Puerto Rico Convention Center District Authority

(A Component Unit of the Commonwealth of Puerto Rico)

BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY
INFORMATION AND SUPPLEMENTAL SCHEDULES

JUNE 30, 2020

AND

INDEPENDENT AUDITORS' REPORT

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PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

JUNE 30, 2020

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LHD AMERICA LLC
Certified Public Accountants Business & Tax Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Puerto Rico Convention Center District Authority
San Juan, Puerto Rico

We have audited the accompanying financial statements of the business-type activities of the Puerto Rico Convention Center District Authority (the Authority), a component unit of the Commonwealth of Puerto Rico (the Commonwealth), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' 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 auditors' 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 Authority'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 purposes of expressing an opinion on the effectiveness of the Authority'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.

Certified Public Accountants - Business and Tax Consultants
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Opinion

In out opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of June 30, 2020, and the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. As discussed in Note 15 to the basic financial statements, there is substantial uncertainty due to the current economic situation of the Commonwealth and the cease of operations of the Government Development Bank for Puerto Rico. Also, approximately $30 million of the Authority's own revenues for fiscal year 2020 were withheld under Executive Order No. EO-2015-46, and it will not be available to pay principal and interest on the Authority's Hotel Occupancy Tax Revenue Bonds or to replenish the fund reserves used through June 30, 2020 for such debt service. The uncertainty as to the Authority's ability to satisfy its obligations when due, raises substantial doubt about its ability to continue as a going concern. A Commonwealth restructuring proposal is currently under discussion between the Commonwealth and its components units (including the Authority) and its creditors under the framework of the Puerto Rico Oversight Management and Economic Stability Act. The outcome of this restructuring process is currently uncertain. The financial statements do not include any adjustments that might result from the outcome of these uncertainty and challenges. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 14 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, whom considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Authority's basic financial statements. The supplemental schedule of net position information, the supplemental schedule of revenues, expenses and changes in net position information, and the supplemental schedule of revenues and expenses-Puerto Rico Convention Center-(collectively referred as the supplemental schedules) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management, were derived from, and relate 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 supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

HD America, LLC

June 22, 2021
San Juan, Puerto Rico

License No. 349
Expiration date: December 1st, 2023

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

Introduction

As management of the Puerto Rico Convention Center District Authority (the Authority), we offer readers of the Authority's basic financial statements our discussion and analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2020. Our discussion and analysis provides an assessment of how the Authority's financial position and results of operations have improved or deteriorated and identifies the factors that, in management's view, significantly affected the Authority's overall financial position. It may contain opinions, assumptions, or conclusions by the Authority's management that should not be considered a replacement for, and must be read in conjunction with, the Authority's basic financial statements, which follow this section.

The Authority is a component unit of the Commonwealth of Puerto Rico (the Commonwealth) and is responsible for developing, constructing, and operating the Puerto Rico Convention Center (the Convention Center) and the Puerto Rico Convention District (the District). On August 3, 2004, Act No. 185 transferred the ownership interest of the Puerto Rico Coliseum Jose Miguel Agrelot (the Coliseum) to the Authority to administer and supervise its operations. On May 15, 2013, the Authority acquired the project called Bahia Urbana (Bahia) to administer and supervise its operations. Effective October 1, 2015, the Authority assumed control of Bahia's operation and management, and outsourced event production to a third-party company. Bahia is presented blended into Authority's operations.

Finaocial Highlights

- The Authority's total assets decreased by $3.2 million in fiscal year 2020 or 0.48%
- The Authority's total liabilities increased by $20.4 million in fiscal year 2020 or 3.21%
- The Authority's net position decreased by $23.7 million in fiscal year 2020 or 66.48%
- Operating revenues decreased by $7.9 million in fiscal year 2020 or 25.10%
- Direct operating costs and expenses decreased by $3.2 million in fiscal year 2020 or 31.15%
- Other operating expenses decreased by $1.6 million in fiscal year 2020 or 4.29%
- Non-operating revenues (expenses) - net decrease by $20.9 million in fiscal year 2020 or 85.73%
- Revenues received from the Puerto Rico Tourism Company (PRTC) decreased by $861,000.
- Revenues received from the Commonwealth increased by $10.3 million in fiscal year 2020.

Overview of the Financial Statements

This Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements are designed to provide readers with a broad overview of the Authority's basic finances in a manner similar to a private sector business.-These basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. Using the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which they are incurred. This presentation means that financial information is reported using accounting methods similar to those followed by the private sector companies. These statements offer both short-term and long-term financial information about the activities of the Authority.

Required Financial Statements for Business-Type Activities.

The Authority's basic financial statements include a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. To provide our users with a contextual frame of reference, comparative information from the financial statements of the previous fiscal year is also provided later in this MD&A. The financial statements also include notes that are considered an integral part of the basic financial statements and essential to a full understanding of the data that is being presented on the face of these statements. The primary purposes of these notes are to provide additional information, enhanced disclosures and tabular presentation of data to further explain the figures presented in the financial statements and to provide more detailed data.

Statement of Net Position - The statement of net position presents information on all the Authority's assets and liabilities with the difference between the assets less liabilities reported as net position. This statement provides information about the nature and amounts of investments in resources (assets) and obligations to the Authority's creditors (liabilities). It also provides the basis for computing rate of returns, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

Statement of Revenues, Expenses, and Changes in Net Position - The statement of revenues, expenses, and changes in net position presents information showing how the Authority's net assets changed during the most recent fiscal year. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through operating revenue and non-operating revenue.

Statement ef *Cash I<tows* - The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the fiscal year. The statement reports cash receipts, cash payments and net changes in cash resulting from operating; noncapital financing; capital and related financing; and investing activities. The purpose of this statement is to inform the user about the sources of the Authority's cash, what the cash was used for, and by how much the balance of cash changed over the course of the fiscal year.

Notes to Basic financial Statements - The notes to the financial statements are an integral part of the basic financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Required Supplementary Iriformation - This MD&A represents financial information required to be presented by Governmental Accounting Standards Board (GASB) Statement No. 34 as amended, *Basic Financial Statements - and Management's Dismssion and Ana!Jsis-for State and Local Governments.* Such information provides the users of this report with additional data that supplements the basic financial statements.

Financial Anal sis of the Fiscal Year Ended une 30 2020

The following summarizes the Authority's financial position as of June 30, 2020 and 2019 (in thousands):

STATEMENTS OF NET POSITION (in OOO's)

		:Nl2	Variance
Assets:			
Current assets	$ 32,692	$ 26,546	$ 6,146
Capital assets - net	618,965	629,246	(10,281)
Other noncurrent assets	18,423	17,536	887
Total assets	$ 670,080	$ 673,328	$ (3,248)

(Continued)

STATEMENTS OF NET POSITION (in OOO's)

		2020				Variance
Liabilities:						
Current liabilities	$	121,415	$	92,314	$	29,101
Noncurrcnt liabilities		536,705		545,332		{8,623)
Total liabilities		658,120		637,646		20,474
Net position:						
Invested in capital assets		(17,832)		12,285		(30,117)
R.estricted fo1· debts service and construction		666		1,101		(435)
U nrc strictcd		29,126		22,296		6,830
Total net position		11,960		35,682		{23,722)
Total liabilities and net position	$	670,080	$	673,328	$	3,248)

(Concluded)

Analysis of Assets

The Authority has remained focused on its mission of promoting economic activities by providing world-class venues and related services to the tourist sector and the general public. The Authority, after completing the construction of the Convention Center, has been responsible for overseeing the operations of the venues and.is committed to the development of the surrounding Convention Center District, which accommodates hotels, commercial and residential facilities, and recreational areas.

For the 2020 fiscal year, the Authority's total assets decreased by $3.2 million or 0.48% when compared to the previous year. The decrease in this category can be attributed to the following:

- Net decrease in capital assets by $10.3 million related to the increase in accumulated depreciation by $10.2 million mainly related to the depreciation expense recognized during fiscal year 2020, and miscellaneous retirements.

- Net cash increase of $4.7 million as the result of $9.6 million received from the Commonwealth for capital expenditures and pandemic expenses that was offset by $2.7 million used for capital expenditures and a net reduction of cash in the amount of $2.2 million due to reduced event activities during fiscal year 2020. Capital expenditures during fiscal year 2020 relate to construction in progress and land improvements in the total amounts of $1.9 million and $800,000, respectively.

- Decrease in prepaid expenses of $1.5 million mainly related to funds received during fiscal year 2019 and paid to the Puerto Rico Electric Power Authority (PREPA) and Puerto Rico Aqueduct and Sewer Authority (PRASA) in the total aggregate amount of $900,000, which were amortized during fiscal year 2020, and the amortization of bond insurance in the amount of $600,000.

- Increase in accounts receivable net by $600,000 mainly related to an increase in sponsorship and suite agreements of $2.4 million partially offset by a reduction in trade receivables of $1.8 million related to a reduction of events held.

- Decrease in the due from Puerto Rico Tourism Company (PRTC) balance of $1.5 million mainly related to collections of previous years' receivable related to a payment plan agreement reached during the prior fiscal year.

- Increase in the due from Commonwealth of Puerto Rico of $5 million related to funds assigned to offset the Authority's deficit during fiscal year 2020.

- Decrease in note receivable of $200,000 related to the Thermal Energy Production Facility (TEP) settlement agreement payment plan.

Analysis of Liabih'ties

For the 2020 fiscal year, the Authority's total liabilities increased by $20.5 million or 3.21% when compared to the previous year. The increase can be attributed to the net effect of following:

- Increase in interest payable on bonds by $16.7 million related to interest accrued and not paid during the year (see Note 11 to the financial statements).

- Increase in borrowings from line of credit of $3.7 million mainly related to an increase in accrued interest by $8.1 million related to interests accrued and not paid on the lines of credit with the Government Development Bank of Puerto Rico (GDB), which is partially offset by a decrease of $4.4 million related to the cancellation of one line of credit tied to Lot C.

- Net increase in accounts payable and accrued expenses of $1.6 million mainly related to pandemic delay payments.

- Increase in unearned revenues of $1.9 million related to new sponsorship agreements and a decrease in sponsorship billings during fiscal year 2020.

- Decrease in bonds payable by $600,000 related to bond issuance premium amortization during the year (see Note 11 to the financial statements).

- Decrease in customer deposits by $2.8 million mainly related to a decrease in advance ticket sales during fiscal year 2020 for certain events cancelled due the Covid-19 pandemic.

Long-Tenn Debt

The Authority's long-term debt consists of two lines of credit with the GDB Debt Recovery Authority and bonds payable, which amounted to approximately $138.4 million and $337.8 million, respectively, as of June 30, 2020. The lines of credit were obtained for the construction of the Coliseum and the bonds were issued to finance the development of the Convention Center.

See Notes 10 and 11 to the basic financial statements for additional information on the Authority's long-term debt.

Analysis of Net Position

For the 2020 fiscal year, the Authority's net position decreased by $23.7 million or 66.48% when compared to the previous year. The decrease in this category can be attributed mainly to the following:

- Decrease in net investment in capital assets by $30.1 million directly related to the net effect of the following: (i) decrease in capital assets of $10.3 million; (ii) decrease in bonds payable by $600,000; (iii) decrease in line of credit payable by $4.4 million; (iv) increase in accrued interest of line of credit by $8.1 million; and (v) increase in interest on bonds payable by $16.7 million. As capital assets continue to depreciate without a corresponding decrease in the Authority's debt (which is currently not being repaid), the net investment in capital asset will also continue to decrease.

- Decrease in unrestricted net position by $6.8 million.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (in 000's)

	2020	2019	Variance
Operating revenues	$ 23,620	$ 31,535	$ (7,915)
Direct operating costs and expenses	7,110	10,328	(3,218)
Other operating expenses	36,743	38,389	(1,646)
Nonoperating revenues (expenses) - net	(3,489)	(24,449)	20,960
Change in net position	(23,722)	(41,631)	17,909
Net position - beginning of year	35,681	77,312	(41,631)
Net position - end of year	$ 11,959	$ 35,681	$ (23,722)

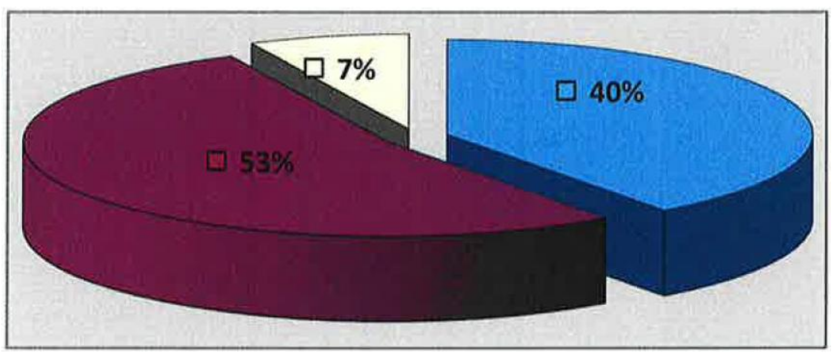
Analysis of Operating Revenues

Operating revenues are earned from rental of facilities and related support services, sale of food and beverages, suites and club seat rental, sponsorships, and ticket incentive rebates, among others.

