AUTORIDAD DEL PUERTO DE PONCE
(A Component Unit of the Commonwealth of Puerto Rico)

Basic Financial Statements

June 30, 2021

(With Independent Auditors' Report)

AUTORIDAD DEL PUERTO DE PONCE
(A Component Unit of the Commonwealth of Puerto Rico)

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JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Administrative Board of Directors of
Autoridad del Puerto de Ponce
Ponce, Puerto Rico

We have audited the accompanying financial statements of **Autoridad del Puerto de Ponce** ("**the Authority**"), a component unit of the Commonwealth of Puerto Rico, which comprise the statement of net position as of June 30, 2021, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Authority as of June 30, 2021, and the change in its net position, statement of functional expenses and cash flows or the year then ended in accordance with accounting principles generally accepted in the United States of America.

The Authority's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. As stated on Note 1 to these financial statements, as of June 30, 2021 and 2020, and as of the date of the auditors' report, the Authority has pending to receive through transfer, all the assets, but not the liabilities, owned by Autoridad de Ponce (formerly known as Port of the Americas Authority) as required by Act 240 of December 2011.

As discussed in Note 9 to the financial statements, there are various uncertainties that may adversely affect the Authority's financial condition. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 9. The financial statements do not include any adjustments that might result from the outcome of these uncertainties. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis ("MD&A") on pages 3 through 7, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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License No. PSC- 196

Ponce, Puerto Rico
March 2, 2023

Stamp number E525029 was
affixed to the original report.

AUTORIDAD DEL PUERTO DE PONCE
(A Component Unit of the Commonwealth of Puerto Rico)

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2021 and 2020

INTRODUCTION

On December 12, 2011, by virtue of Act No. 240, it was approved the creation of the Autoridad del Puerto de Ponce (the "Authority"), a component unit of the Commonwealth of Puerto Rico. The Authority was created to continue the development of the container terminal formerly undertaken by Port of the Americas Authority (PAA) and handle such facilities future operations; therefore, all of the assets, rights and duties of PAA (with the exception of its existing debt) would be transferred to the Authority. As of June 30, 2017, the assets of Autoridad de Ponce (previously known as Port of the Americas Authority[1]) have not been transferred to the Authority.

On December 19, 2013, Act No. 156 was approved amending Act No. 240 by, among other things, authorizing the Authority to request a line of credit of up to $60 million from the Government Development Bank (GDB) to start funding the operations for which it was created and to establish that effective fiscal year 2015 debt service be satisfied with annual Commonwealth's legislative appropriations. On August 24, 2017, Act 109 of 2017 "Government Development Bank of Puerto Rico Debt Restructuring Act" (Act No. 109) was signed into law with the purpose of establishing a legislative framework for GDB's restructuring process. Act No. 109 creates the Government Development Bank Debt Recovery Authority (GDBRA). As provided by Act No. 109, the Authority's line of credit payable to GDB, was transferred to GDBRA.

On January 18, 2018, the Governor signed Act No. 4 of 2018 to amend various articles from law No. 240 of 2011 in order to restructure the governing body of the Authority and establish the new composition of its Board of Directors.

The following Discussion and Analysis ("MD&A") of **the Authority**'s activities and financial performance introduces the financial statements of the Authority for the fiscal year ended June 30, 2021 and 2020. The information contained in this MD&A has been prepared by management and should be considered in conjunction with the financial statements and the notes thereto, which follow this section.

The notes to the financial statements are essential to a full understanding of the data contained in the financial statements. This report presents certain required supplementary information regarding operations, capital assets and long-term debt activity during the fiscal year, including outstanding commitments made for construction and development.

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[1] On August 12, 2016, the Governor signed Act No. 176 of 2016, known as "Law of the Ponce Authority", amend various articles from law No. 171 of 2002 in order to: re-name the Port of the Americas Authority (PAA) to "Autoridad de Ponce", restructure the governing body of the PAA; establish the new composition of its Board and expand its purposes, faculties and powers to create a Coordinated Infrastructure Master Plan for the City of Ponce.

OVERVIEW OF THE FINANCIAL STATEMENTS

Governmental accounting policy, practice and procedures fall under regulations of the Government Accounting Standards Board ("GASB"). The Authority's financial transactions and financial statements are presented according to GASB Statement No. 34 reporting model, as mandated by GASB. The purpose of GASB 34 reporting model is to consolidate two basic forms of governmental accounting (governmental and proprietary) into statements that give the reader a clearer picture of the financial position of the Authority as a whole. The Authority reports its financial position and results of operations as a Proprietary Fund.

The financial statements are prepared on the accrual basis of accounting; therefore, revenues are recognized when earned and expenses are recognized when incurred. The Authority's capital assets are depreciated over the estimated useful lives of the related assets using the straight-line method.

