Kevane
Grant Thornton

Financial Statements and Report of
Independent Certified Public Accountants

Puerto Rico Convention Center District Authority

(A Component Unit of the Commonwealth of Puerto Rico)

June 30, 2021

Puerto Rico Convention Center District Authority
(A Component Unit of The Commonwealth of Puerto Rico)

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Report of Independent Certified Public Accountants

To the Board of Directors of
Puerto Rico Convention Center District Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the **Puerto Rico Convention Center District Authority** (the Authority or PRCCDA), a component unit of the Commonwealth of Puerto Rico (the Commonwealth), as of and for the year ended June 30, 2021, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of June 30, 2021, 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 14 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 $30.3 million of the Authority's own revenues for fiscal year 2021 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, 2021 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 detailed in the Commonwealth Title III portion of the subsequent events note. 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 17 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.

Kevane Grant Thornton LLP

San Juan, Puerto Rico
October 13, 2022.

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Introduction

As management of the Puerto Rico Convention Center District Authority (the Authority), below is our discussion and analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2021. 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 José Miguel Agrelot (the Coliseum) to the Authority to administer and supervise its operations. On May 15, 2013, the Authority acquired the project called Bahía Urbana (Bahía) 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. Bahía is presented blended into Authority's operations.

Financial Highlights

- The Authority's total assets decreased by $7.4 million in fiscal year 2021 or 1.11%
- The Authority's total liabilities increased by $40.2 million in fiscal year 2021 or 6.10%
- The Authority's net position decreased by $47.6 million in fiscal year 2021
- Operating revenues decreased by $18.2 million in fiscal year 2021 or 77.02%
- Direct operating costs and expenses decreased by $6.3 million in fiscal year 2021 or 88.50%
- Other operating expenses decreased by $3.8 million in fiscal year 2021 or 10.39%
- Non-operating revenues (expenses) — net increased by $15.8 million in fiscal year 2021
- Revenues received from the Commonwealth decreased by $9.5 million in fiscal year 2021.

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 (Deficit); 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 (Deficit) – 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 of Cash Flows – 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 Information – 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 Discussion and Analysis — for State and Local Governments*. Such information provides the users of this report with additional data that supplements the basic financial statements.

Financial Analysis of the Fiscal Year Ended June 30, 2021

The following summarizes the Authority's financial position as of June 30, 2021 and 2020 (in thousands):

Statements of Financial Position (in 000's)

	2021	2020	Variance
Assets:			
Current assets	$ 34,992	$ 32,692	$ 2,300
Capital assets - net	611,661	618,965	(7,304)
Other noncurrent assets	16,014	18,423	(2,409)
Total assets	$ 662,667	$ 670,080	$ (7,413)
Liabilities:			
Current liabilities	$ 166,677	$ 121,415	$ 45,262
Noncurrent liabilities	531,598	536,705	(5,107)
Total liabilities	698,275	658,120	40,155
Net position:			
Invested in capital assets	(50,482)	(17,832)	(32,650)
Restricted for debt service and construction	606	666	(60)
Unrestricted	14,268	29,126	(14,858)
Total net position	(35,608)	11,960	(47,568)
Total liabilities and net position	$ 662,667	$ 670,080	$ (7,413)

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 2021 fiscal year, the Authority's total assets decreased by $7.4 million or 1.11% when compared to the previous fiscal year. The decrease in this category can be attributed to the following:

- Net decrease in capital assets by $7.3 million related to the increase in accumulated depreciation by $10.3 million due primarily to the depreciation expense recognized during fiscal year 2021 partially offset by a net increase in improvements to capital assets by $3 million.

- Net cash increase of $10 million as the result of an increase of $9 million due to the increase in events during fiscal year 2021 at the Coliseum of PR; an increase of $400,000 due to $300,000 received for insurance claims and $100,000 in funds received from OGP for COVID expenses; and a net increase of $600,000 related to funds received from the Coronavirus Relief Fund (CRF).

- Decrease in accounts receivable net by $550,000 due primarily to a decrease in sponsorship and suite agreements and collections of accounts receivables during fiscal year 2021.

- Decrease in the due from Puerto Rico Tourism Company (PRTC) balance of $1.8 million due primarily to collections of previous years' receivable from a payment plan agreement.

- Decrease in the due from Commonwealth of Puerto Rico of $4.6 million related to the collection of funds assigned to offset the Authority's deficit during fiscal year 2020 not awarded during fiscal year 2021.

- Decrease in note receivable of $1.3 million related to the Thermal Energy Production Facility (TEP) settlement agreement payment plan and write-off due to the parking development agreement.

- Decrease in investments in commercial entities of $1.3 million related to loss on equity pick-up during fiscal year 2021.

Analysis of Liabilities

For the 2021 fiscal year, the Authority's total liabilities increased by $40.2 million or 6.10% when compared to the previous year. The increase can be attributed to the net effect of the following:

- Increase in interest payable on the Bonds by $16 million related to interest accrued and not paid during the year (see Note 11 to the financial statements).

- Increase in accrued interest on line of credit by $9.8 million related to interests accrued and not paid on the lines of credit with the Government Development Bank of Puerto Rico (GDB.

- Net increase in accounts payable and accrued expenses of $2.6 million mainly related to a delay in payments due to the COVID-19 pandemic.

- Increase in unearned revenues of $3.4 million related to federal funds received not yet expensed in the amount of $3 million and new sponsorship agreements and a decrease in sponsorship billings in the amount of $400,000 during fiscal year 2021.

- Decrease in Bonds payable by $500,000 related to bond issuance premium amortization during the year (see Note 11 to the financial statements).

- Increase in customer deposits by $8.7 million mainly related to an increase in advance ticket sales during fiscal year 2021.

Long-Term Debt

The Authority's long-term debt consists of two lines of credit with the GDB Debt Recovery Authority and the revenue bonds (the "Bonds") payable, which amounted to approximately $138.4 million and $322.9 million, respectively, as of June 30, 2021. 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, including the elimination of such debt pursuant to the Commonwealth Plan of Adjustment and the Qualifying Modification (as defined below).

Analysis of Net Position

For the 2021 fiscal year, the Authority's net position decreased by $47.6 million 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 $32.7 million directly related to the net effect of the following: (i) decrease in capital assets of $7.3 million; (ii) decrease in Bonds payable by $500,000; (iii) increase in accrued interest of line of credit by $8.8 million; and (v) increase in interest on Bonds payable by $16.1 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 $14.8 million.

