



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, 2022

**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:

Opinion

We have audited the accompanying financial statements of the business-type activities of the **Puerto Rico Convention Center District Authority** (the Authority), a component unit of the Commonwealth of Puerto Rico (the Commonwealth), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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. 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. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

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

Other Supplementary Information

Our audit was conducted for the purpose of forming 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.

San Juan, Puerto Rico
October 11, 2023.



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

Management's Discussion and Analysis For The Year Ended June 30, 2022

Introduction

As management of the Puerto Rico Convention Center District Authority (the Authority), we offer readers of the Authority's basic financial statements our discussion and analysis (MD&A) of the Authority's financial performance during the fiscal year that ended on June 30, 2022. Our MD&A 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 Bahía's operation and management, and outsourced event production to a third-party company. Bahía is presented blended into the Authority's operations.

Financial Highlights

- The Authority's total assets increased by \$56 million in fiscal year 2022 or 8.45% as compared to the prior fiscal year.
- The Authority's total liabilities decreased by \$425.4 million in fiscal year 2022 or 60.93% as compared to the prior fiscal year.
- The Authority's total deferred inflows of resources increased by \$33.2 million in fiscal year 2022.
- The Authority's net position increased by \$448.3 million in fiscal year 2022.
- Operating revenues increased by \$27 million in fiscal year 2022.
- Direct operating costs and expenses increased by \$9.1 million in fiscal year 2022
- Other operating expenses increased by \$4.7 million in fiscal year 2022 or 14.42% as compared to the prior fiscal year.
- Non-operating revenues (expenses) - net increase by \$482.6 million in fiscal year 2022.
- Revenues received from the Commonwealth decreased by \$4.6 million in fiscal year 2022.

Overview of the Financial Statements

This 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.

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

Management's Discussion and Analysis **For The Year Ended June 30, 2022**

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, liabilities and deferred inflows with the difference between the assets less liabilities and deferred inflows 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.

**Puerto Rico Convention Center District Authority
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**Management's Discussion and Analysis
For The Year Ended June 30, 2022**

Financial Analysis of the Fiscal Year Ended June 30, 2022

The following summarizes the Authority's financial position as of June 30, 2022 and 2021 (in thousands):

Statements of Financial Position (in 000's)

	2022	2021	Variance
Assets:			
Current assets	\$ 77,635	\$ 34,992	\$ 42,643
Capital assets - net	598,391	611,661	(13,270)
Other noncurrent assets	42,644	16,014	26,630
Total assets	\$ 718,670	\$ 662,667	\$ 56,003
Liabilities:			
Current liabilities	\$ 55,398	\$ 166,677	\$ (111,279)
Noncurrent liabilities	217,433	531,598	(314,165)
Total liabilities	272,831	698,275	(425,444)
Deferred inflows of resources			
Relating to leases	33,166	-	33,166
Total deferred inflows of resources	33,166	-	33,166
Net position:			
Invested in capital assets	383,001	(50,482)	433,483
Restricted for debts service and construction	-	606	(606)
Restricted for rental and event services	129	-	129
Unrestricted	29,543	14,268	15,275
Total net position	412,673	(35,608)	448,281
Total liabilities, deferred inflows of resources and net position	\$ 718,670	\$ 662,667	\$ 56,003

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

Management's Discussion and Analysis **For The Year Ended June 30, 2022**

Analysis of Assets

The Authority has remained focused on its mission of promoting economic activities in Puerto Rico 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 2022 fiscal year, the Authority's total assets increased by \$56 million or 8.45% when compared to the previous fiscal year. The increase in this category can be attributed to the following:

- Net decrease in capital assets by \$13.2 million related to the increase in accumulated depreciation by \$10.2 million mainly related to the depreciation expense recognized during fiscal year 2022 and decrease in land of \$3.1 million due to a sale land asset which are partially offset by a net increase in construction in progress of \$100,000.
- Net cash (current asset) increase of \$43.1 million as the result of an increase of \$21.4 million due to the increase in events during fiscal year 2022 at the Coliseum of PR; an increase of \$1.3 million in events realized at Puerto Rico Convention Center; \$7.9 million received from ARPA federal funds for COVID expenses; \$10 million received from SVOG federal funds for venues expenses; increase of \$1.8 million in funds received from Puerto Rico Tourism Company and a net increase of \$700,000 related to funds received from the Coronavirus Relief Fund (CRF) after deferred revenues considerations.
- Decrease in accounts receivable (current asset) net by \$455,000 mainly related to a decrease in sponsorship and suite agreements and collections of accounts receivable during fiscal year 2022.
- Increase in the due from Commonwealth of Puerto Rico of \$420,000 related to the collection of funds assigned to offset the Authority's deficit during fiscal year 2021 not awarded on fiscal year 2022.
- Decrease in prepaid bond insurance and escrow account investments of \$6.5 million and \$600,000, respectively, related to Puerto Rico's debt modification agreement to write-off the Bonds Payable (see Note 11 to the financial statements).
- Increase in lease receivable of \$33.2 million as a result of the implementation of GASB 87 pronouncement for lease accounting.

