equipment rental	300,000
Electric structure improvements	80,500
Parking improvements	4,088,175
Software	28,160
General construction	<u>283,470</u>
Available, subject to Oversight Board approval	<u>\$ 4,970,486</u>

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. Refer to **Note 21** for *Subsequent Events*.

Capital Projects with Federal Funding

Disaster Grants-Public Assistance (Presidentially Declared Disasters)

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 to cover the 10% of the \$7,618,547 awarded by FEMA.

During 2024, the Corporation incurred capital expenditures totaling \$545,000. These expenditures included investment in sound equipment. As of the date these financial statements were issued, the Corporation had received approximately \$1,714,173 in reimbursements and advances from FEMA.

Cultural Rescue Program

During 2024, the Corporation incurred capital expenditures totaling \$2,203,207. These expenditures included investments in equipment, artwork restorations, and other general constructions projects. Refer to **Note 21** for *Subsequent Events*.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2024

16. LEASES

The Corporation leases land, building, and space facilities to third parties with various terms and 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, 2024.

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 170,921	\$ 11,339
2026	117,939	5,073
2027	16,736	500
	<u>\$ 305,596</u>	<u>\$ 16,912</u>

Lease and interest revenue recognized on these leases were \$190,892 for the year ended June 30, 2024.

17. 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 Commonwealth's 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.

18. 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, 2024. The Agreement's purpose is to comply with the Commonwealth's Certified 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 AAFAF, which has not occurred as of the date these financial statements were issued.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2024

19. PUERTO RICO ELECTRIC POWER AUTHORITY EMPLOYEES' MOBILITY

Since June 1, 2021, the Corporation has contracted seven 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) are participants of the Employees' Retirement System of the Puerto Rico Electric Power Authority (the PREPA Plan). As of the date these financial statements were issued, the Commonwealth was funding the monthly basic pension contribution of these employees. It is the understanding of the Corporation, that for purposes of the PREPA Plan, the responsibility of the pension obligation of these employees rests on PREPA. Accordingly, the Corporation has not recognized any liability for the accumulation of this liability.

20. RESTATEMENT

American Rescue Plan Funds

During the current fiscal year, management of the Corporation identified an error in the financial statements of prior years related to the recognition of funds received under the ARPA. In prior periods, ARPA funds were recognized as revenue upon receipt. However, in accordance with Governmental Accounting Standards Board (GASB) guidance—specifically GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*—such funds should have been deferred until the eligibility requirements and allowable expenditure conditions were met.

As a result, the beginning of year net position for the year ended June 30, 2024, has been restated to reflect the correction. The restatement increased deferred inflows of resources were increased by \$6,393,956 as of June 30, 2024, decreased program revenues by \$1,319,637 for the year ended June 30, 2024, and reduced the net position by \$5,074,319. These adjustments were necessary to properly defer ARPA funds until the eligibility and expenditure requirements were met, in accordance with GASB standards. This restatement does not affect cash balances or fund availability but ensures compliance with applicable accounting standards and improves the accuracy of financial reporting. Management has implemented additional review procedures to ensure proper classification and recognition of grant revenues in future periods.

Act No. 26-2017

During fiscal year 2024, the Corporation identified a reporting adjustment related to the recognition of a statutory transfer obligation under Act No. 26-2017, which requires the transfer of unencumbered surplus funds to the Commonwealth. These funds, held in restricted cash and deemed available resources of the Commonwealth, are to be deposited into the General Fund upon identification by the Committee established under Act No. 26-2017. As a result, the Corporation recognized a liability of \$7,425,111 under Due to Commonwealth – Special Funds, along with a corresponding Statutory Transfer Provision. This adjustment was not previously recorded and required a restatement of beginning net position. Accordingly, the beginning net position as of July 1, 2023, was decreased by \$5,978,767 to reflect the cumulative effect of the correction. The remaining balance was recognized during the current fiscal year.

This restatement ensures compliance with applicable statutory requirements and improves the accuracy of the Corporation's financial reporting in accordance with generally accepted accounting principles (GAAP).

