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, 2020.

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STRATEGIC CPAs
CONSULTING GROUP LLC

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, 2020, and the related notes to the basic financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic financial statements in 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, 2020, 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 39 through 42 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 acceptedin 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 tothe 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
January 20, 2022.

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

Note: Stamp No E410568 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, 2020. 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 assets, deferred outflows of resources, liabilities and deferred inflows of resources of the Corporation at June 30, 2020 are included in the statement of net position. For the year ended June 30, 2020 the Corporation revenues and expenses are reported in the statements of revenues, 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, 2020.

- The total assets amounted to $6,780,878 and is below liabilities by $31,911,170 which amounted to $38,692,048 at the close of the current fiscal year.

- At the close of the fiscal year, the Corporation reported net deficit amounting to $31,580,756; this shows a increase of $8,039,112 as compared to prior year's net deficit.

- The Cash and accounts receivable amounted to $5,759,476 represent 84.9% of total assets.

- In net position, $1,021,402 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 $14,054,525. This loss is $6,974,122 more than prior year's operating loss.
- At the close of the fiscal year the Corporation net position (deficit) amounting to $(31,580,756), which shows an increase of $8,039,112 as compared to prior year net position (deficit).

- At the close of the fiscal year the Corporation operating revenues of $276,708 which shows a decrease of $195,599 or 41.4%, 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, 2020 and 2019 were as follows:

Statement of net position	2020	2019
Assets		
Current and other assets	$ 5,759,476	$ 5,549,642
Noncurrent assets	1,021,402	1,091,462
Total assets	6,780,878	6,641,104
Deferred outflows of resources -		
OPED and pension related	756,623	540,794
Liabilities		
Current liabilities	3,155,473	1,959,349
Noncurrent liabilities	35,536,575	28,323,696
Total liabilities	38,692,048	30,283,045
Deferred inflows of resources -		
pension related	426,209	440,497
Net position (Deficit)		
Net investment in capital	1,021,402	1,091,462
Restricted	200,000	200,000
Unrestricted	(32,802,158)	(24,833,106)
	$ (31,580,756)	$ (23,541,644)

Net Position
Fiscal year 2020 compared to 2019

- Current assets- The current assets increased by $209,834 or 3.8% as compared to prior year; mainly due to decrease in cash.

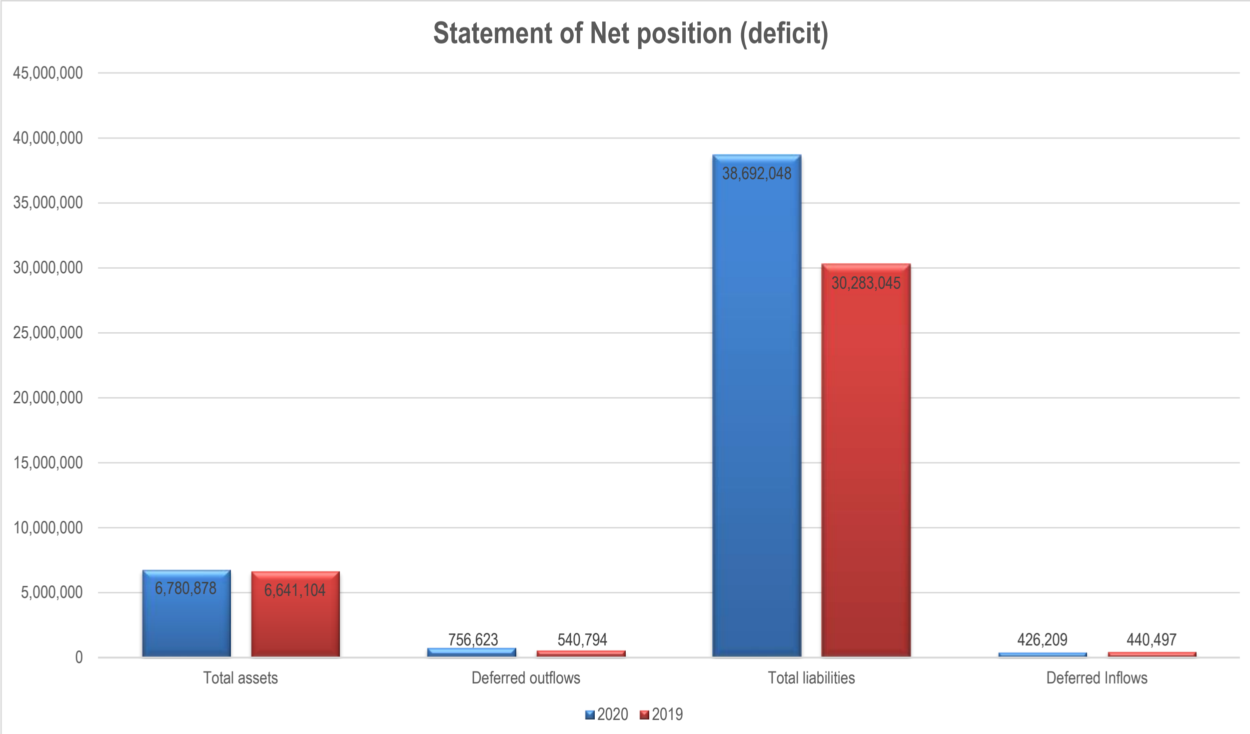
- Cash- This Corporation has a cash management account that supplies all funds for the operations of the Corporation and its related companies. The cash accounts are divided by programs. Each program has a regular account, which receives all deposits, especially the monthly legislative funds and generates 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 $70,060 mostly due to depreciation expense that reduce capital assets during the fiscal year 2020.

- Current liabilities- The current liabilities increased by $1,196,124 mostly due to increase in the total pension liability compared to prior year.

- Non-current liabilities- Non-current liabilities comprise the accrual for termination benefits and total pension liabilities. The CAM's non-current liabilities increased by $7,212,879 or 25.5% at June 30, 2020, such increase 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) represents the residual interest in assets after liabilities are deducted. The net deficit increased by $8,039,112; or 34%, from $23,541,644 as of June 30, 2019 to $31,580,756 as of June 30, 2020.



