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, 2024

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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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *Corporación de las Artes Musicales de Puerto Rico* (the Corporation), as of the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of the *Corporación de las Artes Musicales de Puerto Rico,* as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the *Corporation's* basic financial statements. The accompanying combining and blended component units and schedule of expenditures of federal awards, as requires by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and we derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions of the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and is not a required part of the financial statements.

The schedule of expenditures of federal awards, on page 39-40, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 30, 2024 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters on pages 41-44. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Corporation's internal control over financial reporting and compliance.

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License #LLC-342
Expiration date December 1, 2025.

Toa Baja, Puerto Rico
April 10, 2025.

Strategic CPA Consulting Group, LLC
CPA'S
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Puerto Rico

DLLC342-10
CORPORACION DE LAS ARTES
MUSICALES DE PUERTO RICO

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, 2024. 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 on June 30, 2024, are included in the statement of net position. For the year ended June 30, 2024, the Corporation's 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, 2024.

- The total assets amounted to $7,998,667 and is below liabilities by $9,372,532 which amounted to $17,371,199 at the close of the current fiscal year.

- The Current assets amounted to $6,885,220 representing 86% of total assets.

- In net position, $1,113,447 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 $2,176,903.

- At the close of the fiscal year the Corporation operating revenues of $771,066 which shows an increase of $395,486 or 105.3%, 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, 2024 and 2023 were as follows:

Statement of net position (deficit)	2024	2023	Change	% Change
Assets				
Current and other assets	$ 6,885,220	$ 7,756,298	$ (871,078)	-11.23%
Non-current assets	1,113,447	1,023,375	90,072	8.80%
Total assets	7,998,667	8,779,673	(781,006)	-8.90%
Deferred outflows of resources				
OPEB and pension related	687,244	1,089,593	(402,349)	-36.93%
Liabilities				
Current liabilities	1,615,573	3,722,085	(2,106,512)	-56.59%
Noncurrent liabilities	15,755,626	23,255,526	(7,499,900)	-32.25%
Total liabilities	17,371,199	26,977,611	(9,606,412)	-35.61%
Deferred inflows of resources				
pension related	55,687	679,032	(623,345)	-91.80%
Net position (Deficit)				
Net investment in capital	1,113,447	1,013,065	100,382	9.91%
Restricted	472,224	1,328,249	(856,025)	-64.45%
Unrestricted	(10,326,646)	(20,128,691)	9,802,045	-48.70%
	$(8,740,975)	$(17,787,377)	$9,046,402	-50.86%

Net Position (Deficit)
Fiscal year 2024 compared to 2023

- Current and other assets- The current and other assets decreased by $871,078 or 11.2% as compared to prior year; mainly due to a decrease in cash.

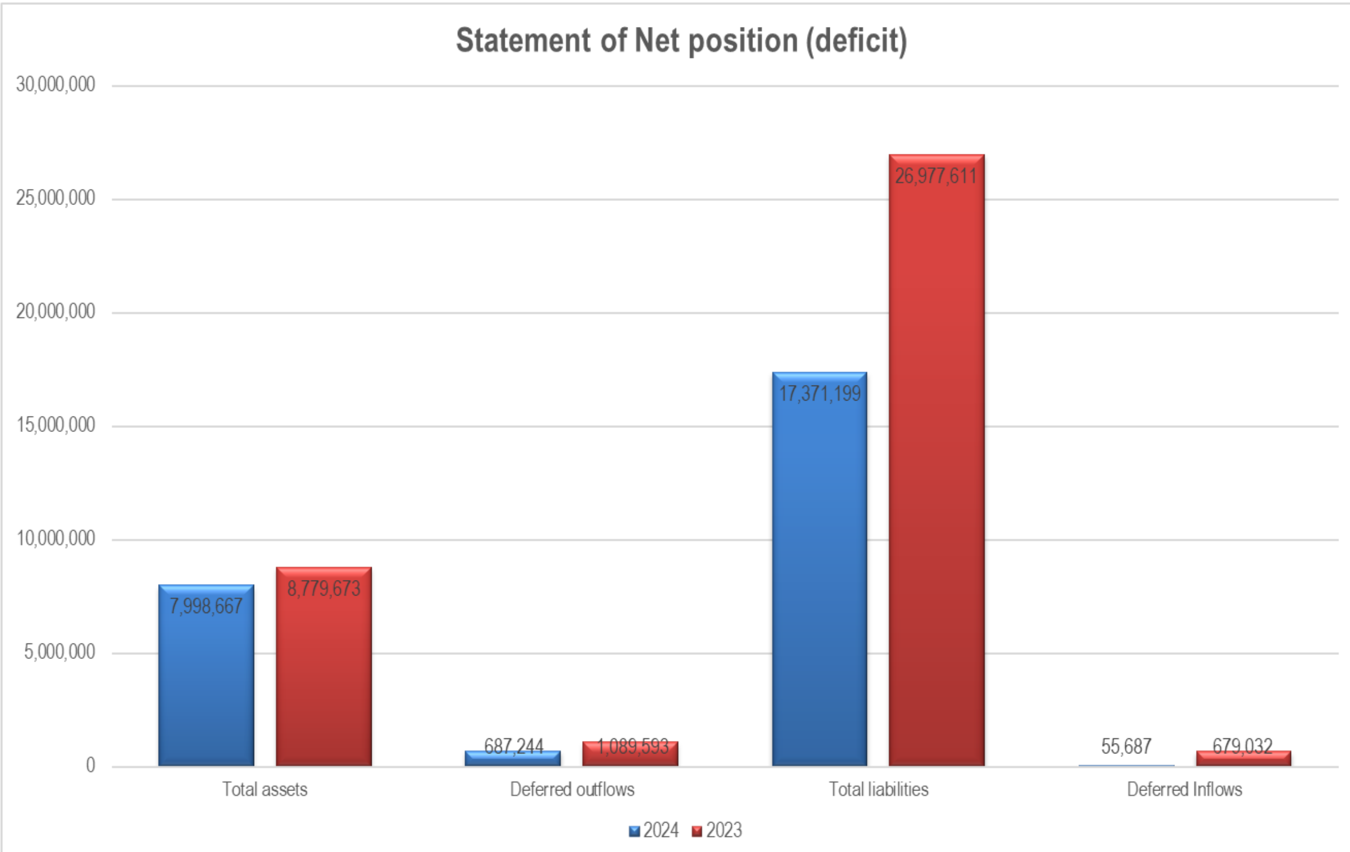
- Cash- This Corporation has a cash management account that supplies all funds for the operations of the Corporation and its related companies. The cash accounts are divided by programs. Each program has a regular account, which receives all deposits, especially the monthly legislative funds and generates payments to suppliers. In addition, the Corporation makes payments to professors and musicians participating in educational programs and the Symphonic Orchestra. 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 increased by $90,072 mostly due to capital expenditures that increase capital assets during the fiscal year 2024.