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2024

21. SUBSEQUENT EVENTS

Cultural Rescue Program

On September 16, 2024, the Oversight Board approved the Corporation's request to reprogram \$5,842,855 from the original \$9,661,587 granted under the Cultural Rescue Program. The funds were allocated to various projects, including operational expenses, digitalization activities, theater seating acquisition, general maintenance, construction of "Teatro al Aire Libre" and "Portico de las Artes," conservation of historical artwork, and acquisition of chillers.

<u>Resolution</u>		<u>Budget Amount</u>	<u>Unspent Balance</u>	<u>Description</u>
2021-087	\$ 3,000,000	\$ 1,536,283		Operational expenses and support financial liquidity
2022-070 and 2022-109	1,800,000	1,327,956		Digitalization activities, construction project, and theater seating
2022-184	90,000	12,024		General maintenance services
2023-002	600,000	109,017		<i>Teatro al Aire Libre</i>
2023-054	1,371,587	803,830		Conservation Project of Historical Artwork
2023-106	1,700,000	953,744		<i>Porticos de las Artes y Teatro al Aire Libre</i>
2024-023	900,000	900,000		Acquisition of chillers
2024-049	200,000	200,000		General maintenance services
	<u>\$ 9,661,587</u>	<u>\$ 5,842,854</u>		

Refer to **Note 15** for more information related to capital contributions and expenditures.

Commonwealth Capital Contributions and Expenditures

On April 16, 2025, the Oversight Board approved the fund extension of \$4,512,543 until June 30, 2026, to continue with the improvements to the main building of the Corporation.

Change in Entity Name

Effective July 12, 2025, pursuant to Act 51-2025, the Corporation formerly known as *Corporación del Centro de las Bellas Artes de Puerto Rico* changed its legal name to *Corporación del Centro de las Bellas Artes Luis A. Ferré*.

Sala Sinfónica

Refer to **Note 10**.

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, 2024

	2024 (Measured as of June 30, 2023)	2023 (Measured as of 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	<u>0.04235 %</u>	<u>0.04436 %</u>	<u>0.02467 %</u>	<u>0.02434 %</u>	<u>0.02689 %</u>
Proportionate share of the total pension liability	<u>\$ 8,796,458</u>	<u>\$ 9,825,885</u>	<u>\$ 6,707,148</u>	<u>\$ 6,833,290</u>	<u>\$ 6,683,024</u>
Covered-employee payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total pension liability as a percentage of covered payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Note to Schedule:

The schedule is intended to show information for ten years; however, the Corporation only has information available 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). There are no assets accumulated in a trust that meets the criteria in GASB 73, paragraph 4 to pay related benefits.

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, 2024

	2024 (Measured as of June 30, 2023)	2023 (Measured as of June 30, 2022)	2022 (Measured as of June 30, 2021)	2021 (Measured as of June 30, 2020)	2020 (Measured as of June 30, 2019)	2019 (Measured as of June 30, 2018)
Proportion of the total other postemployment benefits liability	0.04449 %	0.04488 %	0.01247 %	0.01232 %	0.01637 %	0.01542 %
Proportionate share of the total other postemployment benefits liability	\$ 287,676	\$ 312,181	\$ 99,500	\$ 107,761	\$ 134,087	\$ 151,485
Covered employee payroll	N/A	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	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.

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

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

FISCAL YEAR ENDED JUNE 30, 2024

1. CHANGES OF BENEFIT TERMS

Total Pension Liability

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended* (GASB Statement No. 73).

Discount Rate

Discount rate	3.65%
20 Year Tax-Exempt Municipal Bond Yield	3.65%

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, 2023, valuation that was dated December 13, 2024, for the other actuarial assumptions used.

Valuation date	July 1, 2022
Measurement date	June 30, 2023
Actuarial cost method	Entry Age Normal

Total Other Postemployment Benefits Liability

Discount Rate

Discount rate	3.65%
20 Year Tax-Exempt Municipal Bond Yield	3.65%

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, 2023, valuation dated December 13, 2024, for the other actuarial assumptions used.

Valuation date	July 1, 2022
Measurement date	June 30, 2023
Actuarial cost method	Entry Age Normal
Medical trend rate	Not applicable

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

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2024

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.