The decrease in the operating income of the Authority by $7.9 million during the fiscal year ended June 30, 2020 is the combination of a decrease in food and beverage income by $4.3 million, decrease in rental and event services income by $3.3 million, and a decrease in advertising income by $350,000. Decrease in operating revenues are due to the cancellation of scheduled events in all of the Authority component units as result of the government partial closure due to the COVID-19 pandemic.

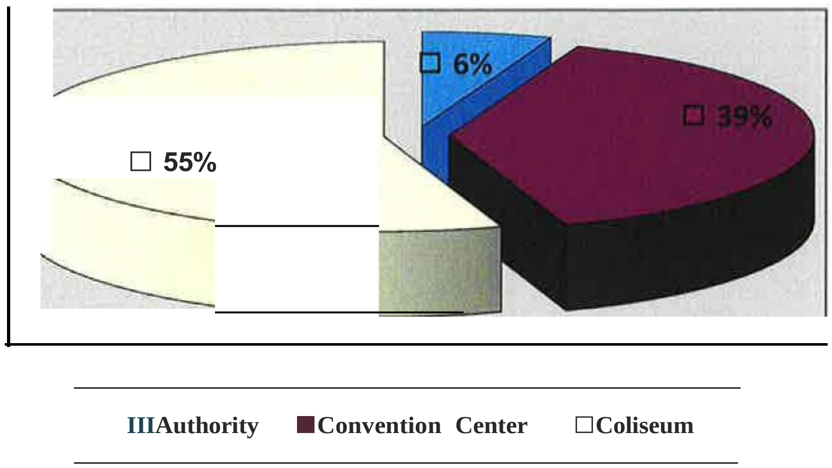
The following graph presents the sources of the revenues generated by the Authority during fiscal year 2020:

2020 Revenues



■Food and Beverages ■Rental Events □Advertising

2020 Revenues (segregated by venue)



Analysis of Direct Operating Costs and Expenses

Direct operating costs and expenses fluctuated in direct relation to operating revenues in fiscal year 2020 as compared to the prior fiscal year. For the 2020 fiscal year, direct operating costs and expenses decreased by $3.2 million or 31.16% when compared to the previous year.

Analysis of Other Operating Expenses

Other operating expenses decreased by $1.6 million or 4.29% for fiscal year 2020 as compared to the previous fiscal year, due to cost reduction measures taken due to the pandemic.

Analysis of Non-Operating Revenues (Expenses)

For the 2020 fiscal year, non-operating expenses had a net decrease of $21 million or 85.73% when compared to the previous year. The decrease in this category can be attributed mainly to the following:

- Decrease of $13.8 million as result of contributions received from the Commonwealth during fiscal year 2020 in the amount of $10.4 million and $3.4 million, to subsidize operations and reimburse for hurricane recovery expenses incurred during fiscal year 2019, respectively.

- Decrease of $5.3 million in other expenses as a result of line of credit which was forgiven during the fiscal year 2020.

- Decrease of $900,000 related to outstanding debt interest expense premiums amortization.

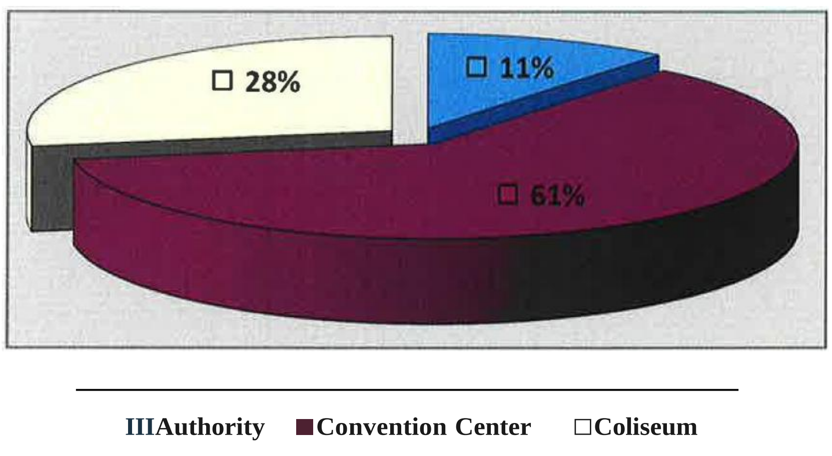
- Increase of $900 thousand in other expenses related to a decrease in contributions from Puerto Rico Tourism Company.

- Decrease of $3.8 million due to a decrease in hurricane recovery expenses incurred during 2019.

Capital Assets

The following graph segregates the capital assets subject to depreciation, pertaining to the District, Coliseum, and the Convention Center and surrounding district, at cost before depreciation:

2020 CapitalAssets



SCHEDULE OF CAPITAL ASSETS (IN 000'S)

Asset Classification	2020	2019	Variance
Capital assets not being depreciated:			
Land	$ 155,895	$ 158,595	$ (2,700)
Land improvements	110,053	109,288	765
Construction in progress	2,106	2,475	(369)
Total capital assets not being depreciated	268,054	270,358	(2,304)
Capital assets being depreciated:			
Buildings	473,964	473,964	
Improvements - other than land	17,103	15,571	1,532
Furniture and fixture	24,203	23,465	738
Equipment	77	96	(19)
Vehicles	109	105	4
Total capital assets being depreciated	515,456	513,201	2,255
Less accumulated depreciation and impairment	(164,545)	(154,313)	(10,232)
Capital assets being depreciated - net	350,911	358,888	(7,977)
Capital assets - net	$ 618,965	$ 629,246	$ (10,281)

Significant fluctuations noted in the Authority's capital assets are as follows:

- Decrease of $2.7 million due to the sales oflot B1-C to CCHPR Hospitality, LLC.
- Increase of $765,000 in land improvements responds principally to transfers from construction in progress of $765,000.

- Increase of $1.5 million in improvements other than land responds principally to transfers from construction in progress to capitalized assets of approximately $1.5 million during the year.

- Increase of $738 thousand in furniture and fixtures is due to capital expenditures additions during fiscal year 2020.

- Decrease of $369 thousand in construction in progress as a result of transfers out in the amount of $2.3 million which is partially offset by additional construction in progress during the period of $1.9 million.

See Note 8 to the basic financial statements for additional information on the Authority's capital assets.

Contactin the Authori 's Financial Mana ement

This financial report is designed to provide to the public with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the monies it receives. If you have questions about this report or need additional financial information, contact the Puerto Rico Convention Center District Authority at 100 Convention Boulevard, San Juan, PR 00907.

CURRENTLY KNOWN FACTS

Executive Order

On December 1, 2015, the Governor signed Executive Order No. OE-2015-046, which provided that the Commonwealth would not provide revenues to the Authority in light of the Commonwealth's deteriorating liquidity situation. Pursuant to the Executive Order, certain revenues budgeted to pay debt service on the debt of the Authority were retained by the Commonwealth.

Emergency Moratorium and Financial Rehabilitation Act

On April 6, 2016, the Legislature enacted Act No. 21, known as the "Emergency Moratorium and Financial Rehabilitation Act" (the Moratorium Act). The Moratorium Act provides for the following: (a) it authorizes the Governor to declare a moratorium on debt service payments for a temporary period for the Commonwealth, GDB, the Economic Development Bank for Puerto Rico (EDB) or any of the remaining government instrumentalities of Puerto Rico and stay creditor remedies that may result from the moratorium; (b) it amends GDB's Enabling Act to give GDB options and tools that it may need to address in its own resolution (these amendments modernize GDB's Organic Act related to a receivership for GDB, and authorizes the creation of a temporary "bridge" bank to carry on certain of GDB's functions and honor its deposits); (c) it amends the Enabling Act of the EDB to modernize its receivership provisions; and (d) it created FAFAA, whose role and responsibilities were further developed and established under Act No. 2 of 2017. As a result, on April 30, 2016, the Governor signed Executive Order 2016-014, declaring the Authority in a state of emergency and providing for a moratorium on the payment of certain of the Authority's obligations. In addition, since the enactment of the Moratorium Act, the Governor adopted a series of executive orders pursuant thereto, declaring an emergency period and moratorium with respect to certain debt obligations of the Commonwealth and certain other governmental instrumentalities.

As further discussed in note 5 to the basic financial statements, the Treasmy Department withheld during fiscal year 2020 approximately $30 million that were destined to the Authority from PRTC due to the Executive Order No. EO-2015-46 (Clawback Provisions). Currently, the Authority does not know when such distributions will be received. Without such distributions, the Authority has not been able to pay in full its debt obligations with the bond payment and debt service reserves established in the original Agreements.

On July 3, 2020, approximately $22 million debt service payment ($13.6 million in principal and $8.4 million in interest) due on the series 2006A was not made. On January 2, 2021, approximately $8 million debt service interest payment due, was not made.

On July 2, 2021, the Authority and a third party amended their management agreement in order to exclude the repayment of the note related to Ficus Cafe.

The implementation of the Moratorium Act and its related executive orders has been the subject of ongoing litigation, as discussed further herein. Since the commencement of the Commonwealth's Title III case on May 3; 2017, the automatic stay under Title III of PROMESA and the outcome of certain litigations has prevented debt service payments to holders of certain securities issued by the Authority.

Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA)

On June 30, 2016, President Obama signed PROMESA into a law. PROMESA created a structure for exercising federal oversight over the fiscal affairs of territories. More specifically, PROMESA did the following: (a) it established an Oversight Board with broad powers of budgetary and financial control over Puerto Rico; and (b) it created procedures for adjusting debts accumulated by the Puerto Rico government and its instrumentalities and potentially for adjusting debts of other territories as well.

(i) PROMESA

In general terms, PROMESA seeks to provide the Commonwealth and its instrumentalities with fiscal and economic discipline through, among other things: (i) the establishment of the Financial Oversight and Management Board for Puerto Rico (the Oversight Board), whose responsibilities include the certification of fiscal plans and budgets for the Commonwealth and other instrumentalities and its related entities; (ii) a temporary stay of all creditor lawsuits under Title IV of PROMESA; and (iii) two alternative methods to adjust unsustainable debt: (a) a voluntary debt modification process under Title VI of PROMESA, which establishes a largely out-of-comt debt restructuring process through which modifications to financial debt can be accepted by a supermajority of creditors; and (b) a quasi-bankruptcy proceeding under Title III of

PROMESA, which establishes an in-court debt restructuring process substantially based upon incorporated provisions of Title 11 of the United States Code (the U.S. Bankruptcy Code). Each of these elements are divided among PROMESA's seven titles, as briefly discussed below.

(a) Title I-Establishment of Oversight Board and Administrative Matters

Upon PROMESA's enactment, the Oversight Board was established for Puerto Rico. As stated in PROMESA, "the purpose of the Oversight Board is to provide a method for a covered territory to achieve fiscal responsibility and access to the capital markets." On August 31, 2016, the President of the United States announced the appointment of the Oversight Board members (some of whom have been replaced with new members in the interim).

Each Oversight Board member is required to have "knowledge and expertise in finance, municipal bond markets, management, law, or the organization or operation of business or government."

The Oversight Board was "created as an entity within the territorial government for which it was established" and is expressly not an entity of the federal government, but it was also established to act independently from the Commonwealth government, such that neither the Governor nor the Legislature may "(1) exercise any control, supervision, oversight, or review over the Oversight Board or its activities; or (2) enact, implement, or enforce any statute, resolution, policy, or rule that would impair or defeat the purposes of [PROMESA], as determined by the Oversight Board."

(b) *Title II - Fiscal Plan and Budget Ce,tification Process and Compliance*

Title II sets forth the requirements for proposing and certifying fiscal plans and budgets for the Commonwealth and its instrumentalities. "Each fiscal plan serves as the cornerstone for structural reforms the Oversight Board deems necessary to ensure the territory, or instrumentality, will be on a path towards fiscal responsibility and access to capital markets."

Only after the Oversight Board has certified a fiscal plan may the Governor submit a fiscal year Commonwealth budget and fiscal year budgets for certain Commonwealth instrumentalities (as approved by the Oversight Board) to the Legislature.