Analysis of Liabilities

For the 2022 fiscal year, the Authority's total liabilities decreased by \$425.4 million or 60.93% when compared to the previous fiscal year. The decrease can be attributed to the net effect of following:

- Increase in accrued interest of line of credit by \$9.9 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 \$957,000 mainly related to pandemic delay payments.
- Increase in unearned revenues of \$6.7 million related to federal funds received not yet expensed in the amount of \$6.3 million and new sponsorship agreements and an increase in sponsorship billings in the amount of \$400,000 during fiscal year 2022.

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

Management's Discussion and Analysis For The Year Ended June 30, 2022

- Decrease in bonds payable by \$388 million related to Puerto Rico's debt modification agreement to write-off the Bonds Payable (see Note 11 to the financial statements).
- Decrease in accrued interest of bonds payable by \$68.6 million related to Puerto Rico's debt modification agreement to write-off the Bonds Payable pursuant to the Commonwealth Plan of Adjustment and the Authority's Qualifying Modification (see Note 11 to the financial statements).
- Increase in customer deposits by \$13.9 million mainly related to an increase in advance ticket sales during fiscal year 2022.

Long-Term Debt

The Authority's long-term debt consists of two lines of credit with the GDB Debt Recovery Authority, which amounted to approximately \$138.4 million as of June 30, 2022. The lines of credit were obtained for the construction of the Coliseum.

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

Analysis of Deferred inflows of resources

For the 2022 fiscal year, the Authority's total deferred inflows of resources increased by \$33.2 million when compared to the previous year. The increase can be attributed to the of following:

- Deferred inflows of resources increased by \$33.2 million as a result of the implementation of GASB 87 pronouncement for lease accounting.

Analysis of Net Position

For the 2022 fiscal year, the Authority's net position increased by \$448.3 million when compared to the previous year. The increase in this category can be attributed mainly to the following:

- Increase in net investment in capital assets by \$433.5 million directly related to the net effect of the following: (i) decrease in capital assets of \$13.2 million; (ii) decrease in bonds payable by \$388 million; (iii) decrease in interest on bonds payable by \$68.6 million, and (iv) increase in accrued interest of line of credit by \$9.9 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 assets will also continue to decrease.
- Increase in unrestricted net position by \$15.2 million.
- Decrease in restricted net position for debt service and construction by \$606,000 related to escrow account investments released as part of Puerto Rico's debt modification agreement to write-off the Bonds Payable.

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**Management’s Discussion and Analysis
For The Year Ended June 30, 2022**

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

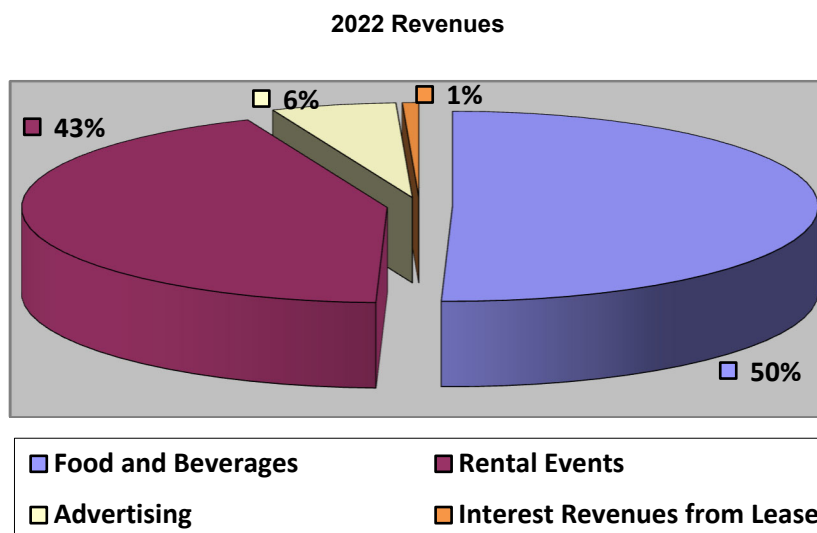
	<u>2022</u>	<u>2021</u>	<u>Variance</u>
Operating revenues	\$ 32,517	\$ 5,428	\$ 27,089
Direct operating costs and expenses	9,954	818	9,136
Other operating expenses	37,671	32,924	4,747
Nonoperating revenues (expenses) — net	<u>463,389</u>	<u>(19,253)</u>	<u>482,642</u>
Change in net position	448,281	(47,567)	495,848
Net position — beginning of year	<u>(35,608)</u>	<u>11,959</u>	<u>(47,567)</u>
Net position — end of year	<u>\$ 412,673</u>	<u>\$ (35,608)</u>	<u>\$ 448,281</u>

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 increase in the operating income of the Authority by \$27.1 million during the fiscal year ended June 30, 2022, is the combination of an increase in food and beverage income by \$12.9 million, increase in rental and event services income by \$12.1 million, an increase in Interest revenues from lease agreements by \$235,000 and increase in advertising income by \$1.8 million.