Statements of Revenues, Expenses and Changes in Net Position (in 000's)

	2021	2020	Variance
Operating revenues	$ 5,428	$ 23,620	$ (18,192)
Direct operating costs and expenses	818	7,110	(6,292)
Other operating expenses	32,924	36,743	(3,819)
Nonoperating revenues (expenses) — net	(19,253)	(3,489)	(15,764)
Change in net position	(47,567)	(23,722)	(23,845)
Net position — beginning of year	11,959	35,681	(23,722)
Net position — end of year	$ (35,608)	$ 11,959	$ (47,567)

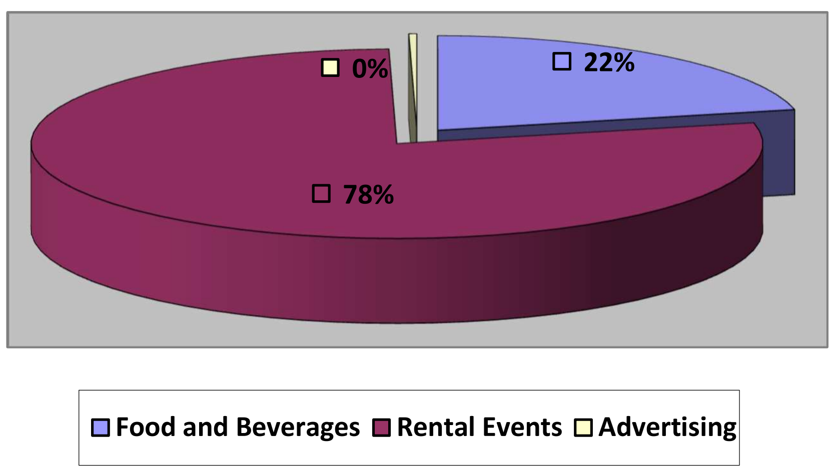
Analysis of Operating Revenues

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.

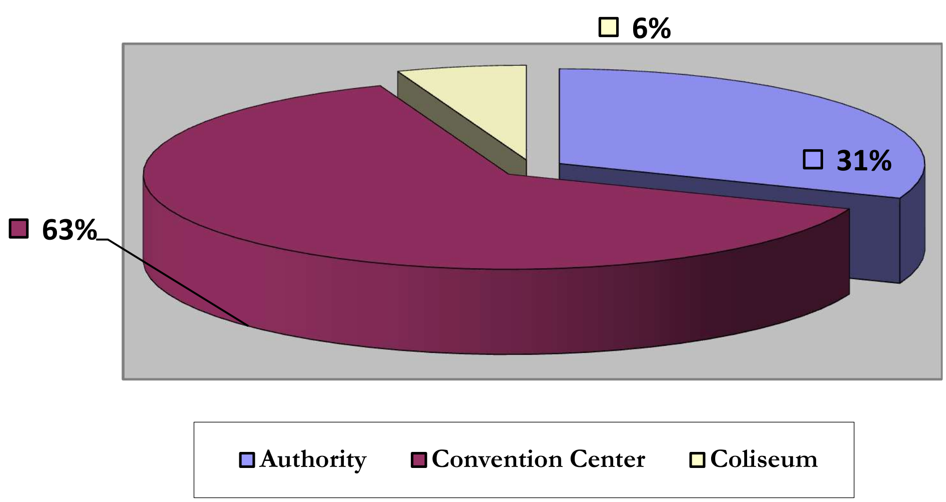
The decrease in the operating income of the Authority by $18.1 million during the fiscal year ended June 30, 2021, is the combination of a decrease in food and beverage income by $8.2 million, decrease in rental and event services income by $8.2 million, and a decrease in advertising income by $1.7 million. Decrease in operating revenues are due to the cancellation of scheduled events in all 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 2021:

2021 Revenues



2021 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 2021 as compared to the prior fiscal year. For the 2021 fiscal year, direct operating costs and expenses decreased by $6.3 million or 88.49% when compared to the previous year.

Analysis of Other Operating Expenses

Other operating expenses decreased by $3.8 million or 10.4% for fiscal year 2021 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 2021 fiscal year, non-operating expenses had a net increase of $15.8 million when compared to the previous year. The decrease in this category can be attributed mainly to the following:

- Decrease of $9.5 million as result of contributions received from the Commonwealth during fiscal year 2020, to subsidize operations loss due to the pandemic not received during fiscal year 2021.

- Increase of $4.7 million in other expenses as a result of fiscal year 2020 balances being offset by line of credit forgiveness and expense reimbursements.

- Decrease of $450,000 related to outstanding debt interest expense premiums amortization.

- Increase of $400,000 in contributions received from Puerto Rico Tourism Company.

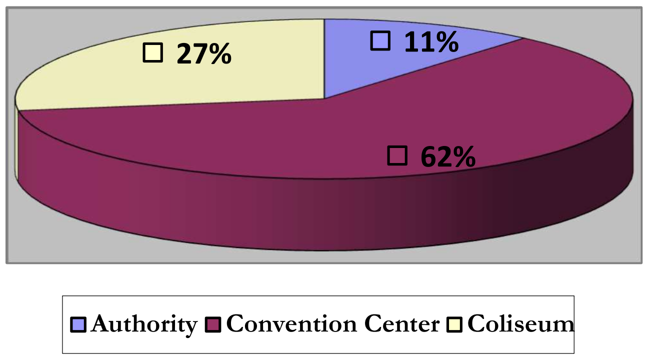
- Increase of $1.3 million due to losses from equity pick-up from commercial entities investments.

- Increase of $1.3 million due to note receivable balance written off as part of an agreement with a third-party.

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:

2021 Capital Assets



Schedule of Capital Assets (in 000'S)

Asset Classification	2021	2020	Variance
Capital assets not being depreciated:			
Land	$ 155,895	$ 155,895	$ -
Land improvements	110,053	110,053	-
Construction in progress	3,656	2,106	1,550
Total capital assets not being depreciated	269,604	268,054	1,550
Capital assets being depreciated:			
Buildings	473,984	473,964	20
Improvements — other than land	17,840	17,103	737
Furniture and fixture	24,858	24,203	655
Equipment	88	77	11
Vehicles	109	109	0
Total capital assets being depreciated	516,879	515,456	1,423
Less accumulated depreciation and impairment	(174,822)	(164,545)	(10,277)
Capital assets being depreciated — net	342,057	350,911	(8,854)
Capital assets — net	$ 611,661	$ 618,965	$ (7,304)

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

- Increase of $737,000 in improvements other than land responds principally to transfers from construction in progress to capitalized during the year.