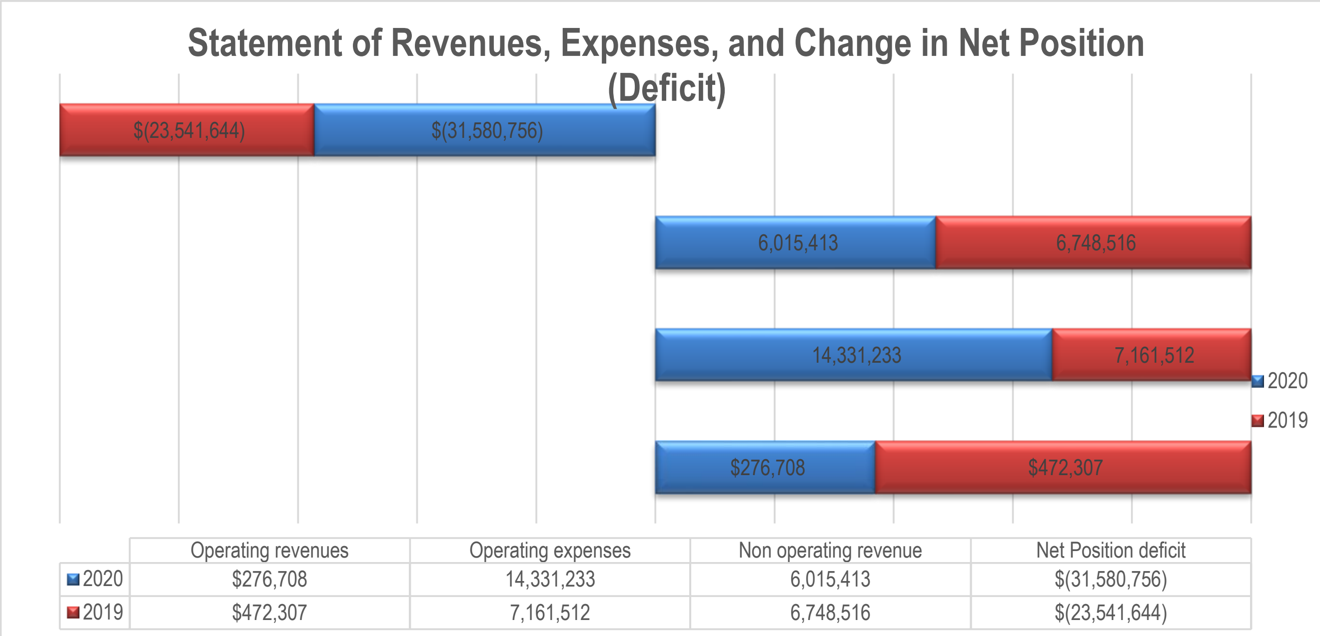
The Corporation's condensed statements of Revenues, Expenses and Change in the Net Position (Deficit) for the years ended in June 30, 2020 and 2019 were as follows:

Statement of Revenues, Expenses and Change in Net Position (Deficit)	2020	2019
Operating revenues	$ 276,708	$ 472,307
Operating expenses	14,331,233	7,161,512
Operating loss	(14,054,525)	(6,689,205)
Non operating revenue	6,015,413	6,748,516
Decrease in net position (deficit)	(8,039,112)	59,311
Net position (deficit), beginning of year	(23,541,644)	(23,600,955)
Net Position deficit, end of year	$ (31,580,756)	$(23,541,644)

Revenues, Expenses and Change in Net Position
Fiscal year 2020 compared to 2019

- Operating revenues- Operating revenue represents administrative services charged to customer. The operating revenues for the current and prior year were $276,708 and $472,307, respectively.

- Non-operating revenues- The net operating revenues decreased by $733,103 or 10.8%, as compared to prior fiscal year. The Corporación de las Artes Musicales de Puerto Rico received less grants and legislative appropriations in 2020 than in 2019. Most of the revenues during 2020 are from non-operating revenues, which represent 95.6% 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 material used in the different programs. Refer to Note 1 of the basic financial statements.

Liabilities

Total current liability is as follows:

- Compensated absences- Employee accrue vacations at a rate of 2.5 days per month, up to a maximum of 60 days and accumulated sick leave at a rate pf 1.5 days per month, up to a maximum of 90 days. Accrued vacations and sick leave benefits as of June 30, 2020 amounted to $632,959. 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, 2020, 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 pf July 2, 2010, which provided certain early separation benefits.

- Total pension liability- The Orquesta Sinfónica of 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 No. 68 and Amendments Certain Provisions at GASB Statements No. 67 and 68.* Refer to Notes 6 of the basic financial statements.

BUDGETARY HIGHLIGHTS

The consolidated budget for the fiscal year 2019-2020 was $5,864,610. The resources include: $5,403,000 from a Joint Resolution from Legislative Appropriations and a Special Appropriation of $461,610.

The following summarizes the consolidated budget for the fiscal years ended June 30, 2020 and 2019, distributed to each corporation:

Year	Corporación de las Artes Musicales de Puerto Rico
2020	$ 5,864,610
2019	$ 6,618,480

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 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 P.R. 00940-1227.

Assets		
Current assets:		
Cash and cash equivalents	$	5,645,663
Accounts receivable:		
Individuals and private entities		22,954
Goverment entities		90,859
		113,813
Total current assets		5,759,476
Non-currents assets:		
Capital assets, net		1,021,402
Total non-current assets		1,021,402
Total assets		6,780,878
Deferred outflows of resources		
Pension related		738,439
OPEB pension related		18,184
Total deferred outflows of resources		756,623
Liabilities		
Current liabilities:		
Accounts payable:		
Individuals and private entities		126,392
Government entities		764,758
Accrued expenses and withholding payable		42,645
Compensated absences		632,959
Termination benefits payable		48,185
OPEB liability		18,184
Total pension liability		1,319,045
Unearned revenue		203,305
Total current liabilities		3,155,473
Non-current liabilites:		
Termination benefits payable		314,713
OPEB liability		208,053
Total pension liability		35,013,809
Total non-current liabilities		35,536,575
Total liabilities		38,692,048
Deferred inflows of resources:		
Pension related		426,209
Total deferred inflows of resources		426,209
Net Position (deficit)		
Net investment in capital		1,021,402
Restricted		200,000
Unrestricted		(32,802,158)
Total net position (deficit)	$	(31,580,756)

See accompanying notes to financial staments.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (DEFICIT)
FOR THE YEAR ENDED JUNE 30, 2020.

Operating revenues:		
Sale of tickets	$	222,460
Charges for services		54,248
Total operating revenues		276,708
Operating expenses:		
Salaries, payroll and fringe benefits		4,695,319
Pension cost		8,581,074
Termination benefits recovery		36,922
Rent		111,281
Scholarships and financial aid		39,000
Travel and meals		38,277
Publicity and advertisement		36,780
Professional, artistic and cosulting services		629,508
Utilities		10,019
Depreciation		89,175
Repairs and maintenance		26,424
Insurance and other expenses		37,454
Total operating expenses		14,331,233
Operating loss		(14,054,525)
Non-operating revenues:		
Legislative appropriations		5,403,000
Special appropriations		461,610
Donations		77,220
Interest and other income		73,583
Total non-operating revenues		6,015,413
Change in net position (deficit)		(8,039,112)
Net position (deficit) at beginning of year		(23,541,644)
Net position (deficit) at end of year	$	(31,580,756)

See accompanying notes to financial staments.