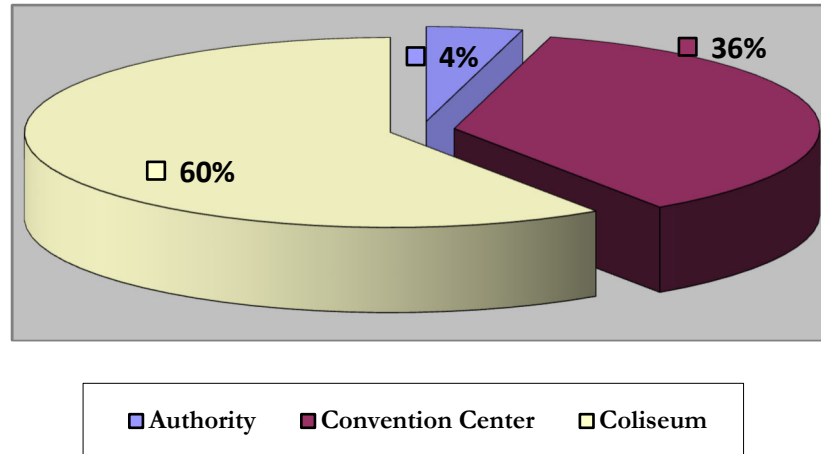
The following graph presents the sources of the revenues generated by the Authority during fiscal year 2022:



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**Management's Discussion and Analysis
For The Year Ended June 30, 2022**

2022 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 2022 as compared to the prior fiscal year. For the 2022 fiscal year, direct operating costs and expenses increased by \$9.1 million when compared to the previous year.

Analysis of Other Operating Expenses

Other operating expenses increased by \$4.7 million or 14.42% for fiscal year 2022 as compared to the previous fiscal year, due to increase in operations resulting in an increase in utilities by \$1.8 million; and an increase in professional services and repair and maintenance expenses by \$1.9 million and \$1 million, respectively, related to capital expenditures and common areas.

Analysis of Non-Operating Revenues (Expenses)

For the 2022 fiscal year, non-operating revenues had a net increase of \$482.6 million when compared to the previous year. The increase in this category can be attributed mainly to the following:

- Increase of \$107.4 million as result of contributions received from the Commonwealth during fiscal year 2022 resulting from payments made by the Commonwealth as part of its debt restructuring on behalf of the Authority.
- Decrease of \$5.6 million in interest expense due to bond payable being restructured.
- Increase of \$1.8 in contributions received from Puerto Rico Tourism Company.
- Increase in Bond principal and interest forgiveness by \$347.7 million due to the debt restructuring.
- Increase of \$1 million in contributions received from the Federal Emergency Management Agency (FEMA).
- Increase of \$10 million in contributions received from the Shuttered Venue Operator Fund (SVOG).

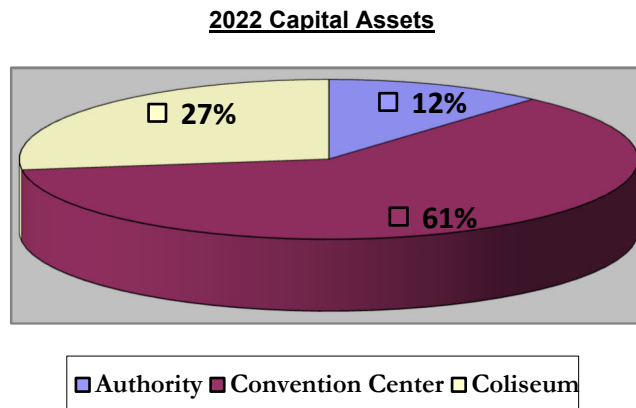
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**Management’s Discussion and Analysis
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- Increase of \$7.9 million in contributions received from American Rescue Plan Act Fund (ARP).
- Decrease of \$1.2 million as result of note receivable written off during fiscal year 2021, not occurring during fiscal year 2022.
- Decrease of \$1.2 million as result of an allowance expense related to investments in commercial entities during fiscal year 2021, no additional amount was reserved during fiscal year 2022.
- Increase of \$1.2 million in other expenses, net during fiscal year 2022.