FINANCIAL POSITION SUMMARY

Statement of Net Position

The Statement of Net Position presents the financial position of the Authority at the end of the fiscal year. The statement identifies the "net position" as the residual of the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. A summarized comparison of **the Authority'**s net position at June 30, 2021 and 2020 is as follows:

	2021	2020	Variance
Assets:			
Current and other assets	$ 1,712,020	$ 1,133,161	$ 578,859
Due from Autoridad de Ponce	4,022,265	4,022,265	-
Capital assets, net	28,643,000	28,643,000	-
Total assets	$ 34,377,285	$ 33,798,426	$ 578,859
Liabilities:			
Line of credit	$ 20,762,577	$ 20,762,577	$ -
Accounts payable	411,297	235,382	175,915
Accrued expenses and payroll witholdings	15,186	-	15,186
Tenant security deposits	8,569	-	8,569
Due to Autoridad de Ponce from Federal funds advances	62,984	62,984	-
Accrued interest payable	9,840,393	8,353,781	1,486,612
Total liabilities	31,101,006	29,414,724	1,686,282

	2021	2020	Variance
Net position:			
Net investment in capital assets	4,937,967	5,899,393	(961,426)
Unrestricted	(1,661,688)	(1,515,691)	(145,997)
Total net position	3,276,279	4,383,702	(1,107,423)
Total liabilities and net position	$ 34,377,285	$ 33,798,426	$ 578,859

The highlights for the Statement of Net Position are as follow:

- As of June 30, 2021, the Authority presents a Net Position of approximately $3.3 million, a decrease of approximately $1.1 million from 2020. This net position decrease is mainly due to the interest expenses.
- Cash for the year ended on June 30, 2021 and 2020 are presented at approximately $1.1 million and $179 thousand, respectively. Increase mainly due to collection of 2020 contribution funds of $945 thousand and current year tenant collection. The funds are deposited in a Commercial Bank.
- The amount of approximately $4 million is due from the Autoridad de Ponce (formerly Port of the Americas Authority) for the year ended June 30, 2021.
- Line of credit balance as of June 30, 2021 and 2020, is approximately $20.8 million. Credit provided through the Authority's line of credit, through the GDBRA, are to be satisfied by future Commonwealth's legislative appropriations and/or Authority revenues. During the year ended June 30, 2021, the accrued interest payable amounted to approximately $9.8 million, an increase of approximately $1.5 million from 2020. During the year 2021, no principal or interest were paid.
- Accounts payable for the year ended June 30, 2021 amounted approximately $411 thousand, an increase of approximately $176 thousand when compared to 2020 mainly due to utilities payables.

A summary of the Authority's significant accounting policies is presented in Note 2 in the accompanying financial statements. The financial statements along with the MD&A are designed to provide readers with a comprehensive understanding of the Authority's finances.

The financial section of this annual report consists of three parts: the MD&A, the Authority basic financial statements, and the notes to the financial statements. The report includes the following three statements: the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position is an indicator of the overall fiscal condition of the Authority. A summarized comparison of the Authority's Statements of Revenues, Expenses and Changes in Net Position for the fiscal year ended June 30, 2021 and 2020, is as follows:

	2021	2020	Variance
Operating revenues	$ 985,341	$ 954,000	$ 31,341
Operating expenses	334,011	266,284	67,727
Operating income before non-operating revenues and expenses	651,330	687,716	(36,386)
Non-operating revenues and expenses			
Interest income	-	286	(286)
Interest expense on capital assets	(1,162,657)	(1,157,075)	(5,582)
Interest expense on operating activities	(328,096)	(333,678)	5,582
Interagency transfer expense	(268,000)	-	(268,000)
Total non-operating revenues and (expenses)	(1,758,753)	(1,490,467)	(268,286)
Changes in net position	(1,107,423)	(802,751)	(304,672)
Net position, beginning of year	4,383,702	5,186,453	-
Net position, end of year	$ 3,276,279	$ 4,383,702	$ (304,672)

The highlights for the Statement of Revenues, Expenses and Changes in Net Position are as follow:

- For the year ended on June 30, 2021, the Authority presented as changes in net position, an excess of expenses over revenues in the amount of approximately $1.3 million. This represents a negative variance of approximately $305 thousand, when compared with 2020. This change is related, primarily to contributions from the Commonwealth of Puerto Rico net of increase in utilities expense and interest on line of credit and credit for PayGo. For the year ended June 30, 2021, the Authority generated an operating income of approximately $651thousand, while, during the year ended June 30, 2020, generated an operating income of approximately $688 thousand.

CAPITAL ASSETS

The Authority's capital assets consist mainly on the acquisition of land for future developments. At the end of fiscal year 2021, the Authority's net capital assets amount to approximately $28.6 million with a related net investment in capital assets of approximately $4.7 million. No additions were realized during 2021.

DEBT ADMINISTRATION

As of June 30, 2021, the principal and interests balance outstanding on the Authority's credit facilities amounted to approximately $29.1 million.

ECONOMIC OUTLOOK AND CURRENTLY KNOWN FACTS

Authority's ability to continue as a going concern

The Commonwealth has not included appropriations for the payment of debt service in its General Fund budget since fiscal year 2017, as the payment of such obligations has been suspended pursuant to the Moratorium Act and Act No. 5. In addition, the Authority has been unable to raise through operations the funds required for debt service. Management's plans for the future operations rely on the final transfer of the assets from Autoridad de Ponce, in accordance with Law No. 240 of 2011, as amended.

The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. These financial statements do not include adjustments, if any, that may result from the outcome of these uncertainties.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the funds it receives and expends. Questions concerning this report or request for additional information should be addressed to Mr. Héctor Agosto Rivera, Executive Director, Autoridad del Puerto de Ponce, P.O. Box 362350, San Juan, Puerto Rico 00936-2350.