- Increase of $655,000 in furniture and fixtures is due to capital expenditures additions during fiscal year 2021.

- Increase of $1.5 million in construction in progress as a result of transfers out in the amount of $2.8 million which is partially offset by additional construction in progress during the period of $4.3 million.

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

<u>Contacting the Authority's Financial Management</u>

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 the Puerto Rico Fiscal Agency and Financial Advisory Authority (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 Treasury Department withheld during fiscal year 2020 approximately $30 million that were destined to the Authority from Puerto Rico Tourism Company (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 Café.

Prior to confirmation of the Commonwealth Plan of Adjustment, the implementation of the Moratorium Act and its related executive orders has been the subject of ongoing litigation. From the commencement of the Commonwealth's Title III case on May 3, 2017 through the effective date of the Commonwealth Plan of Adjustment (as discussed below) 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.

Commonwealth Plan of Adjustment

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

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

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

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

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

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

Between January 28, 2022 and February 17, 2022, six appeals of the Confirmation Order were filed in the First Circuit. By March 11, 2022, the First Circuit denied all parties' motions for a stay pending appeal, which allowed the Commonwealth Plan of Adjustment to become effective despite the appeals. On April 26, 2022, the First Circuit affirmed the Commonwealth Plan of Adjustment with respect to the appeal filed by the teachers' associations. See Case No. 22-1080. Oral argument on the merits of the remaining four appeals [Case Nos. 22-1079, 22-1092, 22-1119, 22-1120] was held on April 28, 2022. As of this date, the First Circuit has only issued an opinion in Case No. 22-1119 affirming the Title III Court's decision on the treatment of constitutional takings claims. The First Circuit concluded that otherwise valid Fifth Amendment takings claims arising prepetition cannot be discharged in Title III bankruptcy proceedings without payment of just compensation. A final determination on the remaining appeals is still pending.

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

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

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

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

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

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

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

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

- Various categories of Commonwealth bond claims (Classes 15-50): 73% recovery consisting of cash, New GO Bonds, and GO CVIs.
- Various categories of PBA bond claims (Classes 1-12, 14): 79% recovery in cash in addition to the New GO Bonds and GO CVIs that PBA bondholders receive on account of their guarantee claims against the Commonwealth.
- Various categories of clawback creditor claims (Classes 59-63): 23% recovery consisting of the Clawback CVIs.
- ERS bond claims (Class 65): 16% recovery consisting of cash and interests in the ERS Private Equity Portfolio (as defined in and established under the Commonwealth Plan of Adjustment).
- Various categories of general unsecured claims (Classes 13, 58, and 66): 21% recovery in cash.
- Other miscellaneous claims (Classes 52-57, 64, 67-69): 26% recovery in cash.

For general unsecured claims, the Commonwealth Plan of Adjustment provides for separate levels of creditor cash recoveries at each debtor, as applicable. All general unsecured claims against the Commonwealth, ERS, and PBA are discharged, except certain Eminent Domain/Inverse Condemnation Claims (as defined in the Commonwealth Plan of Adjustment) that are not discharged until they receive payment in full, subject to an appeal of the Title III Court's ruling on such claims. If that ruling is reversed, then the Eminent Domain/Inverse Condemnation Claims will be dischargeable and impaired. All other general unsecured creditors at the Commonwealth will receive up a pro rata share of the general unsecured creditor reserve fund (the GUC Reserve), plus amounts received by the Avoidance Actions Trust (as defined in and established under the Commonwealth Plan of Adjustment) up to 40% of the value of their claim. The GUC Reserve was funded with $200 million on the Effective Date and will be replenished with an additional aggregate total amount of $375 million funded in incremental amounts annually through December 31, 2025. Depending on the outcome of the appeal regarding Eminent Domain/Inverse Condemnation Claims, the GUC Reserve amount could be reduced by up to $30 million. ERS's general unsecured creditors will receive pro rata cash distributions from a fund established for ERS general unsecured creditors, which consists of $500,000 plus any net recoveries by the Avoidance Actions Trust allocable to ERS. PBA's general unsecured creditors will be entitled to a cash payment equal to 10% of their claim upon allowance.

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

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

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

The Authority's Title VI Qualifying Modification

On January 20, 2022, the United States District Court for the District of Puerto Rico entered an order approving the Title VI qualifying modification for the Bonds (the Qualifying Modification). The conditions precedent to the effective date for the Qualifying Modification include, among other things, that the Effective Date for the Commonwealth Plan of Adjustment occurs. On March 15, 2022, the Commonwealth Plan of Adjustment became effective together with the Qualifying Modification.

The Qualifying Modification resolves all claims related to the Bonds, including extensive litigation related thereto, in exchange for (i) a 4% allocation of the Clawback CVIs issued pursuant to the Commonwealth Plan of Adjustment (premised on outperformance of the SUT relative to the Oversight Board's projections contained in its May 27, 2020 certified fiscal plan for the Commonwealth), (ii) holders' pro rata share of $97 million of cash in deposit accounts held by the Tourism Company at FirstBank, and (iii) certain fees in connection with bondholder support for the restructuring. The PRCCDA-related portion of the CVIs is subject to a lifetime aggregate cap of approximately $217 million. The CVIs are general obligations of the Commonwealth issued pursuant to the Commonwealth Plan of Adjustment.

On the effective date of the Qualifying Modification, the Bonds were canceled and discharged, and Bond claimants released all remaining claims related to the Bonds.