Cash flows from operating activities		
Receipts from customers	$	276,703
Payments to suppliers		(1,323,319)
Payments to employees		(4,853,291)
Other		31,914
Net cash used in operating activities		(5,867,993)
Cash flows fron noncapital financing activities		
Commonwealth appropiations		5,864,610
Donations		77,220
Other non-operating receipts		92,784
Net cash provided by noncapital financing activies		6,034,614
Cash flows from capital and related financing activities		
Purchase of capital assets		(19,115)
Net cash used by capital and related financing activies		(19,115)
Cash Flows from investing activities		
Interest from bank accounts		24,127
Net cash provided by investing activities		24,127
Net change in cash and cash equivalents		171,633
Cash and cash equivalents at beginning of year		5,474,030
Cash and cash equivalents at end of year	$	5,645,663

RECONCILIATION OF OPERATING LOSS TO
NET CASH USED IN OPERATING ACTIVITIES

Operating loss	$	(14,054,525)
Adjustment to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation		89,175
Increase in assets:		
Accounts receivable		(38,201)
Increase (decrease) in deferred outflows of resources		
OPED related		574
Pension related		(216,403)
Increase (decrease) in liabilities		
Accounts payable		(146,917)
Accrued expenses and withholding payable		(85,701)
OPEB liability		8,521
Total pension liability		8,589,772
Decrease in deferred inflows of resources		(14,288)
Net cash used in operating activities	$	(5,867,993)

The accompanying notes are an integral part of these statements.

NOTE 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 to 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.

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 who 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, 2020 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 América and Festival Iberoamericano de las Artes.

During fiscal year ended June 30, 2020 the Corporation 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 $(8,340,648) and $(7,263) respectively.

NOTE 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continuation)

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 specify 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 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 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.

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 fund 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, 2020.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

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
Furnitures and equipments	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. Pensions contributions made subsequent to the measurement date will be recognized as a reduction of the total pension liability after the next measurement date according to the requirements of the GASB 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 (GASB 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

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 accumulated 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, 2020 amounted to $632,959.

Legislative and special appropriation- The Corporation receives from the Commonwealth of Puerto Rico appropriations for the operations that are recognized when granted.

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 GASB Statement 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, 2020, the Corporation performed an impairment analysis of its capital assets and did not identify impairments to be recorded in its basic financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

Accounting for pension costs- The Corporation accounts for pension under the provisions of GASB No. 67, *"Financial for Pension Plans, an amendment of GASB No. 25",* which change the computation and assumptions of total pension liability (NPL), and GASB Statement No. 68, *"Accounting and Financial Reporting for Pensions-an amendment of GASB 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 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

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*.
- **GASB Statement No. 98** , The Annual Comprehensive Financial Report, establish the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local government. 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	$ 5,445,663	$ 5,564,936

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

CONCENTRATION OF RISKS (CONTINUATION)

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, 2020 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.

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.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 10 resulted in restrictions on the ability of the Corporation to withdraw any funds held on deposit at GDB.

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 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 (1) fiscal and economic discipline through the creation of the Oversight Board, (2) 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 (3) two separate process for the restructuring of the debt obligations of 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 20181 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 III of PROMESA for restructuring of the Commonwealth and certain of its instrumentalities.

NOTE 3 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance 30-Jun-19	Reclassifications	Increases	Decreases	Balance 30-Jun-20
Capital assets, not being depreciated:					
Art collection/Historical Trasures	$ 568,000	$ -	$ -	$ -	$ 568,000
Construction in progress	-	-	-	-	-
Total capital assets, not being depreciated	568,000	-	-	-	568,000
Capital assets, being depreciated/amortized:					
Leasehold improvement	112,000	-	-	-	112,000
Furniture and equipments	293,913	-	3,767	-	297,680
Musical instruments	534,086	-	6,884	-	540,970
Library	114,471	-	1,312	-	115,783
Computer software	78,827	-	7,153	-	85,980
Computer equipment	91,048	-	-	-	91,048
Vehicles	27,648	-	-	-	27,648
Total capital assets, being depreciated	1,251,993	-	19,116	-	1,271,109
Total cost basis of capital assets	1,819,993	-	19,116	-	1,839,109
ss: accumulated depreciation:					
Leasehold improvement	(11,200)	-	(5,600)	-	(16,800)
Furniture and equipments	(207,717)	-	(24,135)	-	(231,852)
Musical instruments	(290,562)	-	(25,586)	-	(316,148)
Library	(92,207)	-	(4,126)	-	(96,333)
Computer software	(50,101)	-	(11,125)	-	(61,226)
Computer equipment	(53,637)	-	(14,063)	-	(67,700)
Vehicles	(23,106)	-	(4,542)	-	(27,648)
Total accumulated depreciation	(728,530)	-	(89,177)	-	(817,707)
Net capital assets	$ 1,091,463	$ -	$ (70,061)	$ -	$ 1,021,402

NOTE 4 LONG-TERM DEBT

Changes in non-current liabilities for the year ended June 30, 2020 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	due within one year
Termination benefits	$ 411,083	$ -	$ 48,185	$ 362,898	$ 48,185
Compensated absences	621,660	11,299	-	632,959	632,959
Other postemployment benefits	219,344	6,893	-	226,237	18,184
Total pension liability	27,741,454	8,591,400	-	36,332,854	1,319,045
Total	$28,993,541	$8,609,592	$ 48,185	$ 37,554,948	$ 2,018,373

NOTE 5 VOLUNTARY TERMINATION BENEFITS

On July 2, 2010 the Commonwealth enacted Act No.70, to establish a program that provides benefits of 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 lump sum 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 $362,898 which was presented in the statement of net position (deficit) as of June 30, 2020. 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, 2020.

NOTE 6 RETIREMENT PLAN

The Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (ERS) is a multi-employer defined benefit plan administered by the Retirement System Board.

The Corporation accounts for pension liability based on actuarial valuations measured as of the beginning of the year (June 30, 2019). The Corporation retirement plan were administered as trusts following the guidance in GASB Statement No. 73 since there are no assets accumulated in trusts meeting the following criteria established by GASB Statement No. 68:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. Defined benefit pension plan assets also are legally protected from creditors of the plan members.

On January 18, 2022, the Title III Court entered an order confirming the Eighth Amended Plan for the Commonwealth, ERS, and PBA. The Eighth Amended Plan preserves all accrued pension benefits for current retirees and employees at ERS. For further information on the Eighth Amended Plan's impact on pension benefits, refer to the final version of the Eighth Amended Plan, which is available at https://cases.primeclerk.com/puertorico/Home-DocketInfo.

NOTE 6 RETIREMENT PLAN (CONTINUATION)

ERS

Plan Description – Prior to Act No. 106-2017, ERS administered different benefit structures pursuant to Act No. 447-1951, as amended, including a cost-sharing, multi-employer, defined benefit program, a

defined contribution program (System 2000 program) and a contributory hybrid program. Benefit provisions vary depending on member's date of hire. Substantially all full-time employees of the Commonwealth and its instrumentalities (the Commonwealth, 78 municipalities, and 55 public corporations) were covered by the ERS. These benefits were paid by the ERS until June 30, 2018. Through Act No. 106-2017, the Commonwealth transformed the retirement systems into a single pay-as-you-go system (whereby future benefit payments are guaranteed by the Commonwealth's General Fund) and created the Retirement System Board as the new Retirement Systems governing body.

