CORPORACIÓN DE LAS ARTES MUSICALES DE PUERTO RICO
(A Component Unit of the Commonwealth of Puerto Rico)

Basic Financial Statements and

Required Supplementary Information

For the Fiscal Year Ended June 30, 2019

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STRATEGIC CPAs
CONSULTING GROUP LLC

July 30, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Corporación de las Artes Musicales de Puerto Rico
(A Component Unit of the Commonwealth of Puerto Rico)

Report on the Basic financial statements

We have audited the accompanying basic financial statements of the Corporación de las Artes Musicales de Puerto Rico, a Component Unit of the Commonwealth of Puerto Rico (the Corporation), as of and for the year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted ouraudit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatements of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no suchopinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Corporación de las Artes Musicales de Puerto Rico as of June 30, 2019, 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.

Emphasis of Matters

Uncertainty

The accompanying basic financial statements have been prepared assuming that the Corporation will continue as a going concern.

As discussed in Note 9 to the basic financial statements, the Corporation is highly dependent on the Commonwealth of Puerto Rico (the Commonwealth) appropriations to finance its operations. The financial difficulties experienced by the Commonwealth, including the uncertainty as to its ability to fully satisfy its obligations, raises substantial doubt about the Corporation's ability to continue as a going concern. Management's plans in regard to these matters. The basic financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinion on the basic financial statements as a whole. The accompanying supplementary information included in page 34 through 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and we derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effect on the supplementary information of the matters discussed in the Basis for Qualified Opinion paragraph, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Strategic CPA
Consulting Group, LLC

Strategic CPAs Consulting Group, LLC
Certified Public Accountants & Consultants
License Number 342
Expiration Date December 1st, 2022

San Juan, Puerto Rico
July 30, 2021

Strategic CPA Consulting Group, LLC
CPA'S
Lic.# LLC-342
Puerto Rico

Note: Stamp No E410560 was affixed to the original report.

This section of the Corporación de las Artes Musicales de Puerto Rico (the Corporation) annual financial report presents management's discussion and analysis (MD&A) of financial performance during the year ended June 30, 2019. This MD&A should be read in conjunction with the Corporation's basic financial statements and notes.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Corporation's financial report consists of this MD&A, financial statements, and notes to the financial statements. The Corporation's basic financial statements are prepared using U.S. generally accepted accounting principles applied to government units using the economic resources measurement focus and the accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

All asset, deferred outflows of resources, liabilities, and deferred inflows of resources of the Corporation at June 30, 2019 are included in the statement of net position. For the year ended June 30, 2019, the Corporation revenues and expenses are reported in the statements of revenue, expenses, and changes in net position. The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operating, financing, and investing activities.

FINANCIAL HIGHLIGHTS

This section of the Corporation's annual financial report presents our discussion and analysis of the Corporation's financial performance during fiscal year ended June 30, 2019.

- The total assets amounted to $6,641,104 and is below liabilities by $23,641,941 which amounted to $30,283,045 at the close of the current fiscal year.
- At the close of the fiscal year, the Corporation reported net deficit amounting to $23,541,644; this shows an decrease of $59,311 as compared to prior year's net deficit.
- Cash and accounts receivable, $5,549,095 represent 83.6% of total assets.
- In net position, $1,091,462 represents net investment in capital assets (e.g., furniture and equipment, musical instruments, and library), which are not available for future spending.
- The operating loss for the year was $6,689,205. This loss is $468,056 more than prior year's operating loss. The total liabilities decreased by $2,648,075 as compared to prior year, and exceeded the assets by $23,641,941.
- At the close of the fiscal year the Corporation net position (deficit) amounting to $(23,541,644), which shows an increase of $59,311 as compared to prior year net position (deficit).
- At the close of the fiscal year the Corporation operating revenues of $472,307, which shows an increase of $107,504 or 29.47%, in comparison to prior year.

As noted earlier, net position may serve as a useful indicator of the Corporation financial position.

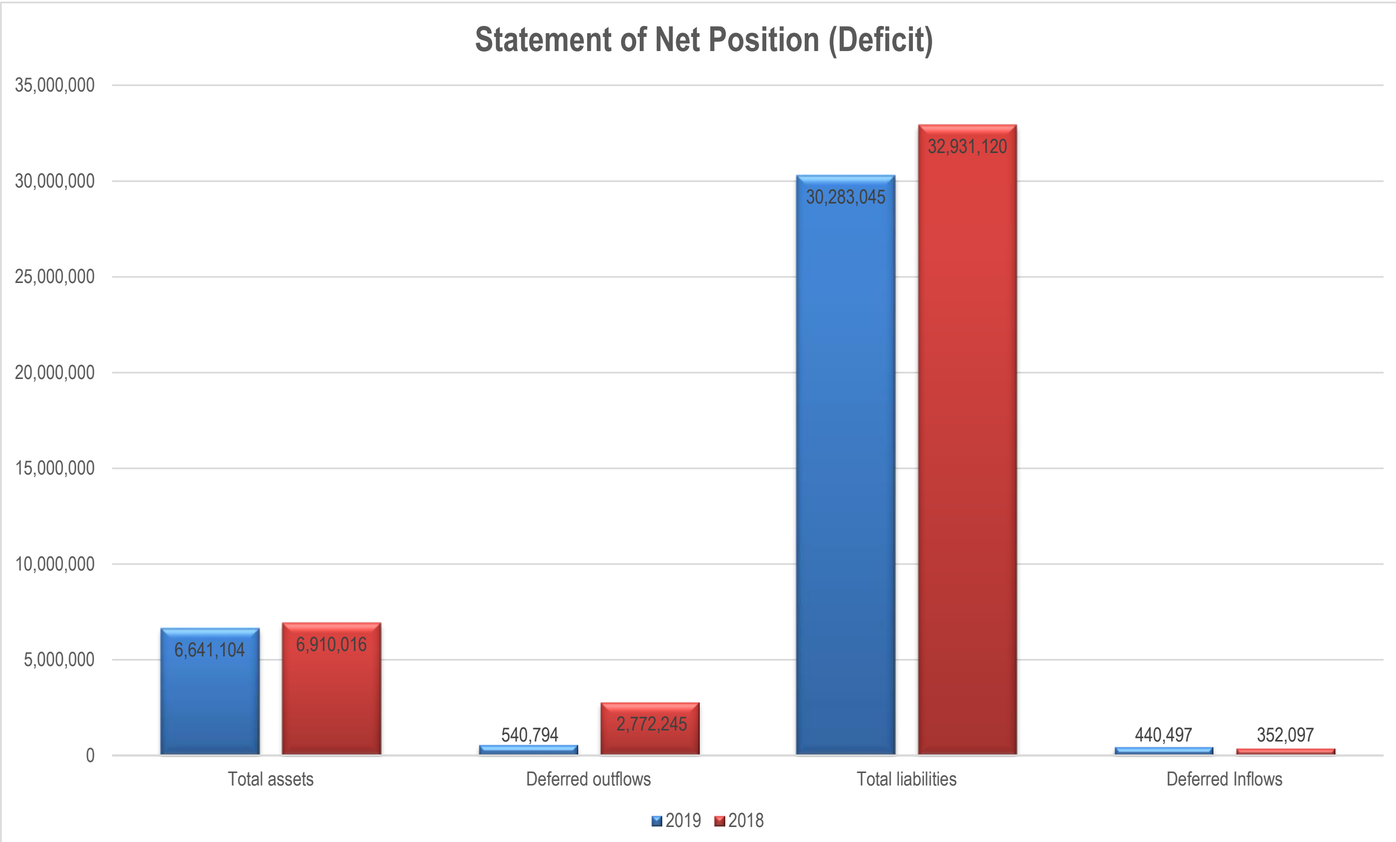
FINANCIAL ANALYSIS

The Corporation condensed Statements of Net Position (Deficit) as of June 30, 2019 and 2018 were as follows**:**

Statement of net position	2019	2018
Assets		
Current and other assets	$ 5,549,642	$ 5,727,301
Noncurrent assets	1,091,462	1,182,715
Total assets	6,641,104	6,910,016
Deferred outflows of resources - pension related	540,794	2,772,245
Liabilities		
Current liabilities	1,959,349	1,716,420
Noncurrent liabilities	28,323,696	31,214,700
Total liabilities	30,283,045	32,931,120
Deferred inflows of resources - pension related	440,497	352,097
Net position (Deficit)		
Net investment in capital	1,091,462	1,182,715
Restricted	200,000	211,029
Unrestricted	(24,833,106)	(24,994,699)
	$ (23,541,644)	**$ (23,600,955)**

Fiscal year 2019 compared to 2018

- Current assets - The current assets decreased by $177,659 or 3.10% as compared to prior year; mainly due to decrease in cash.
- Cash - This Corporation has a cash management account that supplies all funds for the operations of the Corporation and its related companies. The cash accounts are divided by programs. Each program has a regular account, which receives all deposits, especially the monthly legislative funds, and generates payments to suppliers. In addition, the Corporation makes payments to professors of the *"Servicios Integrados a la Comunidad"* educational programs. The Corporation and its subsidiaries companies have only one payroll bank account, but expenses are recorded in each subsidiary.
- Non-current assets - The long-term assets decreased by $91,253, due to an adjustment to reduce capital assets during the fiscal year 2019.
- Current liabilities - The current liabilities increased by $242,929 compared to prior year.
- Non-current liabilities - Non-current liabilities comprise the accrual for termination benefits and net pension liabilities. The CAM's non- current liabilities decreased by $2,891,004 or 9.26% at June 30, 2019, such decrease represents the net effect of those disbursements made concerning Act No. 70 of July 2, 2010 to provide for the early retirement to eligible employees and the effect of compliance with GASB 73 and 75.
- Net position (deficit) - Net position (deficit) represents the residual interest in assets after liabilities are deducted. The net deficit decreased by $59,311 or .25%; from $23,600,955, as of June 30, 2018, to $23,541,644 as of June 30, 2019.