- Current liabilities- The current liabilities decreased by $2,106,512 mostly due to decrease in the unearned revenue and pension liabilities compared to prior year.

- Non-current liabilities- The Corporation's non-current liabilities decreased by $7,499,900 or 32.25% at June 30, 2024 mostly due to a decrease in pension liabilities.

- Net position (deficit) represents the residual interest in assets after liabilities are deducted. The net position increased by $9,046,402 or 50.86%, from $17,787,377 as of June 30, 2023, to $8,740,975 as of June 30, 2024.



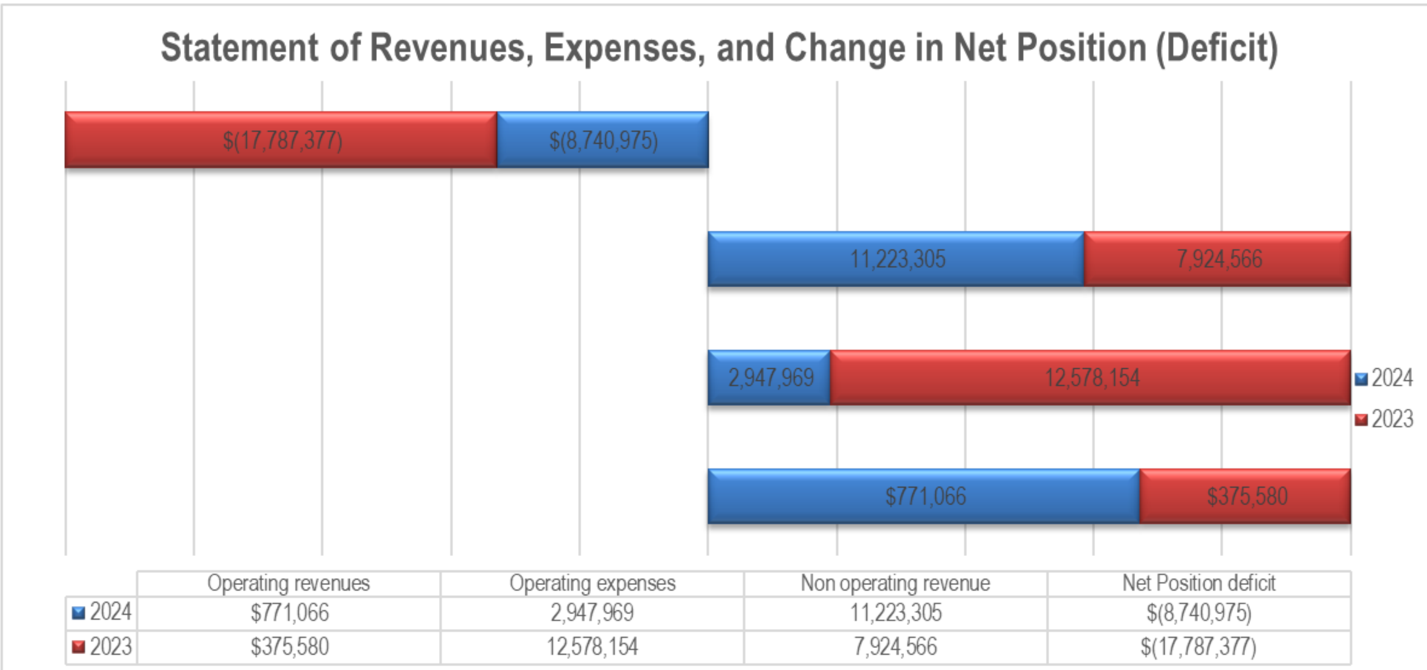
The Corporation's condensed statements of Revenues, Expenses and Change in the Net Position (Deficit) for the years ended on June 30, 2024 and 2023 were as follows:

Statement of Revenues, Expenses and Change in Net Position (Deficit)	2024	2023
Operating revenues	$ 771,066	$ 375,580
Operating expenses	2,947,969	12,578,154
Operating (loss) gain	(2,176,903)	(12,202,574)
Non operating revenue	11,223,305	7,924,566
Increase (decrease) in net position	9,046,402	(4,278,008)
Net position (deficit), beginning of year	(17,787,377)	(13,509,369)
Net Position (deficit), end of year	$ (8,740,975)	$(17,787,377)

Revenues, Expenses and Change in Net Position
Fiscal year 2024 compared to 2023

- Operating revenues- Operating revenue represents mostly sales of tickets. The operating revenues for the current and prior year were $771,066 and $375,580, respectively.

- Non-operating revenues- The net non-operating revenues increased by $3,298,739 or 41.63%, as compared to prior fiscal year. Most of the revenues during 2024 came from legislative appropriations which represent 82.17% of the total revenues.



Capital Assets and Debt Administration

Capital Assets- The total capital assets are as follows:

- Furniture and equipment: - assets in the administrative area, such as executive offices, finance, personnel and general services.

- Musical instruments: instruments used in the symphonic orchestra and public centers where programs are implemented.

- Motor vehicle: automobile used for administration purposes.

- Library: 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 1.25 days per month, up to a maximum of 60 days at the end of each natural year. Accrued vacations benefits as of June 30, 2024 amounted to $472,096. 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, 2024, a decrease of termination benefits accrual amounted to $39,415. This decrease was basically due to the periodic payments of amounts accrued, regarding to Act No. 70 of July 2, 2010, which provided certain early separation benefits.

- Total pension liability- The Corporation employees are part of the Puerto Rico Government Employees Retirement System which is classified as one employer pension Plan. Once the Plan was modified by Act 106-2017 it was considered for financial reporting purposes a single-employer, defined benefit, pension plan. Because the Corporation's employees are part of the plan, the Corporation presents a proportionate share of the total pension liability in its financial statements.

- Net 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 2023-2024 was $9,865,755. The resources include: $5,416,784 from a Joint Resolution from Legislative Appropriations and a Special Appropriations amounting to $4,448,971.

The following summarizes the consolidated budget which is distributed by corporations for the fiscal years ending June 30, 2024, and 2023.

Year	Corporación de las Artes Musicales de Puerto Rico
2024	$ 9,865,755.00
2023	$ 6,495,424.00

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	$ 6,223,657
Accounts receivable, net	
Goverment entities	184,812
Other assets	4,527
Restricted cash and cash equivalents	472,224
Total current assets	6,885,220
Capital assets, net	1,113,447
Total assets	7,998,667
Deferred outflows of resources	
Pension related	670,644
OPEB pension related	16,600
Total deferred outflows of resources	687,244
Liabilities	
Current liabilities:	
Accounts payable:	
Individuals and private entities	217,257
Government entities	70,422
Accrued expenses and withholding payable	43,616
Compensated absences	394,584
Termination benefits payable	35,031
OPEB liability	16,600
Total pension liability	416,242
Unearned revenue	421,821
Total current liabilities	1,615,573
Non-current liabilites:	
Compensated absences	77,512
Termination benefits payable	155,921
OPEB liability	192,411
Total pension liability	5,615,904
Net pension liability	9,713,878
Total non-current liabilities	15,755,626
Total liabilities	17,371,199
Deferred inflows of resources:	
Pension related	55,687
Net Position (deficit)	
Net investment in capital	1,113,447
Restricted	472,224
Unrestricted	(10,326,646)
Total net position (deficit)	$ (8,740,975)

See accompanying notes to financial staments.