AUTORIDAD DEL PUERTO DE PONCE
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF NET POSITION
June 30, 2021

ASSETS	
Current assets	
Cash with commercial bank	$ 1,120,254
Tenants receivables	4,981
Contributions receivable from the Department of Economic Development and Commerce	586,785
Due from Autoridad de Ponce (note 4)	4,022,265
Total current assets	5,734,285
Capital assets (notes 4, 5 and 7)	28,643,000
Total assets	$ 34,377,285
LIABILITIES	
Line of credit (note 6)	20,762,577
Accounts payable	411,297
Accrued expenses and payroll withholdings	15,186
Tenants security deposits	8,569
Due to Autoridad de Ponce from Federal funds advances	62,984
Accrued interest payable (note 6)	9,840,393
Total liabilities	31,101,006
NET POSITION	
Net investment in capital assets (note 7)	4,739,967
Unrestricted	(1,463,688)
Total net position	3,276,279
Total liabilities and net position	$ 34,377,285

The accompanying notes are an integral part of the financial statements.

AUTORIDAD DEL PUERTO DE PONCE
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the fiscal year ended June 30, 2021

Operating revenues:	
Rent income	$ 34,341
Operating expenses:	
Salaries and fringe benefits	113,258
Professional services and counseling	15,191
Other expense	8,138
Utilities	197,424
Total operating expenses	334,011
Operating loss before non-operating revenues and (expenses)	(299,670)
Non-operating revenues and (expenses):	
Contributions from the Commonwealth of Puerto Rico	951,000
Interest expense (note 6)	(1,490,753)
Interagency transfer expense (notes 8)	(268,000)
Total non-operating revenues and (expenses)	(807,753)
Decrease in net position	(1,107,423)
Net position, beginning of year	4,383,702
Net position, end of year	$ 3,276,279

The accompanying notes are an integral part of the financial statements.

AUTORIDAD DEL PUERTO DE PONCE
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF CASH FLOWS
For the Fiscal year ended June 30, 2021

Cash flows from operating activities:	
Cash received from rent activities	$ 37,929
Cash paid to suppliers	(48,979)
Cash paid to employees amd payroll expenses	(98,073)
Net cash used in operating activities and net decrease in cash	(109,123)
Cash flows provided by capital and related financing activities:	
Cash received from contribution from government	1,050,215
Net increase in cash	941,092
Cash, beginning of year	179,162
Cash, end of year	$ 1,120,254
Reconciliation of operating income net cash used in operating activities:	
Operating income before non-operating revenues	$ (299,670)
Adjustments to reconcile operating income to net cash used in operating activities:	
Changes in assets and liabilities:	
Increase in rent receivable	(4,981)
Increase in accounts payable	171,774
Increase in accreud expeses	15,185
Increase in tenants ecurity deposits	8,569
Total adjustments	190,547
Net cash used in operating activities	$ (109,123)

The accompanying notes are an integral part of the financial statements.

1. NATURE OF THE AUTHORITY

On December 12, 2011, by virtue of Act No. 240, it was approved the creation of the Autoridad del Puerto de Ponce (the "Authority"), a component unit of the Commonwealth of Puerto Rico (the Commonwealth). The Commonwealth provides financial support to the Authority through legislative appropriations and its current existing debt is payable from the legislative appropriations. The Authority's basic financial statements are blended in the Commonwealth's fund financial statements as an enterprise fund. The Authority was created to continue the development of the container terminal formerly undertaken by Port of the Americas Authority (PAA) and handle such facilities future operations; therefore, all of the assets, rights and duties of PAA (with the exception of its existing debt) would be transferred to the Authority. As of June 30, 2017, the assets of Autoridad de Ponce (previously known as Port of the Americas Authority[2]) have not been transferred to the Authority.

On December 19, 2013, Act No. 156 was approved amending Act No. 240 by, among other things, authorizing the Authority to request a line of credit of up to $60 million from the Government Development Bank (GDB) to start funding the operations for which it was created and to establish that effective fiscal year 2015 debt service be satisfied with annual Commonwealth's legislative appropriations. As provided by Act No. 109, the Authority's line of credit payable to GDB, was transferred to GDBRA.

On January 18, 2018, the Governor signed Act No. 4 of 2018 to amend various articles from law No. 240 of 2011 in order to restructure the governing body of the Authority and establish the new composition of its Board of Directors.

The accompanying basic financial statements are presented in conformity with U.S. Generally Accepted Accounting Principles (U.S. GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The Authority has established its financial activities as business type. Business-type activities are used to account for operations that are financed and operated in a manner similar to private business enterprises on which the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

[2] On August 12, 2016, the Governor signed Act No. 176 of 2016, known as "Law of the Ponce Authority", to amend various articles from law No. 171 of 2002 in order to: re-name the Port of the Americas Authority (PAA) to "Autoridad de Ponce", restructure the governing body of the PAA; establish the new composition of its Board and expand its purposes, faculties and powers to create a Coordinated Infrastructure Master Plan for the City of Ponce.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The business-type activities account for resources devoted to finance the general services that the Authority provides. Contributions from the Legislature of Puerto Rico, and other sources of revenues, used to finance the operations of the Authority, are also included.

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

Measurement Focus and Basis of Accounting - Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The Authority utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or non- current, financial or non-financial) associated with their activities are reported. The difference between assets and liabilities is classified as net assets of the business-type activities.

The accrual basis of accounting is used by the Authority. Under the accrual basis, revenue is recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash collections. Grants and similar resources are recognized as revenue as soon as all eligibility requirements have been met.

Based on GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Enterprises that Use Proprietary Fund Accounting*, as amended by GASB No. 34, the Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board ("FASB"), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Concentration of Credit Risk - The Authority maintains accounts at a financial institution in Puerto Rico. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. However, funds are fully collateralized. The Commonwealth requires that public funds deposited in private banks in Puerto Rico must be fully collateralized for the amount deposited in excess of federal depository insurance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Cash and Cash Equivalents - Cash and cash equivalents include petty cash, bank checking account and other instruments with original maturities of three months or less.