* * * * *

Puerto Rico Convention Center District Authority
(A Component Unit of The Commonwealth of Puerto Rico)

Statement of Net Position (Deficit)
June 30, 2021

Assets

Current assets:	
Cash	$ 13,768,867
Accounts receivable — net	5,656,783
Due from Puerto Rico Tourism Company	1,628,521
Due from Commonwealth of Puerto Rico	433,505
Note receivable	210,452
Prepaid expenses	73,155
Other assets	271,227
Restricted assets:	
Cash	12,343,471
Investments	606,409
Total current assets	34,992,390
Noncurrent assets:	
Prepaid insurance	6,455,894
Accounts receivable — net	2,689,140
Note receivable	245,033
Investments in commercial entities	6,623,543
	16,013,610
Capital assets:	
Nondepreciable:	
Land	155,895,214
Land improvements	110,052,621
Construction in progress	3,655,922
Total nondepreciable assets	269,603,757
Depreciable:	
Buildings	473,984,368
Improvements — other than land	17,840,126
Furniture and fixtures	24,858,211
Equipment	87,793
Vehicles	109,007
Accumulated depreciation	(174,822,086)
Depreciable assets, net	342,057,419
Total noncurrent assets	627,674,786
Total assets	$ 662,667,176

(Continued)

Statement of Net Position (Deficit)
June 30, 2021

Liabilities and Net Position (Deficit)

Current liabilities:	
Accounts payable and accrued expenses	$ 13,911,591
Unearned revenues	6,765,671
Bonds payable	65,090,000
Interest payable on bonds	68,566,199
Payable from restricted assets:	
Customer deposits payable	12,343,471
Total current liabilities	166,676,932
Noncurrent liabilities:	
Unearned revenues	2,810,836
Accrued interest — line of credit	67,118,643
Borrowings under line of credit	138,416,144
Bonds payable — net	322,952,633
Note payable	300,000
Total noncurrent liabilities	531,598,256
Total liabilities	698,275,188
Net position:	
Net investment in capital assets	(50,482,443)
Restricted for construction	606,409
Unrestricted	14,268,022
Total net deficit	(35,608,012)
Total liabilities and net position	$ 662,667,176

(Concluded)

The accompanying notes are an integral part of this statement.

Puerto Rico Convention Center District Authority
(A Component Unit of The Commonwealth of Puerto Rico)

Statement of Revenues, Expenses and Changes in Net Position (Deficit)
Year Ended June 30, 2021

Operating revenues:	
Rental and event services	$ 4,273,429
Food and beverage	1,173,741
Advertising	(19,583)
Total operating revenues	5,427,587
Direct operating costs and expenses:	
Rental and event services	159,698
Food and beverage	635,940
Advertising	22,799
Total direct operating costs and expenses	818,437
Gross operating profit	4,609,150
Other operating expenses:	
Salaries and related benefits	985,902
Professional and contract services	4,334,171
Depreciation	10,288,375
Insurance	4,711,498
Utilities	6,080,366
Advertising	130,992
Repairs and maintenance	5,543,672
Other	848,852
Total other operating expenses	32,923,828
Operating loss	(28,314,678)
Non-operating revenues (expenses):	
Interest expense	(25,346,493)
Contributions from Puerto Rico Tourism Company	4,128,521
Contributions from Commonwealth of Puerto Rico	3,518,303
Hurricane recovery expenses	(120,273)
Equity in net loss of commercial entities	(1,274,360)
Note receivable written off	(1,278,571)
Interest income	6,133
Other income, net	1,113,657
Total non-operating expenses — net	(19,253,083)
Change in net position	(47,567,761)
Net position - Beginning of year	11,959,749
Net deficit - End of year	$ (35,608,012)

Puerto Rico Convention Center District Authority
(A Component Unit of The Commonwealth of Puerto Rico)

Statement of Cash Flows
Year Ended June 30, 2021

Cash flows from operating activities:	
Collections of operating revenues	$ 13,955,104
Payments to suppliers for operating expenses	(10,597,193)
Payments to employees	(985,902)
Net cash provided by operating activities	2,372,009
Cash flows from non-capital financing activities:	
Contributions from Puerto Rico Tourism Company	5,944,070
Contributions from Commonwealth of Puerto Rico	3,518,303
Net cash provided by non-capital financing activities	9,462,373
Cash flows from capital and related financing activities:	
Capital expenditures, net	(3,000,935)
Net cash used in capital and related financing activities	(3,000,935)
Cash flows from investing activities:	
Reinvestment earnings	97
Collection from notes receivable	62,618
Collection of interest income	6,133
Other income	1,070,585
Net cash provided by investing activities	1,139,433
Net increase in cash	9,972,880
Cash — Beginning of year	16,139,458
Cash — End of year	$ 26,112,338
Reconciliation to Statement of Net Position (Deficit):	
Cash — unrestricted	$ 13,768,867
Cash — restricted	12,343,471
Total cash — End of year	$ 26,112,338
Non-cash investing, capital and financing activities:	
Interest on line of credit	$ 9,855,644
Interest on bonds payable	15,490,849
Note receivable written off	1,278,571
Amortization of premium/discount on bonds	526,964
Equity loss in commercial entities	1,274,360
Transfers from nondepreciable assets	1,308,748
	$ 29,735,136

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
Year Ended June 30, 2021

Reconciliation of operating loss to net cash provided by Operating activities:	
Operating loss	$ (28,314,678)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	10,288,375
Amortization of prepaid insurance	437,626
Changes in operating assets and liabilities:	
Decrease (increase) in assets:	
Accounts receivable	5,124,966
Prepaid expenses and other assets	27,391
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	2,645,352
Customer deposits payable	8,760,426
Unearned revenues	3,402,551
Total adjustments	30,686,687
Net cash provided by operating activities	$ 2,372,009

(Concluded)

1. REPORTING ENTITY

The Authority is a component unit of 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 Bahía project to administer and supervise its operations. The Authority also manages the operation of "Antiguo 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 Bahía's operation and management, and outsourced events production to a third-party company. Bahía 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 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 Generally Accepted Accounting Principles for 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.

(b) 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 PRTC, 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. PRTC 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 Codification 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, 2021. The Authority's cash composition as of June 30, 2021 is disclosed in Note 3.

(f) 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*: Unobservable inputs.

(g) <u>Investments in Commercial Entities</u>

Investments in commercial entities are accounted for by the equity method. As stated in GASB Statement No. 14, *The Financial Reporting Entity*, 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 7. 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 (deficit) as investments in commercial entities.

(h) <u>Accounts Receivables</u>

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) <u>Capital Assets</u>

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 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 Future 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, 2021.

(j) Compensated Absences

The employees of the Authority are granted 15 days of vacation and 12 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.

(l) 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 Outflows of Resources, Deferred Inflows of Resources, 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 of 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 of Proprietary and Nonexpendable Trust 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 13 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, 2021:

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. 93, *Replacement of 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 Payment 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. 95, *Postponement of the effective dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.
The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018

- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases.

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued. The requirements of this Statement are effective immediately.

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 Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.* 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.