Operating revenues:		
Sale of tickets	$	671,419
Charges for services		99,647
Total operating revenues		771,066
Operating expenses:		
Salaries, payroll and fringe benefits		5,185,286
Pension cost		(4,884,850)
Rent		171,920
Scholarships and financial aid		39,000
Travel and meals		58,143
Publicity and advertisement		147,766
Professional, artistic and cosulting services		1,912,196
Utilities		11,560
Depreciation and amortizaion		73,010
Repairs and maintenance		47,255
Insurance and other expenses		186,683
Total operating expenses		2,947,969
Operating loss		(2,176,903)
Non-operating revenues:		
Legislative appropriations		9,856,227
Federal assistance programs		738,548
Grants and contributions		164,677
Donations		139,069
Interest and other income		324,784
Total non-operating revenues		11,223,305
Change in net position (deficit)		9,046,402
Net position (deficit) at beginning of year		(17,787,377)
Net position (deficit) at end of year	$	(8,740,975)

See accompanying notes to financial staments.

Cash flows from operating activities	
Receipts from customers	$ 771,066
Payments to suppliers	(3,148,584)
Payments to employees	(9,497,432)
Other	(111,726)
Net cash used in operating activities	(11,986,676)
Cash flows from noncapital financing activities	
Commonwealth appropiations	9,856,227
Federal assistance programs	738,548
Donations	139,069
Gain on extinuisment of debt	164,677
Other non-operating receipts	2,767
Net cash provided by noncapital financing activies	10,901,288
Cash flows from capital and related financing activities	
Principal and interest paid on leases	(10,310)
Purchase of capital assets	(163,082)
Net cash used by capital and related financing activies	(173,392)
Cash Flows from investing activities	
Interest from bank accounts	322,017
Net cash provided by investing activities	322,017
Net change in cash and cash equivalents	(936,763)
Cash and cash equivalents at beginning of year	7,632,644
Cash and cash equivalents at end of year	$ 6,695,881

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	$ (2,176,903)
Adjustment to reconcile operating loss to net cash provided by (used in) operating activities:	
Depreciation	73,008
Changes in operating assets, liabilities, deferred outflows and inflows of resources:	
Decrease (Increase) in:	
Other assets	43
Accounts receivable	(62,219)
Prepaid expenses	(3,509)
Deferred outflows of resources from pension activities	402,849
Deferred outflows of resources from OPEB activities	(500)
(Decrease) Increase in:	
Accounts payable and accrued liabilities	41,766
Unearned revenue	(744,220)
Accrued benefits and other liabilities	25,207
OPEB liability	(9,536)
Pension liability	(8,909,317)
Deferred inflows of resources from pension activities	(623,345)
	(9,809,773)
Net cash used in operating activities	$ (11,986,676)

See accompanying notes to financial staments.

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 management of its operations. This legal capacity includes but is not limited to: control of its assets, which include facilities and properties; formalizing contracts and develop programs.

Basis of Presentation- Blended Component Unit

The basic financial statements of the Corporation as of June 30, 2024 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, 2024 the Corporacion 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 $(61,873) and $8,685,828 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 funds deposited in commercial banks be collateralized when the funds exceed the amount insured by the Federal Government. The securities pledged by the banks as collateral for those deposits are under the custody of the Secretary of the Treasury in the name of the Commonwealth of Puerto Rico.

Accounts receivable- Accounts receivable from governmental and non-governmental customers of the Corporation are stated net of estimated allowances for doubtful accounts, which are determined based upon past collection experience and current economic conditions. These receivables arise primarily from service charges to users. Accounts receivable from the primary government and other component units that arise from service charges do not have allowances for doubtful accounts, as these are deemed fully collectible.

Other assets – Other assets represents miscellaneous assets that are not reported in major balance sheet categories because are typically quite small and may contain assets that cannot be readily classified as cash, cash equivalent, account receivable or capital assets.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

Right of Use Lease Assets - Right of use assets are representative of the Corporation’s right to use an asset over the life of a lease in which it is the lessee. The asset is calculated as the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus any initial direct costs incurred, minus any lease incentives received. Right of use assets are amortized over the shorter of the asset useful life or the term of the lease.

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 qualify 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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

working lifetime of active and inactive participants. Net differences between projected and actual earnings on pension plan investments is deferred and recognized over a five-year period.

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

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

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

Lease Liability - At the commencement of a lease, the Corporation measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Compensated absences- Employees accrue vacations at a rate of 1.25 days per month, up to a maximum of 60 days at the end of the natural year. Upon retirement, an employee receives compensation for all accumulated unpaid vacation leave at the current rate. Accrued vacation leave benefits as June 30, 2024 amounted to $472,096.

Legislative appropriation - The Corporation uses the accrual method of accounting to record income. Under this method the income is recognized when earned. Legislative grants for permanent betterments or for any specific activity not used in the fiscal year are credited to a deferred income account and credited to income when used.

Capital and Operating Grants - Capital and operating grants are funds allocated by the federal and local governments for the use in a particular program for operating expenditures or the construction of specific capital projects or infrastructure repairs and maintenance. These are reported as capital and operating grants as required by GASB Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions.

Contributions and donations - The Corporation uses the accrual method of accounting to record contributions and donations. Contributions and donations for permanent betterments or for any specific activity not used in the fiscal year are credited to an unearned income account and credited to the contributed capital or income as appropriate when used.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

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, 2024, the Corporation performed an impairment analysis of its capital assets and did not identify impairments to be recorded in its basic financial statements.

Accounting for pension costs- The Corporation accounts for pension under the provisions of GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB No. 68, and Amendments to Certain Provision of GASB No. 67 and 68.* GASB No. 67, *Financial Reporting for Pensions Plan, Amendment GASB No. 25.* GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

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.

Postemployment Benefits Other Than Pensions - Other postemployment benefits ("OPEB") expense is recognized and disclosed using the accrual basis of accounting. The Corporation recognizes the total OPEB liability since the Corporation's OPEB program is funded on a pay-as-you-go basis, measured as of the Corporation's prior year-end. Changes in the total OPEB liability during the period are recorded as OPEB expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in total OPEB liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the average of the remaining service life of all participants including retirees and recorded as a component of OPEB expense beginning with the period in which they arose. Employer's contributions made after the measurement date of the total OPEB liability are recorded as a deferred outflow of resources.