Accounts Receivable and Allowance for Doubtful Accounts – Accounts receivable are recorded for invoices issued to customers or tenants in accordance with the contractual provisions. Unbilled receivables are recorded when revenues are recognized upon service delivery and invoicing occurs at a later date. Receivables outstanding beyond 90 days are put into the collection process. An allowance for doubtful accounts is set up as a reserve based on specific identification of troubled accounts and delinquent receivables. As of June 30, 2021, no allowance for doubtful accounts were needed.

Capital Assets - Capital assets are stated at cost when purchased or at estimated fair market value when donated. Costs of repairs and maintenance, which do not increase or extend the life of the respective assets, are expensed as incurred. Assets whose cost or estimated fair value is stated over $750, are capitalized when purchased or received as a donation. Upon retirement or other disposal of properties, the related cost and accumulated depreciation are removed from the accounts. Gains or losses on sale or retirement of properties are reflected in earnings.

The Authority's capital assets are depreciated over the estimated useful lives of the related assets using the straight-line method. Construction in progress is carried at cost during the construction stage and is not depreciated until completion of the related project.

Impairment of Long-lived Assets - The policy of the Authority is to evaluate for impairment its long-lived assets held and used whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset is considered impaired when its service utility has declined significantly and unexpectedly, and the event or change in circumstances is outside the normal life cycle of the asset. Management is then required to determine whether impairment of an asset has occurred. However, Law No. 240 of 2011, as amended, has ordered the Authority to receive, through transfer, all the assets from the Autoridad de Ponce. Accordingly, the impairment analysis on the subject assets should be a matter for the consideration of the Authority, including the evaluation of the future activities expected with them, when transfer occurs. As of June 30, 2021 and 2020, the transfer of the subject assets is pending, as a result no impairment was identified.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Compensated Absences - The vacation policy of the Authority generally provides for the accumulation of 1.25 days per month. Vacation time accumulated is fully vested by the employees from the first day of work up to a maximum of 60 days. Employees generally accumulate sick leave at a rate of 1 day per month up to an annual maximum of 12 days and an accumulated maximum of 90 days. Prior to enactment of Act 26-2017, upon retirement, an employee received compensation for all accumulated unpaid vacation leave at the current rate regardless of years of service; and for all accumulated unpaid sick leave if the employee was employed by the Commonwealth for at least 10 years. Act 26-2017 was enacted to modify the existent legal and judiciary framework to be able to comply with the Fiscal Plan approved by the Oversight Board. In addition to accrual modifications, Act 26-2017 also altered the liquidation terms. After the enactment of Act 26-2017, only compensation of accrued vacation leave, up to 60 days, is paid upon employment termination. In order to be eligible to receive compensation, an employee must have been employed for at least three months. Accumulated unpaid sickness days are no longer liquidated upon employment termination.

Net Position - Net position represents the difference between all other elements in a statement of financial position and should be displayed in three components net investment in capital assets; restricted; and unrestricted as defined below:

The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenues and Expenses - Operating revenues and expenses for business-type activities are those that result from providing services and producing and delivering goods and/or services. It also includes all revenues and expenses not related to capital and related financing, non-capital financing or investing activities. Non-exchange revenues, including contributions received for purposes other than capital assets acquisitions, are reported as non-operating revenues.

Governmental Contributions - Governmental contributions are recorded in the year in which funds are available to the Authority. When their use is restricted for the acquisition of or construction of capital assets and related activities, they are recorded as capital contributions. Funds not used at the end of the year are reported as restricted net assets and restricted cash, when applicable.

Risk Management - The Authority is exposed to various risks of loss from torts, theft, damages, destruction of assets, employee injuries and illnesses, natural disasters, and other losses, which may arise during the normal course of business. For the year ended June 30, 2016, insurance coverage was maintained to protect the Authority from claims arising if such matters occur. During the year 2017, Management re-evaluated the Authority's risks and determine to discontinue the insurance coverage.

Accounting Pronouncements Issued but Not Yet Effective:

The GASB has issued several pronouncements that have effective dates that may affect future presentations. GASB Statement No. 95 postponed the effective dates for GASB Statement Nos. 87, 91, 92 and 93. The effective dates noted below reflect the new effective dates for those statements. The Authority is evaluating the potential impacts of the following GASB statements on its accounting practices and financial statements.

GASB Statement No. 87, "Leases." Issued in June 2017, this statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The statement will be effective beginning fiscal year 2022.

GASB Statement No. 91, "Conduit Debt Obligations." Issued in May 2019, this statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement will be effective beginning fiscal year 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

GASB Statement No. 92, “Omnibus 2020.” Issued in January 2020, this statement for clarity and consistency by addressing practice issues identified from the implementation and application of certain GASB statements. The statement will be effective beginning fiscal year 2022.

GASB Statement No. 93, “Replacement of Interbank Offered Rates.” Issued in March 2020, this statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) such as the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021. The statement will be effective beginning fiscal year 2022.

GASB Statement No. 94, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements.” Issued in March 2020, this statement is to improve financial reporting by establishing the definitions of public-private and public-public partnership arrangements (PPPs) and available payment arrangement (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. The statement will be effective beginning fiscal year 2023.