GASB Statement No. 98, *The Annual Comprehensive Financial Report* - This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur.

The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 99, *Omnibus 2022* - The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements of this Statement that are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

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

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

3. CASH AND INVESTMENTS

Cash and Deposits

As of June 30, 2021, the Authority has interest-bearing demand deposits as follows:

Financial Institution	Carrying Amount	Interest	Depository Bank Balance
Commercial banks	$ 25,992,588	0.87% - 1.00%	19,723,470

As of June 30, 2021, reconciliation to the statement of net position (deficit) is as follows:

Current assets — cash:	
Unrestricted, including cash on hand of $119,750	$ 13,768,867
Restricted:	
Customer Advance deposits	1,848,061
Advance ticket sales	10,495,410
Total restricted	12,343,471
Total current assets — cash	$ 26,112,338

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, 2021 are shown in the table below:

Description	Rating	Amount
Money market fund (Dreyfus Cash Management — Investor Shares)	A-1+	$ 606,409

Reconciliation to the statement of net position as of June 30, 2021, is as follows:

Restricted investments — current	$ 606,409
Restricted investments — noncurrent	-
	$ 606,409

Fair Value of Investments

At June 30, 2021, the Authority had the following recurring fair value measurements:

		Fair Value Measurements Using		
Investments by fair value level	June 30, 2021	Level 1	Level 2	Level 3
Debt securities - Money Market Mutual Funds	$ 606,409	$ 606,409	-	-

4. ACCOUNTS RECEIVABLE

As of June 30, 2021, the Authority has accounts receivable as follows:

	Current	Noncurrent
Trade receivables, net	$ 2,627,440	$ -
Deferred billing	3,024,053	2,689,140
Other	5,290	-
	$ 5,656,783	$ 2,689,140

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, 2021, are considered current receivables within the accompanying statement of net position and consist of:

Description	Total
Trade receivables	$ 4,825,811
Less: allowance for doubtful accounts	(2,198,371)
Trade receivables — net	$ 2,627,440

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 and event attendance. 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, 2021, 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	$ 2,962,051	$ 2,689,140	$ 5,651,191
Non-monetary consideration	62,002	-	62,002
	$ 3,024,053	$ 2,689,140	$ 5,713,193

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

Year Ending	Billable	Non-monetary Consideration	Total
2022	2,962,051	62,002	3,024,053
2023	1,164,973	-	1,164,973
2024	640,000	-	640,000
2025	640,000	-	640,000
2026	244,167	-	244,167
	$ 5,651,191	$ 62,002	$ 5,713,193

As of June 30, 2021, the unearned revenues were as follows:

	Current	Noncurrent	Total
Unearned revenues:			
Unearned billing related to long-term agreements	$ 3,027,188	$ 2,810,836	$ 5,838,024
Federal grants	2,979,527	-	2,979,527
Other	758,956	-	758,956
	$ 6,765,671	$ 2,810,836	$ 9,576,507

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

Year Ending	Total
2022	$ 6,765,672
2023	1,286,669
2024	640,000
2025	640,000
2026	244,166
	$ 9,576,507

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 PRTC. Act No. 272 also redefined the formula for distributing the hotel room taxes collected.

Based on the provisions of Act No. 272, the 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, 2021, the Authority's revenues related to the contribution from PRTC related to the collection of hotel room taxes amounted to $4,128,521. 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 amounts of contributions pending to be received from hotel room taxes collected by PRTC. As of June 30, 2021, due from PRTC amounted to $1.628.521.

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 2021, the Secretary withheld approximately $30.3 million in Occupancy Tax Revenues that historically would have been conditionally transferred to the Authority. As a result, prior to the enactment of the Commonwealth Plan of Adjustment and the Qualifying Modification, the Authority faced its own challenges to meet its future debt service obligations. The Authority had previously issued the Hotel Occupancy Tax Revenue Bonds, Series A pursuant to the Trust Agreement, as disclosed above and in Note 11. The proceeds from a hotel occupancy tax collected by the PRTC 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, 2021, the Authority did not have available funds to meet its future Bond payment obligations. Refer to the Subsequent Events in Note 15 for information regarding the Commonwealth Plan of Adjustment and the Qualifying Modification, which eliminated and discharged such Bonds.

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 Production Facility Settlement Agreement:

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.

On June 5, 2021, the Authority amended the settlement and transfer agreement to include amounts to be credited to CCHPR for development costs incurred by CCHPR related to the Parking Lease and Option to Purchase Agreement entered into by both parties on October 29, 2019 (Note 8). The final amount incurred by CCHPR for the development of "Parcel B1d" to be credited to the outstanding balance between CCHPR and the Authority was $1,278,571. CCHPR agreed to pay to the Authority thirty-one (31) consecutive monthly installments in the amount of $15,706 commencing on April 28, 2021 and a final payment of $15,706 to be made on November 20, 2023 to repay the outstanding balance of $502,592 at the amendment effective date. As of June 30, 2021, the outstanding principal of the non-interest bearing note receivable amounted to $455,485 of which $210,452 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	$ 3,146,173
DL Hotel Ventures, LLC	3,477,370
Equity in net assets	$ 6,623,543

DL, LLC	$ (803,827)
DL Hotel Ventures, LLC	(470,533)
Equity in losses	$ (1,274,360)

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 as of June 30, 2021, approximates its share of underlying equity in the net assets of DL. As of December 31, 2020, DL's assets and liabilities totaled $76,308,570 and $63,563,738, respectively (audited). DL had revenues or earnings/(losses) for the year ended December 31, 2020 in the amount of ($2,779,315).

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 as of June 30, 2021, approximates its share of underlying equity in the net assets of DLH. As of December 31, 2020, DLH's assets totaled $8,470,773 (audited). DLH had no liabilities (audited). DLH's had revenues or earnings/(losses) for the year ended December 31, 2020 in the amount of ($1,568,442).