In furtherance of the foregoing duties, PROMESA contains a provision that grants the Oversight Board powers to monitor compliance with certified fiscal plans and budgets and undertake certain actions, including spending reductions and the submission of recommended actions to the Governor that promote budgetary compliance. Please refer to the language of PRO MESA for a complete description of the Oversight :Board's powers related to fiscal plan and budgetary compliance.

(c) Title III - In-Court Restruduring Process

Title III of PROMESA establishes an in-court process for restructuring the debts of Puerto Rico and other United States territories that is modeled after the process under Chapter *9* of the U.S. Bankruptcy Code.

The Oversight Board has sole authority to file a voluntary petition seeking protection under Title III of PROMESA, subject to the prerequisites therein.

In a Title III case, the Oversight Board acts as the debtor's representative and is authorized to take any actions necessary to prosecute the Title III case. Immediately upon filing the Title III petition, Bankruptcy Code section 362 (which is incorporated into Title III cases under PROMESA) applies to automatically stay substantially all litigation against the debtor (the Title III Stay). A Title III case culminates in the confirmation of a plan of adjustment of the debts of the debtor. The Oversight Board has the exclusive authority to file and modify a plan of adjustment prior to confirmation.

(d) Title IV - Temporary Stqy eflitigation, Government Reporting, and Other Miscellaneous Provisions

Title IV of PRO MESA contains several miscellaneous provisions, including a temporary stay of litigation related to "Liability Claims," relief from certain wage and hour laws, the establishment of a Congressional Task Force on Economic Growth in Puerto Rico (the Task Force), the requirement that the Comptroller General of the United States submit two reports to Congress regarding the public debt levels of the U.S. territories, and expansion of the federal government's small business HUBZone program in Puerto Rico.

Pursuant to PROMESA section 405, the enactment of PROMESA immediately and automatically imposed a temporary stay (the Title IV Stay) from June 30, 2016 (the date of PROMESA's enactment), through February 15, 2017, of all "Liability Claim" litigation commenced against the Commonwealth and its instrumentalities after December 18, 2015. A "Liability Claim" is defined as any right to payment or equitable remedy for breach of performance related to "a bond, loan, letter of credit, other borrowing title, obligation of insurance, or other financial indebtedness for borrowed money, including rights, entitlements, or _obligations whether such rights entitlements,_ or obligations arise from contract, statute, or any other source of law related [thereto]" for which the Commonwealth or one of its instrumentalities was the issuer, obligor, or guarantor and such liabilities were incurred prior to June 30, 2016. The Title IV Stay was subject to a one-time 75-day extension by the Oversight Board or a one-time 60-day extension by the United States District Court. On January 28, 2017, the Oversight Board extended the Title IV Stay by 75 days to May 1, 2017, at which time the Title IV Stay expired.

Title IV of PROMESA also required several federal government reports. First, PROMESA established the Task Force within the legislative branch of the U.S. federal government. The Task Force submitted its report to Congress on December 20, 2016.

Second, PROMESA required the U.S. Comptroller General, through the Government Accountability Office (GAO), to submit a report to the House and Senate by December 30, 2017, regarding: (i) the conditions that led to Puerto Rico's current level of debt; (ii) how government actions improved or impaired its financial condition; and (iii) recommendations on new fiscal actions or policies that the Commonwealth could adopt. The GAO published this report on May 9, 2018.

Third, PROMESA required the U.S. Comptroller General, through the GAO, to submit to Congress by June 30, 2017, a report on public debt of the U.S. territories. In addition to its initial report, the GAO must submit to Congress updated reports on the public debt at least once every two years. The GAO published its initial report on October 2, 2017. On June 28, 2019, the GAO published its latest biannual report on the public debt of the U.S. territories.

(e) Title V - ft(lrastrwcture Revitalization

Title V of PROMESA establishes the position of Revitalization Coordinator under the Oversight Board and provides a framework for infrastructure revitalization through an expedited permitting process for "critical projects" as identified by the Revitalization Coordinator.

(I) Title VI - Consensual, Out-of Court Debt Modification Process

Title VI of PROMESA establishes an out-of-court process for modifying Puerto Rico's debts. Under PROMESA section 601(d), the Oversight Board is authorized to establish "pools" of bonds issued by each Puerto Rico government-related issuer based upon relative priorities.

After establishing the pools, the government issuer or any bondholder or bondholder group may propose a modification to one or more series of the government issuer's bonds. If a voluntary agreement exists, the Oversight Board must issue a certification and execute a number of additional processes in order to qualify the modification.

Finally, the United States District Court for the District of Puerto Rico must enter an order approving the Qualifying Modification and vesting in the issuer all property free and clear of claims in respect of any bonds.

The Title VI process was successfully implemented to restructure the debts of the GDB. The GDB Title VI process is discussed in more detail below.

(g) Title VII - Sense efCongress

Title VII of PROMESA sets forth the sense of Congress that "any durable solution for Puerto Rico's fiscal and economic crisis should include permanent, pro-growth fiscal reforms that feature, among other elements, a free flow of capital between territories of the United States and the rest of the United States."

Commonwealth Plan of Adjustment

On September 27, 2019, the Oversight Board-as representative of the Commonwealth, ERS and the Public Buildings Authority (PBA) in their respective Title III cases-filed its initial joint Title III plan of adjustment for the Commonwealth, ERS, and PBA [ECF No. 8765] (the Initial Plan) along with a disclosure statement related thereto [ECF No. 8765] (the Initial Disclosure Statement), which was founded upon the pre-COVID-19 economic assumptions contained in the Commonwealth fiscal plan as certified by the Oversight Board on May 9, 2019. The Initial Plan incorporated the terms of a restructuring support agreement with the Retiree Committee (the Retiree Committee RSA), in which the Retiree Committee agreed to a maximum 8.5% pension cut that would only be applicable to retirees with monthly retirement benefits of more than $1,200, as well as freezes in pension benefits for teachers and judges.

On February 9, 2020, the Oversight Board announced that it entered into a Plan Support Agreement (the 2020 PSA) with certain Commonwealth general obligation bondholders and PBA bondholders (collectively, the PSA Creditors), which would require revisions to the Initial Plan. On February 28, 2020, the Oversight Board filed its Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al. [ECF No. 11946] and an amended disclosure statement related thereto [ECF No. 11947], which revised the Initial Plan to conform to the 2020 PSA while retaining the terms of the Retiree Committee RSA. However, due to the national economic shut down caused by the global spread of COVID-19 that has had substantial negative effects on the people and businesses in Puerto Rico, the Oversight Board decided to pause discussion and prosecution of the plan, including re-evaluation of the 2020 PSA.

Throughout 2021, the Oversight Board resumed plan discussions and has since filed several amended plans to incorporate additional settlements with creditors, including the most recently filed Seventh Amended Plan filed on July 30, 2021. The Court is currently scheduled to consider confirmation of the Seventh Amended Plan on November 8, 2021.

The Government has not yet determined whether it will support the Seventh Amended Plan given its view that Government pensioners must be protected and must not receive additional cuts to their pension benefits. The Seventh Amended Plan remains subject to future amendments and it is not certain that the Title III Court will ultimately confirm the Seventh Amended Plan or any further amended plan.

For additional information, refer to the publicly available Seventh Amended Plan and Seventh Amended Disclosure Statement, which are available at https:/ / cases.primeclerk.com/puertorico/ Home-Docketlnfo.

The Authority's Title VI Qualifying Modification

On August 13, 2021, certain monoline insurers of the Authority's bonds payable solely from the Commonwealth's hotel tax revenue (the CCDA Bonds) sent the Oversight Board a letter formally requesting that the Oversight Board commence the restructuring of the Authority's CCDA Bonds under PROMESA Title VI (the Qualifying Modification) pursuant to the terms of the CCDA Related Plan Support Agreement, dated May 5, 2021 (the CCDA PSA).

On August 27, 2021, the Oversight Board, as the administrative supervisor under PROMESA Title VI, certified the CCDA PSA pursuant to the "Voluntary Agreement Process" set forth in PROMESA Title VI, thereby establishing the Qualifying Modification as a "qualifying modification" under Title VI.

Upon consummation of the Qualifying Modification (the CCDA Effective Date), holders of the CCDA Bonds that vote in favor of the Qualifying Modification will receive their pro rata share of cash in deposit accounts held by the Puerto Rico Tourism Company. In exchange for such consideration, on the CCDA

Effective Date, the Authority's CCDA Bonds will be canceled and discharged, and holders of CCDA Bond claims will release all remaining claims against the Authority under the CCDA Bonds.

On September 28, 2021, the Authority's board of directors authorized the Authority to commence solicitation of votes on the Qualifying Modification. On September 29, 2021, FAFAA's board of directors also authorized the Authority and FAFAA to commence such solicitation. On October 5, 2021, the Oversight Board, as administrative supervisor under Title VI, authorized FAFAA and the Authority to commence soliciting votes to approve or reject the Authority's Qualifying Modification. As of the date of these financial statements, the Authority's solicitation of votes is ongoing.

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PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY
(.A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF NET POSITION
June 30, 2020

ASSETS	
CURRENT .ASSETS:	
Cash	$ 12,827,599
.Accounts receivable - net	6,329,954
Due from Puerto Rico Tourism Company	3,444,070
Due from Commonwealth of Puerto Rico	5,005,981
Note receivable	733,320
Prepaid expenses	62,709
Other assets	309,064
Restricted assets:	
Cash	3,311,859
Investments	667,412
Total current assets	32,691,968
NONCURRENT .ASSETS:	
Prepaid insurance	6,893,520
.Accounts receivable - net	2,568,459
Note receivable	1,063,354
Investments in commercial entities	7,897,903
Capital assets:	
Nondepreciable:	
Land	155,895,214
Land improvements	110,052,621
Construction in progress	2,106,318
Total nondepreciable assets	**268,054,153**
Depreciable:	
Buildings	473,963,993
Improvements - other than land	17,103,067
Furniture and fixtures	24,202,577
Equipment	77,401
Vehicles	108,657
.Accumulated depreciation	(164,544,937)
Depreciable assets, net	350,910,758
Total noncurrent assets	637,388,147
TOT.AL .ASSETS	$ 670,080,115

(Continued)

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF NET POSITION
June 30, 2020

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:	
Accounts payable and accrued expenses	$ 11,266,239
Unearned revenues	3,247,743
Bonds payable	50,770,000
Interest payable on bonds	52,548,386
Payable from restricted assets:	
Customer deposits payable	**3,583,045**
Total current liabilities	121,415,413
NONCURRENT LIABILITIES:	
Unearned revenues	2,926,213
Accrued interests - line of credit	57,262,999
Borrowings under line of credit	138,416,144
Bonds payable - net	337,799,597
Note payable	300,000
Total noncurrent liabilities	536,704,953
Total liabilities	658,120,366
NET POSITION:	
Net investment in capital assets	(17,832,215)
Restricted for construction	667,412
Unrestricted	29,124,552
Total net position	11,959,749
TOTAL LIABILITIES AND NET POSITION	$ 670,080,115

(Concluded)

See notes to basic financial statements.

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For The Year Ended June 30, 2020

OPERATING REVENUES:	
Rental and event services	$ 12,512,760
Food and beverage	9,413,952
Advertising	1,693,446
Total operating revenues	23,620,158
DIRECT OPERATING COSTS AND EXPENSES:	
Rental and event services	2,446,629
Food and beverage	4,290,511
Advertising	372,495
Total direct operating costs and expenses	7,109,635
GROSS OPERATING PROFIT	16,510,523
OTHER CDPERATING EXPENSES:	
Salaries and related benefits	962,739
Professional and contract services	7,079,077
Depreciation	10,243,516
Insurance	4,699,188
Utilities	7,955,224
Advertising	541,612
Repairs and maintenance	3,787,199
Provision for doubtful accounts	462,167
Other	1,012,319
Total other operating expenses	36,743,041
OPERATING LOSS	(20,232 518)
NON-OPERATING REVENUES (EXPENSES):	
Interest expense	(25,794,332)
Contributions from Puerto Rico Tourism Company	3,762,490
Contributions from Commonwealth of Puerto Rico	13,008,201
Hurricane recovery expenses	(367,238)
Interest income	56,210
Other income, net	5,845 541
Total non-operating expenses - net	(3,489,128)
CHANGE IN NET POSITION	(23,721,646)
NET POSITION - Beginning of year	35,681,395
NET POSITION - End of year	$ 11,959,749

See notes to basic financial statements.