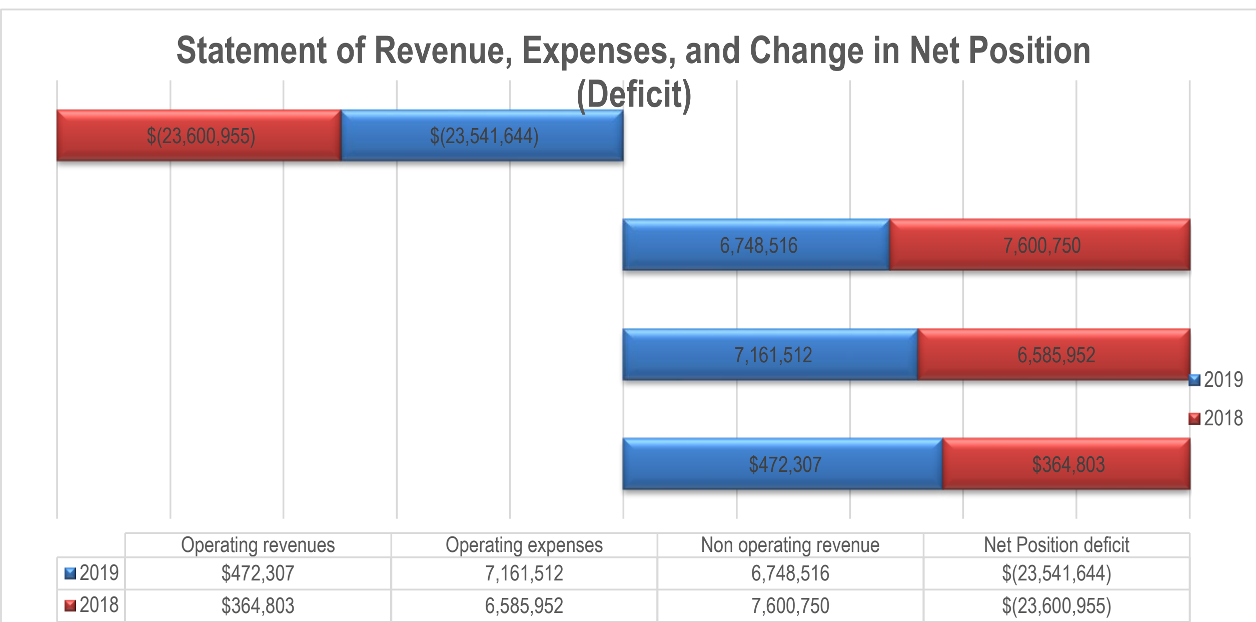

Statement of Net Position (Deficit)
35,000,000
30,000,000
25,000,000
20,000,000
15,000,000
10,000,000
5,000,000
0
6,641,104
6,910,016
540,794
2,772,245
30,283,045
32,931,120
440,497
352,097
Total assets
Deferred outflows
Total liabilities
Deferred Inflows
2019
2018

The Corporation's condensed statements of Revenues, Expenses and Change in the Net Position (Deficit) for the years ended in June 30, 2019 and 2018 were as follows:

Statement of Revenue, Expenses and Change in Net Position (Deficit)	2019	2018
Operating revenues	$ 472,307	$ 364,803
Operating expenses	7,161,512	6,585,952
Operating loss	(6,689,205)	(6,221,149)
Non operating revenue	6,748,516	7,600,750
Decrease in net position (deficit)	59,311	1,379,601
Net position (deficit), beginning of year	(23,600,955)	(24,980,556)
Net Position deficit, end of year	$ (23,541,644)	$(23,600,955)

Fiscal year 2019 compared to 2018

- Operating revenues - Operating revenue represents administrative services charged to customer. The operating revenues for the current and prior year were $472,307 and $364,803, respectively.
- Non-operating revenues – The net operating revenues decreased by $852,234 or 11.21%, as compared to prior fiscal year. The Corporación de las Artes Musicales de Puerto Rico received less grants and appropriations in 2019 than in 2018. Most of the revenues during 2019 are from non-operating revenues, which represent 95.42% of the total revenues.



Capital Assets and Debt Administration

Capital Assets- The total capital assets are as follows:

- Furniture and equipment - All assets in administrative area, such as executive offices, finance, personnel, and general services.
- Musical instruments - All instruments used in the public center where the programs are implemented.
- Motor vehicle - The automobile for the Executive Director.
- Library - Includes all educational books and materials used in the different programs. Refer to Note 1 of the basic financial statements.

Liabilities:

Total current liability is as follows:

- Compensated absences - Employees accrue vacations at a rate of 2.5 days per month, up to a maximum of 60 days and accumulate sick leave at a rate of 1.5 days per month, up to a maximum of 90 days. Accrued vacations and sick leave benefits as of June 30, 2019 amounted to $621,660. Refer to Note 4 of the basic financial statements.
- Termination benefits - The Corporation accounts for termination benefits in accordance with the provisions of GASB Statement No. 47, *Accounting for Termination Benefits,* which indicates that employers should recognize a liability and expense for voluntary termination benefits when the offer is accepted and the amount can be estimated. During the fiscal year ended in June 30, 2019, a decrease of termination benefits accrual amounted to$65,485. This decrease was basically due to the periodic payments of amounts accrued, regarding to Act No. 70 of July 2, 2010, which provided certain early separation benefits.
- Total pension obligation - The Orquesta Sinfónica de Puerto Rico Retirement System plan (System) is a single- employer defined benefit pension plan administered by the Board of Trustees of the Retirement System. A pension liability was determined in accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers,* as amended by GASB Statement No. 50, *Pension Disclosures,* GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* and 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 Certain Provisions at GASB Statements 67 and 68.* Refer to Notes 6 of the basic financial statements.

BUDGETARY HIGHLIGHTS

The consolidated budget for the fiscal year 2018-2019 was $6,618,480. The resources include: $5,983,000 from a Joint Resolution from Legislative Appropriations and a Special Appropriation of $635,480.

The following summarizes the consolidated budget for the fiscal years ended June 30, 2019 and 2018, distributed to each corporation:

Year	Corporación de las Artes Musicales de Puerto Rico
2019	$ 6,618,480
2018	$ 8,277,104

BUDGETARY HIGHLIGHTS

This financial report is designed to provide a general overview of the Corporation's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, Corporación de las Artes Musicales de Puerto Rico, P.O. Box 4122 Minillas Station, San Juan, Puerto Rico 00940-1227.

Corporación de las Artes Musicales de Puerto Rico
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Net Position (Deficit)
As of June 30, 2019

Assets	
Current assets:	
Cash and cash equivalents	$ 5,474,030
Accounts receivable:	
Individuals and private entities	19,566
Goverment entities	55,499
	75,065
Other current assets	547
Total current assets	5,549,642
Non-currents assets:	
Capital assets, net	1,091,462
Total non-current assets	1,091,462
Total assets	6,641,104
Deferred outflows of resources	
Pension Related	522,036
OPEB Pension Related	18,758
Total deferred outflows of resources	540,794
Liabilities	
Current liabilities:	
Accounts payable:	
Individuals and private entities	142,559
Government entitiess	895,508
	1,038,067
Accrued expenses and withholding payable	48,132
Current portion of long term obligations	
Compensated absences	621,660
Termination benefits payable	48,185
	669,845
Unearned revenue	203,305
Total current liabilities	1,959,349
Non-current liabilites:	
Termination Benefits Payable	362,898
OPEB liability	217,716
Total pension obligation	27,743,082
Total non-current liabilities	28,323,696
Total liabilities	30,283,045
Deferred inflows of resources:	
Pension related	440,497
Total deferred inflows of resources	440,497
Net Position (deficit)	
Net investment in capital	1,091,462
Restricted	200,000
Unrestricted	(24,833,106)
Total net position (deficit)	$ (23,541,644)

See accompanying notes to financial statement

Corporación de las Artes Musicales de Puerto Rico
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Revenues, Expenses and Changes in Net Position (Deficit)
For the year ended June 30, 2019

Operating revenues:		
Sale of tickets	$	382,971
Charges for services		89,336
Total operating revenues		472,307
Operating expenses:		
Salaries, payroll and fringe benefits		5,060,021
Pension cost		(137,491)
Termination benefits		36,922
Rent		588,477
Scholarships and financial aid		43,000
Travel and meals		38,367
Publicity and advertisement		70,263
Professional, artistic and cosulting services		1,201,827
Utilities		4,483
Depreciation		92,972
Repairs and maintenance		11,509
Insurance		74,873
Other expenses		76,289
Total operating expenses		7,161,512
Operating loss		(6,689,205)
Non-operating revenues:		
Legislative appropriations		5,983,000
Special appropriations		635,480
Donations		30,000
Interest and other income		100,036
Total non-operating revenues		6,748,516
Change in net position (deficit)		59,311
Net position (deficit) at beginning of year		(23,600,955)
Net position (deficit) at end of year	$	(23,541,644)

See accompanying notes to basic financial statements

Corporación de las Artes Musicales de Puerto Rico
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Cash Flows
For the year ended June 30, 2019

Cash flows from operating activities		
Receipts from customers	$	472,307
Payments to suppliers		(1,889,193)
Payments to employees		(5,473,695)
Other		(76,288)
Net cash provided by (used in) operating activities		(6,966,869)
Cash flows fron noncapital financing activities		
Recipts from government		6,618,480
Donations		30,000
Other non-operating receipts		46,645
Net cash provided by noncapital financing activies		6,695,125
Cash flows from capital and related financing activities		
Purchase of property and equipment		(1,719)
Net cash used by capital and related financing activies		(1,719)
Cash Flows from investing activities		
Interest from bank accounts		53,392
Net cash provided by investing activities		53,392
Net change in cash and cash equivalents		(220,071)
Cash and cash equivalents at beginning of year		5,694,101
Cash and cash equivalents at end of year	$	5,474,030

RECONCILIATION OF OPERATING LOSS TO		
NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$	(6,689,205)
Adjustment to reconcile operating loss to net cash		
provided by (used in) operating activities:		
Depreciation		92,972
(Increase) decrease in assets:		
Accounts receivable		(42,412)
(Increase) decrease in Deferred outflows of resources		2,231,451
Increase (decrease) in liabilities:		
Accounts payable		147,651
Accrued expenses and withholding payable		(2,949,030)
Increase (decrease) in Deferred inflows of resources		241,704
		(277,664)
Net cash used in operating activities	$	(6,966,869)

The accompanying notes are an integral part of these statements.