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 Bahía 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 other amenities. 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, 2021, is as follows:

Description	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Capital assets not being depreciated:				
Land	$ 155,895,214	$ -	$ -	$ 155,895,214
Land improvements	110,052,621	-	-	110,052,621
Construction in progress	2,106,318	4,355,759	(2,806,155)	3,655,922
Total capital assets not being depreciated	268,054,153	4,355,759	(2,806,155)	269,603,757
Capital assets being depreciated:				
Buildings	473,963,993	20,375	-	473,984,368
Improvements — other than land	17,103,067	737,059	-	17,840,126
Furniture and fixture	24,202,577	676,950	(21,316)	24,858,211
Equipment	77,401	10,392	-	87,793
Vehicles	108,657	350	-	109,007
Total capital assets being depreciated	515,455,695	1,445,126	(21,316)	516,879,505
Less accumulated depreciation	(164,544,937)	(10,298,465)	21,316	(174,822,086)
Capital assets being depreciated — net	350,910,758	(8,853,339)	-	342,057,419
Capital assets — net	$ 618,964,911	$ (4,497,580)	$ (2,806,155)	$ 611,661,176

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 a business and fitness center, among others. The original term of the lease is for eighty-five years and the minimum rent is $100,000 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 $50,000, then after commencement of operations, the first year rent will be $50,000, during the second year $75,000, during the third year $100,000, during the fourth year $125,000, during the fifth year through the ninth year $150,000 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 year 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 $50,000, then after commencement of operations, the first year rent will be $50,000, during the second year $75,000, during the third year $100,000, during the fourth year $125,000, during the fifth year through the ninth year $150,000 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 annum 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 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 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 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 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 of land 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 as of June 30, 2021.

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

Year Ending June 30,	Amount
2022	$ 677,863
2023	677,863
2024	683,113
2025	618,197
2026	593,613
2027- 2031	3,138,442
2032- 2036	3,496,811
2037- 2041	3,908,935
2042- 2046	4,382,877
2047- 2051	4,927,912
2052- 2056	5,554,701
2057- 2061	6,275,508
2062- 2066	6,312,915
2067- 2071	1,130,420
2072- 2076	749,317
2077- 2081	749,317
2082- 2086	749,317
2087- 2091	749,317
	$ 45,376,438

Contingent income associated with the non-cancelable operating leases was approximately $736,730 for the year ended June 30, 2021. 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%. On November 29, 2018 GDB entered into a Transfer Agreement with GDB Debt Recovery Authority (DRA) in which GDB transferred its legal and equitable right, title and interest in and to, claims and causes of action related to various outstanding balances to be collected which included the Authority’s lines of credit. As of June 30, 2021, the accrued interest on the lines of credit amounted to $67,118,643 and has been included as such in the accompanying statement of net position.

The activity of the lines of credit for the year ended June 30, 2021, is as follows:

Description	Beginning Balance 2020	Additions/ Transfer Borrowings	Payments	Ending Balance 2021
Borrowings under lines of credit — Coliseum	$ 138,416,144	$ -	$ -	$ 138,416,144
	$ 138,416,144	$ -	$ -	$ 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 (particularly following the implementation of the Commonwealth Plan of Adjustment, where such budgetary appropriations were discharged) and availability of Commonwealth funds to repay loans to the DRA, the Authority may not be able to cover the debt service of their loans with the DRA. In fact, further debt service payments under these lines of credit have ceased since June 2015. See Note 15 for further information on the impact of the Commonwealth Plan of Adjustment on budgetary appropriations.

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 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 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 January 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. On January 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. On July 1, 2020, the approximately $22 million debt service payment ($13.6 million in principal and $8.3 million in interest) due on the series 2006A was not made. The debt service interest payment of approximately $8 million due on January 4, 2021 was not made. Subsequent principal and interest payments have not been made. As discussed in Note 15, following enactment of the Commonwealth Plan of Adjustment and the Qualifying Modification, these Bonds have been discharged and are no longer outstanding. Refer to Note 15 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 no 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, 2021, a total of $50,770,000 and $60,557,292 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, 2021 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 2037, with interest rates ranging from 4-1/2% to 5%	219,495,000
Total bonds outstanding	386,415,000
Add bonds premiums — net	1,627,633
Total bonds payable	$ 388,042,633

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

Year Ending	Principal	Interest
2022	$ 65,090,000	$ 68,566,199
2023	15,005,000	15,330,951
2024	15,720,000	14,618,213
2025	16,505,000	13,832,213
2026	17,330,000	13,006,963
2027-2031	100,405,000	51,275,719
2032-2036	127,335,000	24,351,131
2037	29,025,000	1,306,127
	$ 386,415,000	$ 202,287,512

The activity of bonds payable for the year ended June 30, 2021, is as follows:

Description	2020	Issuances	Payments/ Amortization	2021	Current Portion
Serial Bonds	$ 166,920,000	$ -	$ -	$ 166,920,000	$ 65,090,000
Term Bonds	219,495,000	-	-	219,495,000	-
Total bonds outstanding	386,415,000	-	-	386,415,000	65,090,000
Premium, net	2,154,597	-	(526,964)	1,627,633	-
Total bonds	$ 388,569,597	$ -	$ (526,964)	$ 388,042,633	$ 65,090,000

12. 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, 2021, amounted to $66,142 included within administrative expenses (salaries and related benefits line item) in the statement of revenues, expenses, and changes in net position.

13. 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, 2021, consulting and management services amounted to $553,895 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 pertaining 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, 2021. 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.

14. LIQUIDITY RISK, UNCERTAINTIES AND CORONAVIRUS

Liquidity Risk

As discussed in Note 5 and 11, prior to the enactment of the Commonwealth Plan of Adjustment and the Qualifying Modification, the Authority faced 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 Bonds. 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.

Notwithstanding the circumstances existing on June 30, 2021, based on subsequent events that remediated the Authority's financial condition and addressed its liabilities, including the Commonwealth Plan of Adjustment and the Qualifying Modification, the Authority's Bonds were canceled and discharged, and the Authority was released from all remaining claims related to the Bonds. However, as detailed in Note 10, the debt service related to the line of credit payable to the DRA depend on future appropriations which remain uncertain and as such the Authority may not be able to cover these debt service repayments.

Uncertainties

The discussion in the following paragraphs regarding uncertainties of the Authority due to the current situation of the Commonwealth, provides the 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, *Codification 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.

Notwithstanding the circumstances existing on June 30, 2021, based on subsequent events that remediated the Authority's financial condition and addressed its liabilities (including the Commonwealth Plan of Adjustment and the Qualifying Modification) management does not believe there is substantial doubt about the Authority's ability to continue as a going concern as of the date of these basic financial statements.