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. 101**, Compensated Absences. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this statement are effective for fiscal year beginning after December15, 2023, and all reporting periods thereafter. Earlier applications is encouraged. The Corporation is evaluating the impact that these standards may have on its future financial statements.

  GASB Statement No. 101 - Effective July 1, 2024 for financial statements for fiscal year ending June 30, 2025.

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

  GASB Statement No. 102 - Effective July 1, 2024 for financial statements for fiscal year ending June 30, 2025.

- **GASB Statement No. 103,** Financial reporting model improvements. GASB 103 addresses improvements to key components of the financial reporting model, the purposes of which are to enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and addressing certain application issues identified through pre-agenda research conducted by the GASB. The requirements of GASB 103 are effective for fiscal years beginning after June 15, 2025.

  GASB Statement No. 103 - Effective July 1, 2025 for financial statements for fiscal year ending June 30, 2026.

- **GASB Statement No. 104,** Disclosure of Certain Capital Assets. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

  GASB Statement No. 104 - Effective July 1, 2025 for financial statements for fiscal year ending June 30, 2026.

  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
$ 472,224	$ 472,224	$ 6,223,657	$ 6,388,802

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, 2024 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.

NOTE 3 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2024 was as follows:

	Balance 30-Jun-23	Increases	Decreases	Balance 30-Jun-24
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	324,905	26,831	-	351,736
Musical instruments	639,547	70,820	-	710,367
Library	138,284	19,065	-	157,349
Computer software	85,980	-	-	85,980
Computer equipment	149,941	46,366	-	196,307
Vehicles	27,648	-	-	27,648
Total capital assets, being depreciated	1,478,305	163,082	-	1,641,387
Total cost basis of capital assets	2,046,305	163,082	-	2,209,387
Less: accumulated depreciation:				
Leasehold improvement	(33,600)	(5,600)	-	(39,200)
Furniture and equipments	(285,141)	(13,756)	-	(298,897)
Musical instruments	(399,117)	(38,055)	-	(437,172)
Library	(108,702)	(3,745)	-	(112,447)
Computer software	(85,979)	-	-	(85,979)
Computer equipment	(92,548)	(2,049)	-	(94,597)
Vehicles	(27,648)	-	-	(27,648)
Total accumulated depreciation	(1,032,735)	(63,205)	-	(1,095,940)
Net capital assets	$ 1,013,570	$ 99,877	$ -	$ 1,113,447

Right of Use Lease Assets

Changes in the Corporation's right of use lease asset for the year ended June 30, 2024, are as follows:

	Balance 30-Jun-23	Increases	Decreases	Balance 30-Jun-24
Rigth of use assets				
Equipment	$ 29,413	$ -	$ -	$ 29,413
	$ 29,413	$ -	$ -	$ 29,413
Less: Accumulated amortization:				
Equipment	$ (19,608)	$ (9,805)	$ -	$ (29,413)
	$ (19,608)	$ (9,805)	$ -	$ (29,413)
Net right of use lease assets	$ 9,805	$ (9,805)	$ -	$ -

NOTE 4 <u>LONG-TERM DEBT</u>

Changes in non-current liabilities for the year ended June 30, 2024 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount due within one year
Termination benefits	$ 230,368	$ -	$ 39,415	$ 190,953	$ 35,031
Compensated absences	417,497	54,599	-	472,096	394,584
Leases	10,310	-	10,310	-	-
Other postemployment benefits	218,547	6,564	16,100	209,011	16,600
Total pension liability	6,367,547	67,496	402,899	6,032,144	416,242
Net pension liability	18,287,794	-	8,573,916	9,713,878	-
Total	$ 25,532,063	$ 128,659	$ 9,042,640	$ 16,618,082	$ 862,457

NOTE 5 <u>VOLUNTARY TERMINATION BENEFITS</u>

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.

NOTE 5 VOLUNTARY TERMINATION BENEFITS (CONTINUATION)

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 $190,952 which was presented in the statement of net position (deficit) as of June 30, 2024. The charges for the termination benefits were recorded in net of annual payments required by Act No. 70 of $39,415 for the year ended June 30, 2024.

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 (July 1, 2022 to June 30, 2023). The Corporation retirement plan was 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 CAM. 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.

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 are generally those members hired before April 1, 1990 (contributory, defined benefit program).
- Members of Act No. 1 of February 16,1990 (Act No 1) are generally those members hired on or after April 1, 1990, and on or before December 31, 1999 (contributory, defined benefit program).

NOTE 6 RETIREMENT PLAN (CONTINUATION)

- Members of Act No. 305 of September 24,1999 (Act No. 305-1999 or System 2000) are generally those members hired on or after January 1, 2000, and on or before June 30, 2013 (defined contribution 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, employees who at June 30, 2013, were participants of previous programs became part of the Contributory Hybrid Program on July 1, 2013. Also, Act No. 3 of April 4, 2013 (Act No. 3 of 2013) froze all retirement benefits accrued through June 30, 2013 under the defined benefit program and, thereafter, all future benefits accrued under the defined contribution formula used for the System 2000 participants.

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.

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, (4) for Public Officers in High-Risk Positions (the Commonwealth Police and Firefighter Corps, the Municipal Police and Firefighter and the Custody Office Corps), attainment of age 50 with 25 years credited service, and (5), for Mayor of Municipalities, attainment of age 50 with 8 years credited service as a Mayor. In addition, Act No. 447 members who attained 30 years of credited service by December 31, 2013 would be eligible to retire at any time.

NOTE 6 RETIREMENT PLAN (CONTINUATION)

Act No. 447 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 with 10 years of credited service upon attainment of the retirement eligibility age shown in the table below.

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 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 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, (3) for Public Officers in High-Risk Positions, any age with 30 years of credited service, (4) for Mayor, attainment of 50 age and 8 years of credited service of Mayor.

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. In addition, Act No. 1 Public Officers in High-Risk Positions who were not eligible to retire as of June 30, 2013 are eligible to retire directly from active service upon the attainment of 55 with 30 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 55 for Public Officers in High-Risk Positions and upon attainment of age 60 otherwise.

System 2000 members who were not eligible to retire as of June 30, 2013 are eligible to retire upon attainment of age 55 for Public Officers in High-Risk Positions and 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 58 if a Public Officers in High-Risk Positions and attainment of age 67 otherwise.

NOTE 6 <u>RETIREMENT PLAN (CONTINUATION)</u>

(i) Service Retirement Annuity Benefits

An annuity payable for the lifetime of the member equal to the annuitized value of the balance in the Defined Contribution Hybrid Contribution Account at the time of retirement, plus, for Act No. 447 and Act No. 1 members, the accrued benefit determined as of June 30, 2013. If the balance in the Defined Contribution Hybrid Contribution Account was $10,000 or less, it shall be paid as a lump sum instead of as an annuity. For System 2000 participants this service retirement annuity benefit is not available.