1) REPORTING ENTITY

The Corporación de las Artes Musicales de Puerto Rico (the Corporation) – is a public corporation and component unit of the Commonwealth of Puerto Rico (the Commonwealth) created on July 31, 1985, pursuant to Act No. 4, as amended, (the Act) to replace the Administración para el Fomento de las Artes y la Cultura originally created on May 30, 1980 under Act No. 76. The Corporation was created to develop and execute the public policy towards the development of the fine arts and cultural programs for Puerto Rico and its people.

The Corporation is responsible for its debts and is entitled to its surplus. No other governmental agency can receive the benefits nor can impose financial strain on the Corporation.

Board of Directors - The Board of Directors is appointed by the Governor of the Commonwealth, with the counsel and approval of the Senate of Puerto Rico. The Board has the power to make decisions and is responsible for them.

Designation of management - The Board of Directors appoints an Executive Director. The Executive Director appoints the other members of management. Management reports to the Board of Directors.

Capacity to manage operations - The Corporation has the legal capacity to make significant decisions in the managing of its operations. This legal capacity includes but is not limited to: control of its assets, which include facilities and properties; formalize contracts and develop programs.

Basis of Presentation – Blended Component Unit

The basic financial statements of the Corporation as of June 30, 2019 include the financial position and operations of the Corporación de las Artes Escénico-Musicales de Puerto Rico and the Corporación de la Orquesta Sinfónica de Puerto Rico.

The Corporación de las Artes Escénico Musicales de Puerto Rico and the Corporación de la Orquesta Sinfónica de Puerto Rico were created as subsidiaries of the Corporation, pursuant to Acts No. 42 and 44, approved on May 12, 1980, respectively to develop, coordinate and promote the operation and programs of the Orquesta Sinfónica de Puerto Rico and in addition, provides for the incorporation of Festival Casals, Museo Pablo Casals, Festival de la Orquesta Sinfónica Juvenil de America, and Festival Iberamericano de las Artes.

During fiscal year ended June 30, 2019 the Corporación de las Artes Escénico-Musicales de Puerto Rico and the Corporación de la Orquesta Sinfónica de Puerto Rico present a net gain (loss) after non-operating revenues of $(36,428) and $(610,313) respectively.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation –

The accounting and reporting policies of the Corporation conform to the accounting rules prescribed by the Governmental Accounting Standards Board (GASB). The Corporation follows Governmental Account Standards Board pronouncements under the hierarchy established by GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, in the preparation of its basic financial statements.

The basic financial statements utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or long-term, financial, or non-financial) associated with their activities are reported. Legislative appropriations and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The legislative appropriations and donations for permanent betterments or for any specific activity not used in the fiscal year are credited to a deferred income account and income when expended.

The basic financial statements are presented using the accrual basis of accounting. Revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability was incurred, or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions would be recognized when the exchange takes place. In addition, revenues, expenses, gains, losses, assets, and liabilities from non- exchange transactions would be recognized when all applicable eligibility requirements are met, and the amounts are "available".

Operating revenues and expenses generally result from providing services in connection with the Corporation ongoing operations. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

Use of Estimates in the Preparation of Basic financial statements - The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures at the date of the basic financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk:

Cash and cash equivalents - The Corporation maintains cash in deposit accounts with high credit financial institutions. The laws of the Commonwealth of Puerto Rico require that public funds deposited in commercial banks be collateralized when the funds exceed the amount insured by the Federal Government. The securities pledged by the banks as collateral for those deposits are under the custody of the Secretary of the Treasury in the name of the Commonwealth of Puerto Rico.

Accounts receivable - Accounts receivable from governmental and non-governmental customers of the Corporation are stated net of estimated allowances for doubtful accounts, which are determined, based upon past collection experience and current economic conditions.

These receivables arise primarily from service charges to users. Accounts receivable from the primary government and other component units that arise from service charges do not have allowances for doubtful accounts, as these are deemed fully collectible.

Management believes that the concentration of the risks mentioned above does not represent a significant risk of loss in relation to the financial position of the Corporation at June 30, 2019.

Capital assets - The capital assets are stated at historical costs when purchased or at estimated fair market value when donated. Costs of normal maintenance and repairs, which do not increase the value of the asset or materially extend assets lives, are not capitalized. Assets which cost or estimated fair market value is stated under $150 are expensed when purchased or when received as a donation.

The Museum and the historic photograph of Pablo Casals are stated at the value established when they were donated to the Corporation, which approximated the market value at such date. These assets are not depreciated. Furthermore, the artwork and historic collections exhibited in the Museum are not included in the basic financial statements due to the lack of information about their cost or market value. At present, the Museum is open to the public at Sala Sinfónica Pablo Casals in the Centro de Bellas Artes Luis A Ferré.

Major outlays for capital assets, renewals, and betterments are capitalized. In accordance with practices followed by similar entities, the Corporation records depreciation expense using the straight- line method over the following estimated useful lives:

Assets	Years
Furniture and equipment	3-10
Library	10
Musical instruments	5
Motor vehicles	5
Software	3

Deferred outflows/inflows of resources - In addition to assets, the statement of net position (deficit) reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses) until then. The Corporation has one item that qualify for reporting in this category in the statement of net position (deficit), which is related to certain pension related items. The pension related items, which are related with the GASB Statement No. 68 and GASB Statement No. 71, changes in proportional share of contributions and differences between expected and actual experience, are capitalized and recognized over a period equal to the expected remaining working lifetime of active and inactive participants. Net differences between projected and actual earnings on pension plan investments is deferred and recognized over a five-year period. Pension contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability after the next measurement date according to the requirements of the GASS Statement No. 71.

In addition to liabilities, the statement of net position (deficit) reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Corporation has two items that qualifies for reporting in this category in the statement of net position (deficit), which are related to defer income and certain pension related items (GASS Statement No. 68). Changes in proportional share of contributions, differences between expected and actual experience, and changes in actuarial assumptions, are defer red and recognized over a period equal to the expected remaining working lifetime of active and inactive participants. Net differences between projected and actual earnings on pension plan investments is deferred and recognized over a five-year period.

Net position (deficit) - In basic financial statements, net position (deficit) represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in the statements of net position (deficit). The net position is reported in three categories:

- **Net investment in capital** - Consists of historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- **Restricted net position** - Consists of net position with constraints placed on the use either by: (1) external groups such as grantors, contributors or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - All other assets that do not meet the definition of "restricted" or "net investment in capital assets".

It is the Corporation policy to first use restricted position prior to the use of unrestricted position when an expense is incurred for purposes for which both restricted and unrestricted position are available. Restricted position includes assets that are legally restricted as to their use.

Compensated absences - Employees accrue vacations at a rate of 2.5 days per month, up to a maximum of 60 days and accumulate sick leave at a rate of 1.5 days per month, up to a maximum of 90 days. Upon retirement, an employee receives compensation for all accumulated unpaid vacation leave at the current rate. Accrued vacations and sick leave benefits as June 30, 2019, amounted to $660,224.

Legislative and special appropriation - The Corporation receives annually legislative appropriations, and also receives special appropriations from the Government of the Commonwealth of Puerto Rico. These appropriations are for the operations of the Corporation and are recognized when granted. The appropriations for any specific activity not used in the fiscal year are credited to deferred income and credited to income when used.

Contributions and donations - The contributions and donations related to the acquisition and financing of capital expenditures are recorded as contributed capital. The contributed capital for operations was recorded as revenue when received. The contributions and donations for permanent betterments not used in the fiscal year are credited to deferred revenues account and credited to revenue when expended.

Impairment of long-lived assets - The Corporation follows the provision of Governmental Accounting Standards Board (GASB) No.42, *Accounting and Financial Reporting for Impairments of Capital* Assets *and for Insurance Recoveries.* This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also establishes accounting requirements for insurance recoveries.

A capital asset generally should be considered impaired if both: (a) the decline in service utility of the capital asset is large in magnitude, and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. During the year ended June 30, 2019, the Corporation performed an impairment analysis of its capital assets and did not identify impairments to be recorded in its basic financial statements.

Accounting for pension costs - The Corporation accounts for pension under the provisions of GASB No. 67, "Financial Reporting for Pension Plans, an amendment of GASB No. 25", which change the computation and assumptions of net pension obligation (NPO), and GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, which were effective for fiscal years beginning after June 15, 2013, and June 15, 2014, respectively.

For purposes of the stand-alone basic financial statements of the plan trust, the pension cost is accounted from the standpoint of a participant in a single-employer defined benefit pension plan. Accordingly, pension costs recognized are equal to the statutorily or contractually required contributions, with a liability recorded for any unpaid required contributions. The basis of accounting used by the Corporation was accrual basis.

For purposes of measuring the total pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pension Plans (the Plans) and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 other. 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 (3) preceding years.