GASB Statement No. 96, “Subscription-Based Information Technology Arrangements.” Issued in June 2020, the statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments by (1) defining a SBITA, (2) establishing that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability, (3) providing the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) requiring note disclosures regarding a SBITA. The statement will be effective beginning fiscal year 2023.

GASB Statement No. 97, “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.” Issued in June 2020, the statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans (e.g., certain Section 457 plans), while mitigating the costs associated with reporting those plans. The statement will be effective beginning fiscal year 2022.

GASB Statement No. 98, “The Annual Comprehensive Financial Report.” Issued in October 2021, this statement established the term annual comprehensive financial report and its acronym ACFR. The new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

GASB Statement No. 99, Omnibus 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years 2024.

GASB Statement No. 100, Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for fiscal years 2024. Earlier application is encouraged.

GASB Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years 2024. Earlier application is encouraged.

3. CUSTODIAL CREDIT RISK - DEPOSITS

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits might not be recovered. The Authority maintains cash deposits in a commercial bank in Puerto Rico. The Commonwealth of Puerto Rico requires that public funds deposited in commercial banks in Puerto Rico must be fully collateralized for the amount deposited in excess of federal depository insurance. All securities pledged as collateral are held by the Secretary of the Treasury of the Commonwealth.

3. CUSTODIAL CREDIT RISK – DEPOSITS, Continued

The carrying amounts of deposits of the Authority at June 30, 2021 and 2020 consist of the following:

	Carrying Amount			
	Unrestricted	Restricted	Total	Bank Balance
Commercial banks	$ 1,057,270	62,984	$ 1,120,254	$ 1,120,254

4. DUE FROM/DUE TO AUTORIDAD DE PONCE

The Autoridad del Puerto de Ponce was created, among other, to receive the assets, but not the liabilities of the Autoridad de Ponce (formerly known as Port of the Americas Authority). Since its creation there have been some overlapping between the functions of both Authorities and, for some of the disbursements required from Autoridad de Ponce, the Autoridad del Puerto de Ponce agreed to provide the required funds from its available credit facility.

The amounts advanced from Autoridad del Puerto de Ponce have been used to finance certain operating expenses and capitalized items. The portion applied to capitalized items in the amount of $3,948,487 should be recover when the assets of Autoridad de Ponce be transferred to the Autoridad del Puerto de Ponce.

During the fiscal year 2019, the Authority of the Puerto de Ponce received advances of $62,984 from the Federal Energy Management Administration (FEMA) on behalf of Autoridad de Ponce. The subject advances are shown as Due to Autoridad de Ponce in the accompanying financial statements. They are part of a grant award to Autoridad de Ponce in the amount of $2,049,659 to perform works related with the damages caused by Huracan María.

5. CAPITAL ASSETS

The Authority's net capital assets activity for the year ended June 30, 2021 is as follows:

	June 30, 2020	Increases	Decreases	June 30, 2021
Land-non depreciable asset	$ 28,643,000	-	-	$ 28,643,000

The Authority is developing a deep draft port (the "Project") in the southern coast of Puerto Rico (Municipality of Ponce) with a terminal at Ponce Harbor. The Authority's capital assets consist on the acquisition of land for future developments. The development was started by Port of the Americas Authority (since August 12, 2016 known as Autoridad de Ponce). As stated, pursuant to Act No. 240, the Autoridad del Puerto de Ponce has pending to receive, by transfer, all the assets, but no the liabilities of Autoridad de Ponce.

6. LINE OF CREDIT

On August 29, 2014, the Authority entered into an $60 million line of credit agreement with GDB (now owed to GDB Debt Recovery Authority or GDBRA) to cover the operational, maintenance, equipment acquisition and permanent improvement costs of the Ports of the Americas Rafael Cordero Santiago, pursuant to the provisions of Act No. 240 of 2011, which created the Authority (assets are owned by the Authority as of June 30, 2017). Borrowings under this line of credit agreement bear interest based on the rates borne by the general obligation of the Commonwealth. These rates should be revised on a quarterly basis provided, however, that the interest may never be less than 7% nor greater than 12%. Interest during fiscal year 2015 was 7.78%. The line of credit has a maturity of June 30, 2044, and its principal and interests are payable through annual legislative appropriations. As of June 30, 2021 and 2020, the outstanding principal balance were approximately $20.8 million and the accumulated interest were approximately $9.8 and $8.4 million, respectively, which are payable from future Commonwealth's legislative appropriations and/or Authority's revenues. Additional details are disclosed in Note 9.

6. LINE OF CREDIT, Continued

As of June 30, 2021, the capital assets restricted and unrestricted component of net position related to the line of credit outstanding principal balance and accumulated interest balance are as follows:

	Operating Activities	Investment in Capital Asset	Total
Line of credit, principal balance	$ 4,569,577	$ 16,193,000	$ 20,762,577
Line of credit, accumulated interest	2,130,360	7,710,033	9,840,393
	$ 6,699,937	$ 23,903,033	$ 30,602,970

On November 29, 2018, GDB completed a restructuring of certain of its indebtedness pursuant to a Qualifying Modification under Title VI of PROMESA. Under the Qualifying Modification the principal balance of the line of credit was reduced by the $100,272 of a bank balance held at GDB.