Certain provisions are different for the three groups of members who entered ERS prior to July 1, 2013, as described below:

- Members of Act No. 447-1951 are generally those members hired before April 1, 1990 (contributory, defined benefit program).
- Members of Act No. 1-1990 are generally those members hired on or after April 1, 1990, and on or before December 31, 1999 (together with Act No. 447 participants, the Defined Benefit Program).
- Members of Act No. 305-1999 (Act No. 305-1999 or System 2000) were generally those members hired on or after January 1, 2000, and on or before June 30, 2013 (the System 2000 Program). 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, became members of the Contributory Hybrid Program as a condition to their employment. In addition, participant employees of previous programs as of June 30, 2013, became part of the Contributory Hybrid Program on July 1, 2013. Pursuant to a settlement incorporated into the Eighth Amended Plan, on the effective date of the Eighth Amended Plan, all participants in the System 2000 Program will receive a one-time payment in the amount of their contributions (plus accrued interest) as of the Commonwealth's petition date in their defined contribution accounts established under Act No. 106-2017 (discussed below). Upon the payment of these refunds, all claims related to the System 2000 Program will be discharged.

The Commonwealth, through Act No. 106-2017, created a "New Defined Contribution Plan" that consisted of a trust fund, not subject to the provisions of Act No. 219-2012, known as "*The Trusts Act*", that will maintain an individual account for each participant of the Retirement Systems that becomes a participant of the plan.

The following employees will participate in the New Defined Contribution Plan:

- All active participants of the ERS as of July 1, 2017
- New hires entering the public service workforce after July,1 2017
- Any business or public corporation with employees not participating in the Retirement Systems as of July 1, 2017, can, through an approved resolution by its board of directors or governing body, join the New Defined Contribution Plan. The Retirement Systems Board is responsible of establishing the eligibility requirements and procedures to be followed to join the New Defined Contribution Plan.

Enrollment in the New Defined Contribution Plan is optional for the chiefs of public corporations and for employees of public corporations of the Commonwealth of Puerto Rico working and living outside the territorial limits of Puerto Rico.

NOTE 6 RETIREMENT PLAN (CONTINUATION)

The following summary of ERS plan provisions is intended to describe the essential features of the plan. All eligibility requirements and benefit amounts should be determined in strict accordance with the applicable laws and regulations.

Service Retirements

(a) *Eligibility for Act No. 447-1951 Members:* Act No. 447-1951 members who were eligible to retire as of June 30, 2013 would continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 447-1951 members could retire upon (1) attainment of age 55 with 25 years of credited service; (2) attainment of age 58 with 10 years of credited service; and (3) any age with 30 years of credited service. In addition, Act No. 447-1951 members who would attain 30 years of credited service by December 31, 2013 would be eligible to retire at any time.

Act No. 447-1951 members who were not eligible to retire as of June 30, 2013 and did not attain 30 years of credited service by December 31, 2013 are eligible to retire upon attainment of the retirement eligibility age shown in the table below with 10 years of credited service.

Date of birth	Attained age as of June 30, 2013	Retirement eligibility age
July 1, 1957 or later	55 or less	61
July 1, 1956 to June 30, 1957	56	60
Before July 1, 1956	57 and up	59

In addition to the requirements in the table above, Act No. 447-1951 Public Officers in High-Risk Positions who were not eligible to retire as of June 30, 2013 and did not attain 30 years of credited service by December 31, 2013 are eligible to retire directly from active service upon the attainment of age 55 with 30 years of credited service.

(b) *Eligibility* for Act No. 1-1990 Members: Act No. 1-1990 members who were eligible to retire as of June 30, 2013 continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 1-1990 members could retire upon (1) attainment of age 55 with 25 years of credited service and (2) attainment of age 65 with 10 years of credited service.

Act No. 1-1990 members who were not eligible to retire as of June 30, 2013, are eligible to retire upon attainment of age 65 with 10 years of credited service.

(c) *Eligibility for System 2000 Members*: System 2000 members who were eligible to retire as of June 30, 2013, continue to be eligible to retire at any time. Prior to July 1, 2013, System 2000 members could retire upon attainment of age 60.

NOTE 6 RETIREMENT PLAN (CONTINUATION)

System 2000 members who were not eligible to retire as of June 30, 2013 are eligible to retire upon attainment of the retirement eligibility age shown in the table below otherwise.

Date of birth	Attained age as of June 30, 2013	Retirement eligibility age
July 1, 1957 or later	55 or less	65
July 1, 1956 to June 30, 1957	56	64
July 1, 1955 to June 30, 1956	57	63
July 1, 1954 to June 30, 1955	58	62
Before July 1, 1954	59 and up	61

(d) Eligibility for Members Hired after June 30, 2013: Attainment of age 67.

(i) Service Retirement Annuity Benefits

An annuity payable for the lifetime of the member equal to the annuitized value of the balance in the hybrid contribution account at the time of retirement, plus, for Act No. 447-1951 and Act No. 1-1990 members, the accrued benefit determined as of June 30, 2013. If the balance in the hybrid contribution account was $10,000 or less, it would have been paid as a lump sum instead of as an annuity.

(a) *Accrued Benefit* as of June 30, 2013 for Act No. 447-1951 Members: The accrued benefit as of June 30, 2013 was determined based on the average compensation, as defined, for Act No. 447-1951 members, the years of credited service, and the attained age of the member all as of June 30, 2013.

If the Act No. 447-1951 member had at least 30 years of credited service as of June 30, 2013, the accrued benefit equals 65% of average compensation if the member was under age 55 as of June 30, 2013, or 75% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting the Coordination Plan, the benefit was recalculated at the Social Security Retirement Age (SSRA), as defined, as 1.5% of average compensation up to $6,600 multiplied by years of credited service, up to 30 years, plus 65% (75% if member was at least age 55 as of June 30, 2013) of average compensation in excess of $6,600.

If the Act No. 447-1951 member had less than 30 years of credited service as of June 30, 2013 and attained 30 years of credited service by December 31, 2013, the accrued benefit equaled 55% of average compensation if the member was under age 55 as of June 30, 2013 or 60% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting the Coordination Plan, the benefit was recalculated at SSRA as 1.5% of average compensation up to $6,600 multiplied by years of credited service, up to 30 years, plus 55% (60% if member was at least age 55 as of June 30, 2013) of average compensation in excess of $6,600. Member contributions received from Act No. 447-1951 members eligible for this transitory benefit during the period beginning July 1, 2013 and ending upon the attainment of 30 years of credited service were considered pre- July 1, 2013 contributions; the contributions to the hybrid contribution account begin after the member attains 30 years of credited service.