Termination benefits - The Corporation accounts for termination benefits in accordance with the provisions of GASB No. 47, *Accounting for Termination Benefits,* which indicates that employers should recognize a liability and expense for voluntary termination benefits when the offer is accepted, and the amount can be estimated. A liability and expense for involuntary termination benefits should be recognized when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees, and the amount can be estimated.

Effects of new accounting standards - During the fiscal year ended June 30, 2019, the Corporation implemented the following GASB pronouncements:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* - This statement was issued to improve accounting and financial reporting by state and local governments for pensions. This statement replaces requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as requirements of GASB Statement No. 50, *Pension Disclosures.*

This statement and GASB Statement No. 67 (applicable to Pension Plans) establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating, and managing assets dedicated for pensions andpaying benefits to plan members as they come due. This statement was effective for the fiscal year ended June 30, 2015, but it was not until fiscal year 2018 that was implemented by the Corporation. Additional information about the implementation of this statement is addressed in the Note 8.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*
- *An amendment of* GASB *Statement No. 68*- The objective of this statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

The statement requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent, to the measurement date of the beginning net pension liability. This statement is effective for the fiscal year ended June 30, 2015, but it was not until fiscal year 2018 that was implemented by the Corporation. Additional information about the implementation of this statement is addressed in the Note 8.

GASB statement No. 73, Accounting and financial reporting for pensions and related assets that are not within scope the GASB Statement 68, and Amendments to certain provisions of GASB Statement 67 and 68. The objective of the statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local government for making decisions and assessing accountability.

The statement establishes requirements for defined benefits pensions that are not within the scope of statement No. 68, accounting and financial reporting for pensions, as well as for assets accumulated for purpose of providing those pensions. In additions it establishes requirements for defined contribution pensions that are not within the scope of statement 68. It also amends certain provisions of statement 67, financial reporting for pension plans, statements 68 for pension plans and pensions that are within respective scope.

The GASB 75 program helps districts and county offices that offer non-pension retirement benefits to comply with Governmental Accounting Standards Board Statements No. 74 and No. 75 at a fraction of the cost of a full actuarial valuation.

Future accounting pronouncements – GASB has issued the following statements that the Corporation has not yet adopted:

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

- **GASB Statement No. 89**, *Accounting for Interest Cost Incurred before the End of a Construction Period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.*

- **GASB Statement No. 91**, *Conduit Debt Obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.*

- **GASB Statement No. 92**, *Omnibus 2020. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.*

- **GASB Statement No. 94**, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.*

- **GASB Statement No. 96**, *Subscription-Based Information Technology Arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged*.

- **GASB Statement No. 97**, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged*.

Management is evaluating the impact that these statements will have, if any, on the Corporation's basic financial statements.

CONCENTRATION OF RISKS

Restricted		Unrestricted	
Book balance	Bank balance	Book balance	Bank balance
$ 200,000	$ 200,000	$ 5,274,030	$ 5,274,030

Custodial credit risk - This is the risk that in the event of a bank failure, the Corporation's deposits may not be recovered. At June.30, 2019, all the Corporation's bank accounts and deposits are maintained in domestic commercial banks, which are required by the Commonwealth to maintain collateral securities pledged for security of public deposits at amounts in excess of federal insurance coverage. Deposits either insured or collateralized are not considered to be subject to custodial credit risk.

As of June 30, 2019, the Corporation's depository bank balances, aggregating approximately $5.5 million, are not exposed to custodial credit risk.

Revenue's risk - The Corporation is highly dependent on the Commonwealth appropriations to finance its operations. Approximately 95% of the Corporation's total revenues are derived from the Commonwealth's appropriations which amounted to approximately $8 million for the year ended June 30, 2019.

The Commonwealth of Puerto Rico (the Commonwealth) is experiencing a severe economic and fiscal crisis resulting from continuing economic contractions, persistent and significant budget deficits, a high debt burden, unfunded legacy obligations and lack of access to the capital markets, among other factors. The Commonwealth has resulted in becoming unable to pay scheduled debt payments while continuing to provide government services.

In April 2016, the Commonwealth enacted the Puerto Rico Emergency Moratorium and Rehabilitation Act (the "Moratorium Act"), whereby the Commonwealth and certain instrumentalities suspended the payment of debt service on their respective debts and redirected certain revenues assigned to certain public corporations for the funding of operational expenses.

On April 8,2016, the Governor of Puerto Rico signed an executive order, E0-2016-010 (EO 10), declaring GOB to be in a state of emergency pursuant to Act No.21.EO 10, in accordance with the emergency powers provided for in Act No. 21, implemented a regulatory framework governing GDB's operations and liquidity, including establishing a procedure with respect to governmental withdrawals, payments, and transfer requests in respect of funds held on deposit at GOB and loan disbursements by GDB. The procedures implemented by the EO 1O resulted in restrictions on the ability of the Corporation to withdraw any funds held on deposit at GDB. During the year ended June 30, 2019, the Corporation recorded a loss of approximately $60,000, related to deposits held in GOB.

In addition, in response to this crisis, in June 2016, the U.S. Federal Government enacted the Puerto Rico Oversight, Management and Economic Stability Act (PROMESA), which among other things, establishes an oversight board (the Oversight Board) composed of seven (7) members appointed by the U.S. Federal Government, with broad powers over the finances of the Commonwealth and its instrumentalities.

PROMESA seeks to provide the Commonwealth with (i) fiscal and economic discipline through the creation of the Oversight Board, (ii) relief from creditor lawsuits through the enactment of a temporary stay on litigation to enforce rights or remedies related to outstanding liabilities of the Commonwealth and its instrumentalities and municipalities and (iii) two separate processes for the restructuring of the debt obligationsof such entities.

In January 2018, the Commonwealth enacted the Financial Emergency and Fiscal Responsibility Act to replace certain provisions of the Moratorium Act. It extended the Governor's power to suspend debt service obligations until year 2018, by prioritizing the payment of essential services over debt service.

In addition, in February 2018 it submitted a fiscal plan that was approved by the Oversight Board, which among other initiatives, it calls for significant reductions in operational expenses and subsides for the municipalities and the University of Puerto Rico.

In May 2018, the Commonwealth and the Oversight Board filed for bankruptcy under Title Ill of PROMESA for restructuring of the Commonwealth and certain of its instrumentalities.

3) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019 was as follows:

	Balance 30-Jun-18	Reclassifications	Increases	Decreases	Balance 30-Jun-19
Capital assets, not being depreciated:					
Art collection/Historical Trasures	$ 565,000	$ 3,000	$ -	$ -	$ 568,000
Construction in progress	-	-	-	-	-
Total capital assets, not being depreciated	565,000	3,000	-	-	568,000
Capital assets, being depreciated/amortized:					
Leasehold improvement	112,000	-	-	-	112,000
Furniture and equipments	293,913	-	-	-	293,913
Musical instruments	436,853	97,233	-	-	534,086
Library	113,151	-	1,320	-	114,471
Computer software	78,427	-	400	-	78,827
Computer equipment	91,048	-	-	-	91,048
Vehicles	127,881	(100,233)	-	-	27,648
Total capital assets, being depreciated	1,253,273	(3,000)	1,720	-	1,251,993
Total cost basis of capital assets	1,818,273	-	1,720	-	1,819,993
Less: accumulated depreciation:					
Leasehold improvement	(5,600)	-	(5,600)	-	(11,200)
Furniture and equipments	(183,582)	-	(24,135)	-	(207,717)
Musical instruments	(264,977)	-	(25,585)	-	(290,562)
Library	(88,082)	-	(4,125)	-	(92,207)
Computer software	(36,168)	-	(13,933)	-	(50,101)
Computer equipment	(39,573)	-	(14,064)	-	(53,637)
Vehicles	(17,576)	-	(5,530)	-	(23,106)
Total accumulated depreciation	(635,558)	-	(92,972)	-	(728,530)
Net capital assets	$ 1,182,715	$ -	$ (91,252)	$ -	$ 1,091,463

4) LONG-TERM DEBT

Changes in non-current liabilities for the year ended June 30, 2019, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount due within one year
Termination benefits	$ 460,817	$ -	$ 49,734.00	$ 411,083	$ 48,185.00
Compensated absences	660,224	-	38,564.00	621,660	621,660
Other postemployment benefits	-	219,344	-	219,344	219,344
Total pension obligation	30,802,068	-	3,060,614.00	27,741,454	-
Total	$31,923,109	$ 219,344	$ 3,148,912	$28,993,541	$ 889,189

5) VOLUNTARY TERMINATION BENEFITS

On July 2, 2010, the Commonwealth enacted Act No. 70, to establish a program that provides benefits for early retirement or economic incentives for voluntary employment termination to eligible employees, as defined, including employees of the Corporation. Act No. 70 established that early retirement benefits will be provided to eligible employees that have completed between 15 to 29 years of credited services in the Retirement System and will consist of biweekly benefits ranging from 37.5% to 50.0% of each employee's salary, as defined. In this early retirement benefit program, the Corporation will make the employer contributions to the Retirement System and pay the corresponding pension until the employee complies with the requirements of age and 30 days of creditable service of the Retirement System.

Economic incentives are available to eligible employees who have less than 15 years of credited service in the Retirement System or who have at least 30 years of credited service in the Retirement Service and the age for retirement or who have the age for retirement. Economic incentives will consist of a lumpsum payment ranging from one-month to six-month salary based on employment years. Additionally, eligible employees that choose to participate in the early retirement benefits program or that choose the economic incentive and have less than 15 years of creditable services in the Retirement System are eligible to receive health plan coverage for up to 12 months in health plan selected by management of the Corporation.