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF CASH FLOWS

For The Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:		
Collections of operating revenues	$	24,520,679
Payments to suppliers for operating expenses		(32,005,206)
Payments to employees		(962,739)
Net cash used in operating activities		(8,447,266)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Contributions from Puerto Rico Tourism Company		5,247,047
Contributions from Commonwealth of Puerto Rico		8,002,220
Net cash provided by non-capital financing activities		13,249,267
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIESi		
Capital expenditures, net		(2,663,043)
Proceeds from sale of land		2,700,000
Net cash provided by capital and related financing activities		36,957
C-\SH FLOWS FROM INVESTING ACTIVITIES:		
Reinvestment earnings		8,555
Collection from notes receivable		146,664
Collection of interest income		56,210
Other income		(344,867)
Net cash used in investing activities		(133,438)
NET INCREASE IN CASH		4,705,520
CASH - Beginning of year		11,433,938
CASH - End of year	$	16,139,458
RECONCILIATION TO STATEMENT OF NET ASSETS:		
Cash - unrestricted	$	12,827,599
Cash - restricted		3,311,859
TOTAL CASH - End of year	$	16,139,458
NON-CASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest on line of credit	$	9,689,130
Interest on bonds payable		16,106,181
Repayments of line of credit and accrued interest		5,959,763
Amortization of premium/ discount on bonds		593,381
Transfers from nondepreciable assets		2,296,136
	$	34,644,591

(Continued)

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF CASH FLOWS

or The Year Ended June 30, 2020

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	$ (20,232,518)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	10,243,516
Provision for doubtful accounts	462,167
Amortization of prepaid insurance	437,627
Changes in operating assets and liabilities:	
Decrease (increase) in assets:	
Accounts receivable	(1,020,895)
Prepaid expenses and other assets	1,024,284
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	1,540,335
Customer deposits payable	(2,823,198)
Unearned revenues	1,921,416
Total adjustments	11,785,252
NET CASH USED IN OPERATING ACTMTIES	$ **(8,447 266)**

(Concluded)

See notes to basic financial statements.

1. REPORTING ENTITY

The Puerto Rico Convention Center District Authority (the Authority) is a component unit of the Commonwealth of Puerto Rico (the Commonwealth), as it complies with GASB 14, *The Financial Reporting Entity* and GASB 39, *Determining Whether Certain Organizations Are Components Units,* as amended by GASB 61. The Authority was created by Act No. 351 of September 2, 2000, as amended (Act 351), to be responsible, for improving, developing, managing and operating the property and improvements within the District's geographical area. The Authority has the ability to finance all of the improvements to be developed through the issuance of bonds and the imposition of assessments against the owners or lessees of land within the District who benefit from the Convention Center and other improvements. The Authority also promotes the development, construction, expansion and improvement of the Convention Center and the Coliseum, which was appropriated and transferred to the Authority under Act 351. On May 15, 2013, the Authority acquired the Bahia project to administer and supervise its operations. The Authority also manages the operation of "Antigua Casino", presented within the Convention Center. Under the management contract, the Authority agreed to engage AEG Management PR, LLC to administer the Coliseum and Convention Center facilities and comply with certain provisions under the Authority's management agreement. Effective October 1, 2015, the Authority assumed control of Bahia's operation and management, and outsourced events production to a third-party company. Bahia is presented within the Authority's operations.

The Authority is governed by a nine-member Board of Directors (BOD), which is comprised of three members from the public sector and six members from the private sector. The three public officials are the Secretary of the Department of Economic Development and Commerce, the Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA), and the Director of the Office of Management and Budget. From the private sector, the members are individuals with expertise in areas such as engineering, planning, real estate, law, corporate finance, artistic, cultural, sports, marketing, tourism, hospitality and/or convention center management. All board members shall be appointed by the Governor of Puerto Rico with the advice and consent of the Senate.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus is an accounting 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 accompanying financial statements are reported using the "economic resources measurement focus," and the "accrual basis of accounting." Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items resources are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The basic financial statements provide information about the Authority's business-type activities in conformity with GAAP, as prescribed by the GASB. The Authority follows GASB pronouncements under the hierarchy established by GASB Statement No. 76, *The Hierarchy of General/y Accepted Accounting Primiples far State and Local Governments,* in the preparation of its financial statements. The financial statements of the business-type activities are also often referred to as enterprise fund financial statements.

The Authority utilizes enterprise funds to record its financial operating activities. In the practice of governmental accounting, the enterprise fund is used to account for operations that are financed or operated in a manner similar to private business or where the BOD has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management's accountability.

h) Revenues and Expenses

Operating revenues and direct operating expenses generally result from sale of food and beverage, rental and event services, and advertising in connection with the Authority's principal on-going operations. Non-direct operating expenses include salaries and related benefits, professional and contract services, depreciation, insurance, utilities, advertising, repairs and maintenance, legal contingencies, bad debt expenses, other, and allocation of administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, such as revenues associated with, or restricted by donors to use, and revenues and expenses that result from financing and investing activities.

The Authority has received contributions from the Puerto Rico Tourism Company (PR.TC), which have been recorded in the year in which the funds were available to the Authority, as disclosed in Note 5. Additionally, the Authority received contributions from the Commonwealth for capital expenditures and estimated operational losses related to Covid-19 Pandemic; and contributions from the federal government related to hurricane relief assistance. Contributions are recorded as part of non-operating revenues in the accompanying statement of revenues, expenses, and changes in net position. PR.TC contributions represent one of the primary sources of income of the Authority.

c) Leases

The Authority has entered in several non-cancelable lease agreements where it acts as a lessor. The Authority accounts for leases in accordance with the provisions of *GASB Codijication L20 "Leases'* GASB Codification L20 requires that the Authority evaluates each lease for classification as either a capital lease or an operating lease. The Authority performs this evaluation at the inception of the lease and when a modification is made to a lease.

Currently, all of the Authority's leases are considered operating leases.

d) Use of Estimates

The preparation of the accompanying financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements.

Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

e) *Cash and Cash Equivalents*

The Authority considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. There are no cash equivalents outstanding at June 30, 2020. The Authority's cash composition as of June 30, 2020 is disclosed in Note 3.

I) *Investments*

Investments are recorded at fair value in accordance with GASB Statement No. 72, *.Fair Value Measurement and Application.* Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

The Authority measures and records its investments using fair value measurement guidelines established by GAAP. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level* 1: Quoted prices for identical investments in active markets;
- *Level* 2: Observable inputs other than quoted market prices; and,
- *Level* 3: Unobse1-vable inputs.

g) *Investments in Commercial Entities*

Investments in commercial entities are accounted for by the equity method. As stated in GASB Statement No. 14, *The financial Reporting Entiry*, investment in entities representing at least 20% ownership is generally accounted for by the equity method when such ownership provides the entity with the ability to exercise significant influence. The Authority's investments in commercial entities consist of 30% of ownership in DL, LLC and 30% of ownership in DL Hotel Ventures, LLC. The Authority and the referred commercial entities entered into an agreement for the development of an urban entertainment mixed-use facility known as District Live, as further disclosed in Note 8. The Authority reports its share of such earnings (losses) in the statement of revenues, expenses, and changes in net position as non-operating revenues (expenses). The carrying value of the investments is reported in the statement of net position as investments in commercial entities.

h) *Accounts Receivables*

Accounts receivables are stated at their net realizable value. The allowance for doubtful accounts receivable is an amount that management believes will be adequate to absorb possible losses on existing receivables that may become uncollectible based on evaluations of the collectability of the receivables. Because of uncertainties inherent in the estimation process, the related allowance may change in the future.

i) Capital Assets

Capital assets are reported as a component of non-current assets in the basic financial statements. Capital assets, other than construction costs or land, are defined by the Authority as assets that have a cost of $1,000 or more at the date of acquisition and have an expected useful life of three (3) or more years. Such assets are recorded at historical cost or estimated historical cost.

Depreciable capital assets of the Authority use the straight-line depreciation method over the following estimated useful lives in years:

Capital assets	Years
Building and building improvements	50
Equipment	3 - 10
Furniture and fixtures	3 - 10
Vehicles	5

The capital assets under construction are depreciated once they are placed in operations. At the time capital assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from books and the resulting gain or loss, if any, is credited or charged to operations. The reported value excludes the costs of normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

Capital assets received as transfer from other governmental entities within the same financial reporting entity are accounted for under the provisions of GASB Statement No. 48, *Sales and Pledges of Receivables and J_-<uture Revenues and Intra-Entity Transfers of Assets and Future Revenues.* GASB Statement No. 48 states that these types of transfers need to be recorded at the carrying value of the transferor. Capital assets donated by unrelated third parties are recorded at fair value at the time of donation.

The Authority accounts for asset impairment under the provisions of GASB Statement No. 42, *Accounting and Financial Reporting.for Impairment 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 services utility has declined significantly and unexpectedly. This statement also establishes accounting requirements for insurance recoveries. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the government should be reported at the lower of carrying value or fair value.

The Authority evaluated its capital assets as required by GASB Statement No. 42, and no impairment loss has been recorded for the year ended June 30, 2020.

j) Compensated Absences

The employees of the Authority are granted 15 days of vacation and 18 days of sick leave annually. On June 17, 2014, with the approval of Act No. 66, *Fiscal Operation and Sustainability Act* (Act 66), maximum permissible accumulation subject to liquidation, in case of separation of employment, is 60 days for vacation benefits earned and 90 days for sick leave benefits accumulated. Act 66 states that excess of those limits, which were normally paid, cease to be paid to employees. Employee should take the vacations days in excess of 60 days of accrued vacations, subject to the provisions of the law, and in extraordinary circumstances, the Authority should pay for days the employee was unable to enjoy. Act No. 26 of April 29, 2017 established that no cash payments were to be made to employees for accrued vacations and sick leave days, except in the case of employees who quit, retire or are terminated. In such cases, employees are eligible for a payment of their accrued vacation days not exceeding 90 days. The Authority records vacations leave as a liability as the benefits are earned by the employees when the employees' rights to receive compensation are attributable to services already rendered and the employees will be compensated for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

k) Bonds Payable

Bonds payable are presented net of the applicable debt premium/ discount. Debt premium/ discount is deferred and amortized as a component of interest expense over the life of the debt using the effective interest method.

1) Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s), thus will not be recognized as an outflow of resources (expense) until then. Similarly, deferred inflows of resources represent an acquisition of net position that applies to a future period(s), thus will not be recognized as an inflow of resource (revenue) until then. The Authority has no items that qualify for reporting in this category.

m) Net Position

The Authority's financial statements are being presented in conformity with provisions of GASB Statement No. 63, *Financial Reporting Deferred Ouiflows of Resources, Deferred Inflows ojResources, and Net Position.* As required by GASB Statement No. 63, the Authority has classified net position into three components: net investment in capital assets, restricted, and unrestricted. These components of net position are defined as follows:

- *Net Investment in Capital Assets* - consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, the portion of the debt is included in the same net position component as the unspent proceeds.

- *Restricted*- results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted* - consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified. Generally, this represents those financial resources that are available to the Authority to meet any future obligations.

n) Restricted Assets

Restricted assets consist of the amounts deposited by the Authority to provide for the amortization of bonds payable and related interest costs, cash available in the related construction fund, and cash for rental and event services.

o) Non-Exchange Transactions

Contributions - GASB Statement No. 33, *Accounting and Financial Reporting_for Non-exchange Transactions,* establishes accounting and financial reporting standards for non-exchange transactions involving financial or capital resources (for example, most taxes, grants, and private donations). In a non-exchange transaction, a government gives (or receives) value without directly receiving (or giving) equal value in return. This is different from an exchange transaction, in which each party receives and gives up essentially equal values. Under the provisions of the GASB Statement No. 33, the provider and the recipient should recognize the non-exchange transaction as an expense and revenue when all eligibility requirements are satisfied. The Authority accounts for contributions from other governmental entities under the provisions of GASB Statement No. 33.