If the Act No. 447-1951 member had less than 30 years of credited service as of December 31, 2013, the accrued benefit equaled 1.5% of average compensation multiplied by years of credited service up to 20 years, plus 2% of average compensation multiplied by years of credited service

NOTE 6 RETIREMENT PLAN (CONTINUATION)

in excess of 20 years. Maximum benefit is 75% of average compensation. For participants selecting the Coordination Plan, the basic benefit is recalculated at SSRA as 1% of average compensation up to $6,600 multiplied by years of credited service up to 20 years, plus 1.5% of average compensation up to $6,600 multiplied by years of credited service in excess of 20 years, plus 1.5% of average compensation in excess of $6,600 multiplied by years of credited service up to 20 years, plus 2.0% of average compensation in excess of $6,600 multiplied by years of credited service in excess of 20 years. The benefit was actuarially reduced for each year payment commences prior to age 58.

(b) *Accrued Benefit* as of June 30, 2013 for Act No. 1-1990 Members: The accrued benefit as of June 30, 2013 is determined based on the average compensation for Act No. 1-1990 members, the years of credited service, and the attained age of the member all as of June 30, 2013.

For Act No. 1-1990 members, the accrued benefit equaled 1.5% of average compensation multiplied by years of credited service. The benefit was actuarially reduced for each year payment commences prior to age 65.

(ii) Compulsory Retirement

All Act No. 447-1951 were required to retire upon attainment of age 58 and 30 years of credited service.

(iii) Termination Benefits

(a) Lump Sum Withdrawal

Eligibility: A Member was eligible upon termination of service prior to 5 years of service or if the balance in the hybrid contribution account is $10,000 or less.

Benefit: The benefit equaled a lump sum payment of the balance in the hybrid contribution account as of the date of the permanent separation of service.

(b) Deferred Retirement

Eligibility: A Member was eligible upon termination of service with 5 or more years of service (10 years of credited service for Act No. 447-1951 and Act No. 1-1990 members) prior to the applicable retirement eligibility, provided the member had not taken a lump sum withdrawal of the accumulated contributions from the hybrid contribution account.

Benefit: An annuity payable for the lifetime of the member commencing at the applicable retirement eligibility age equal to the annuitized value of the balance in the hybrid contribution account at the time of retirement, plus, for Act No. 447-1951 and Act No. 1-1990 members, the accrued benefit determined as of June 30, 2013.

(iv) Death Benefits

(a) Pre-retirement Death Benefit

Eligibility: Any current nonretired member was eligible.

Benefit: A refund of the hybrid contribution account, plus the accumulated contributions for Act No. 447-1951 and Act No. 1-1990 members.

(b) High Risk Death Benefit under Act No. 127-1958

Eligibility: Employees in specified high-risk positions who die in the line of work due to reasons specified in Act No. 127-1958, as amended.

NOTE 6 RETIREMENT PLAN (CONTINUATION)

Spouse's Benefit: 50% of the participant's compensation at date of death, payable as an annuity until death or remarriage.

Children's Benefit: 50% of the participant's compensation at date of death, payable as an annuity, and allocated pro rata among eligible children. The annuity was payable for life for a disabled child, until age 18 for a nondisabled child not pursuing studies, and until age 25 for a nondisabled child who is pursuing studies.

Benefit if No Spouse or Children: The parents of the member should each receive 50% of the participant's compensation at date of death, payable as an annuity for life.

Post death Increases: Effective July 1, 1996, and subsequently every three-years, the above death benefits are increased by 3% provided that the beneficiary(ies) had been receiving payments for at least three-years.

The cost of these benefits was paid by the Commonwealth.

(c) Postretirement Death Benefit for Members Who Retired prior to July 1, 2013

Eligibility: Any retiree or disabled member receiving a monthly benefit who had not elected a reversionary annuity and whose benefits commenced prior to July 1, 2013.

Benefit: The benefit is as follows (Act No. 105, as amended by Act No. 4):

i. For those married or with dependent children at the time of death, the annual income to a widow, or widower or dependent children is equal to 60% (50% if in the Coordination Plan – 30%, prior to January 1, 2004) of the retirement benefit payable for life for a surviving spouse and/or disabled children and payable until age 18 (age 25 if pursuing studies) for nondisabled children. If in the Coordination Plan, the benefit to the surviving spouse does not begin until the spouse's attainment of age 60 and the surviving spouse must have been married to the member for at least 10 years to be eligible for this benefit. The increase in the percentage from 30% to 50% if in the Coordination Plan is paid by the Commonwealth for former government employees or by the public enterprise or municipality for their former employees. *See* Act No. 105 of 1969, as amended by Act No. 158 of 2003.

ii. The benefit, when there is no relation as stated above, is equal to the remaining balance of accumulated contributions at the time of retirement after the deduction of lifetime annual income paid and is payable to a beneficiary or to the Member's estate. In no case may the benefit be less than $1,000. Either the Commonwealth for former government employees or the public enterprise or municipality for their former employees pays the difference, up to $250, between (1) the accumulated contributions less the lifetime annual income paid and (2) $1,000. ERS pays for the rest. *See* Article 2-113 of Act No. 447-1951, as amended by Act No. 524-2004.

(d) Postretirement Death Benefit for Members Who Retired after June 30, 2013

Eligibility*:* Any retiree or disabled member who began receiving a monthly benefit after June 30, 2013.

Benefit: If the member elected at the time of retirement to transfer a portion of the annuity to a beneficiary by selecting an actuarially equivalent optional form of payment, the applicable survivor benefit.

NOTE 6 RETIREMENT PLAN (CONTINUATION)

For all members, the excess, if any, of the hybrid contribution account, plus the accumulated contributions for Act No. 447-1951 and Act No. 1-1990 members, at the time of retirement over the total annuity payments paid to the member and any beneficiary per the terms of the optional form of payment must be payable to a beneficiary or the member's estate.

(e) Beneficiaries receiving occupational death benefits as of June 30, 2013, continue to be eligible to receive such benefits.

(v) Disability Benefits

(a)Disability

Eligibility: All members are eligible upon the occurrence of disability.

Benefit: The balance of the hybrid contribution account payable as lump sum distribution, an immediate annuity, or a deferred annuity at the election of the participant. Act No. 447-1951 and Act No. 1-1990 members remain eligible to receive the accrued benefit as of June 30, 2013, commencing at the applicable retirement eligibility age.

(b) High Risk Disability under Act No. 127-1958

Eligibility: Employees in specified high-risk positions who are disabled in the line of work due to reasons specified in Act No. 127-1958 (as amended).

Benefit: 80% (100% for Act No. 447-1951 members) of compensation as of date of disability, payable as an annuity. If the member died while still disabled, this annuity benefit continued to his beneficiaries. Beneficiaries include the surviving spouse and/or disabled children (for life), nondisabled children until age 18 (age 25 if pursuing studies), and the parents if no other beneficiaries. Effective July 1, 1996, and subsequently every three-years, the disability benefit was increased by 3% provided that the member (or beneficiary) had been receiving payments for at least three-years (Act No. 127-1958, as amended).

The cost of these benefits was paid by the Commonwealth.

(c) Members who qualified for occupational or nonoccupational disability benefits as of June 30, 2013, continue to be eligible to receive such benefits.