(a) *Accrued Benefit* as of June 30, 2013 for Act No. 447 Members: The accrued benefit as of June 30, 2013 shall be determined based on the average compensation, as defined, for Act No. 447 members, the years of credited service, and the attained age of the member all as of June 30, 2013. For Act 447 Mayors, the highest compensation, as defined, as a Mayor is determined as of June 30, 2013.

If the Act No. 447 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 member had less than 30 years of credited service as of June 30, 2013 and attains 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 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 Defined Contribution Hybrid Contribution Account begin after the member attains 30 years of credited service.

If the Act No. 447 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 in excess of 20 years. Maximum benefit is 75% of average compensation. Except for Commonwealth Police and Commonwealth Firefighter, the benefit is actuarially reduced for each year payment commences prior to age 58. 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. Except for Police and Firefighter, the benefit is actuarially reduced for each year payment commences prior to age 58.

For Act 447 Mayors with at least 8 years for credit service as a mayor, the accrued benefit will no be less than 5% of the highest compensation, as defined, as a mayor for each year of credited service as a Mayor up to 10 years, plus 1.5% of highest compensation as Mayor for

NOTE 6 RETIREMENT PLAN (CONTINUATION)

each year of non-Mayoral credited service in excess of 20 years. Non-Mayoral credited service includes service earned as Mayor in excess of 10 years. Maximum benefit is 90% of highest compensation as a Mayor.

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

If the Act No.1 member is a police officer or firefighter with 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 at least 55 as of June 30, 2013.

For all other Act No. 1 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.

For Act No.1 Mayors with a least 8 years of credited service as Mayor, the accrued benefit will no be less than 5% of highest compensation as Mayor for each year the credited service as a Mayor up to 10 years, plus 1.5% of highest compensation as Mayor for each year of non-Mayoral credited service up to 20 years, plus 2% of highest compensation as Mayor for each year non-Mayoral credited of service in excess of 20 years. Non-Mayoral credited service includes service earned as Mayor in excess of 10 years. Maximum benefit is 90% of highest compensation as a Mayor.

Compulsory Retirement

All Act No. 447 and Act No. 1 Public Officer in High Risk Positions most retire upon attainment of age 58 and 30 years of credited service. A two-year extension may be requested by the member from Superintendent of the Puerto Rico Police, the Chief of Firefighter Corps, or supervising authority as applicable.

(ii) 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).

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

NOTE 6 RETIREMENT PLAN (CONTINUATION)

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).

(c) *Special "Bonus" Benefits*

(i) *Christmas Bonus (Act No. 144, as Amended by Act No. 3):* An annual bonus of $200 for each retiree, beneficiary, and disabled member paid in December provided the member retired prior to July 1, 2013.

(ii) *Medication Bonus (Act No. 155, as Amended by Act No. 3):* 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.

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.

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 incentives, opportunities, and a retraining program for public workers.

NOTE 6 RETIREMENT PLAN (CONTINUATION)

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

As of June 30, 2024, (measurement date June 30, 2023) the Corporation reported a liability of $6,032,144 for its proportionate share of the total pension liability.

Total pension liability beginning of year	$ 6,367,547
Less: Contributions	(402,899)
Balance after contributions	5,964,648
Increase or (decrease)	67,496
Total pension liability end of year	$ 6,032,144

As of June 30, 2024, (measurement date June 30, 2023) 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 earnings on pension plan investment	$ -	$ -
Difference between actual and expected experience	4,204	37,621
Changes of assumptions	230,330	-
Change in proportion	19,868	18,066
Pension contributions subsequent to measurement date	416,242	-
Total	$ 670,644	$ 55,687

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

Year ended June 30,	Amount
2024	$198,717
2025	-
Total	$198,717

Actuarial Assumptions and Methods

The actuarial valuation used the following actuarial methods and assumptions applied to all periods in the measurement period.

Discount Rate - The discount rate for June 30, 2023 (measurement date), was 3.65%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer General Obligation (GO) 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

NOTE 6 RETIREMENT PLAN (CONTINUATION)

Pre-Retirement Mortality- For general employees not covered by Act No. 127-1958, PubG-2010 employee rates, adjusted by 100% for males and 110% for females, projected to reflect Mortality Improvement Scale MP-2021 on generational basis. For members covered under Act No.127, the PubS-2010 Employee Mortality Rates are assumed for males and females projected to reflect Mortality Improvement Scale MP-2021 on 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 Mortality - Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of a Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected MP-2021 on a generational basis. As a generation al table, it reflects mortality improvement both before and after the measurement date. This assumption is also used for beneficiaries prior to the member's death.

Post-Retirement Disabled Mortality- Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Post-Retirement Disabled Mortality- Prior to retiree's death, beneficiary mortality is assumed to be the same as the post-retirement retiree mortality. For periods after the retiree's death, the PubG-2010(B) contingent survivor rates, adjusted by 110% for males and 120% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvement both before and after the measurement date.

Other Assumptions as of June 30, 2023 (measurement date)

Actualrial cost method	Entry age normal
Inflation rate	Not applicable
Salary increase	3.00% per year. No compensation increase assumed until July 1, 2022 as a result of Act No. 3-2017, four-year extention of Act No. 66-2014, and the current general economy.

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 3.24% 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:

	1% decrease 2.65%	Discount Rate 3.65%	1% increase 4.65%
Total pension liability	$ 6,725,574	$ 6,032,144	$ 5,453,142

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, 2023, a copy of which can be obtained from the Employees' Retirement System of the Commonwealth of Puerto Rico.

NOTE 6 RETIREMENT PLAN (CONTINUATION)

Plan for the Musicians of the Orquesta Sinfónica de Puerto Rico (OSPR):

Plan Description - The Retirement Committee administers the Corporación de la Orquesta Sinfónica de Puerto Rico Retirement Plan (the "Plan"), a single-employer defined benefit pension plan. Management of the Plan is vested in the OSPR Board.

Plan freeze – As of August 14, 2022 (the "Freeze Date"), as required by the fiscal plan of Puerto Rico, certified by the Financial Oversight and Management Board for Puerto Rico on January 27, 2022, pursuant to the provisions of PROMESA, the Plan is frozen at the Freeze Date. For purposes of the Plan's benefits accruals, no increases in Compensation, Final Average Compensation, and Credited Service shall be granted after the Freeze Date.