Sponsorship - GASB Statement No. 62, *Codification* ef *Accounting and Financial Reporting Guidance* - establishes accounting and financial reporting standards for non-exchange transactions involving trade and barter transactions (e.g., sponsorship). The Authority recognizes sponsorship transactions as revenue and expense based on the estimated fair value of goods and services received or the recorded amount of the nonmonetary asset transferred from the Authority if neither the fair value of the nonmonetary asset transferred nor the fair value of the nonmonetary asset received in exchange is determinable within reasonable limits. The Authority records sponsorships as part of advertising revenues and advertising operating expenses in the accompanying statement of revenues, expenses and changes in net position.

p) Statement of Cash Flows

The accompanying statement of cash flows is presented in accordance with the provisions of GASB Statement No. 9, *Reporting Cash flows* ef *Proprietary and Nonexpendable Trttst Funds and Governmental Entities*

That Use Proprietary Fund Accounting. The provisions of GASB Statement No. 9 require that the direct method be used to present the cash inflows and outflows of the Authority.

q) Risk Management

The Authority purchases commercial insurance to cover for casualty, hazards, theft, tort claims, liability, and other losses through the Treasury Department negotiated under a blanket agreement and then charged to the Authority. The current insurance policies have not been canceled or terminated.

r) Legal Contingencies

The Authority is currently involved in various legal proceedings and claims. Periodically, the Authority reviews the status of each significant matter and assesses the potential financial exposure. If the potential loss from any legal proceeding or claim is considered probable and the amount can be reasonably estimated, an accrual is recorded for the amount of the estimated loss. Significant judgement is required in both the determination of the probability of a loss and the determination as to whether the amount of loss is reasonably estimable. Due to the uncertainties related to these matters, the decision to record an accrual and the amount of accruals recorded are based only on the information available at the time. As additional information becomes available, the Authority reassesses the potential liability related to any pending litigation and claims and may revise such estimates. Any revision could have a material effect on the results of operations. Refer to Note 14 for a description of the Authority's significant legal proceedings.

s) Future Adoption of Accounting Principles

The GASB has issued the following accounting pronouncements that have effective date after June 30, 2020:

GASB Statement No. 84, *·Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. State and local governments will have additional time to comply with the pronouncements after the board granting an extension of the effective date as a result of the coronavirus pandemic to reporting periods beginning after December 15, 2019. Earlier application is encouraged. Management is evaluating the impact that this Statement will have on the Authority's basic financial statements.

GASB Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' 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 the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for fiscal years beginning after December 15, 2019. State and local governments will have additional time to comply with the pronouncements after the board granting an extension of the effective date as a result of the coronavirus pandemic to reporting periods beginning after June 15, 2021. Earlier application is encouraged. Management is evaluating the impact that this Statement will have on the Authority's basic financial statements.

GASB Statement No. 89, *Accounting_far Interest Cost Incurred Before the End of a Construction Period.* The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codijication of Accounting and financial Reporting Guidance Contained in Pre-November 30, 1989 J--1---:ASB and AI CPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. State and local governments will have additional time to comply with the pronouncements after the board granting an extension of the effective date as a result of the coronavirus pandemic to reporting periods beginning after December

15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. Management is evaluating the impact that this Statement will have on the Authority's basic financial statements.

GASB Statement No. 90, *Mqjoriry Eqtti(y Interests-An Amendment of GASB Statements No. 14 and No. 61.* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. State and local governments will have additional time to comply with the pronouncements after the board granting an extension of the effective date as a result of the coronavims pandemic to reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements should be applied retrospectively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. Management is evaluating the impact that this Statement will have on the Authority's basic financial statements.

GASB Statement No. 91, *Conduit Debt Obligations.* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. State and local governments will have additional time to comply with the pronouncements after the board granting an extension of the effective date as a result of the coronavirus pandemic to reporting periods beginning after December 15, 2021. Earlier application is encouraged. Management is evaluating the impact that this Statement will have on the Authority's basic financial statements.

GASB Statement No. 92, *Omnibus 2020.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: The effective date of Statement No. 87, *Leases,* and Implementation Guide No. 2019-3, *Leases,* for interim financial reports; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; the applicability of Statements No. 73, *Accounting and Financial Reportingfor Pensions and Related Assets That Are Not within the Scope* ef*GASB Statement 68,* and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, *Financial Reportingfor Postemplqyment Benefit Plans Other Than Pension Plans, as amended,* to reporting assets accumulated for postemployment benefits; the applicability of certain requirements of Statement No. 84, *Fidttciary Activities,* to postemployment benefit arrangements; measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and terminology used to refer to derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2020. State and local governments will have additional time to comply with the pronouncements after the board granting an extension of the effective date as a result of the coronavirus pandemic to reporting periods beginning after June 15, 2021. Earlier application is encouraged. Management is evaluating the impact that this Statement will have on the Authority's basic financial statements.

GASB Statement No. 93, *Replacement if Interbank Offered Rates.* The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR). This Statement achieves that objective by: providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; identifying a Secure Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; and clarifying the definition of reference rate, as it is used in Statement 53, as amended. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020, except for the sections related to lease modifications (paragraphs 13 and 14), which will be effective for fiscal years beginning after June 15, 2021. Earlier application is encouraged. Management is evaluating the impact that this Statement will have on the Authority's basic financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Pqyment Arrangements.* The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a Service Concession Arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. Earlier application is encouraged. Management is evaluating the impact that this Statement will have on the Authority's basic financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. Earlier application is encouraged. Management is evaluating the impact that this Statement will have on the Authority's basic financial statements.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Anancial Reporting.for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment efGASB Statements No. 14 and No. 84, and a supersession qfGASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contributions pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. Earlier application is encouraged. Management is evaluating the impact that this Statement will have on the Authority's basic financial statements.

3. CASH AND INVESTMENTS

Ca h and Deposits

As of June 30, 2020, the Authority has interest-bearing demand deposits as follows:

Financial Institution	Carrying Amount	Interest	Depository Bank Balance
Commercial banks	$ 16,076,127	0.87% - 1.00%	16,296,875

As of June 30, 2020, reconciliation to the statement of net position is as follows:

Current assets - cash:	
Unrestricted, including cash on hand of $63,331	$ 12,827,599
Restricted:	
Customer advance deposits	1,934,139
Advance ticket sales	1,377,720
Total restricted	3,311,859
Total current assets - cash	$ 16,139,458

Custodial Credit Risk

Custodial credit risk is the risk that, in an event of a bank failure, the Authority's deposit might not be recovered. Commonwealth's regulations require domestic commercial banks to maintain collateral securities pledged for the security of public deposits at an amount not less than 100% of the amounts in excess of federal insurance coverage. All securities pledged as collateral are held by the Secretary of the Treasury of the Commonwealth of Puerto Rico (the Treasury Department).

Investments

Certain proceeds from the bonds issued on March 15, 2006 (see Note 11) were set aside for the repayment of the bonds, for capitalized interest, construction, and were classified as restricted assets in the accompanying statement of net position. Separate trust accounts were opened with the Bank of New York (BNY or the Trustee), under a trust agreement (the Trust Agreement), and Citigroup Financial (CITG), the latter, under an investment agreement (the Investment Agreement). The use of such balances is limited by applicable bonds covenants.

The Trust Agreement between the Authority and BNY, and the Investment Agreement between the Authority and CITG, both dated March 24, 2006, provide general and specific guidance for the allowed investment alternatives and provide collateralization requirements based on the specified credit rating by nationally recognized credit agencies. The objective of these provisions is to maximize the yield, while having adequate liquidity to pay the obligation as they become due.

The Authority permits BNY and CITG to purchase and/or acquire the following investments:

- Governmental obligations
- General state obligation bonds rated within the three highest credit categories
- Collateralized banker's acceptance or certificates of deposits
- Obligations of the Commonwealth or any state of the United States of America, their agencies, municipalities, or instrumentalities rated within the three highest credit categories
- Shares of stock in corporations with the highest rating category, as defined
- Commercial paper rated P-1 or A-1 of U.S. banking institutions
- Money market accounts, with the highest credit categories

The description, credit rating, and balance of investments as of June 30, 2020 are shown in the table below:

Description	Rating	Amount
Money market fund (Dreyfus Cash Management - Investor Shares)	A-1+	$ 667,412

Reconciliation to the statement of net position as of June 30, 2020, is as follows:

Restricted investments - current	$	667,412
Restricted investments - noncurrent		
	$	667,412

Fair Value of Investments

At June 30, 2020, the Authority had the following recurring fair value measurements:

		Fair Value Measurements Using		
Investments by fair value level	**June 30, 2020**	**Level 1**	**Level 2**	**Level 3**
Debt securities - Money Market Mutual Funds	$ 667,412	$ 667,412		

4. ACCOUNTS RECEIVABLE

As of June 30, 2020, the Authority has accounts receivable as follows:

	Current	**Noncurrent**
Trade receivables, net	$ 3,029,619	$
Deferred billing	3,269,256	2,568,459
Other	31,079	
	$ 6,329,954	$ 2,568,459

Trade Receivable

Trade receivables comprise amounts due on event services, food, beverages, rental, and advertising billed to promoters, facility members, sponsors, and the general public. Trade receivables as of June 30, 2020, are considered current receivables within the accompanying statement of net position and consist of:

Description	Total
Trade receivables	$ 6,179,169
Less: allowance for doubtful accounts	(3,149,550)
Trade receivables - net	$ 3,029,619

Deferred Billing and Unearned Revenues

The Authority enters in long-term multiservice agreements for advertising and corporate sponsorship, which provides, among others, deferred billing arrangements and nonmonetary consideration related to the sponsor's trade or business. The agreements can extend from one to five years and include a blend of advertising space and assignment of exclusive use of luxury corporate suites in the facilities, with event attendance, as defined. The revenues associated with the long-term agreements are deferred and recognized using the straight-line method over the term of the agreement. The non-monetary consideration is measured at fair value based on the current rates applicable to the Authority.

As of June 30, 2020, the deferred billing and non-monetary consideration related to the long-term agreements are included as current and long-term accounts receivable within the accompanying statement of net position; and were as follows:

	Current	Noncurrent	Total
Deferred billing:			
Billable	$ 3,207,254	$ 2,568,459	$ 5,775,713
Non-monetary consideration	62,002		62,002
	$ 3,269,256	$ 2,568,459	$ 5,837,715

Deferred billing and non-monetary consideration under these agreements are as follows:

Year Ending	Billable	Non-monetary Consideration	Total
2021	3,207,254	62,002	3,269,256
2022	2,568,459		2,568,459
	$ 5,775,713	$ 62,002	$ 5,837,715

As of **June 30, 2020, the unearned revenues were as follows:**

	Current	Noncurrent	Total
Unearned revenues:			
Unearned billing related to long-term agreements	$ 2,994,540	$ 2,926,213	$ 5,920,753
Other	253,203		253,203
	$ 3,247,743	$ 2,926,213	$ 6,173,956

The unearned revenues will be earned in the following years as follows:

Year Ending	Total
2021	$ 3,247,743
2022	1,293,296
2023	749,375
2024	640,000
2025	243,542
	$ 6,173,956

5. DUE FROM PUERTO RICO TOURISM COMPANY

On September 9, 2003, the Legislature of the Commonwealth enacted Act No. 272, as amended, which transferred the responsibility of imposing, collecting, and administering the hotel room tax to the Puerto Rico Tourism Company. Act No. 272 also redefined the formula for distributing the hotel room taxes collected.

Based on the provisions of Act No. 272, the Puerto Rico Tourism Company (PRTC) must contribute to the Authority specific amounts and percentages from the collection of the hotel room taxes for the following purposes:

- To provide the funding for the debt service related to Authority's bonds payable described in Note 11.

- To cover the operating deficit, if any, of the Convention Center up to $2.5 million during the first 10 years of the Convention Center's operations. On July 1st, 2015, Act No. 98 was created to extend contributions for an additional five years, changing the frequency of payments to a quarterly basis, effective with fiscal year 2016, to cover operating costs of the Authority.

- To cover the operating deficit of the Convention Center, if any, in excess of $2.5 million for a period of 10 years, PRTC will contribute five percent of collections of the hotel room taxes.

During the year ended June 30, 2020, the Authority's revenues related to the contribution from PRTC related to the collection of hotel room taxes amounted to $3,762,940. This contribution has been included as part of non-operating revenues in the accompanying statement of revenues, expenses, and changes in net position.

Due from PRTC represents the amount of contributions pending to be received from hotel room taxes collected by PRTC. As of June 30, 2020, due from PRTC amounted to $3,444,070.

Executive Order No. OE-2015-046

On December 1, 2015, the Governor of Puerto Rico signed Executive Order No. OE-2015-046 (EO 2015-046), which provides that the Commonwealth will begin to redirect certain revenues in light of recently revised revenue estimates and its deteriorating liquidity situation.

In Fiscal Year 2020, the Secretary withheld approximately $30.3 million in Occupancy Tax Revenues that historically would have been conditionally transferred to the Authority. As a result, the Authority now faces its own challenges to meet its future debt service obligations. The Authority had previously issued its Hotel Occupancy Tax Revenue Bonds, Series A (the Hotel Occupancy Bonds) pursuant to the Trust Agreement, as disclosed above and in Note 11. The proceeds from a hotel occupancy tax collected by the Puerto Rico Tourism Company pursuant to Article 24 of Act 272 of the Legislature of Puerto Rico, approved on September 9, 2003, as amended, are available resources of the Commonwealth under the Puerto Rico Constitution. As of June 30, 2020, the Authority did not have available funds to meet its future bond payment obligations. Refer to Note 15 for further details on how the Authority will be affected by the amounts due on such bonds for subsequent fiscal years.