(vi) Special Benefits

(a) Minimum Benefits

i. *Past Ad hoc Increases*: The Legislature, from time to time, increased pensions for certain retirees as described in Act No. 124-1973 and Act No. 23-1983. The benefits were paid 50% by the Commonwealth and 50% by ERS.

ii. Minimum Benefit for Members Who Retired before July 1, 2013 (Act No. 156-2003, Act No. 35-2007, and Act No. 3-2013): The minimum monthly lifetime income for members who retired or become disabled before July 1, 2013, is $500 per month effective July 1, 2013 ($400 per month effective July 1, 2007, and $300 per month up to June 30, 2007). The increase in the minimum monthly benefit from $200 per month to $300 per month was paid by the Commonwealth for former government and certain public corporations without their own treasuries' employees or by certain public corporations with their own treasuries or municipalities for their former employees. The increase in the minimum monthly benefit from $300 per month to $400 per month was to be paid by ERS for former government and certain

NOTE 6 RETIREMENT PLAN (CONTINUATION)

public corporations without their own treasuries' employees or by certain public corporations with their own treasuries or municipalities for their former employees.

iii. *Coordination Plan Minimum Benefit:* A minimum monthly benefit was payable upon attainment of SSRA such that the benefit, when added to the Social Security Benefit, was not less than the benefit payable prior to SSRA.

(b) *Cost of Living Adjustments (COLA) to Pension Benefits:* The Legislature, from time to time, increased pensions by 3% for retired and disabled members. Beneficiaries were not entitled to COLAs granted after the retiree's death. The first increase was granted by Act No. 10-1992. Subsequent 3% increases have been granted every third year since 1992, with the latest 3% increase established on April 24, 2007, and effective July 1, 2007 (retroactive to January 1, 2007) for retired and disabled members that were receiving a monthly benefit on or before January 1, 2004 (Act No. 35-2007). In addition, effective July 1, 2008, any retired or disabled member that was receiving a monthly annuity on or before January 1, 2004, less than $1,250 per month received an increase of up to 3% without exceeding the limit of $1,250 per month (Act No. 35-2007). The COLAs granted in 1992 to all retirees and in 1998 to retirees who are former government or municipal employees are to be paid by ERS. All other COLAs granted in 1995 and later were required to be paid by the Commonwealth for former government and certain public corporations without their own treasuries or by certain public corporations with their own treasuries or municipalities for their former employees.

Under the Eighth Amended Plan, these COLAs will be eliminated from and after the Effective Date. As of the date hereof, the Effective Date has not yet occurred. For further information on the Eighth Amended Plan's impact on pension benefits, refer to the final version of the Eighth Amended Plan, which is available at https://cases.primeclerk.com/puertorico/Home-DocketInfo.

(c) Special "Bonus" Benefits

(i) Christmas Bonus (Act No. 144-2005, as Amended by Act No. 3-2013): An annual bonus of $200 for each retiree, beneficiary, and disabled member has historically been paid in December provided the member retired prior to July 1, 2013. This benefit is paid from the supplemental contributions received from the Commonwealth for former government and certain public corporations without their own treasuries, or by certain public corporations with their own treasuries or municipalities for their former employees.

(ii) Medication Bonus (Act No. 155-2003, as Amended by Act No. 3-2013): An annual bonus of $100 for each retiree, beneficiary, and disabled member to cover health costs paid in July provided the member retired prior to July 1, 2013. Evidence of coverage is not required. The amount is prorated if there are multiple beneficiaries. This benefit is paid from the Supplemental Contributions received from the Commonwealth for former government and certain public corporations without their own treasuries, or by certain public corporations with their own treasuries or municipalities for their former employees.

Before July 1, 2017, the Commonwealth made contributions to the ERS for the special benefits granted by special laws. The funding of the special benefits was provided to the ERS through legislative appropriations each January 1 and July 1. Special benefits to eligible Act 447-1951 participants are being paid by each employer as they become due since July 1, 2017.

NOTE 6 RETIREMENT PLAN (CONTINUATION)

Contributions

Contributions by members consists, as a minimum, of an 8.5% of their compensation directly deposited by the Puerto Rico Department of Treasury in the individual member accounts under the

New Defined Contribution Plan created pursuant to Act No. 106-2017. Also, as of that date, System's participants shall make no individual contributions or payments to the accumulated pension benefits payment account or additional contributions to ERS.

Participating employers are responsible for the payment of the PayGo fee to the accumulated pension benefits payment account, which is computed based on the amount of actual benefits paid to retirees, disabled and beneficiaries of each participating employer.

(iii) Early Retirement Programs

On July 2, 2010, the Commonwealth enacted Act No. 70 establishing a program that provides benefits for early retirement or economic incentives for voluntary employment termination to eligible employees, as defined. Act No. 70-2010 also established that early retirement benefits will be provided to eligible employees that have completed between 15 and 29 years of creditable services and will consist of monthly benefits ranging from 37.5% to 50% of each employees' monthly salary. Benefits under this program will be paid by the General Fund of the Commonwealth and by the public corporations, covering their respective employees until the plan member reaches the later of age 55 for members under Act No. 447-1951 or age 65 for members under Act No. 1-1990, or the date the plan member would have completed 30 years of service had the member continued employment. In addition, the public corporations will also be required to continue making the required employee and employer contributions to ERS. The General Fund of the Commonwealth will be required to continue making its required employer contributions. ERS will be responsible for benefit payments afterward.

On December 8, 2015, the Commonwealth enacted the Voluntary Early Retirement Law, Act No. 211 of 2015 (Act No. 211-2015), establishing a voluntary program to provide pre-retirement benefits to eligible employees, as defined. Act 106-2017 repealed Act No. 211-2015, while creating an incentives, opportunities, and retraining program for public workers.

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

As of June 30, 2020, the Corporation reported a liability of $7,132,516 for its proportionate share of the total pension liability.

Total pension liability beginning of year	$6,987,863
Less: Contributions	(380,482)
Balance after contributions	6,607,381
Increase or (decrease)	525,135
Total pension liability end of year	$7,132,516

NOTE 6 RETIREMENT PLAN (CONTINUATION)

As of June 30, 2020, 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 earning on pension plan investment	$ -	$ -
Difference between expected and actual experience	-	241,813
Changes of assumptions	231,610	184,396
Change in proportion	148,164	-
Subsequent to the measurement date	358,665	-
Total	$ 738,439	$ 426,209

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

Year ended June 30,	Amount
2021	$ (11,608)
2022	(11,608)
2023	(11,608)
2024	(11,610)
Total	$ (46,434)

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 3.50% 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.

NOTE 6 RETIREMENT PLAN (CONTINUATION)

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-1994 MortalityTableforMalesand115% 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. As a generation table, it reflects mortality improvements both before and after the measurement date.

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 total pension liability to change in the discount rate - The following table presents the Corporation's proportionate share of the total pension liability calculated using the current discount rate of 2.85% as well what the Corporation's proportionate share of the total 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 (2.50%)	At current discount rate (3.50%)	At 1% increase (4.50%)
Total pension liability	$ 8,110,802	$ 7,132,516	$ 6,337,734

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, 2020, 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 1033.22% of annual covered payroll.