7. NET INVESTMENT IN CAPITAL ASSETS

At June 30, 2021 and 2020, the Authority's net investment in capital assets - restricted, is as follows:

Acquisition of capital assets - land	$ 28,643,000
Line of credit balance attributable to capital assets	(16,193,000)
Interest on line of credit	(7,710,033)
Net investment in capital assets	$ 4,739,967

8. COMMITMENTS AND CONTINGENCIES

Legal procedures

As of June 30, 2021, the Authority is defendant in various lawsuit that amounted $4,450,000. The legal counsel for the Authority has advised that at this stage in the proceedings he cannot offer an opinion as to the probable outcome.

Interagency transfer expenses

For the fiscal year 2021, as part of the joint resolution of the general fund budget for fiscal year 2021, the Senate included in the Authority's budget an item amounted to $268 thousand known as "PayGo" to cover for the employees' pension funds of the Puerto de Ponce, a component unit of the Autonomous Municipality of Ponce. The Authority approved this allocation and the transaction was accounted for as interagency transfer expenses in the accompanying statements of revenues, expenses and changes in net position. Also, for the fiscal year 2022, the PayGo amounted to $278 thousand.

9. GOING CONCERN

Both the Autoridad del Puerto de Ponce and the Autoridad de Ponce (formerly known as Port of the Americas Authority) have been involved in the development of the physical facilities and the acquisition of related land and infrastructure. The Authority Management Plan is currently focused in the transfer of all the assets of the Autoridad de Ponce in accordance with Law No. 240 of 2011, as amended. Since inception, the Authority has been involved in organizing its affairs, making investments on infrastructure, and identifying different scenarios for the conduct of its operations. Because of multiple surrounding challenges and limitations, including the unique nature of the project, financing needs, availability or not of legislative appropriations and legal aspects, the Authority has evolved through an extended stage of development. The project objectives, are still on the interest of the local government, both at the State and at the Municipality levels. This condition raises substantial doubt about the Authority's ability to continue as a going concern.

The Authority depends on the future development of the project, including final determinations about the transfer of assets from the Autoridad de Ponce, and under the sponsor of which level of government it will operate.

The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. These financial statements do not include adjustments, if any, that may result from the outcome of these uncertainties.

10. LEASES

The Authority leases a substantial portion of lands and facilities to others on a short-terms periods, usually 12 months. Short-term real estate entitlement such as revocable permits and space assignments can be canceled on a 30-day notice by either party. The majority of the Authority's leases provide retention of ownership by the Authority or restoration of the property to pre-leased conditions at the expiration of the agreement; accordingly, no leases are considered capital leases.

Assuming that current agreements are carried to contractual termination, minimum tenant commitments due to the Authority over the next year is approximately $44,964.

11. SIGNIFICANT EVENTS

(a) Earthquakes

On January 6 and 7, 2020, two large earthquakes near the town of Ponce, Puerto Rico, resulted in severe damage to infrastructure, an island-wide power outage and water shortages, among others. Also, hundreds of replicas have been experienced. The subject conditions resulted in no major impact to the Authority's activities.

(b) COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of novel coronavirus disease ("COVID-19) as a pandemic. Since then, many countries have enacted COVID-19 protection measures, with a significant impact on daily life, production and the supply chain of goods in these countries. While the disruption is currently expected to be temporary, there is uncertainty about the duration.

12. SUBSEQUENT EVENTS

Management evaluated subsequent events through March 2, 2023, the date on which the financial statements were available to be issued.

As discussed in note 8, for the fiscal year 2022, as part of the joint resolution of the general fund budget for fiscal year 2022, the Senate included in the Authority's budget $278 thousand to cover PayGo for the employees' pension funds of the Puerto de Ponce, a component unit of the Autonomous Municipality of Ponce.

12. SUBSEQUENT EVENTS, Continued

Commonwealth Plan of Adjustment - Prior to March 15, 2022, the Commonwealth and many of its component units suffered a fiscal, economic and liquidity crisis, the culmination of many years of significant governmental deficits, an economic recession that persisted since 2006, prior liquidity challenges, a high unemployment rate, population decline, and high levels of debt and pension obligations. As the Commonwealth's tax base shrunk and its revenues were affected by prevailing economic conditions, an increasing portion of the Commonwealth's general fund budget consisted of health care and pension-related costs and debt service requirements through fiscal year 2019, resulting in reduced funding for other essential services. The Commonwealth's historical liquidity constraints, among other factors, adversely affected its credit ratings and its ability to obtain financing at reasonable interest's rates.

On June 30, 2016, the United States Congress enacted the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) to address these problems, which included the establishment of the Financial Oversight and Management Board for Puerto Rico (the Oversight Board), an in-court restructuring process under Title III of PROMESA, and an out-of-court restructuring process under Title VI of PROMESA. Thereafter, the Commonwealth and other governmental entities including, the Puerto Rico Sales Tax Financing Corporation (COFINA), the Employees Retirement System of the Government of the Commonwealth of Puerto Rico (ERS), the Puerto Rico Highways and Transportation Authority (HTA), the Puerto Rico Electric Power Authority (PREPA), and the Public Building Authority (PBA) initiated proceedings under Title III, and the Government Development Bank for Puerto Rico (GDB), the Puerto Rico Infrastructure Financing Authority (PRIFA), and the Puerto Rico Convention Center District Authority (PRCCDA) initiated proceedings under Title VI, each at the request of the Governor to restructure or adjust their existing debt.

On July 30, 2021, the Oversight Board as representative to the Commonwealth, ERS, and PBA in their respective Title III cases filed its *Seventh Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al.* [ECF No. 17629] (the Seventh Amended Plan) and a corrected disclosure statement related thereto [ECF No. 17628], which was approved by the United States District Court for the District of Puerto Rico (the Title III Court).