It is uncertain if, when, or by which amount, if any at all, the Treasury Department will distribute to the Authority the amounts due that would be conditionally allocated to the Authority, under the provisions of article 31. Therefore, as a result of this uncertainty, management decided not to recognize a receivable for these amounts withheld until the date money are finally released or the Treasury Department confirms its commitment and ability to do so.

6. NOTE RECEIVABLE

Thermal Energy Prod11ttio11 z ,adlitJ Sett/ement Agree111e11t:

On April 27, 2009, the Authority and CCHPR Hospitality LLC (CCHPR) entered into a Thermal Energy Service Agreement for the supply of chilled water to the Sheraton Puerto Rico Convention Center Hotel and Casino facilities (the Hotel Facilities). Commencing on November 16, 2009 and through a 15-year period, CCHPR agreed to pay to the Authority a monthly fixed charge of $57,339, not to exceed $6,000,000 (amount invested by the Authority for the design and construction of the thermal energy production facility, known as the TEP Facility).

On December 6, 2018, the Authority and CCHPR entered into a settlement and transfer agreement in which all obligations and claims between the Authority and CCHPR under the Thermal Energy Production Facility agreements were settled and the Authority transferred ownership to CCHPR of the Thermal Energy Production Facility which cost, net of accumulated depreciation was approximately $2,200,000. CCHPR agreed to pay to the Authority the amount of $36,666 on the date of the execution of the agreement; followed by fifty-eight (58) monthly installments in the amount of $36,666 commencing on January 20, 2019, and a final payment to be made on November 20, 2023 in the amount of $36,706. As of June 30, 2020 the outstanding principal of the non-interest bearing note receivable amounted to $1,796,674 of which $733,320 are considered current receivables and are included within the accompanying statement of net position.

7. INVESTMENTS IN COMMERCIAL ENTITIES

The Authority's carrying values and share of earnings/ (losses) of investments in commercial entities that are accounted for using the equity method are as follows:

DL,LLC	$	3,950,000
DL Hotel Ventures, LLC		3,947,903
Equity in net assets	$	7,897,903

DL,LLC	$	
DL Hotel Ventures, LLC		
Equity in losses	$	

DL,LLC

Effective September 15, 2016, the Authority and DL Managers, LLC (DLM) entered into a limited liability company agreement as members of the commercial entity DL, LLC (DL). The Authority's initial investment in exchange for 30% ownership was land valued at approximately $3,950,000, as further disclosed in Note 8.

The carrying value of the Authority's investment at June 30, 2020, approximates its share of underlying equity in the net assets of DL. As of December 31, 2019, DL's assets and liabilities totaled $60,358,221 and $44,834,074, respectively (audited). DL had no revenues or earnings/ (losses) for the year ended December 31, 2019 due to its construction in progress status.

DL Hotel Ventures, LLC

Effective September 15, 2016, the Authority and DL Hotel Manager, LLC (DLHM) entered into a limited liability company'agreement as members of the commercial entity DL Hotel Ventures, LLC (DLH). The Authority's initial investment in exchange for 30% ownership was land valued at approximately $3,950,000, as further disclosed in Note 8.

The carrying value of the Authority's investment at June 30, 2020, approximates its share of underlying equity in the net assets of DLH. As of December 31, 2019, DLH's assets totaled $10,030,243 (unaudited). DLH had no liabilities (unaudited). DLH's had no revenues or earnings/ (losses) for the year ended December 31, 2019 due to its construction in progress status.

8. CAPITAL ASSETS

Capital assets consist mainly of the cost incurred in the development of the Convention Center District, which entails land-positioned near the center of the San Juan metropolitan area, the Coliseum of Puerto Rico and Bahia Urbana. Since its inception, the BOD has adopted a master plan that calls for developments of the Convention Center and surrounding infrastructure. This development has brought to the District: residential and office buildings, hotels and a casino, a complex for retail and entertainment, restaurants and walkways, and others. The development strategy is a combined effort from public and private investment, but ownership of the land will remain with the Authority.

Capital asset activity for the year ended June 30, 2020, is as follows:

Description	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Capital assets not being-depreciated:				
Land	$ 158,595,214		(2,700,000)	$ 155,895,214
Land improvements	109,288,493	764,128		110,052,621
Construction in progress	2,474,884	1,927,572	(2,296,136)	2,106,320
Total capital assets not being depreciated	270,358,591	2,691,700	(4,996,136)	268,054,155
Capital assets being depreciated:				
Buildings	473,963,993			473,963,993
Improvements - other than land	15,571,058	1,532,009		17,103,067
Furniture and fixture	23,465,173	737,404		24,202,577
Equipment	95,618		(18,217)	77,401
Vehicles	105,207	3,450		108,657
Total capital assets being depreciated	513,201,049	2,272,863	(18,217)	515,455,695
Less accumulated depreciation	(154,313,644)	(10,248,900)	17,605	(164,544,939)
Capital assets being depreciated - net	358,887,405	(7,976,037)	(612)	350,910,756
Capital assets - net	$ 629,245,996	(5,284,337)	=s==""""=(4===,99,,,,,6,=74-S)	$ 618,964,911

Lease Agreements

On August 31, 2005, the Authority, as lessor, entered into a development ground lease agreement with a third party as a lessee. The agreement involved the construction of a hotel with a minimum of 500 guest rooms, a casino, meeting facilities, and business and fitness center, among others. The original term of the lease is for eighty-five years and the minimum rent is $100 thousands per year to be adjusted every year in proportion to the average CPI escalation. The additional rent is ten percent (10%), multiplied by the Adjusted Net Operating Income of such year in excess of the minimum rate of return (Hurdle Rate).

On October 22, 2012, the Authority, as a lessor, entered into another development ground lease agreement with District Hotel Co., LLC, as a lessee. This agreement involved the construction of a minimum of 126-room hotel under the Hyatt House brand at Parcel D of the Authority. The lease agreement has a fifty years term which shall expire on the fiftieth anniversary of the commencement of operations (October 2014) and could be extended for two terms of ten additional years. The lessee will pay rent during the first year prior to commencement of operations in the amount of $50 thousands, then after commencement of operations, the first year rent will be $50 thousands, during the second year $75 thousands, during the third year $100 thousands, during the fourth year $125 thousands, during the fifth year through the ninth year $150 thousands and from the tenth year and every five years thereafter the minimum rent shall increase 15% or the CPI over the five previous years, and the additional rent of two percent of gross receipts beginning with the commencement of operations.

Effective on January 24, 2014, but contingent to the commencement of operations, the Authority, as a lessor, entered into a development ground lease agreement with District Hotel Partners, LLC, as a lessee. This agreement involves the construction of a minimum of 137-room hotel under the Hyatt Place brand at Parcel D of the Authority. The lease agreement has a fifty years term, which shall expire on the fiftieth anniversary of the commencement of operations and could be extended for two terms of ten additional years. The lessee will pay rent during the first year prior to commencement of operations in the amount of $50 thousands, then after commencement of operations, the first year rent will be $50 thousands, during the second year $75 thousands, during the third year $100 thousands, during the fourth year $125 thousands, during the fifth year through the ninth year $1SO thousands and from the tenth year and every five years thereafter the minimum rent shall increase 15% or the CPI over the previous five years, and the additional rent of two percent of gross receipts beginning with the commencement of operations.

On November 4, 2016, the Authority entered into a Ground Lease and Development Agreement with 3rd Millennium Surgery Center, LLC. (3MS), for the development and construction of a comprehensive medical services center which contemplates and may include the following ancillary components: an imaging center, clinic laboratory, ambulatory surgical center, physical rehabilitation facility, wellness center and commercial retail operations such as a pharmacy general store, restaurant and other food stores. The lease agreement has a forty years term, which shall expire on the fortieth anniversary of the commencement of operations and could be extended for two terms of ten additional years. The lessee will pay rent, following the commencement of operations and throughout the first five lease years, $240,000 per annum payable in twelve (12) equal monthly installments of $20,000. Beginning on the sixth lease year and thereafter on the first day of each five years interval, the rent shall be adjusted upwards at a rate of 5.50% calculated on the then prevailing rent. Upon such adjustment, the rent shall be fixed for the entire five-year period. On November 25, 2019, the Authority notified 3rd Millennium Surgery Center, LLC (3MS) that the_Ground Lease and Development Agreement for the development and construction of a comprehensive medical services center had been cancelled due to the fact that 3MS did not complete their predevelopment phase within the agreed terms of the Ground Lease and Development Agreement.

On December 23, 2016, the Authority entered into a ground lease agreement with RKA Studios, LLC (RKA) for the design, development, construction, and operation of a film studio and digital soundstage complex in the Authority's premises. The lease agreement has a forty year term, which shall expire on the fortieth anniversary of the commencement of operations and could be extended for two terms of twenty additional years. The lessee will pay rent, following the commencement of operations and throughout the first five lease years, $294,000 per annum payable in twelve (12) equal monthly installments of $24,500. Beginning on the sixth lease year and thereafter on the first day of each five years interval, the rent shall be adjusted upwards at a rate of 5% calculated on the then prevailing rent. Upon such adjustment, the rent shall be fixed for the entire five-year period.

On June 1, 2018, the Authority entered into a parking lease agreement with DL Parking Manager, LLC for the control and operation of the Parking Facilities constructed by the Authority. The lease agreement has a five-year term, which shall expire on the fifth anniversary of the commencement of operations of the "DL Hotel Project". The lessee will pay rent, following the commencement of operations and throughout the five lease years, $1,000,000 per annwn payable in four (4) equal quarterly installments of $250,000.

On October 29, 2019, the Authority entered into a parking lease and option to purchase agreement with CCHPR Hospitality, LLC for the development of a parking facility. This lease agreement has a term of five (5) years and shall end on the fifth (5th) anniversary of the day the parking facility opens for business (Commencement Date). As part of the agreement, CCHPR agrees to rent two hundred and twenty-two (222) parking spaces at a monthly cost of fifty dollars each ($50), for an annual rent amount of $133,200. Additionally, CCHPR was granted a purchase option in the amount of $3.1M if CCHPR exercises the option within the first two (2) years of the lease term; if the option is exercised after the first two (2) years of the lease term the purchase price shall be determined by a formal appraisal at the date of the execution.

On November 25, 2019, the Authority entered into a parking lease agreement with DL Parking Manager, LLC for the development, construction and operation of a surface parking facility that shall accommodate approximately 654 motor vehicles. The lease agreement has a term of five (5) years and shall end after the fifth (5th) anniversary of the commencement of operations with consecutive one (1) year extensions to be approved by the Authority. After the first (1st) anniversary of the commencement of operations, DL Parking Manager, LLC is to pay the Authority rent in the amount of $1.2M annually, in four (4) equal quarterly installments of $300,000.

On January 14, 2020, the Authority entered into a lease agreement with Gonzalez & Equipos Inc. for the operation of its business. The lease agreement has a term of six (6) months and shall end after the sixth Wh) month from the commencement date of operations with consecutive six (6) month extensions to be approved by the Authority. The lessee will pay rent of $1,200 per month.

On March 6, 2020, the Authority entered into a lease agreement with Metal Building Construction Inc. for the operation of its business. The lease agreement has a term of six (6) months and shall end after the sixth (6th) month from the commencement date of operations with consecutive six (6) month extensions to be approved by the Authority. The lessee will pay rent of $5,000 per month.

District Live

On September 15, 2016, the Authority entered into a Development Agreement (the Agreement) with DL for the development of a parcel of land of approximately 3.34 acres. The parties have agreed for the development of an urban entertainment, mixed-used project to be developed and include leasable space for restaurants, bars, and other entertainment facilities.

As part of this Agreement, the Authority agreed with DLH, another commercial entity, to be the managing entity and make capital contributions for the development and construction of a hotel to be operated under a Marriot brand. The hotel project of an approximate area of 1.46 acres will be developed within the parcel mentioned above. This project shall include a hotel of approximately 170 rooms, back house areas, offices, hotel bars and restaurants, a nightclub and an outdoor pool with deck areas that are ancillary to the hotel operations. The hotel will also include a casino, also ancillary to the hotel operations under a lease agreement.

Effective September 15, 2016, the Authority transferred land, described as Parcel J1, to DL free and clear of title of liens and encumbrances at a value of approximately $3,950,000. For its contribution, the Authority holds a participation interest of 30% in DL. DLM holds the remaining 70% of participation interest.