The financial impact resulting for the benefits granted to participants by Act No. 70 in the Corporation's basic financial statements resulted in a liability of $460,817, which was presented in the statement of net position (deficit) as of June 30, 2019. At June 30, 2019, the unpaid long- term benefits granted on this program were discounted at 2.31%. In addition, resulted in a recovery on expense, including interest amortization of $247,654, in the statement of revenues, expenses and changes in net position (deficit) for the year ended June 30, 2019. This recovery is due to change in discounted interest rate occurred during the year. The charges for the termination benefits were recorded net of annual payments required by Act No. 70 of $48,185 for the year ended June 30, 2019.

6) RETIREMENT PLAN

The following description refers to the Retirement System's benefits and operations before the approval of Act No. 106 -2017, on August 23, 2017. (The actuarial firm contracted by the government to prepared, the financial reporting for pension plan and respective schedule has not issued the necessary information at the date of this report)

The Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (the Retirement System), created pursuant to Act No. 447 of May 15, 1951, as amended, is a cost-sharing, multiple-employer, defined benefit pension plan sponsored by and reported as a Component Unit of the Commonwealth. The Retirement System consists of different benefit structures, including a cost-sharing, multi- employer, defined benefit program, a defined contribution program and a defined contribution hybrid program.

Disclosures about the Defined Benefit Pension Plan:

Defined Benefit Program - Pursuant to Act No. 447 of May 15, 1951, as amended, all regular employees of the Corporation hired before January 1, 2000 and less than 55 years of age at the date of employment became members of the Retirement System, under the Defined Benefit Program, as a condition of their employment. No benefits are payable if the participant receives a refund of their accumulated contributions.

The Defined Benefit Program provides retirement, death, and disability benefits pursuant to legislation enacted by the Legislature. Retirement benefits depend upon age at retirement and the number of years of creditable service. Benefits vest after 10 years of plan participation. Disability benefits are available to members for occupational and non-occupational disabilities. However, a member must have at least 10 years of service to receive non-occupational disability benefits.

Members who have attained 55 years of age and have completed at least 25 years of creditable service, or members who have attained 58 years of age and have completed 10 years of creditable service, are entitled to an annual benefit payable monthly for life.

The amount of the annuity shall be 1.5% of the average compensation, as defined, multiplied by the number of years of creditable service up to 20 years, plus 2% of the average compensation, as defined, multiplied by the number of years of creditable service in excess of 20 years. The annuity for which the participant is eligible, is limited to a minimum of $500 per month and a maximum of 75% of the average compensation, as defined. Participants who have completed 30 years of creditable service are entitled to receive the Merit Annuity. Participants who have not attained 55 years of age will receive 65% of the average compensation, as defined; otherwise, they will receive 75% of the average compensation, as defined.

The Commonwealth's legislation requires employees to contribute 10% of their monthly gross salary.

Act No. **1** of February 16, 1990, made certain amendments applicable to new participating employees joining the Retirement System effective April 1, 1990. These changes consist principally of an increase in the retirement date from 55 to 65, a decrease in the benefit percentage of the average compensation in the occupational disability and occupational death benefits annuities from 50% to 40%, and the elimination of the Merit Annuity for participating employees who have completed 30 years of creditable service.

System 2000 Program - On September 24, 1999, the Legislature enacted Act No. 305, which amended Act No. 447 to create, among other things, the System 2000 Program, a new benefit structure, similar to a cash balance plan (defined contribution plan).

All regular employees hired for the first time on or after January 1, 2000, and former employees who participated in the Defined Benefit Program, received a refund of their contributions, and were rehired on or after January 1, 2000, and became members of the System 2000 Program as a condition to their employment. In addition, employees who at December 31, 1999 were participants of the Defined Benefit Program had the option, up to March 31, 2000, to irrevocably transfer their prior contributions to the Defined Benefit Program plus interest thereon to the System 2000Program.

Commonwealth's legislation requires employees to contribute 10% of their monthly gross salary to the System 2000 Program. Employee contributions are credited to individual accounts established under the System 2000 Program. Participants have three options to invest their contributions to the system 2000 Program. Investment income is credited to the participant's account semiannually.

Under System 2000 Program, contributions received from participants are pooled and invested by the Retirement System, together with the assets corresponding to the Defined Benefit Program. Future benefit payments under the Defined Benefit Program and the System 2000 Program will be paid from the same pool of assets. As a different benefit structure, the System 2000 Program is not a separate plan and the Commonwealth does not guarantee benefits at retirement age.

Corresponding employers' contributions will be used by the Retirement System to reduce the unfunded status of the Defined Benefit Program.

The System 2000 Program reduced the retirement age from 65 years to 60 years for those employees who joined this plan on or after January 1, 2000.

Upon retirement, the balance in each participant's account will be used to purchase an annuity contract, which will provide for a monthly benefit during the participant's life and 50% of such benefit to the participant's spouse in case of the participant's death. Participants with a balance of $10,000 or less at retirement will receive a lump-sum payment. In case of death, the balance in each participant's account will be paid in a lump sum to the participant's beneficiaries. Participants have the option of receiving a lump sum or purchasing an annuity contract in case of permanent disability.

Defined Contribution Hybrid Program - On April 4, 2013, the Legislature enacted Act No. 3, which amended Act No. 447, Act No. **1** and Act No. 305 to establish, among other things, a defined contribution program similar to the System 2000 Program (the Defined Contribution Hybrid Program) to be administered by the Retirement System.

All regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the Defined Benefit Program and the System 2000 Program, and were rehired on or after July 1, 2013, become members of the Defined Contribution Hybrid Program as a condition to their employment. In addition, employees who at June 30, 2013, were participants of previous plans will become part of the Defined Contribution Hybrid Program. Act No. 3 froze all retirement benefits accrued through June 30, 2013 under the Defined Benefit Program, and thereafter, all future benefits will accrue under the defined contribution formula used for the 2 000 System Program participants.

Participants in the Defined Benefit Program who as of June 30, 2013, were entitled to retire and receive some type of pension, may retire on any later date and will receive the annuity corresponding to their retirement plan, as well as the annuity accrued under the Defined Contribution Hybrid Program. Participants who as of June 30, 2013, have not reached the age of 58 and completed 10 years of service or have not reached the age of 55 and completed 25 years of service can retire depending on the new age limits defined by the Defined Contribution Hybrid Program and will receive the annuity corresponding to their retirement plan, as well as the annuity accrued under the Defined Contribution Hybrid Program.

Participants in the System 2000 Program who as of June 30, 2013, were entitled to retire because they were 60 years of age may retire on any later date and will receive the annuity corresponding to their retirement plan, as well as the annuity accrued under the Defined Contribution Hybrid Program. Participants in the System 2000 Program who as of June 30, 2013, have not reach the age of 60 can retire depending on the new age limits defined by the Defined Contribution Hybrid Program and will receive the annuity corresponding to their retirement plan, as well as the annuity accrued under the Defined Contribution Hybrid Program.

In addition, Act No. 3 amended the provisions of the different benefit structures under the Retirement System, including, but not limited to, the following:

a. Increased the minimum pension for current retirees from $400 to $500 per month
b. The retirement age for the Act No. 447 participants will be gradually increased from age 58 to age 61.
c. The retirement age for the active System 2000 Program participants will be gradually increased from age 60 to age65.
d. Eliminated the "merit annuity" available to participants who joined the retirement System prior to April 1, 1990.
e. The retirement age for new employees was increased to age67.
f. The employee contribution rate was increased from 8.275% to 10%.
g. For the System 2000 Program participants, the retirement benefits will no longer be paid as a lump sum distribution, instead, they will be paid through a lifetime annuity.
h. Eliminated or reduced various retirement benefits previously granted by special laws, including Christmas and summer bonuses. The Christmas bonus payable to current retirees was reduced from $600 to $200 and was eliminated for future retirees. The summer bonus was eliminated. Resulting employer contribution savings will be contributed to the Retirement System.
i. Disability benefits were eliminated and substituted for a mandatory disability insurance policy.
j. Survivor benefits were modified.

Employee contributions are credited to individual accounts established under the Defined Contribution Hybrid Program. In addition, a mandatory contribution equal to or less than point twenty-five percent (0.25%) is required for the purchase of disability insurance.

Upon retirement, the balance in each participant's account will be used to purchase an annuity contract, which will provide for a monthly benefit during the participant's life. In case of the pensioner's death, the designated beneficiaries will continue receiving the monthly benefit until the contributions of the participant are completely consumed. In case of the participants in active service, a death benefit will be paid in one lump sum in cash to the participant's beneficiaries. Participants with a balance of less than $10,000 or less than 5 years of computed services at retirement will receive a lump-sum payment. In case of permanent disability, the participants have the option of receiving a lump sum or purchasing an annuity contract.

For the year ended June 30, 2019, the Corporation was required to contribute 14.275% of each participant's gross salary under the different benefit structures. The Retirement System will use these contributions to increase its level of assets and to reduce the actuarial deficit. Beginning on July 1, 2013, and up until June 30, 2016, the employer's contribution rate shall be annually increased by one percent (1%). For fiscal year 2019, the employer's contribution was increased by one point twenty-five percent (1.25%).

Total employee contributions for the defined benefit pension plan, the defined contribution plan and the defined contribution hybrid program during the year ended June 30, 2019, amounted to approximately $105,000. The Corporation's contributions (either paid or accrued) during the years 2017, 2016 and 2015 amounted to approximately $236,076, $211,556 and $199,744, respectively. This amount represented 100% of the required contribution for the corresponding year. Individual information for each option is not available since the allocation is performed by the Retirement System itself.

Total Pension Liability, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension:

As of June 30, 2019, the Corporation reported a liability of $6,987,863 for its proportionate share of the total pension liability.