On October 26, 2021, the Governor signed into law Act No. 53 of 2021 (Act 53), known as the "Law to End the Bankruptcy of Puerto Rico," which provided legislative approval for the bond transactions contemplated in the Seventh Amended Plan conditioned on the elimination of its monthly pension cut provisions in an amended version of that plan.

On November 3, 2021, the Oversight Board filed its *Modified Eighth Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al.* [ECF No. 19053] (the Eighth Amended Plan), which further revised the Seventh Amended Plan to eliminate its monthly pension cut provisions consistent with Act 53, among other things. The hearing to consider confirmation of the Eighth Amended Plan commenced on November 8, 2021 and concluded on November 23, 2021. The final modified version of the Eighth Amended Plan was filed on January 14, 2022 [ECF No. 19813-1] (as confirmed, the Commonwealth Plan of Adjustment).

12. SUBSEQUENT EVENTS, Continued

On January 18, 2022, the Title III Court entered its findings of fact and conclusions of law in connection with the Eighth Amended Plan [ECF No. 19812] (the Findings of Fact) and an order confirming the Eighth Amended Plan [ECF No. 19813] (the Commonwealth Confirmation Order). In both the Commonwealth Confirmation Order and Findings of Fact, the Title III Court found that Act 53 properly authorized the issuance of new bonds and provided adequate means for implementation of the Commonwealth Plan of Adjustment.

Between January 28, 2022 and February 17, 2022, six appeals of the Confirmation Order were filed in the First Circuit. By March 11, 2022, the First Circuit denied all parties, motions for a stay pending appeal, which allowed the Commonwealth Plan of Adjustment to become effective despite the appeals. Oral argument on the merits of the appeals is currently scheduled for April 28, 2022.

On March 15, 2022 (the Effective Date), the conditions precedent to the Effective Date of the Commonwealth Plan of Adjustment were satisfied and/or waived by the Oversight Board, and the plan became effective. Accordingly, the Commonwealth Plan of Adjustment has been confirmed and is currently effective as of the date hereof.

As of the Effective Date, the Commonwealth Plan of Adjustment reduced the Commonwealth's total funded debt obligations from approximately $34.3 billion of prepetition debt to only approximately $7.4 billion, representing a total debt reduction of 78%. This debt reduction will also reduce the Commonwealth's maximum annual debt service (inclusive of COFINA debt service) from approximately $4.2 billion to $1.15 billion, representing a total debt service reduction of 73%. Also as of the Effective Date, all of the legacy Commonwealth general obligation bonds, ERS bonds, and PBA bonds were discharged, and all of the Commonwealth, ERS, and PBA obligations and guarantees related thereto were discharged. In addition, all Commonwealth laws that required the transfer of funds from the Commonwealth to other entities are deemed preempted, and the Commonwealth has no obligation to transfer additional amounts pursuant to those laws. Importantly, effectuating the Commonwealth Plan of Adjustment provides a path for Puerto Rico to access the credit markets and develop balanced annual budgets.

A critical component of the Commonwealth Plan of Adjustment is the post-Effective Date issuance of new general obligation bonds (the New GO Bonds) and contingent value instruments (CVIs) that provides recoveries to GO and PBA bondholders, as well as holders of clawback claims against the Commonwealth and certain of its component units and instrumentalities.

12. SUBSEQUENT EVENTS, Continued

Municipal governments typically issue amortizing debt-i.e., debt with principal maturities due on a regularly scheduled basis over a duration that varies generally between 20 and 40 years. The Commonwealth's New GO Bonds will mature over 25 years and will include both Capital Appreciation Bonds (CABs) and Current Interest Bonds (CIBs). All of the CABs and CIBs will have term bonds with mandatory sinking fund payments. This is intended to optimize cash available to pay debt service since the municipal market has a yield curve, and bonds are not priced to the average life as is the case in other markets, because specific investors may purchase bonds in differing parts of the maturity curve, including individual investors, corporations and mutual funds.

The New GO Bonds were issued with an aggregate original principal amount of approximately $7.4 billion, consisting of approximately (i) $6.6 billion of New GO CIBs, (ii) $442.5 million of New GO CABs with a 5.375% interest rate, and (iii) $288.2 million of New GO CABs with a 5.0% interest rate. They have 11 different maturity dates and will be secured by (a) a statutory first lien, (b) a pledge of the amounts on deposit in the Debt Service Fund, and (c) a pledge of the Commonwealth's full faith, credit and taxing power in accordance with Article VI, Section 2 of the Commonwealth Constitution and applicable Puerto Rico law. The New GO Bonds are dated as of, and will accrue or accrete interest from, July 1, 2021.

The Commonwealth Plan of Adjustment also provides for the issuance of CVIs, an instrument that gives a holder the right to receive payments in the event that certain triggers are met. The Commonwealth Plan of Adjustment establishes revenue-based performance benchmarks and permits the holders of CVIs to receive payments on account of the CVIs only if the benchmarks are exceeded. The CVIs issued under the Commonwealth Plan of Adjustment are based on over-performance collections of the Commonwealth's 5.5% sales and use tax (SUT), with some CVIs also being subject to over-performance collections of rum tax. The CVIs represent a conditional promise by the Commonwealth to pay CVI holders only if the SUT or rum tax baselines are exceeded in a given fiscal year. The outperformance metric will be measured as of the end of each fiscal year (i.e., June 30) beginning in fiscal year 2022 and is based on a SUT and rum tax collections baselines for fiscal years 2022 to 2043 as established in the Board-certified fiscal plan for the Commonwealth, dated May 27, 2020. As with the New GO Bonds, the Commonwealth pledged its full faith, credit and taxing power under the Puerto Rico Constitution and applicable Puerto Rico law for payment of the CVIs. The CVIs will be deemed issued on July 1, 2021.