Effective September 15, 2016, the Authority transferred land, described as Parcel J2, to DLH free and clear of title of liens and encumbrances at a value of approximately $3,950,000. For its contribution, the Authority holds a participation interest of 30% in DLH. DLHM holds the remaining 70% of participation interest.

9. LEASES

The Authority is the lessor ofland to various entities. These lease agreements are non-cancelable operating leases with fixed minimum rentals and non-cancelable operating use and lease agreements with annually adjusted rates. Rental income is earned from leasing various parcels of land to hotels, restaurants and to several other entities. Land subject to those lease agreements had a carrying amount of $15,855,800 at June 30, 2020.

Minimum guaranteed income on all non-cancelable operating leases is as follows:

Year Ending June 30,	Amount
2021	665,153
2022	676,036
2023	676,036
2024	681,286
2025	616,369
2026- 2030	3,062,744
2031- 2035	3,411,128
2036- 2040	3,811,770
2041- 2045	4,272,508
2046- 2050	4,802,357
2051- 2055	5,411,684
2056- 2060	6,112,409
2061- 2065	6,654,403
2066- 2070	1,951,044
2071- 2075	740,181
2076- 2080	740,181
2081- 2085	740,181
2086-2090	740,181
2091	172,709
	45,938,360

Contingent income associated with the non-cancelable operating leases was approximately $605,193 for the year ended June 30, 2020. Contingent income is earned based on contract clauses other than the base rent clause.

10. BORROWINGS UNDER LINES OF CREDIT

The Authority had two interim non-revolving lines of credit with GDB that were used for the construction of the Coliseum. The maximum credit limit on these facilities amounted to $157,847,302. The non-revolving lines of credit expire on June 30, 2027 and bear interest at a fixed rate of 7%. As of June 30, 2020, the accrued interest on the lines of credit amounted to $57,262,999 and has been included as such in the accompanying statement of net position.

On October 1, 2013, the Authority entered into a line of credit with GDB to fund the expropriation of Parcel C, located in the Convention Center District area. The source of income for the payment of the line of credit would be the proceeds from the sale or the rental revenue to be derived from Parcel C. The maximum credit limit on this facility amounted to $6,675,000 and expired on September 30, 2014. On October 12, 2018, an assignment and settlement agreement was reached among all the parties involved surrounding the Parcel C property, whereas the mortgage loan obligation of the unrelated party with Puerto Rico Development Fund (PRDF), a blended component unit of GDB was released in exchange for the transfer of the title of Parcel C to PRDF. PRDF, in turn, agreed to assign the proceeds to be received in an eventual sale or transfer of such Parcel C, to the Authority, where the Authority desires that such payment assignment be applied to repay the $4,414,000 line of credit from GDB. The Authority transferred land to PRDF with a book value of $4,490,000. On September 3, 2019, PRDF entered into a Purchase and Sale Agreement with PG Parcel C Owner, LLC for the sale of Parcel C property. As part of the Purchase and Sale Agreement, PG Parcel C Owner, LLC agreed to pay PRDF the lump sum of $5,070,000. PRDF had acquired the ownership of Parcel C as a result of the assignment and settlement agreement reached among all the parties involved surrounding the Parcel C property. As a result of the sale of Parcel C, the Authority was released from the payment of the GDB line of credit amounting to $4,414,000 and accrued interest amounting to $1,545,621.

The activity of the lines of credit for the year ended June 30, 2020, is as follows:

Description	Beginning Balance 2019	Additions/ Transfer Borrowings	Payments	Ending Balance 2020
Borrowings under lines of credit - Coliseum	$ 138,416,144	$	$	$ 138,416,144
Borrowings under line of credit - Parcel C	4,414,140		(4,414,140)	
	$ 142,830,284	$	$ (4,414,140)	$ 138,416,144

The debt service of these lines of credit depends on future appropriations by the Legislative Assembly and the availability of funds to meet such appropriations. As a result of the uncertainty regarding budgetary appropriations and availability of Commonwealth funds to repay loans to GDB, the Authority may not be able to cover the debt service of their loans from GDB. In fact, further debt service payments under these lines of credit have ceased since June 2015.

11. BONDS PAYABLE

On March 15, 2006, the Authority, with approval from the Governmental Board, issued bonds amounting to $468,800,000 to refinance any outstanding loans, or fund any construction project associated with the Convention Center. The revenue bonds are direct obligations of the Authority and are secured by a pledge of a specific percentage of the hotel room tax levied by PRTC to be received by the Authority until all bonds payments have been paid in full. These bonds were issued with a maturity of 20 years for serial bonds and 30 years for the term bonds, with different amounts of principal maturing each year. Certain bonds may be subject to optional redemption, with the first possible date of redemption being July 1, 2016. Interest on the bonds is payable semiannually on January 1 and July 1, and is calculated based on a 360-days year. On July 3, 2017 of the approximately $21.1 million debt service ($11.8 million in principal and $9.3 million in interest) due on the Authority's Bond Series 2006A, only interest of $8.7 million was paid, with the entire principal amount due of $11.8 million remaining unpaid. On Janua1y 2, 2018, the approximately $9 million debt service payment in interest of such bond series that was due was not made. On July 3, 2018, the approximately $21.4 million debt service payment ($12.4 million in principal and $9 million in interest) due on the series 2006A was not made. OnJanua1y 2, 2019, the approximately $8.7 million debt service payment in interest that was due was not made. On July 3, 2019, the approximately $21.7 million debt service payment ($13 million in principal and $8.7 million in interest) due on the series 2006A was not made. The debt service interest payment of approximately $8.3 million due on January 2, 2020 was not made. Subsequent principal and interest payments have not been made. Refer to Note 16 for further details.

The aforementioned debt service requirements not paid were under insurance bond by three different insurance companies; Ambac Assurance Corporation (Ambac), Financial Guaranty Insurance Company (FGIC) and CDC IXIS Financial Guaranty North America, Inc. (CIFG NA). The Authority's Debt Service Reserves do not longer have enough funds to cover the debt service due and it is uncertain if the corresponding insurance policies will fully cover such amounts. Ambac and CIFG have been covering the full debt service requirements on the bonds series covered by their corresponding insurance policies. FGIC has been subject to a Rehabilitation Plan and has been paying their corresponding portions based on an established percentage of debt service that has ranged from 25% in fiscal year 2017 to 43.5% through October 4, 2020. After October 4, 2020, the debt service percentage coverage was 44.5%. Through June 30, 2020, a total of $37,135,000 and $44,198,605 of principal and interest payments, respectively, have been made up by the aforementioned bond insurance companies. Even though these insurance companies have been paying principal and interest on such bonds, such payments do not reduce the Authority's debt. Upon insurance companies' payments, they become the owner of the surrendered Bond Obligations and are fully subrogated to all the Bondholder Rights to payments.

Bonds payable at June 30, 2020 consist of the following:

	Amount
Serial bonds maturing through 2026, with interest rates ranging from 4% to 5%	$ 166,920,000
Term bonds maturing through 2036, with interest rates ranging from 4-1/2% to 5%	219,495,000
Total bonds outstanding	386,415,000
Add bonds premiums - net	2,154,597
Total bonds payable	$ 388,569,597

Revenue bonds' debt service annual requirements to maturity (excluding discounts and premiums) are as follows:

Year Ending	Princi:eal	Interest
2021	50,770,000	52,548,386
2022	14,320,000	16,017,813
2023	15,005,000	15,330,951
2024	15,720,000	14,618,213
2025	16,505,000	13,832,213
2026-2030	95,655,000	56,026,555
2031-2035	121,635,000	30,051,031
2036-2037	56,805,000	3,862,353
	$ 386,415,000	$ 202,287,515

The activity of bonds payable for the year ended June 30, 2020, is as follows:

Description	2019	Issuances	Payments/ Amortization	2020	Current Portion
Serial Bonds	$166,920,000	$	$	$166,920,000	$ 50,770,000
Term Bonds	219,495,000			219,495,000	
Total bonds outstanding	386,415,000			386,415,000	50,770,000
Prerniuin, net	2 747 978		(593,381}	2 154 597	
Total bonds	$389,162,978	$	$ (593,381)	$388,569,597	$ 50,770,000

12. NOTE PAYABLE

On December 5, 2018, the Authority entered into a note payable agreement with AEG Management PR, LLC pursuant to the provisions established within section 9 subsection (o) of the Management Services Agreement entered between both parties. The non-interest-bearing note is to be used to perform repairs and improvements to "Ficus Cafe" (the Restaurant). The note had an outstanding balance of $300,000 and is to be repaid in twenty-two (22) monthly installments of $13,636 commencing four (4) months after the Restaurant begins operations.

Debt service requirements on note payable at June 30, 2020, are as follows:

Year Ending	Amount
2021	163,636
2022	136,364
	300,000

Refer to Note 16 for subsequent events regarding this note payable.

13. DEFINED CONTRIBUTION RETIREMENT PLAN

During the fiscal year ended June 30, 2004, the Authority approved and established the Puerto Rico Convention Center Retirement Money Purchase Plan (the Plan), a contributory deferred money purchase plan covering all the employees of the Authority, with benefits for the employees effective January 1, 2003. All employees become vested, once they entered into the Plan, in accordance with the eligibility requirements. The Authority acts as the Plan administrator and, subject to certain limitations, can amend the Plan. Contributions to the Plan have been determined to be equivalent to 9% of the employees' normal annual salary, as defined. Total contributions made by the Authority for the year ended June 30, 2020, amounted to $65,067 included within administrative expenses (salaries and related benefits line item) in the statement of revenues, expenses, and changes in net position.

14. COMMITMENTS AND CONTINGENCIES

Consulting and Management

The Authority has entered into various consulting services and management agreements with third parties for the administration, operation and management of the Convention Center and Coliseum. The agreements covered the daily operations that include scheduling of activities, pricing of rental and advertising, and food and beverages, among others. The contracts have several provisions that, at the option of the Authority, could extend the management period. During the year ended June 30, 2020, consulting and management services amounted to $1,099,844 included within administrative expenses (professional and contract services line item) in statement of revenues, expenses, and changes in net position.

Contingencies

The Authority is a defendant and a party in various legal proceedings claims perta1111ng to matters incidental to the performance of its normal operations. Based on legal counsels assessment the Authority has recorded a legal claim reserve of $2,773,156 to cover for anticipated unfavorable judgments at June 30, 2020. This amount is included within accounts payable and accrued expenses in the statement of net position, and represents the amount estimated by assigned legal counsels as probable liability that will require future available financial resources for its payment.

15. LIQUIDITY RISK, UNCERTAINTIES AND CORONAVIRUS

Liquidity Risk

As discussed in Note 5, the Authority will now face its own challenges to meet its future debt service obligations upon having its own sources of revenues being redirected to the Commonwealth General Obligations Bonds pursuant to the EO 2015-046 and its clawback provisions. As a result, these clawback revenues were not available to pay interest on the PRCC Construction Bonds due on July 1, 2016. The Authority paid such interest due on July 1, 2016 under the Trust Agreement from funds on deposit in the debt service reserve funds established under such Agreement. Since July 1, 2017, the Authority did not have available funds to meet its future bond payment obligations.

Uncertainties

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

Commonwealth Plan of Adjustment

On September 27, 2019, the Oversight Board-as representative of the Commonwealth, ERS and the Public Buildings Authority (PBA) in their respective Title III cases-filed its initial joint Title III plan of adjustment for the Commonwealth, ERS, and PBA [ECF No. 8765] (the Initial Plan) along with a disclosure statement related thereto [ECF No. 8765] (the Initial Disclosure Statement), which was founded upon the pre-COVID-19 economic assumptions contained in the Commonwealth fiscal plan as certified by the Oversight Board on May 9, 2019. The Initial Plan incorporated the terms of a restructuring support agreement with the Retiree Committee (the Retiree Committee RSA), in which the Retiree Committee agreed to a maximum 8.5% pension cut that would only be applicable to retirees with monthly retirement benefits of more than $1,200, as well as freezes in pension benefits for teachers and judges.

On February 9, 2020, the Oversight Board announced that it entered into a Plan Support Agreement (the 2020 PSA) with certain Commonwealth general obligation bondholders and PBA bondholders (collectively, the PSA Creditors), which would require revisions to the Initial Plan. On February 28, 2020, the Oversight Board filed its Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al. [ECF No. 11946] and an amended disclosure statement related thereto [ECF No. 11947], which revised the Initial Plan to conform to the 2020 PSA while retaining the terms of the Retiree Committee RSA. However, due to the national economic shut down caused by the global spread of COVID-19 that has had substantial negative effects on the people and businesses in Puerto Rico, the Oversight Board decided to pause discussion and prosecution of the plan, including re-evaluation of the 2020 PSA.