TPL Beginning of year	$ 7,878,063
Less Contributions	(380,482)
Balance after contributions	7,497,581
Increase or (decrease)	(509,718)
TPL at the end of year	$ 6,987,863

As of June 30, 2019, the reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual investment earnings on pension plan investments	$ -	$
Difference between expected and actual experience		211,349
Changes of assumptions		229,147
Change in proportion	141,554	
Subsequent to the measurement date	399,240	-
Total	$ 540,794	$ 440,496

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as adjustment to pension expense as follows:

Year Ending June 30,	Amount
2020	$ (59,788)
2021	(59,788)
2022	(59,788)
2023	(59,789)
2024	(59,789)
Total	$ (298,942)

Actuarial Assumptions and Methods:

The actuarial valuation used the following actuarial methods and assumptions applied to all periods in the measurement actuarial cost method: Asset valuation method: Inflation rate: Salary increases:

Entry age normal Market value of assets 2.50%

3% per year. No compensation increase are assumed until July 1, 2021 as a result of Act no. 66 and the current general economy. The mortality tables used in the June 30, 2017 valuation were as follows:

Pre-Retirement Mortality- For general employees not covered by Act No. 127, RP-2014 Employee Mortality Rates for males and females adjusted to reflect Mortality Improvement Scale MP-2016 from 2006 base year and projected forward using MP-2016 on generational basis. For memberscoveredunderActNo.127,RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for males and females adjusted to reflect Mortality Improvement Scale MP-2016 from 2006 base year and projected forward using MP-2016 on generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.100% of deaths while in active service are assumed to be occupied only for members covered under Act No. 127.

Post-Retirement Healthy Mortality - Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of aPlan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rated from the UP-1994 Mortality Table for Males and 95%oftherates fromtheUP-1994 Mortality Table for Females, both projected from 1994to 2010 using Scale AA. The base rates are projected using Mortality Improvement Scale MP-2016 on a generational basis. As a generationa table, it reflects mortality improvement both before and after the measurement date.

Post-Retirement Disabled Mortality- Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are 105%of the rates fromtheUP-1994MortalityTableforMalesand115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale.MP-2016 on a generational basis Asa generation atable, it reflects mortality improvements both before and after the measurement date.

Most other demographic assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study using data as of June 30, 2003, 2005, and 2007.

The long term expected rate of return on pension benefits investments was determined in accordance with the asset allocation of the portfolio that was adopted by the Retirement System's Board during December 2013 and the actuary's capital market assumptions as of June 30, 2016. In addition, the assumption reflects that loans to members comprise approximately 50% of the portfolio and, have an approximate return of 9.1% with no volatility. The long term expected rate of return on pension benefits investments of 6.55% at June 30, 2016 is equal to the highest debt service ofthe senior pension funding bonds payable which range from 5.85% to 6.55% per year.

The Retirement System's policy regarding allocation of invested assets is established and maybe amended by the Retirement System's Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a positive impact on the System's financial condition for the benefits provided through the pension programs. The following was the Retirement System's Board adopted asset allocation policy at June 30, 2016:

	Target Allocation	Long-Term Expected Real Rate of Return
Assets Class:		
Domestic equity	25%	6.40%
International equity	10%	6.70%
Fixed income	64%	6.30%
Cash	1%	3.00%
	100%	

The expected long-term rates of return on pension plan investments were determined using a building-block method in which best estimates ranges of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation.

The asset basis for the date of depletion is the Retirement System's fiduciary net position (gross assets plus deferred outflows of resources less gross liabilities, including senior pension funding bonds payable, less deferred outflows of resources). On this basis, the Retirement System's net position became negative in fiscal year 2015 and accordingly no projection of date of depletion is needed.

The date of depletion projection of the actuarial report does not include any amounts from the additional uniform contribution required by Act No. 32 because of actual fiscal and budgetary financial difficulties, continued budget deficits and liquidity risks of the Commonwealth and the municipalities, and in the event that their financial condition does not improve in the near term.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Therefore, actuarial determined amounts are subject to change in the near term.

Discount Rate - The Retirement System's net position was not projected to be available make all projected future benefit payments on current and active and inactive employees. Therefore, the tax-free municipal bond index (Bond Buyer General Obligation 20-Bond Municipal Bond Index) was applied toall periods of projected benefits payments to determine total pension liability. The discount rate was2.85% at June 30, 2016.

Sensitivity of the Corporation's proportionate share of net pension liability to change in the discount rate - The following table presents the Corporation's proportionate share of the net pension liability calculated using the current discount rate of 2.85% as well what the Corporation's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	At 1% decrease (2.87%)	At current discount rate (3.87%)	At 1% Increase (4.87%)
Net pension liability	$ 7,951,592	$ 6,987,863	$ 6,206,008

Pension plan fiduciary net position - Additional information on the Retirement System is provided on its standalone basic financial statements for the year ended June 30, 2019, a copy of which can be obtained from the Employees' Retirement System of the Commonwealth of Puerto Rico.

Plan for the Musicians of the Orquesta Sinfónica de Puerto Rico:

Plan Description - The Corporación de la Orquesta Sinfónica de Puerto Rico Retirement System (the System) is a single-employer defined benefit pension plan administered by the Retirement Committee. The System provides retirement, disability, and death benefits to plan members and beneficiaries. The general administration of the plan and the responsibility for carrying out its provisions are placed in the Retirement Committee, the members of which are appointed by the Board of Directors of the employer and by the participants on an equal representation basis.

Funding Policy- The contribution requirements of plan members and the Symphony Orchestra (the Orchestra) are established and may be amended by the Retirement Committee. Plan members are required to contribute 3.5% of their eligible Plan Compensation. The Orchestrais supposed to contribute at an actuarially determined rate; the current rate is 695.21% of annual covered payroll.

Contributions- The plan is funded through members contributions of 3.50% of eligible plan compensation and employer contributions of approximately 6.50% of payroll, pursuant to the Orchestra's holding entity (Corporación de las Artes Musicales) Board of Directors resolution dated April 20, 1989. These contributions have not been enough to cover the Annual Required Contributions (ARCs under GASS Statements No. 25 and No. 27) and, subsequent to the effective dates of GASB Statements No. 68 and 67, the actuarially determined contributions are computed using the GASB 25/27 Methodology and assumptions. For the period of plan ended August 14, 2019, there were employer contributions of $244,490 and employee contributions of $116,849.

Plan Membership - At August 14, 2019, the Retirement Plan Membership consisted of the following:

Description	Count
Retirees and beneficiaries receiving benefits	34
Terminated plan participants entitled to but not yet receiving benefits	20
Active plan participants	76
Total	130

Rate of Return - For the year ended August 14, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.59%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate - The discount rate used to measure the total pension liability was 3.66%. The projection of cash flows used to determine the discount rate assumed that Symphony Orchestra contributions will continue on average at a rate of 6.50% of payroll.

Actuarial Cost Method - The Aggregate Cost Method is used to determine the normal cost for retirement, termination, and ancillary benefits. Under this cost method, the total of the present value of all future benefits for all participants reduced by the actuarial value of assets is divided by the present value of future compensation to determine the Normal Cost Rate (NCR). The present value of future benefits is determined by discounting, to the valuation date, the total future benefits cash flow from the plan to all of the current participants, using the actuarial assumptions. The actuarial value of assets is adjusted by the funding standard account balance.

The present value of future compensation, on the other hand, is determined by discounting, to the valuation date, all of the compensation anticipated to be paid to the current participants, using the actuarial assumptions. The NCR is then multiplied by the compensation for participants under retirement age to arrive at the Normal Cost payable on the valuation date. The final Normal Cost, after increasing this result for expected administrative expenses, if applicable, may not be less than zero. For this purpose, "retirement age", means the earliest age at which probability of retirement is 100%.

Sensitivity of the Net Pension Liability to Change in the Discount Rate - The following table presents the net pension liability, calculated using the current discount rate of 3.66% as well what the Orchestra's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.66%) or one percentage point higher (4.66%) than the current rate:

	At 1% decrease (2.66%)	At current discount rate (3.66%)	At 1% Increase (4.66%)
Employer's net pension liability	$ (24,612,171)	$ (20,755,219)	$ (17,590,233)

Annual Pension Cost and Net Pension Obligation - For the fiscal year ended June 30, 2019, the Actuarial Valuation Report was not available; therefore, the net pension obligation (NPO} was estimated based on the ARC rate and amortization period (open-basis) determined in the last valuation available c1s of August 14, 2018. This valuation report considered the implementation of GASB No. 67, *"Financial Reporting for Pension Plans,* an ***amendment*** of GASB No. 25", which change the computation and assumptions of NPO.

For purpose of the basic financial statements, the Corporation's estimated annual pension cost (APC), measured on the accrual basis of accounting, for the year ended June 30, 2019, amounted to approximately $838,554. The difference of the statutorily required contributions and the ARC decreased the NPO at June 30, 2019 to $20,755,219. This amount is presented in the statement of net position (deficit) as of June 30, 2019.

The Orchestra's APC and NPO to the System as of August 14, 2019, was as follows:

Description	Amount
ARC	$ 919,398
Interest on NPO	862,736
Changes of assumption	(275,307)
Adjustment to ARC (1)	(5,250,445)
APC	(3,743,618)
Contributions made	244,490
Decrease in NPO	(3,499,128)
NPO at beginning of year (2)	24,254,347
NPO at End of Year	$ 20,755,219

(1) Amortization over expected working lifetime of active group. Obtained by dividing Present Value of Future Participating Payroll by Valuation Payroll for Participants under the Assumed Retirement Aged.

(2) The net pension obligation at beginning of the year was estimated based on the annual required contribution rate and amortization period (open-basis) determined in the last valuation available as of August 14, 2019.

The employer contribution rate established by the American Federation of Musicians of the United States of America and Canada differs significantly from the actuarially determined annual contribution.