15. SUBSEQUENT EVENTS

Title III Plan of Adjustment

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

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

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

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

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

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

Between January 28, 2022 and February 17, 2022, six appeals of the Confirmation Order were filed in the First Circuit. By March 11, 2022, the First Circuit denied all parties' motions for a stay pending appeal, which allowed the Commonwealth Plan of Adjustment to become effective despite the appeals. On April 26, 2022, the First Circuit affirmed the Commonwealth Plan of Adjustment with respect to the appeal filed by the teachers' associations. See Case No. 22-1080. Oral argument on the merits of the remaining four appeals [Case Nos. 22-1079, 22-1092, 22-1119, 22-1120] was held on April 28, 2022. As of this date, the First Circuit has only issued an opinion in Case No. 22-1119 affirming the Title III Court's decision on the treatment of constitutional takings claims. The First Circuit concluded that otherwise valid Fifth Amendment takings claims arising prepetition cannot be discharged in Title III bankruptcy proceedings without payment of just compensation. A final determination on the remaining appeals is still pending.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For general unsecured claims, the Commonwealth Plan of Adjustment provides for separate levels of creditor cash recoveries at each debtor, as applicable. All general unsecured claims against the Commonwealth, ERS, and PBA are discharged, except certain Eminent Domain/Inverse Condemnation Claims (as defined in the Commonwealth Plan of Adjustment) that are not discharged until they receive payment in full, subject to an appeal of the Title III Court's ruling on such claims. If that ruling is reversed, then the Eminent Domain/Inverse Condemnation Claims will be dischargeable and impaired. All other general unsecured creditors at the Commonwealth will receive up a pro rata share of the general unsecured creditor reserve fund (the GUC Reserve), plus amounts received by the Avoidance Actions Trust (as defined in and established under the Commonwealth Plan of Adjustment) up to 40% of the value of their claim. The GUC Reserve was funded with $200 million on the Effective Date and will be replenished with an additional aggregate total amount of $375 million funded in incremental amounts annually through December 31, 2025. Depending on the outcome of the appeal regarding Eminent Domain/Inverse Condemnation Claims, the GUC Reserve amount could be reduced by up to $30 million. ERS's general unsecured creditors will receive pro rata cash distributions from a fund established for ERS general unsecured creditors, which consists of $500,000 plus any net recoveries by the Avoidance Actions Trust allocable to ERS. PBA's general unsecured creditors will be entitled to a cash payment equal to 10% of their claim upon allowance.

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

During the pendency of the PROMESA cases, a variety of legal issues were raised related to creditor claims.

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

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

The Authority's Qualifying Modification

On January 20, 2022, the United States District Court for the District of Puerto Rico entered an order approving the Qualifying Modification. The conditions precedent to the effective date for the Qualifying Modification include, among other things, that the Effective Date for the Commonwealth Plan of Adjustment occurs. On March 15, 2022, the Commonwealth Plan of Adjustment became effective together with the Qualifying Modification.

The Qualifying Modification resolves all claims related to the Bonds, including extensive litigation related thereto, in exchange for (i) a 4% allocation of the Clawback CVIs issued pursuant to the Commonwealth Plan of Adjustment (premised on outperformance of the SUT relative to the Oversight Board's projections contained in its May 27, 2020 certified fiscal plan for the Commonwealth), (ii) holders' pro rata share of $97 million of cash in deposit accounts held by the Tourism Company at FirstBank, and (iii) certain fees in connection with bondholder support for the restructuring. The PRCCDA-related portion of the CVIs is subject to a lifetime aggregate cap of approximately $217 million. The CVIs are general obligations of the Commonwealth issued pursuant to the Commonwealth Plan of Adjustment.

On the effective date of the Qualifying Modification, the Bonds were canceled and discharged, and Bond claimants released all remaining claims related to the Bonds.

Act No. 98 Expiration

On July 1, 2021, the five-year extension related to the hotel room tax contributions provided to the Authority by the PRTC awarded by Act No. 98 expired. On May 25, 2022, the Authority and PRTC entered into an agreement for the payment of fiscal year 2022 hotel room tax contributions in the amount of $4,923,000. Payments for subsequent fiscal years are being evaluated as part of both parties proposed budgets.

Parking Lease and Option to Purchase Agreement

On December 1, 2021, the Authority transferred the ownership of Parcel B1-D to CCHPR Hospitality, LLC as a result of CCHPR executing an option to purchase agreement agreed upon by both parties as part of the Parking Lease and Option to Purchase Agreement signed on October 29, 2019. The purchase price paid to the Authority amounted to $3,100,000.

Shuttered Venue Operators Grant Funds

On November 10, 2021, the Authority was awarded a Shuttered Venue Operators Grant (SVOG) by the U.S. Small Business Administration, amounting to $10,000,000. This grant provides emergency assistance to eligible performance arts businesses affected by COVID-19.

Coronavirus State Fiscal Recovery Fund Awards

On August 10, 2021, the Authority was awarded $3,600,000 from the Coronavirus State Fiscal Recovery Fund (CSFRF) to cover partnership costs related to the Dick Clark's New Year's Rockin' Eve event. On October 8, 2021, the Authority was awarded an additional $10,000,000 from the CSFRF for the purpose of covering advertising costs.

The Authority has evaluated subsequent events from the balance sheet date through October 13, 2022, 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
June 30, 2021

	Convention Center District Authority	Convention Center	Coliseum	Total
	Assets			
Current assets:				
Cash	$ 7,982,454	$ 1,571,108	$ 4,215,305	$ 13,768,867
Accounts receivable — net	1,219,700	1,360,393	3,076,690	5,656,783
Due from Puerto Rico Tourism Company	-	1,628,521	-	1,628,521
Due from Commonwealth of Puerto Rico	433,505	-	-	433,505
Note receivable	210,452	-	-	210,452
Prepaid expenses	18,710	54,445	-	73,155
Other assets	-	81,070	190,157	271,227
Restricted assets:				
Cash	-	1,241,109	11,102,362	12,343,471
Investments	-	606,409	-	606,409
Total current assets	9,864,821	6,543,055	18,584,514	34,992,390
Noncurrent assets:				
Prepaid insurance	-	6,455,894	-	6,455,894
Accounts receivable — net	-	37,500	2,651,640	2,689,140
Note receivable	245,033	-	-	245,033
Investments in commercial entities	6,623,543	-	-	6,623,543
Capital assets:				
Nondepreciable:				
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	1,935,259	1,013,732	706,931	3,655,922
Total nondepreciable assets	35,497,036	204,843,328	29,263,393	269,603,757
Depreciable:				
Building	32,346,262	243,758,582	197,879,524	473,984,368
Improvements — other than land	8,417,881	2,142,134	7,280,111	17,840,126
Furniture and fixtures	555,014	10,220,314	14,082,883	24,858,211
Equipment	87,793	-	-	87,793
Vehicles	45,260	48,000	15,747	109,007
Accumulated depreciation	(8,249,861)	(85,475,926)	(81,096,299)	(174,822,086)
Depreciable assets, net	33,202,349	170,693,104	138,161,966	342,057,419
Total noncurrent assets	75,567,961	382,029,826	170,076,999	627,674,786
Total assets	$ 85,432,782	$ 388,572,881	$ 188,661,513	$ 662,667,176