12. SUBSEQUENT EVENTS, Continued

The CVIs are also divided into two categories: (i) general obligation debt CVIs (GO CVIs), which will be allocated to various holders of GO bondholder claims; and (ii) clawback debt CVIs (the Clawback CVIs), which will be allocated to claims related to HTA, PRCCDA, PRIFA, and MBA bonds. The GO CVIs have a 22-year term. The Clawback CVIs have a 30-year term. The GO CVIs are subject to a lifetime cap of $3.5 billion, with maximum annual payments of $200 million plus any unused amounts from previous years subject to cumulative annual payments not exceeding $400 million. Similarly, the Clawback CVIs are subject to a $5.2 billion aggregate lifetime cap, allocated across the different types of bond claims, with maximum annual payments of (i) $175 million plus any unused amounts from previous years, not to exceed cumulative annual payments of $350 million, for fiscal years 1-22 of the 30-year term; and (ii) $375 million plus any unused amounts from previous years, not to exceed cumulative annual payments of $750 million, for fiscal years 23-30 of the 30-year term. The CVIs also apply an annual payment waterfall in which the first $100 million will be paid to GO CVIs and the next $11,111,111 will be paid to Clawback CVIs.

The Commonwealth Plan of Adjustment classifies claims into 69 classes, with each receiving the following aggregate recoveries:

- Various categories of Commonwealth bond claims (Classes 15-50): 73% recovery consisting of cash, New GO Bonds, and GO CVIs.

- Various categories of PBA bond claims (Classes 1-12, 14): 79% recovery in cash in addition to the New GO Bonds and GO CVIs that PBA bondholders receive on account of their guarantee claims against the Commonwealth.

- Various categories of clawback creditor claims (Classes 59-63): 23% recovery consisting of the Clawback CVIs.

- ERS bond claims (Class 65): 16% recovery consisting of cash and interests in the ERS Private Equity Portfolio (as defined in and established under the Commonwealth Plan of Adjustment).

- Various categories of general unsecured claims (Classes 13, 58, and 66): 21% recovery in cash.

- Other miscellaneous claims (Classes 52-57, 64, 67-69): 26% recovery in cash.

12. SUBSEQUENT EVENTS, Continued

For general unsecured claims, the Commonwealth Plan of Adjustment provides for separate levels of creditor cash recoveries at each debtor, as applicable. All general unsecured claims against the Commonwealth, ERS, and PBA are discharged, except certain Eminent Domain/Inverse Condemnation Claims (as defined in the Commonwealth Plan of Adjustment) that are not discharged until they received payment in full, subject to an appeal of the Title III Court's ruling on such claims. If that ruling is reversed, then the Eminent Domain/Inverse Condemnation Claims will be dischargeable and impaired. All other general unsecured creditors at the Commonwealth will receive up a pro rata share of the general unsecured creditor reserve fund (the GUC Reserve), plus amounts received by the Avoidance Actions Trust (as defined in and established under the Commonwealth Plan of Adjustment) up to 40% of the value of their claim. The GUC Reserve was funded with $200 million on the Effective Date and will be replenished with an additional aggregate total amount of $375 million funded in incremental amounts annually through December 31, 2025.

Depending on the outcome of the appeal regarding Eminent Domain/Inverse Condemnation Claims, the GUC Reserve amount could be reduced by up to $30 million. ERS's general unsecured creditors will receive pro rata cash distributions from a fund established for ERS general unsecured creditors, which consists of $500,000 plus any net recoveries by the Avoidance Actions Trust allocable to ERS. PBA's general unsecured creditors will be entitled to a cash payment equal to 10% of their claim upon allowance.

Importantly, the Commonwealth Plan of Adjustment preserves all accrued pension benefits for active and retired public employees under Class 51. However, participants of the Retirement System for the Judiciary of the Commonwealth of Puerto Rico (JRS) and Teachers Retirement System of Puerto Rico (TRS) will be subject to benefits freeze and the elimination of any cost of living adjustments previously authorized under the JRS and TRS pension plans.

During the pendency of the PROMESA cases, a variety of legal issues were raised related to creditor claims. As a result of the recoveries provided under the Commonwealth Plan of Adjustment, the COFINA plan of adjustment, and the Title VI qualified modifications for GDB, PRIFA, and PRCCDA, substantially all of those litigation proceedings have been resolved and dismissed. Certain claims, however, were not discharged under the Commonwealth Plan of Adjustment, including: (i) the Eminent Domain/Inverse Condemnation Claims (Class 54); (ii) the Tax Credit Claims (Class 57); (iii) the resolution of certain claims subject to the ACR process (see Commonwealth Plan of Adjustment § 82.7); and (iv) certain Underwriter Actions related to indebtedness issued by the Commonwealth or any of its agencies or instrumentalities against any non-debtors (see Commonwealth Plan of Adjustment § 92.2(f)). Additional litigation proceedings also will be dismissed upon the effective date of the HTA plan of adjustment, which is currently expected to be proposed in April 2022.

For further information, refer to the final versions of the Commonwealth Plan of Adjustment, Findings of Fact, and Confirmation Order, which are available at https://cases.primeclerk.com/puertorico/Home-DocketInfo.

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