Contributions- As per the 2022 fiscal plan for Puerto Rico, certified by the Financial Oversight and Management Board for Puerto Rico on January 27, 2022, pursuant to the provisions of PROMESA, the plan shall be funded by employer contributions of $2 million annually for 10 years (for the total of $20 million), starting in Plan year 2022/2023. There are no additional contributions assumed after the Freeze Date. Finally, at the request of the OSPR, the actuarially determined employer contributions are computed using the GASB 25/27 ARC methodology and assumptions. For the period of plan ended August 14, 2024, there were employer contributions of $4,225,000 including $1,975,000 related to the prior fiscal year.

Plan Membership – No new employee will become a member of the Plan after the Freeze Date. At August 14, 2024, the Retirement Plan Membership consisted of the following:

Description	Count
Retirees and beneficiaries receiving benefits	44
Terminated plan participants entitled to but not yet receiving benefits	23
Active plan participants	68
Total	135

Rate of Return - For the year ended August 14, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.22%. 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 the 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 7.50%. The projection of cash flows used to determine the discount rate assumed that OSPR contributions of $1,032,654 (the average of the contributions made in the last 5 years) will be made every year, starting with Plan year 2024/2025 not to exceed projected benefits payments. With these contributions, and assuming that Plan assets achieve annually the expected rate of return of 7.5% the Plan's fiduciary net position (i.e. the Plan assets) will always be sufficient to make projected benefits payments. Because of this, the S&P Municipal Bond 20 Year High Grade Rate index (4.13%, yield to maturity at August 14, 2024) applicable when there is an insufficiency of Plan assets to pay projected benefit payments, was no employed in the determination of the discount rate.

NOTE 6 RETIREMENT PLAN (CONTINUATION)

Net Pension Liability - The components of the net pension liability at August 14, 2024, were follows:

Total pension liability	$ 14,326,271
Plan fiduciary net position	(4,612,393)
Orchestra's net pension liability	$ 9,713,878
Plan fiduciary net position as a percentage of the total pension liabilty	32.20%

Sensitivity of the Net Pension Liability to Change in the Discount Rate - The following table presents the Net Pension Liability, calculated using the discount rate of 7.50% as well as what the Orchestra's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Employers' Net Pension Liability	$ 11,088,535	$ 9,713,878	$ 8,535,256

Actuarial assumptions – The total pension liability was determined by an actuarial valuation as of August 14, 2024, using the actuarial assumptions. These assumptions were applied to all periods included in the measurement.

The long-term expected rate return on pension plan investments was determined using the Merrill Lynch U.S. oriented Tier 1 Liquidity -Low Tax Sensitivity Model. The Model's framework generates expectations of asset class return, risk and correlations for the upcoming 25 years. This time horizon is meant to capture at least one full business cycle and can potentially contain periods of economic expansion, contraction, market peaks, and market troughs, all with varying degrees of volatility. Best estimated of long-term arithmetic real rates of return for each major assets class included in the Retirement Plan's target asset allocation as of August 31, 2024 are summarized in the following table:

Asset Class (1)	Strategic Allocation (2)	Long-Term Expected Rate of Return* (3)	Expected Weithted Average (2) X (3)
Large-Cap Demestic Equity:			
Value	20%	10.60%	2.12%
Growth	10%	10.20%	1.02%
Small-cap Domestic Equity	15%	12.00%	1.80%
International Equity	15%	8.30%	1.25%
Fixed Income	35%	4.60%	1.61%
Cash	5%	2.70%	0.14%
		Total	7.94%

* As long-term expected rate of return, these are norminal rates with a long-term expected inflation rate of 2.30%.

NOTE 6 RETIREMENT PLAN (CONTINUATION)

Orquesta Sinfonica de Puerto Rico Defined Contribution Plan:

The Corporation closes the defined benefits plan for the Musicians of the Orquesta Sinfónica de Puerto Rico to new members on August 14, 2022 (the "Freeze Date") and moves them to a new defined contribution plan effective May 22, 2023.

Plan Description – The Orquesta Sinfónica de Puerto Rico Defined Contribution Plan (the Plan) was adopted effective as of May 22, 2023 for the benefit of the members of the Orquesta Sinfonica de Puerto Rico supported by the Corporacion de la Orquesta Sinfonica de Puerto Rico (COSPR), a public corporation organized and existing under Act No. 44 of May 12, 1980, as amended, to promote, plan and coordinate the scheduling and operations of the Orquesta Sinfonica de Puerto Rico. The COSPR is a subsidiary of the Corporacion de las Artes Musicales de Puerto Rico (CAM), also a public corporation organized and existing under the provisions of Act No. 4 of July 21, 1985, as amended, to develop and execute the public policy of the Government of Puerto Rico in connection with the development of the fine arts and cultural programs. The defined contribution plan established for the benefit of the members of the Orquesta Sinfonica de Puerto Rico is consistent with the treatment of all current Government employees provided through Puerto Rico Act No. 106 of August 23, 2017 (Act 106).

Contributions

Employer Contributions - The employer is not required to make any Employer Contributions to the Plan on behalf of each participant. However, if the employer in the future determines otherwise in its sole discretion, it may contribute, on behalf of each participant, to the Trust Fund and amount to be determined annually by the employer, in its sole discretion, based on each participant compensation or on each participant's contribution to the Plan, or on both. The formula to be used for such purposes will be determined by the employer in its sole discretion.

Participant Contributions - The participant shall be required to make a pre-tax contribution of 3.50% of compensation with automatic-escalation of 1% annually for five (5) years up to 8.50% of compensation. In addition, the participant may authorize deductions of 1% to 10% of his or her compensation (in 1% increments) as a participant after-tax contribution in accordance with 2011 PR Code Section 1081.01(a)(15). No participant shall be required to make an after-tax contribution.

Participant Contributions to the Plan for the fiscal year ended June 30, 2024, was $123,254.

Vesting – Participants will be 100% vested with respect to the amounts in their Participant's Pre-Tax Account, Participant's After-Tax Account and Participant's Rollover Account.

Plan Membership – At June 30, 2024, the Retirement Plan Membership consisted of 71 active participants.

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

The Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico (the Commonwealth) for Retired Participants of the Employee's Retirement System (the Plan) is an unfunded, defined benefit other postemployment healthcare benefit plan (OPEB). The Plan is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB Statement No. 75). Under the guidance of GASB Statement No. 75, the Commonwealth and its component units are considered to be one employer and are classified for financial reporting purposes as a single-employer defined benefit OPEB plan.

The Plan covers a payment of up to $100 per month to the eligible medical insurance plan selected by each member provided that the member retired prior to July 1, 2013 (Act No. 483, as amended by Act No. 3). The Plan is financed by the Commonwealth through legislative appropriations. There is no contribution requirement from the plan members during active employment. The retirees contribute the amount of the healthcare insurance premium not covered by the Commonwealth contribution. Plan members were eligible for benefits upon reaching by the applicable retirement age. Act No. 3 of 2013 eliminated this healthcare benefits to the plan members that retired after June 30, 2013.

a) Actuarial assumptions Discount rate

The discount rate for June 30, 2023 was 3.65%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer General Obligation (GO) 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality
Pre-retirement Mortality
For general employees not covered under Act No. 127-1958, PubG-2010 employee rates, adjusted by 100% males and 110% females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. For members covered under Act No. 127, the PubS-2010 Employee Mortality Rates are assumed for males and females projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.