Throughout 2021, the Oversight Board resumed plan discussions and has since filed several amended plans to incorporate additional settlements with creditors, including the most recently filed Seventh Amended Plan filed on July 30, 2021. The Court is currently scheduled to consider confirmation of the Seventh Amended Plan on November 8, 2021.

The Government has not yet determined whether it will support the Seventh Amended Plan given its view that Government pensioners must be protected and must not receive additional cuts to their pension benefits. The Seventh Amended Plan remains subject to future amendments and it is not certain that the Title III Court will ultimately confirm the Seventh Amended Plan or any further amended plan.

For additional information, refer to the publicly available Seventh Amended Plan and Seventh Amended Disclosure Statement, which are available at https:/ / cases.primeclerk.com/puertorico/ Home-Docketlnfo.

The Authority's Title VI Qualifying Modification

On August 13, 2021, certain monoline insurers of the Authority's CCDA Bonds sent the Oversight Board a letter formally requesting that the Oversight Board commence the restructuring of the Authority's CCDA Bonds under the Qualifying Modification pursuant to the terms of the CCDA PSA.

On August 27, 2021, the Oversight Board, as the administrative supervisor under PROMESA Title VI, certified the CCDA PSA pursuant to the "Voluntary Agreement Process" set forth in PROMESA Title VI, thereby establishing the Qualifying Modification as a "qualifying modification" under Title VI.

pon th· _DA ffeccive Date, holders of the CCDA Bonds that vote in favor of tbe Qualifying Iodification will receive their pro rata hare of cash ln deposit accounts held by the Puerto Rico Tourism Company. Io exchange for such consideration, on the CCDA Effective Date, the Authority's CCDA Bonds will be canceled and discharged, and holders of CCDA Bond claims will release all remaining claims against the Authority under the CCD A Bonds.

On September, 28, 2021, the Authority's board of directors authorized the Authority to cotntnence solicitation of votes on the Qualifying Modification. On September 29, 2021, FAFAA's board of directors also authorized the Authority and FAFAA to cotntnence such solicitation. On October 5, 2021, the Oversight Board, as administrative supervisor under Title VI, authorized FAFAA and the Authority to cotntnence soliciting votes to approve or reject the Authority's Qualifying Modification. As of the date of these financial statements, the Authority's solicitation of votes is ongoing.

Impact of COVID-19

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the health threat and to contain the virus's spread across the island, Governor Vaquez-Garced issued executive order EO 2020-020 on March 12, 2020, declaring a state of emergency in Puerto Rico to concentrate all efforts and implement necessary measures to safeguard the health, wellbeing and public safety of the citizens of Puerto Rico. The executive order authorizes the Commonwealth's Secretary of the Treasury and the Executive Director of the Financial Oversight and Management Board for Puerto Rico to set up a special budget from any available funds, including the Emergency Fund, to cover all necessary costs for the containment of the virus throughout the island and the sharing of information with the municipalities. Subsequent executive orders, including the reopening of certain economic areas, curfew directives and other protective measures have been issued in response to the COVID-19 spread. In addition, economic stabilization measures have been implemented by both the Government of Puerto Rico and the U.S. Government to provide support and stimulus to frontline workers, educators and students, hospitals, municipalities and small businesses, including individuals and businesses in Puerto Rico, in response to the economic distress caused by the COVID-19 pandemic.

Management has not yet identified the extent of the impact, if any, that the Coronavirus pandemic may have had (or will have in the future) on the Authority's operations and to what extent revenue sources have been adversely depleted.

16. SUBSEQUENT EVENTS

<u>Bonds in Non a ment - PRCCDA B nds Series 2006A</u>

On July 3, 2020, the approximately $22 million debt service payment ($13.6 million in principal and $8.4 million in interest) due on the series 2006A was not made. The debt service interest payment of approximately $8 million due on January 2, 2021 was not made.

Ficus Cafe Note Payable

On July 20, 2020, the Authority reached out to AEG Management PR, LLC in order to amend the venues' management agreement between both parties due to the effects of the global pandemic. Included within the amendments proposed was the condonation of the $300,000 note payable discussed in Note 12. On September 15, 2020, AEG Management PR, LLC responded to the Authority's request to condone the outstanding note payable and agreed to condone the full amount of the note. On July 02, 2021, both parties signed the amended agreement which excluded the repayment of the note related to Ficus Cafe.

The Authority has evaluated subsequent events from the balance sheet date through June 22, 2021, the date at which the financial statements were available to be issued, and determined there are no other material items to disclose.

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SUPPLEMENTAL SCHEDULES

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF NET POSITION INFORMATION

une 30, 2020

	Convention Center District Authorit}'.	Convention Center	Coliseum	Total
ASSETS				
CURRENT ASSETS:				
Cash	$ 1,901,600	$	$ 10,925,999	$ 12,827,599
Accounts receivable - net	1,077,247	1,859,011	3,393,696	6,329,954
Due from Puerto Rico Tourism Company		3,444,070		3,444,070
Due from Commonwealth of Puerto Rico	5,005,981			5,005,981
Note receivable	733,320			733,320
Prepaid expenses		62,709		62,709
0 ther assets		122,067	186,997	309,064
Restricted assets:				
Cash	$	$ 1,408,639	$ 1,903,220	3,311,859
Investments		667,412		667,412
Total current assets	8,718,148	7,563,908	16,409,912	32,691,968
NON CURRENT ASSETS:				
Prepaid insurance		6,893,520		6,893,520
Accounts receivable - net		101,167	2,467,292	2,568,459
Note receivable	1,063,354			1,063,354
Investments in commercial entities	7,897,903			7,897,903
Cap ital assets:				
N ondepreciable:				
Land	$ 25,175,175	102,163,577	28,556,462	155,895,214
Land improvements	8,386,602	101,666,019		110,052,621
Construction in progress	467,148	1,031,800	607,370	2,106,318
Total nondepreciable assets	34,028,925	204,861,396	29,163,832	268,054,153
Depreciable:				
Building	32,325,887	243,758,582	197,879,524	473,963,993
Improvements - other than land	8,035,740	1,922,545	7,144,782	17,103,067
Furniture and fixtures	525,518	9,717,602	13,959,457	24,202,577
Equipment	77,401			77,401
Vehicles	44,910	48,000	15,747	108,657
Accumulated depreciation	(7,417,204)	(80,379,177)	(76,748,556)	(164,544,937)
Depreciable assets, net	33,592,252	175,067,552	142,250,954	350,910,758
Total noncurrent assets	76,582,434	386,923,635	173,882,078	637,388,147
TOTAL ASSETS	$ 85,300,582	394,487,543	190,291,990	670,080,115

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF NET POSITION INFORMATION

une 30, 2020

	Convention Center District Authority	Convention Center	Coliseum	Total
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	$ 5,191,678	$ 3,117,831	$ 2,956,730	$ 11,266,239
Unearned revenues		321,167	2,926,576	3,247,743
Bonds payable		50,770,000		50,770,000
Interest payable on bonds		52,548,386		52,548,386
Payable from restricted assets:				
Customer deposits payable		1,679,825	1,903,220	3,583,045
Total current liabilities	5,191,678	108,437,209	7,786,526	121,415,413
NON CURRENT LIABILITIES:				
Unearned revenues		131,000	2,795,213	2,926,213
Accrued interests - line of credit			57,262,999	57,262,999
Borrowings under line of credit			138,416,144	138,416,144
Bonds payable		337,799,597		337,799,597
Note Payable	300,000			300,000
Total noncurrent liabilities	300 000	337,930,597	198,474,356	536,704,953
Total liabilities	5,491,678	446,367,806	206,260,882	658,120,366
NET POSITION:				
Net investment in capital assets	101,650,102	143,672,361	4,899,475	250,221,938
Restricted for construction		667,412		667,412
Unrestricted	(21,s,l1.19s)	(196,220,036)	(20,868,367)	(238,929,601)
Total net position	79,808,904	(51,880,263)	(15,968,892)	11,959,749
TOTAL LIABILITIES AND NET POSITION	$ 85,300,582	$ 394,487,543	$ 190,291,990	$ 670,080,115

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION INFORMATION

For The Year Ended June 30, 2020

	Convention Center District Authority	Convention Center	Coliseum	Total
OPERATING REVENUES:				
Rental and event services	$ 1,361,720	$ 3,834,362	$ 7,316,678	$ 12,512,760
I•ood and beverage		5,138,651	4,275,301	9,413,952
Advertising		242,097	1,451,349	1,693,446
Total operating revenues	1,361,720	9,215,110	13,043,328	23,620,158
DIRECT OPERATING COSTS AND EXPENSES:				
Rental and event services		633,241	1,813,388	2,446,629
Food and beverage		2,728,553	1,561,958	4,290,511
Advertising			372,495	372,495
Total direct operating costs and expenses		3,361,794	3,747,841	7,109,635
CROSS OPElv\TlNG PROFIT	1,361,720	5,853,316	9,295,487	16,510,523
OTHER OPERATING EXPENSES:				
Salaries and related benefits	962,739			962,739
Professional and contract services	754,536	3,610,438	2,714,103	7,079,077
Depreciation	847,716	5,056,353	4,339,447	10,243,516
Insurance	776,672	2,341,865	1,580,651	4,699,188
Utilities	1,896,239	3,344,467	2,714,518	7,955,224
Advertising	38,326	413,161	90,125	541,612
Repairs and maintenance	1,164,198	1,591,408	1,031,593	3,787,199
Legal contingencies	(188,449)			(188,449)
Provision for doubtful accounts		447,167	15,000	462,167
Other	59,137	690,905	450,726	1,200,768
Allocation of administrative expenses	(56,511)		56,511	
Total other operating expenses	6,254,603	17,495,764	12,992,674	36,743,041
OPERATING LOSS	(4,892,883)	(11,642,448)	(3,697,187)	(20,232,518)
NON-OPERATING IZEVENUES (EXPENSES):				
Interest expense		(16,105,202)	(9,689,130)	(25,794,332)
Contributions from Puerto Rico Tourism Company		3,762,490		3,762,490
Contributions from Commonwealth of Puerto Rico	13,008,201			13,008,201
Hurricane recovery expenses	(367,238)			(367,238)
fntcrcst income	11,861	2,701	41,648	56,210
Other expenses, net	5,678,037	17 551	149,953	5,845,541
Total non-operating revenues (expenses) - net	18,330,861	(12,322,460)	(9,497,529)	(3,489,128)
INCOME 0,0SS) BEl•ORE TRANSFERS	13,437,978	(23,964,908)	(13,194,716)	(23,721,646)
TRANSFERS IN (OU'I)	(2,788,159)	(3,391,456)	6,179,615	
CHANGE IN NET POSITION	10,649,819	(27,356,364)	(7,015,101)	(23,721,646)
N Lff POSITION - Beginning of year	69159,085	(24,523,899)	(8,953,791)	35,681,395
NET POSITION - End of year	$ 79,808,904	$ (51,880,263)	$ (15,968,892)	$ 11,959,749

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(,\ Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF REVENUES AND EXPENSES - PUERTO RICO CONVENTION CENTER

For The Year Ended June 30, 2020

OPERATING REVENUES:	
Food and beverage	5,138,651
Rental and event services	3,834,362
Advertising	242,097
Total operating revenues	9,215,110
DIRECT Ol¹ERATING COSTS ,\ND EXPENSES:	
Food and beverage	2,728,553
Rental and event services	633,241
Tot'll direct operating costs and expenses	3,361,794
GROSS OPERATING PROFIT	5,853,316
OTHER OPElv-\.TING EXPENSES:	
Professional and contract services	3,610,438
Insurance	2,341,865
Utilities	3,344,467
,\dvcrtising	413,161
Repairs and maintenance	1,591,408
Provision for doubtful accounts	447,167
Other	690,905
Total other operating expenses	12,439,411
OPER,\TJNG LOSS	(6,586,095)
OTHER NON-OPE!v-\TING INCOME	
Interest income	2,701
Other income, net	17,551
Total non-operating income	20,252
LOSS	$ (6,565,843}

RECONCILIATION OPERATING LOSS TO LOSS BEFORE TRANSFERS

LOSS	$ (6,565,843)
ADJUSTMENTS TO RECONCILE OPER,\TING LOSS TO LOSS BEFORE TRANSFERS	
Depreci.'ltion	(5,056,353)
Interest expense	(16,105,202)
Contributions from Puerto Rico Tourism Company	3,762,490
LOSS BEFORE Tlv-\NSFERS	$ (23,964,908)