For the year ended June 30, 2019, the annual required contribution was determined by the Actuarial Valuation Report as of August 14, 2019, using the aggregate actuarial cost method and the level percentage of payroll as amortization method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases of 4% per year, (c) RP-2014 Combined Healthy Mortality Tables for males and females, and (d) 3% of the inflation already included in the investment return and in projected salary increase. The actuarial value of assets is equal to the market value of assets.

The adjustment to the ARC is determined by amortizing the NPO at the beginning of the period as a level percentage to pay over the expected working lifetime of the current active group. The three-year pension cost trend information was as follows:

Three years trend information

Fiscal year ending June 30,	Annual Pension Cost (APC)	Employer Contribution	Percentage of APC Contributed	Net Pension Obligation
2019	$ (3,743,618)	$ 244,490	-3.73%	$ 20,755,219
2018	(3,979,805)	219,745	-5,52%	20,415,467
2017	(1,326,373)	263,624	-19.10%	21,546,854

The Schedule of Funding Progress and Schedule of Employer Contributions are presented in the accompanying required supplementary information.

7) OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

The Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico (the Commonwealth) for Retired Participants of the Employees' Retirement System (the Plan) is an unfunded, multi-employer defined benefit other postemployment healthcare benefit plan (OPEB). The 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 the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75). Therefore, the schedules of employer allocations and the schedules of OPEB amounts by employer (collectively, the Schedules) present the OPEB amounts attributable to the Commonwealth reporting entity and exclude the OPEB amounts of other participating employers that are not included in the Commonwealth reporting entity.

The Plan covers a payment of up to $100 per month to the eligible medical insurance plan selected by each member provided that the member retired prior to July 1, 2013 (Act No. 483, as amended by Act No. 3). The Plan is financed by the Commonwealth through legislative appropriations. However, the Commonwealth claims reimbursement from each employer on a monthly basis for the corresponding amount of the OPEB payments made by the Commonwealth in relation to the retirees associated with each employer. There is no contribution requirement from the plan members during active employment. The retirees contribute the amount of the healthcare insurance premium not covered by the Commonwealth contribution.

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

Basis of Presentation

The schedules of employer allocations and the schedules of OPEB amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of the Commonwealth or its component units. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the Commonwealth or its component units.

The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the Commonwealth to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Allocation of Methodology
GASB Statement No. 75 requires participating employers to recognize their proportionate share of the collective total OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The employer allocation percentages presented in the schedule of employer allocations and applied to amounts presented in the schedule of OPEB amounts by employer are based on the ratio of each agency's actual benefit payments to the total actual benefit payments paid during the year ending on the measurement date. Employer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer may result in immaterial differences.
ColOPlective Total OPEB Liability and Actuarial Information

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

a) Actuarial assumptions Discount rate
The discount rate for June 30, 2019 and 2018 was 3.87% and 3.58%, respectively. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality
Pre-retirement Mortality
For general employees not covered under Act No. 127, RP-2014 Employee Mortality Rates for males and females adjusted to reflect Mortality Improvement Scale MP-2017 from the 2006 base year and projected forward using MP-2017 on a generational basis. For members covered under Act No. 127, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for males and adjusted to reflect Mortality Improvement Scale MP-2017 from the 2006 base year and projected forward using MP-2017 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.

Post-retirement Healthy Mortality
Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from the UP-1994 Mortality Table for Males and 95% of the rates from the UP-1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. The base rates are projected using Mortality Improvement Scale MP-2017 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Post-retirement Disabled Mortality
Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP-2017 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

b) Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The following presents the collective total OPEB liability of the Plan at June 30, 2019 calculated using the discount rate of 3.87%, as well as the Plan's total OPEB liability if it were calculated using the discount rate of 1-percentage point lower (2.87%) or 1-percentage point higher (4.87%) than the current rate:

	At 1% decrease (2.87%)	At current discount rate (3.87%)	At 1% increase (4.87%)
Total OPEB liability	$ 238,613	$ 217,716	$ 199,950

Deferred Outflows of Resources and Deferred Inflow 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.

OPEB Expense

The components of OPEB expense for the years ending June 30, 2019 is as follows:

Proportionate share of OPEB Expense	($2,176)
Net amortization from changes in proportion	1,922
Total OPEB expense	($ 254)

c) OPEB Liability:

As of June 30, 2019, the Corporation reported a liability of $217,716 for its proportionate share of OPEB liability:

OPEB Liability beginning balance	$ 236,052
OPEB Benefits paid	(18,083)
Increase (decrease)	(253)
OPEB Liability as of 06/30/2019	$ 217,716

8) COMMITMENTS AND CONTINGENCIES

The Corporation operates on leased facilities of the Public Buildings Authority (the Authority) under several lease agreements that expire on different dates between January 31, 2041 and July 1, 2042. The agreements provide for monthly payments of approximately $33,000. As per agreements, the annual rental may be adjusted, as deem necessary, by the Authority, considering the lessee's proportional share of principal and interest payments on the outstanding bond anticipation notes issued for the remodeling of the building where the Corporation's facilities are located.

As per agreements, should the Authority deems necessary, this contract may be rescinded and request to negotiate a new one, upon giving at least 90 days' written notice in advance. The minimum rental commitment for the subsequent years after June 30, 2019 are as follows:

As of June 30	Amount
2020	$ 253,468
2021	253,468
2022	253,468
2023	253,468
2024	253,468
Thereafter	4,439,162
	$ 5,706,502

9) GOING CONCERN

The discussion in the following paragraphs regarding the Corporation financial and liquidity risks provides the necessary background and support for management's evaluation as to whether there is substantial doubt about the Corporation ability to continue as a going concern for 12months beyond the date of the basic financial statements or for an extended period if there is currently known information that may raise substantial doubt shortly thereafter. GASS Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statement on Auditing Standards, establishes that the continuation of a legally separate governmental entity as a going concern is assumed in financial reporting in the absence of significant information to the contrary. Information that may significantly contradict the going concern assumption would relate to agovernmental entity's inability to continue to meet its obligations as they become due without substantial disposition of assets outside the ordinary course of governmental operations, restructuring of debt, submission to the oversight of a separate fiscal assistance authority or financial review board, or similar actions. Indicators such as negative trends in operating losses and negative cash flows, possible financial difficulties such as nonpayment or default or debt and/or restructurings or noncompliance with capital or reserve requirement, and internal or external matters impacting the governmental entity's ability to meet its obligations as they become due, are factors that area considered in this evaluation.

The Corporation faces significant risks and uncertainties, including liquidity risk, which is the risk of not having sufficient liquid financial resources to meet obligations when they come due. The risks and uncertainties facing the Corporation together with other factors further described below, have led management to conclude that there is substantial doubt as to the ability of the Corporation to continue as a going concern in accordance with GASB Statement No. 56.

The Corporation had a total net deficit position of approximately $25 million as of June 30, 2019. The Corporation has had significant recurring operating losses and it is highly dependent on the Commonwealth appropriations to finance its operations and has historically relied on GOB for liquidity and financial management support. Approximately 93% of the Corporation's total revenues are derived from the Commonwealth's appropriations which amounted to approximately $8 million for the year ended June 30, 2019. Moreover, the Corporation has limited ability to raise operating revenues due to the economic and political challenges of Puerto Rico. The Corporation ability to continue receiving similar operational support and financing from the Commonwealth is uncertain.

The Commonwealth's recurring deficits, negative financial position further deterioration of its economic condition, and inability to access the credit markets raise substantial doubt about the Commonwealth's ability to continue as a going concern. The significant financial difficulties being experienced by the Commonwealth is likely to have a significant adverse impact on the Corporation, given its reliance on Commonwealth appropriations.

The Commonwealth and several of its component units face significant risks and uncertainties, including liquidity risk. The risks and uncertainties facing the Commonwealth, together with other factors, have led the Commonwealth's management to conclude that there is substantial doubt as to the ability of the primary government and of various discretely presented component units, to continue as a going concern.

The Commonwealth currently faces a severe fiscal, economic and liquidity crisis, the culmination of many years of significant governmental deficits, a prolonged economic recession (which commenced in 2006), high unemployment, population decline, and high levels of debt and pension obligations. Further stressing the Commonwealth's liquidity are the vulnerability of revenue streams during times of major economic downturns and large health care, education, pension and debt service costs.

As the Commonwealth's tax base has shrunk and its revenues affected by prevailing economic conditions, health care, pension and debt service costs have become an increasing portion of the General Fund budget, which has resulted in reduced funding available for other essential services. The Commonwealth's very high level of debt and unfunded pension liabilities and the resulting required allocation of revenues to service debt and pension obligations have contributed to significant budget deficits during the past several years, which deficits the Commonwealth has financed, further increasing the amount of its debt. More recently, these matters and the Commonwealth's liquidity constraints among other factors, have adversely affected its credit ratings and its ability to obtain financing at reasonable interest rates, if at all.

The Commonwealth expects that its ability to finance future budget deficits will be severely limited even if it achieves a comprehensive debt restructuring, and, therefore, that it will be required to, among other measures, reduce the amount of resources that fund important governmental programs and services in order to balance its budget. Moreover, the measures to achieve budgetary balance through austerity may adverselyaffect the performance of the Commonwealth's economy which, in turn, may adversely affect governmental revenues. The current level of resources provided to the Corporation could be adversely affected in the future as result of the severe financial condition of the Commonwealth.

There is thus no assurance that the federally appointed Oversight Board of PROMESA will be successful in achieving budgetary and fiscal balance through a debt restructuring or otherwise.

In response to any potential delays of appropriations payments by the Commonwealth and the lack of available financing, the Corporation willdevelop various cash flow scenarios in an attempt to meet payment of key disbursements and will establish additional controls over cash management and budget monitoring.