100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127.

Post-retirement Mortality
Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates adjusted by 100% for males and 110% for females, project using MP-2021 on a generational basis. As generational tables, they reflect 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 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 disabled retired rates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUATION)

Post-retirement Beneficiary Mortality
Prior to retiree's death, beneficiary mortally assumed to be the same as the post-retirement retiree mortality. For periods after the retiree's death, the PubG-2010(B) contingent survivor rates, adjusted by 110% for males and 120% for females, projected using MP-2021 on a generational basis. As generational tables, it reflects mortality improvements both before and after the measurement date.

b) Sensitivity of Total OPEB Liability to Changes in the Discount Rate
The following presents the collective total OPEB liability of the Plan at June 30, 2023 (measurement date) calculated using the discount rate of 3.65%, as well as the Plan's total OPEB liability if it were calculated using the discount rate of 1 percentage point lower (2.65%) or 1 percentage point higher (4.65%) than the current rate:

	At 1% decrease 2.65%	At current discount rate 3.65%	At 1% increase 4.65%
Total OPEB liability	$ 226,934	$ 209,011	$ 193,548

OPEB Expense
The components of OPEB expense for the years ending June 30, 2023 (measurement date) is as follows:

Interest on total OPEB liability	$ 11,188
Effect of economic /demographic gains or loss	(1,914)
Effect of assumptions changes or input	(2,710)
Total OPEB expense	$ 6,564

OPEB Liability
As of June 30, 2023 (measurement date) the Corporation reported a liability of $209,011 for its proportionate share of OPEB liability:

OPEB liability beginning balance	$ 218,547
OPEB benefits paid	(16,100)
Increase	6,564
OPEB liability as of 6/30/2024	$ 209,011

NOTE 8 LEASES

A lease is defined as a contractual agreement that conveys control of the right to use another entity's nonfinancial assets, for a minimum contractual period of greater than one year, in an exchange or exchange like transaction.

The Corporation normally leases facilities and office equipment under long-term noncancellable lease agreements recorded in accordance with GASB Statement No. 87. On June 30, 2024, leasing of new equipment was pending but no lease agreement has been signed as of June 30, 2024.

NOTE 9 SUBSEQUENT EVENTS

Federal Funds:
The Government of Puerto Rico has allocated funds to bolster and ensure the continuity of essential services. On October 22, 2024, the Corporation received from the Service of Excellence to Citizens Program an appropriation of $1,000,000 as part of a state initiative to provide funding to repair and remodel government service centers as well as relocate agencies to improve access to government services.

This program is a response to the severe revenue shortfall caused by the COVID-19 pandemic, which, alongside increased expenditure to maintain citizen services, presents a substantial risk of budget deficits with potentially devastating effects on local communities within the Commonwealth.

La Banda de Conciertos de Puerto Rico:
The Joint Resolution No. 569 of March 21, 2024, approved to amend the Joint Resolution No. 68, of June 1966, transfer from the Puerto Rico Public Broadcasting Corporation (WIPR) the operations, organization and maintenance of the Puerto Rico Concert Band to the Corporacion de las Artes Musicales de Puerto Rico. This transfer will enter in force beginning on July 1, 2024.

NOTE 10 CONTINGENCIES

Federal Financial Assistance:

The Corporacion de las Arts Musicales (CAM) receives financial assistance from the federal government in the form of grants. The CAM recognizes federal grant revenues when the related grant agreements are approved and notified by the federal agencies by written communication. All grants are subject to financial and compliance audits by the grantor agencies, which could result in requests for reimbursement by the grantor agencies for expenditures, if disallowed under the terms of the grants. These amounts, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time. The CAM's administration believes that such disallowances, if any, will not have a material adverse effect on the financial position of the Corporation.

Other Supplementary Information

Corporación de las Artes Musicales de Puerto Rico
and Related Companies
Combined Schedule of Net Position (Deficit)
As of June 30, 2024

	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	$ 4,055,534	$ 1,005,684	$ 1,162,439	$ -	$ 6,223,657
Restricted cash and cash equivalents	272,224	50,000	150,000	-	472,224
Accounts receivable:					
Individuals and private entities	-	-	-	-	-
Goverment entities	184,812	-	-	-	184,812
Related companies	83,758	108,394	50,048	(242,200)	-
Other assets	-	339	-	-	339
Prepaid expenses	-	3,739	449	-	4,188
	4,596,328	1,168,156	1,362,936	(242,200)	6,885,220
NON- CURRENT ASSETS:					
Right of use lease assets, net	-	-	-	-	-
Capital assets, net of accumulated depreciation and amortization	688,547	416,555	8,345	-	1,113,447
	688,547	416,555	8,345	-	1,113,447
DEFERRED OUTFLOWS OF RESOURCES -					
OPEB related	13,811	1,476	1,313	-	16,600
Pension related	560,547	58,325	51,772	-	670,644
Total deferred outflows of resources	574,358	59,801	53,085	-	687,244
Total assets and deferred outflows of resources	5,859,233	1,644,512	1,424,366	(242,200)	8,685,911
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)					
CURRENT LIABILITIES:					
Accounts payable:					
Individuals and private entities	84,689	106,971	25,597	-	217,257
Government entitiess	23,676	24,528	22,218	-	70,422
Related companies	196,947	20,432	24,821	(242,200)	-
Lease liability					
OPEB liability	-	-	-	16,600	16,600
Total pension obligation	-	-	-	416,242	416,242
Accrued expenses and withholding payable	12,360	29,372	1,884	-	43,616
Compensated absences, current portion	39,526	345,855	9,203	-	394,584
Termination benefits payable	35,031	-	-	-	35,031
Unearned revenue	198,321	73,500	150,000	-	421,821
	590,550	600,658	233,723	190,642	1,615,573
NON-CURRENT LIABILITIES:					
Lease liability	-	-	-	-	-
Compensated absences, non-current portion	62,692	7,210	7,610	-	77,512
Termination benefits payable	155,921	-	-	-	155,921
Accounts payable:					
OPEB liability	171,921	20,490	16,600	(16,600)	192,411
Total pension obligation	5,008,063	541,378	482,705	(416,242)	5,615,904
Net pension obligation	-	9,713,878	-	-	9,713,878
	5,398,597	10,282,956	506,915	(432,842)	15,755,626
Total liabilities	5,989,147	10,883,614	740,638	(242,200)	17,371,199
DEFERRED INFLOWS OF RESOURCES:					
Pension related	46,218	5,050	4,419	-	55,687
	46,218	5,050	4,419	-	55,687
Total liabilities and deferred inflows of resources	6,035,365	10,888,664	745,057	(242,200)	17,426,886
NET POSITION (DEFICIT):					
Net investment in capital	688,547	416,555	8,345	-	1,113,447
Restricted	272,224	50,000	150,000	-	472,224
Unrestricted	(1,136,903)	(9,710,707)	520,964	-	(10,326,646)
Total net position (deficit)	$ (176,132)	$ (9,244,152)	$ 679,309	$ -	$ (8,740,975)