Contributions- The plan is funded through member's 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, 2020, there were employer contributions of $196,647 and employee contributions of $92,175.

NOTE 6 RETIREMENT PLAN (CONTINUATION)

Plan Membership - At August 14, 2020, the Retirement Plan Membership consisted of the following:

Description	Count
Retirees and beneficiaries receiving benefits	36
Terminated plan participants entitled to but not yet receiving benefits	19
Active plan participants	72
Total	127

Rate of Return - For the year ended August 14, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.51%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Investment Managers can only provide assets information at the end of month. Therefore, even though the actuarial valuation date is August 14th, assets employed to develop the rate of return are those at August 31st.

Discount Rate - The discount rate used to measure the total pension liability was 1.82%. 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. Based on those assumptions, it is expected that the Plan's fiduciary will be exhausted by 2025, at which point a municipal bond rate of 1.77% is to be used to discount the benefit payments not covered by the Plan's fiduciary net position. The rate equals the S&P Municipal Bond 20 Year High Grade Rate Index (Yield to Maturity) at August 14, 2020.

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 Total Pension Liability to Change in the Discount Rate - The following table presents the total pension liability, calculated using the current discount rate of 1.82% as well what the Orchestra's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (0.82%) or one percentage point higher (2.82%) than the current rate:

	At 1% decrease (0.82%)	At current discount rate (1.82%)	At 1% increase (2.82%)
Employer's net pension liability	$ 34,731,554	$ 29,200,337	$ 24,675,729

Actuarial Valuation Report was not available; therefore, the total pension liability (TPL} was estimated based on the ARC rate and amortization period (open-basis) determined in the last valuation available c1s of August 14, 2020. 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 TPL.

NOTE 6 RETIREMENT PLAN (CONTINUATION)

Annual Pension Cost and Total Pension Liability – For the fiscal year ended June 30, 2020, the Actuarial Valuation Report was not available; therefore the total pension liability was estimated based on the ARC rate and amortization period (open-basis) determined in the last valuation available c1s of August 14, 2020. This valuation report considered the implementation of GASB No. 67, "Financial Reporting for Pension Plan, an **amendment** of GASB No. 25", which change the computation and assumptions of TPL.

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, 2020, amounted to approximately $765,694. The difference of the statutorily required contributions and the ARC Increased the TPL at June 30, 2020 to $29,200,337. This amount is presented in the statement of net position (deficit) as of June 30, 2020.

The Orchestra's APC and TPL to the System as of August 14, 2020, was as follows:

Description	Amount
ARC	$ 955,878
Interest on NPO	873,823
Changes of assumption	7,580,585
Adjustment to ARC (1)	(1,161,815)
APC	8,248,471
Contributions made	196,647
Increase in NPO	8,445,118
NPO at beginning of year (2)	20,755,219
NPO at end of year	$ 29,200,337

(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 total pension liability 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, 2020.

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, 2020, the annual required contribution was determined by the Actuarial Valuation Report as of August 14, 2020, 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 3% per year, (c) RP-2020 Combined Healthy Mortality Tables for males and females, and (d) 2% 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 TPL 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:

NOTE 6 RETIREMENT PLAN (CONTINUATION)

Four years trend information

Fiscal year ending June 30,	Annual pension Cost (APC)	Employer Contribution	Percentage of APC Contributed	Net Pension Obligation
2020	$ 8,248,471	$ 196,647	5.65%	$ 29,200,337
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.

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN

a).**Actuarial assumptions Discount rate**

The discount rate for June 30, 2020 and 2019 was 3.50% and 3.87%, 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. 100% of deaths while in active service are assumed to be occupational for members covered under Act No.127-1958.

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

Post-retirement Disabled Mortality

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

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUATION)

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, 2020 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 (2.50%)	At current discount rate (3.50%)	At 1% increase (4.50%)
Total OPEB liability	$ 248,139	$ 226,237	$ 207,635

OPEB Expense
The components of OPEB expense for the years ending June 30, 2020 is as follows:

Interest on total OPEB liability	$ 14,437
Effect of economic /demographic gains or loss	2,224
Effect of assumptions changes or input	10,618
Total OPEB expense	$ 27,279

OPEB Liability
As of June 30, 2020 the Corporation reported a liability of $217,716 for its proportionate share of OPEB liability:

OPEB liability beginning balance	$ 217,716
OPEB benefits paid	(18,758)
Increase	27,279
OPEB liability as of 6/30/2020	$ 226,237

NOTE 8 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

NOTE 8 GOING CONCERN (CONTINUATION)

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, 2020. The Corporation has had significant recurring operating losses and it is highly dependent on the Commonwealth 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 which amounted to approximately $8 million for the year ended June 30, 2020. 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 liability. 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 liability 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 adversely affect 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 will develop various cash flow scenarios in an attempt to meet payment of key disbursements and will establish additional controls over cash management and budget monitoring.

NOTE 9 SUBSEQUENT EVENTS

The Corporación de las Artes Musicales de Puerto Rico evaluated subsequent events through January 21, 2022, the date on which the financial statement are available to be issued. There are no material subsequent events that would require adjustments in the accompanying financial statement for the fiscal year ended June 30, 2020. On January 18, 2022, Order and Judgment Confirming Eighth Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico Debt. In order of mentioned above financial position of Commonwealth could be change. As of January 21, 2022 we do not know the financial impact of the court decision in the Agency.

Supplementary Information

Combined Statement of Net Position (Deficit)
As of June 30, 2020

	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	Elimination/ Reclassification Entries	Total
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 3,685,720	$ 545,103	$ 1,414,840	$ -	$ 5,645,663
Accounts receivable:					
Individuals and private entities	1,195	21,759	-	-	22,954
Goverment entities	-	70,942	19,917	-	90,859
Related companies	53,930	209	-	(54,139)	-
Other assets	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
	3,740,845	638,013	1,434,757	(54,139)	5,759,476
NON- CURRENT ASSETS:					
Capital assets, net of accumulated depreciation	670,330	342,131	8,941	-	1,021,402
DEFERRED OUTFLOWS OF RESOURCES -					
OPED related	14,968	1,771	1,445	-	18,184
Pension related	612,945	66,414	59,080	-	738,439
Total deferred outflows of resources	627,913	68,185	60,525	-	756,623
Total assets and deferred outflows of resources	5,039,088	1,048,329	1,504,223	(54,139)	7,537,501
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)					
CURRENT LIABILITIES:					
Accounts payable:					
Individuals and private entities	54,747	46,707	24,938	-	126,392
Government entitiess	763,897	813	48	-	764,758
Related companies	8,571	20,787	24,781	(54,139)	-
OPEB liability				18,184	18,184
Total pension obligation				1,319,045	1,319,045
Accrued expenses and withholding payable	10,399	27,477	4,769	-	42,645
Compensated absences, current portion	126,181	434,410	72,368	-	632,959
Termination benefits payable	35,031	13,154	-	-	48,185
Unearned revenue	-	50,000	153,305	-	203,305
	998,826	593,348	280,209	1,283,090	3,155,473
NON-CURRENT LIABILITIES:					
Termination Benefits Payable	296,045	18,668	-	-	314,713
OPEB liability	186,219	22,041	17,977	-	226,237
Total pension obligation	5,921,429	29,840,684	570,741	-	36,332,854
	6,403,693	29,881,393	588,718	-	36,873,804
Total liabilities	7,402,519	30,474,741	868,927	1,283,090	40,029,277
DEFERRED INFLOWS OF RESOURCES:					
Pension related	353,750	38,362	34,097	-	426,209
	353,750	38,362	34,097	-	426,209
Total liabilities and deferred inflows of resources	7,756,269	30,513,103	903,024	1,283,090	40,455,486
NET POSITION (DEFICIT):					
Net investment in capital	670,330	342,131	8,941	-	1,021,402
Restricted	-	50,000	150,000	-	200,000
Unrestricted	(3,387,386)	(29,857,040)	442,268	-	(32,802,158)
Total net position (deficit)	$ (2,717,056)	$ (29,464,909)	$ 601,209	$ -	$ (31,580,756)