10) SUBSEQUENT EVENTS

On March 15, 2020, the Government of Puerto Rico lockdown must of government and private business operations in Puerto Rico in order to avoid the spreading of the COVID-19 infection among the people in Puerto Rico. This situation will have an economic impact over the general government, as exceptions and dates for filing taxes were waived for more than 3 months. The economic damages to the Agency financescould not been estimated at this time. On March 19, 2020, the OMB issued the memorandum M-20-17, Administrative Relief for Recipients and Applicants of Federal Financial Assistance Directly Impacted by the Novel Coronavirus (COVID-19) due to Loss of Operations, which provided administrative remedies for entities impacted by COVID-19. Among other remedies, provides for awarding agencies, in their capacity as cognizant or oversight agencies for audit, should allow recipients and subrecipients that have not yet filed their single audits with the Federal Audit Clearinghouse as of the date of the issuance of this memorandum that have fiscal year-ends through June 30, 2020, to delay the completion and submission of the Single Audit reporting package, as required under Subpart F of 2 CFR § 200.501 -Audit Requirements, to six (6) months beyond the normal due date.

In preparing these basic financial statements, the Agency has evaluated significant transactions for potential recognition or disclosure through July 30, 2021, the date the basic financial statements were issued. Based on such analysis, no additional transaction needs to be recorded or disclosed.

CORPORACIÓN DE LAS ARTES MUSICALESDE PUERTO RICO
(A Component Unit of the Commonwealth of Puerto Rico)

Supplementary Information

Combined Statement of Net Position (Deficit)
As of June 30, 2019

	Corporación de las Artes Musicales de Puerto Rico	Corporación de la Orquesta Sinfónica de Puerto Rico	Corporación de las Artes Escenico-Musicales de Puerto Rico	Elemination entries	Total
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 3,475,411	$ 590,400	$ 1,408,219	$ -	$ 5,474,030
Accounts receivable:					
Individuals and private entities	142	18,767	657	-	19,566
Goverment entities	51,290	959	3,250	-	55,499
Related companies	72,726	14,499	-	(87,225)	-
Other assets	-	547	-	-	547
	3,599,569	625,172	1,412,126	(87,225)	5,549,642
NON- CURRENT ASSETS:					
Capital assets, net of accumulated depreciation	715,147	366,551	9,764	-	1,091,462
DEFERRED OUTFLOWS OF RESOURCES -					
Pension Related	433,290	46,985	41,762		522,036
OPEB Pension Related	15,569	1,688	1,501	-	18,758
Total assets and deferred outflows of resources	4,330,285	993,411	1,423,391	(87,225)	7,181,898
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)					
CURRENT LIABILITIES:					
Accounts payable:					
Individuals and private entities	86,084	53,281	3,194	-	142,559
Government entitiess	781,103	112,179	2,226	-	895,508
Related companies	32,893	24,015	30,317	(87,225)	-
Accrued expenses and withholding payable	3,965	42,237	1,930	-	48,132
Compensated absences, current portion	158,557	437,902	25,201	-	621,660
Termination benefits payable	35,031	13,154	-	-	48,185
Unearned revenue	-	50,000	153,305	-	203,305
	1,097,633	732,768	216,173	(87,225)	1,959,349
NON-CURRENT LIABILITIES:					
Termination Benefits Payable	331,075	31,823	-	-	362,898
OPEB liability	179,320	21,087	17,309	-	217,716
Total pension obligation	5,801,266	21,382,657	559,159	-	27,743,082
	6,311,661	21,435,567	576,468	-	28,323,696
DEFERRED INFLOWS OF RESOURCES:					
Pension related	365,612	39,645	35,240	-	440,497
	365,612	39,645	35,240	-	440,497
Total liabilities and deferred inflows of resources	7,774,906	22,207,980	827,881	(87,225)	30,723,542
NET POSITION (DEFICIT):					
Net investment in capital	715,147	366,551	9,764	-	1,091,462
Restricted	-	50,000	150,000	-	200,000
Unrestricted	(3,726,478)	(21,584,137)	477,509	-	(24,833,106)
Total net position (deficit)	$ (3,011,331)	$ (21,167,586)	$ 637,273	$ -	$ (23,541,644)

See accompanying notes to the combined financial statements.

Combined Statement of Revenues, Expenses and Changes in Net Position (Deficit)
For the Year Ended June 30, 2019

	Corporación de las Artes Musicales de Puerto Rico	Corporación de la Orquesta Sinfónica de Puerto Rico	Corporación de las Artes Escenico-Musicales de Puerto Rico	Elemination entries	Total
OPERATING REVENUES:					
Charges to related companies	$ 245,000	$ -	$ -	$ (245,000)	$ -
Sale of tickets	-	261,465	121,507	-	382,972
Orchestra fees	-	185,360	3,500	(99,524)	89,336
Total operating revenues	245,000	446,825	125,007	(344,524)	472,308
OPERATING EXPENSES:					
Salaries, payroll and fringe benefits	1,167,269	3,667,129	225,623	-	5,060,021
Pension cost	(586,136)	505,255	(56,610)	-	(137,491)
Termination benefits	36,922	-	-	-	36,922
Rent	392,084	170,156	26,237	-	588,477
Scholarships and financial aid	43,000	-	-	-	43,000
Travel and meals	-	30,915	7,452	-	38,367
Publicity and advertisement	6,927	28,182	35,154	-	70,263
Professional, artistic and cosulting services	245,564	666,009	290,255	-	1,201,828
General and administrative	75,000	85,000	85,000	(245,000)	-
Utilities	4,169	-	314	-	4,483
Depreciation	56,283	35,866	823	-	92,972
Repairs and maintenance	90	11,419	-	-	11,509
Insurance	68,981	-	5,892	-	74,873
Other expenses	24,019	46,536	105,258	(99,524)	76,289
Total operating expenses	1,534,172	5,246,467	725,398	(344,524)	7,161,513
Operating loss	(1,289,172)	(4,799,642)	(600,391)	-	(6,689,205)
				-	
NON-OPERATING REVENUES:					
Legislative appropriations	1,771,100	3,658,900	553,000	-	5,983,000
Special appropriations	57,000	539,280	39,200	-	635,480
Donations	30,000	-	-	-	30,000
Interest and other income	69,367	27,019	3,650	-	100,036
	1,927,467	4,225,199	595,850	-	6,748,516
Net loss before non-operating revenues	638,295	(574,443)	(4,541)	-	59,311
Transfers in (transfer out)	-	-	-	-	-
Change in net position (deficit)	638,295	(574,443)	(4,541)	-	59,311
Net position (deficit) at beginning of year	(3,649,626)	(20,593,143)	641,814	-	(23,600,955)
Net position (deficit) at end of year	$ (3,011,331)	$ (21,167,586)	$ 637,273	$ -	$ (23,541,644)

See accompanying notes to the combined financial statements

Combined Statement of Cash Flows
For the Year Ended June 30, 2019

	Corporación de las Artes Musicales de Puerto Rico	Corporación de la Orquesta Sinfónica de Puerto Rico	Corporación de las Artes Escenico - Musicales de Puerto Rico	Elemination entries	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from interfund services provided	$ 245,000	$ -	$ -	$ (245,000)	$ -
Receipts from tickets sales and orchestra fees	-	446,825	125,006	(99,524)	472,307
Payments to suppliers	(674,100)	(825,955)	(389,138)	-	(1,889,193)
Payments to employees and related fringe benefits	(1,309,120)	(3,927,507)	(237,068)	-	(5,473,695)
Payments for managemen services used	(75,000)	(85,000)	(85,000)	245,000	-
Other	(24,019)	(46,535)	(105,258)	99,524	(76,288)
Net cash provided by (used in) operating activities	$ (1,837,239)	$ (4,438,172)	$ (691,458)	$ -	$ (6,966,869)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Legislative appropriations	1,771,100	3,658,900	553,000	-	5,983,000
Special appropriations	57,000	539,280	39,200	-	635,480
Donations	30,000	-	-	-	30,000
Interest and other income	46,320	325	-	-	46,645
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Net cash provided by non-capital financing activies	1,904,420	4,198,505	592,200	-	6,695,125
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of property and equipment	(400)	(1,320)	-	-	(1,720)
Net advances from related companies	171,278	(92,118)	(79,160)	-	-
Net cash provided by capital and related financing activities	170,878	(93,438)	(79,160)	-	(1,720)
Cash Flows from investing activities					
Interest from bank accounts	23,047	26,696	3,650	-	53,393
Net cash provided by investing activities	23,047	26,696	3,650	-	53,393
Net change in cash and cash equivalents	261,106	(306,409)	(174,768)	-	(220,071)
Cash and cash equivalents at beginning of year	3,214,301	896,813	1,582,987	-	5,694,101
Cash and cash equivalents at end of year	$ 3,475,407	$ 590,404	$ 1,408,219	$ -	$ 5,474,030
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES					
Operating loss	$ (1,289,172)	$ (4,799,642)	$ (600,391)	$ -	$ (6,689,205)
Adjustment to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	56,283	35,866	823	-	92,972
(Increase) decrease in assets:					
Accounts receivable	99,752	(20,159)	7,113	(129,118)	(42,412)
(Increase) decrease in Deferred outflows of resources	1,852,104	200,831	178,516	-	2,231,451
Increase (decrease) in liabilities:					
Accounts payable	158,241	(22,149)	(117,559)	129,118	147,651
Accrued expenses and withholding payable	(2,743,781)	53,206	(258,455)		(2,949,030)
Increase (decrease) in Deferred inflows of resources	200,615	21,752	19,337	-	241,704
	(376,786)	269,347	(170,225)	-	(277,664)
Net cash used in operating activities	$ (1,665,958)	$ (4,530,295)	$ (770,616)	$ -	$ (6,966,869)

The accompanying notes are an integral part of these statements.