Corporación de las Artes Musicales de Puerto Rico
and Related Companies
Combined Schedule of Revenues, Expenses and Changes in Net Position (Deficit)
For the Year Ended June 30, 2024

	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	19,912	475,089	176,418	-	671,419
Enrollment fees	9,715	-	-	-	9,715
Orchestra fees	-	89,932	-	-	89,932
Bad debt expense	-	-	-	-	-
Total Operating revenues	274,627	565,021	176,418	(245,000)	771,066
OPERATING EXPENSES:					
Salaries, payroll and fringe benefits	1,432,453	3,537,013	215,820	-	5,185,286
Pension cost	(469,725)	(4,369,850)	(45,275)	-	(4,884,850)
Termination benefits recovery	-	-	-	-	-
Rent	8,833	136,530	26,557	-	171,920
Scholarships and financial aid	39,000	-	-	-	39,000
Travel and meals	2,525	29,678	25,940	-	58,143
Publicity and advertisement	6,970	69,945	70,851	-	147,766
Professional, artistic and cosulting services	405,074	1,199,072	308,050	-	1,912,196
General and administrative	75,000	85,000	85,000	(245,000)	-
Utilities	11,560	-	-	-	11,560
Depreciation and amortization	11,893	60,757	360	-	73,010
Repairs and maintenance	35,545	11,710	-	-	47,255
Insurance	74,956	-	-	-	74,956
Other expenses	57,359	49,938	4,430	-	111,727
Total operating expenses	1,691,443	809,793	691,733	(245,000)	2,947,969
Operating loss	(1,416,816)	(244,772)	(515,315)	-	(2,176,903)
				-	
NON-OPERATING REVENUES:					
Legislative appropriations	1,746,845	7,781,042	328,340	-	9,856,227
Federal assistance programs	114,988	565,463	58,097		738,548
Grant and contributions	164,677	-	-	-	164,677
Donations	52,890	21,179	65,000	-	139,069
Interest and other income	159,863	162,916	2,005	-	324,784
	2,239,263	8,530,600	453,442	-	11,223,305
Net income (loss) after non-operating revenues	822,447	8,285,828	(61,873)	-	9,046,402
OTHER FINANCING SOURCES (USE):					
Transfers in (out)	(400,000)	400,000	-	-	-
Change in net position (deficit)	422,447	8,685,828	(61,873)	-	9,046,402
Net position (deficit) at beginning of year	(598,579)	(17,929,980)	741,182	-	(17,787,377)
Net position (deficit) at end of year	$ (176,132)	$ (9,244,152)	$ 679,309	$ -	$ (8,740,975)

Corporación de las Artes Musicales de Puerto Rico
and Related Companies
Combined Schedule of Cash Flows
For the Year Ended June 30, 2024

	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	19,912	565,021	176,418	-	761,351
Receipts from enrollment fees	9,715	-	-	-	9,715
Payments to suppliers	(1,367,444)	(1,361,825)	(399,315)	-	(3,128,584)
Payments to employees and related fringe benefits	(1,459,099)	(7,795,524)	(242,809)	-	(9,497,432)
Payments for management services used	(75,000)	(85,000)	(85,000)	245,000	-
Other operating cash receipts	-				-
Other	(57,359)	(49,937)	(4,430)	-	(111,726)
Net cash provided by (used in) operating activities	$ (2,684,275)	$ (8,727,265)	$ (555,136)	$ -	$ (11,966,676)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Legislative appropriations	1,746,845	7,781,042	328,340	-	9,856,227
Federal assistance programs	114,988	565,463	58,097	-	738,548
Donations	52,890	21,179	65,000	-	139,069
Grants and contributions	164,677	-	-	-	164,677
Other income	860	1,907	-	-	2,767
Transfers in	-	400,000	-	-	400,000
Transfers out	(400,000)	-	-	-	(400,000)
Net cash provided by non-capital financing activies	1,680,260	8,769,591	451,437	-	10,901,288
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal and interest paid on leases	(1,654)	(8,656)	-	-	(10,310)
Purchase of property and equipment	(56,411)	(104,924)	(1,747)	-	(163,082)
Net advances from related companies	42,396	(2,660)	(39,736)	-	-
Net cash provided by capital and related financing activities	(15,669)	(116,240)	(41,483)	-	(173,392)
Cash Flows from investing activities					
Interest from bank accounts	159,003	161,009	2,005	-	322,017
Net cash provided by investing activities	159,003	161,009	2,005	-	322,017
Net change in cash and cash equivalents	(860,681)	87,095	(143,177)	-	(916,763)
Cash and cash equivalents at beginning of year	5,188,439	988,589	1,455,616	-	7,632,644
Cash and cash equivalents at end of year	$ 4,327,758	$ 1,075,684	$ 1,312,439	$ -	$ 6,715,881
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES					
Operating gain (loss)	$ (1,416,816)	$ (244,772)	$ (515,315)	$ -	$ (2,176,903)
Adjustment to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation and amortization	11,891	60,757	360	-	73,008
Changes in operating assets, liabilities and deferred outflows and inflows of resources:					
Decrease (increase) in:					
Other assets	-	43	-	-	43
Accounts receivable	(63,123)	904	-	-	(62,219)
Prepaid expenses	679	(3,739)	(449)	-	(3,509)
Deferred outflows of resources from pension activities	334,365	36,256	32,228	-	402,849
Deferred outflows of resources from OPEB activities	(415)	(45)	(40)		(500)
Increase (decrease) in:					
Accounts payable and accrued liabilities	(17,619)	53,842.00	5,543	-	41,766
Unearned revenue	(721,720)	(22,500)	-	-	(744,220)
Accrued benefits and other liabilities	(7,843)	33,050	-	-	25,207
OPEB liability	(7,915)	(858)	(763)	-	(9,536)
Total pension liability	(278,383)	(8,604,102)	(26,832)	-	(8,909,317)
Deferred inflows of resources from pension activities	(517,376)	(56,101)	(49,868)	-	(623,345)
	(1,267,459)	(8,502,493)	(39,821)	-	(9,809,773)
Net cash used in operating activities	$ (2,684,275)	$ (8,747,265)	$ (555,136)	$ -	$ (11,986,676)