Combined Statement of Revenues, Expenses and Changes in Net Position (Deficit)
For the Year Ended June 30, 2020

	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	Elimination/ Reclassification Entries	Total
OPERATING REVENUES:					
Charges to related companies	$ 245,000	$ -	$ -	$ (245,000)	$ -
Sale of tickets	-	222,460	-	-	222,460
Enrollment fees	7,907	-	-	-	7,907
Orchestra fees	-	46,341	-	-	46,341
Total operating revenues	252,907	268,801	-	(245,000)	276,708
OPERATING EXPENSES:					
Salaries, payroll and fringe benefits	1,067,496	3,424,908	202,915	-	4,695,319
Pension cost	(63,979)	8,651,218	(6,165)	-	8,581,074
Termination benefits recovery	36,922	-	-	-	36,922
Rent	6,330	103,925	1,026	-	111,281
Scholarships and financial aid	39,000	-	-	-	39,000
Travel and meals	-	38,277	-	-	38,277
Publicity and advertisement	504	16,035	20,241	-	36,780
Professional, artistic and cosulting services	118,841	426,098	84,569	-	629,508
General and administrative	75,000	85,000	85,000	(245,000)	-
Utilities	10,019	-	-	-	10,019
Depreciation	55,296	33,056	823	-	89,175
Repairs and maintenance	24,444	1,980	-	-	26,424
Insurance	69,368	-	-	-	69,368
Other expenses	10,150	(46,614)	4,550	-	(31,914)
Total operating expenses	1,449,391	12,733,883	392,959	(245,000)	14,331,233
Operating loss	(1,196,484)	(12,465,082)	(392,959)	-	(14,054,525)
				-	
NON-OPERATING REVENUES:					
Legislative appropriations	1,418,742	3,656,159	328,099	-	5,403,000
Special appropriations	24,771	393,839	43,000	-	461,610
Donations	35,000	34,220	8,000	-	77,220
Interest and other income	12,244	40,216	21,123	-	73,583
	1,490,757	4,124,434	400,222	-	6,015,413
Net income loss after non-operating revenues	294,273	(8,340,648)	7,263	-	(8,039,112)
Change in net position (deficit)	294,273	(8,340,648)	7,263	-	(8,039,112)
Net position (deficit) at beginning of year	(3,011,329)	(21,124,261)	593,946	-	(23,541,644)
Net position (deficit) at end of year	$ (2,717,056)	$ (29,464,909)	$ 601,209	$ -	$ (31,580,756)

Combined Statement of Cash Flows
For the Year Ended June 30, 2020

	Corporación de las Artes Musicales de Puerto Rico	Corporación de la Orquesta Sinfónica de Puerto Rico	Corporación de las Artes Escénico - Musicales de Puerto Rico	Elimination/ Reclassification Entries	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from interfund services provided	$ 245,000	$ -	$ -	$ (245,000)	$ -
Receipts from tickets sales and orchestra fees	-	268,796	-	-	268,796
Receipts from enrollment fees	7,907	-	-	-	7,907
Payments to suppliers	(445,991)	(757,776)	(119,552)	-	(1,323,319)
Payments to employees and related fringe benefits	(986,211)	(3,688,115)	(178,965)	-	(4,853,291)
Termination benefits payments	-	-	-		-
Payments for management services used	(75,000)	(85,000)	(85,000)	245,000	-
Other	(10,150)	46,614	(4,550)	-	31,914
Net cash provided by (used in) operating activities	$ (1,264,445)	$ (4,215,481)	$ (388,067)	$ -	$ (5,867,993)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Legislative appropriations	1,418,742	3,656,159	328,099	-	5,403,000
Special appropriations	24,771	393,839	43,000	-	461,610
Donations	35,000	34,220	8,000	-	77,220
Other income	1,389	71,476	19,919	-	92,784
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Net cash provided by non-capital financing activies	1,479,902	4,155,694	399,018	-	6,034,614
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of property and equipment	(10,479)	(8,636)	-	-	(19,115)
Net advances from related companies	(5,526)	11,062	(5,536)	-	-
Net cash provided by capital and related financing activities	(16,005)	2,426	(5,536)	-	(19,115)
Cash Flows from investing activities					
Interest from bank accounts	10,857	12,064	1,206	-	24,127
Net cash provided by investing activities	10,857	12,064	1,206	-	24,127
Net change in cash and cash equivalents	210,309	(45,297)	6,621	-	171,633
Cash and cash equivalents at beginning of year	3,475,411	590,400	1,408,219	-	5,474,030
Cash and cash equivalents at end of year	$ 3,685,720	$ 545,103	$ 1,414,840	$ -	$ 5,645,663
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES					
Operating loss	$ (1,196,484)	$ (12,465,082)	$ (392,959)	$ -	$ (14,054,525)
Adjustment to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	55,296	33,056	823	-	89,175
(Increase) decrease in assets:					
Accounts receivable	50,237	(72,428)	(16,010)	-	(38,201)
Increase (decrease) in deferred outflows of resources	-	-	-		-
OPEB related	476	52	46	-	574
Pension related	(179,655)	(19,431)	(17,317)	-	(216,403)
Increase (decrease) in liabilities:					-
Accounts payable	(48,543)	(117,940)	19,566	-	(146,917)
Accrued expenses and withholding payable	(60,972)	(31,406)	6,677	-	(85,701)
OPEB liability	6,899	954	668	-	8,521
Total pension Obligation	120,163	8,458,027	11,582	-	8,589,772
Increase (decrease) in deferred inflows of resources	(11,862)	(1,283)	(1,143)	-	(14,288)
	(67,961)	8,249,601	4,892	-	8,186,532
Net cash used in operating activities	$ (1,264,445)	$ (4,215,481)	$ (388,067)	$ -	$ (5,867,993)