Puerto Rico Convention Center District Authority
(A Component Unit of The Commonwealth of Puerto Rico)

Schedule of Net Position Information
June 30, 2021

	Convention Center District Authority	Convention Center	Coliseum	Total
	Liabilities and Net Position			
Current liabilities:				
Accounts payable and accrued expenses	$ 6,620,914	$ 3,122,897	$ 4,167,780	$ 13,911,591
Unearned revenues	2,979,527	146,166	3,639,978	6,765,671
Bonds payable	-	65,090,000	-	65,090,000
Interest payable on bonds	-	68,566,199	-	68,566,199
Payable from restricted assets:				
Customer deposits payable	-	1,241,109	11,102,362	12,343,471
Total current liabilities	9,600,441	138,166,371	18,910,120	166,676,932
Noncurrent liabilities:				
Unearned revenues	-	64,167	2,746,669	2,810,836
Accrued interests — line of credit	-	-	67,118,643	67,118,643
Borrowings under line of credit	-	-	138,416,144	138,416,144
Bonds payable	-	322,952,633	-	322,952,633
Note Payable	300,000	-	-	300,000
Total noncurrent liabilities	300,000	323,016,800	208,281,456	531,598,256
Total liabilities	9,900,441	461,183,171	227,191,576	698,275,188
Net Position:				
Net investment in capital assets	68,699,385	(81,072,400)	(38,109,428)	(50,482,443)
Restricted for construction	-	606,409	-	606,409
Unrestricted	6,832,956	7,855,701	(420,635)	14,268,022
Total net position (deficit)	75,532,341	(72,610,290)	(38,530,063)	(35,608,012)
Total liabilities and net position	$ 85,432,782	$ 388,572,881	$ 188,661,513	$ 662,667,176

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
Year Ended June 30, 2021

	Convention Center District Authority	Convention Center	Coliseum	Total
Operating revenues:				
Rental and event services	$ 1,680,369	$ 2,405,098	$ 187,962	$ 4,273,429
Food and beverage	-	1,050,303	123,438	1,173,741
Advertising	-	(19,583)	-	(19,583)
Total operating revenues	1,680,369	3,435,818	311,400	5,427,587
Direct operating costs and expenses:				
Rental and event services	-	100,764	58,934	159,698
Food and beverage	-	583,409	52,531	635,940
Advertising	-	-	22,799	22,799
Total direct operating costs and expenses	-	684,173	134,264	818,437
Gross operating profit	1,680,369	2,751,645	177,136	4,609,150
Other operating expenses:				
Salaries and related benefits	985,902	-	-	985,902
Professional and contract services	500,494	2,123,085	1,710,592	4,334,171
Depreciation	861,297	5,079,334	4,347,744	10,288,375
Insurance	434,057	2,602,129	1,675,312	4,711,498
Utilities	1,171,110	2,731,213	2,178,043	6,080,366
Advertising	22,919	104,411	3,662	130,992
Repairs and maintenance	2,426,127	712,773	2,404,772	5,543,672
Other	48,812	735,145	64,895	848,852
Allocation of administrative expenses	-	-	-	-
Total other operating expenses	6,450,718	14,088,090	12,385,020	32,923,828
Operating loss	(4,770,349)	(11,336,445)	(12,207,884)	(28,314,678)
Non-operating revenues (expenses):				
Interest expense	-	(15,490,849)	(9,855,644)	(25,346,493)
Contributions from Puerto Rico Tourism Company	-	4,128,521	-	4,128,521
Contributions from Commonwealth of Puerto Rico	3,518,303	-	-	3,518,303
Hurricane recovery expenses	(120,273)	-	-	(120,273)
Equity in net loss of commercial entities	(1,274,360)	-	-	(1,274,360)
Note receivable written off	(1,278,571)	-	-	(1,278,571)
Interest income	6,133	-	-	6,133
Other expenses, net	(110,579)	949,236	275,000	1,113,657
Total non-operating revenues (expenses) — net	740,653	(10,413,092)	(9,580,644)	(19,253,083)
Income (loss) before transfers	(4,029,696)	(21,749,537)	(21,788,528)	(47,567,761)
Transfers in (out)	(246,867)	1,019,510	(772,643)	-
Change in net position	(4,276,563)	(20,730,027)	(22,561,171)	(47,567,761)
Net position— Beginning of year	79,808,904	(51,880,263)	(15,968,892)	11,959,749
Net position — End of year	$ 75,532,341	$ (72,610,290)	$ (38,530,063)	$ (35,608,012)

Puerto Rico Convention Center District Authority
(A Component Unit of The Commonwealth of Puerto Rico)

Schedule of Revenues, Expenses – Puerto Rico Convention Center
Year Ended June 30, 2021

Operating revenues:	
Food and beverage	$ 1,050,303
Rental and event services	2,405,098
Advertising	(19,583)
Total operating revenues	3,435,818
Direct operating costs and expenses:	
Food and beverage	583,409
Rental and event services	100,764
Total direct operating costs and expenses	684,173
Gross operating profit	2,751,645
Other operating expenses:	
Professional and contract services	2,123,085
Insurance	2,602,129
Utilities	2,731,213
Advertising	104,411
Repairs and maintenance	712,773
Other	735,145
Total other operating expenses	9,008,756
Operating loss	(6,257,111)
Other non-operating income:	
Other income, net	949,236
Total non-operating income	949,236
Loss	$ (5,307,875)

Reconciliation operating loss to loss before transfers

Loss	$ (5,307,875)
Adjustments to reconcile operating loss to loss before transfers:	
Depreciation	(5,079,334)
Interest expense	(15,490,849)
Contributions from Puerto Rico Tourism Company	4,128,521
Loss before transfers	$ (21,749,537)