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:



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

Management's Discussion and Analysis
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Schedule of Capital Assets (in 000'S)

Asset Classification	2022	2021	Variance
Capital assets not being depreciated:			
Land	\$ 152,795	\$ 155,895	\$ (3,100)
Land improvements	110,053	110,053	-
Construction in progress	3,726	3,656	70
	<u>266,574</u>	<u>269,604</u>	<u>(3,030)</u>
Total capital assets not being depreciated			
Capital assets being depreciated:			
Buildings	473,984	473,984	-
Improvements — other than land	17,836	17,840	(4)
Furniture and fixture	24,368	24,858	(490)
Equipment	72	88	(16)
Vehicles	77	109	(32)
	<u>516,337</u>	<u>516,879</u>	<u>(542)</u>
Total capital assets being depreciated			
Less accumulated depreciation and impairment	<u>(184,520)</u>	<u>(174,822)</u>	<u>(9,698)</u>
Capital assets being depreciated — net			
	<u>331,817</u>	<u>342,057</u>	<u>(10,240)</u>
Capital assets — net			
	<u>\$ 598,391</u>	<u>\$ 611,661</u>	<u>\$ (13,270)</u>

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

- Decrease of \$3.1 million in land due to the sale of Parcel B1-D.
- Decrease of \$490,000 in furniture and fixtures is due to capital expenditures additions during fiscal year 2022.
- Increase of \$70,000 in construction in progress as a result of transfers out in the amount of which is partially offset by additional construction in progress.

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

Contacting the Authority's Financial Management

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

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

Management's Discussion and Analysis For The Year Ended June 30, 2022

additional financial information, contact the Puerto Rico Convention Center District Authority at 100 Convention Boulevard, San Juan, PR 00907.

CURRENTLY KNOWN FACTS

Executive Order

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

Emergency Moratorium and Financial Rehabilitation Act

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

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 on March 15, 2022 (as described below) the automatic stay under Title III of PROMESA and the outcome of certain litigations 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

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Management's Discussion and Analysis For The Year Ended June 30, 2022

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 out-of-court for Puerto Rico (the Oversight Board), an in-court restructuring process under Title III of PROMESA, and an 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), the Puerto Rico Public Finance Corporation (PFC), the Puerto Rico Tourism Development Fund (TDF), 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 Commonwealth Plan of Adjustment [ECF No. 19812] (the Findings of Fact) and an order confirming the Commonwealth Plan of Adjustment [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, which have all been dismissed. On March 8, 2022, the First Circuit entered an order dismissing the appeal by the Judge's Association [Case No. 22-1098] following a motion to voluntarily dismiss. 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. The teachers' associations filed a petition for a writ of certiorari, which the U.S. Supreme Court denied on November 21, 2022. On July 18, 2022, the First Circuit affirmed the Title III Court's finding that the Commonwealth Plan of Adjustment could not discharge otherwise valid Fifth Amendment takings claims without payment of just compensation. See Case No. 22-1119. That decision was the subject of petition for a writ of certiorari, which the U.S. Supreme Court denied on February 21, 2023. On October 27, 2022, the First Circuit denied another retiree group's appeal of the Confirmation Order's preemption of Acts 80, 81, and 82 for lack of appellate

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jurisdiction. See Case No. 22-1120. On November 23, 2021, the First Circuit dismissed the credit unions' appeal as moot after dismissing their underlying adversary proceeding claims. See Case No. 22-1079. On August 22, 2023, the First Circuit dismissed the appeal of a milk producer's takings claim, finding that he only held a contract-based settlement claim that could be impaired in bankruptcy. See Case No. 22-1092.

On March 15, 2022 (the Commonwealth 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 Commonwealth 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-Commonwealth 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 revenue-base payments in the event that certain triggers are met. The Commonwealth Plan of Adjustment establishes 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

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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 were 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.

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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.ra.kroll.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 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 Authority's Bonds were canceled and discharged, and Bond claimants released all remaining claims related to the Bonds.

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Puerto Rico Convention Center District Authority
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Statement of Net Position
June 30, 2022

<u>Assets</u>	
Current assets:	
Cash	\$ 42,960,379
Accounts receivable — net	6,111,974
Due from Commonwealth of Puerto Rico	853,865
Lease receivable	575,716
Note receivable	188,472
Prepaid expenses	138,367
Other assets	546,217
Restricted assets:	
Cash	<u>26,259,075</u>
Total current assets	<u>77,634,065</u>
Noncurrent assets:	
Accounts receivable — net	3,351,834
Lease receivable	32,591,132
Note receivable	78,541
Investments in commercial entities	<u>6,623,543</u>
Capital assets:	
Nondepreciable:	
Land	152,795,214
Land improvements	110,052,621
Construction in progress	<u>3,726,462</u>
Total nondepreciable assets	<u>266,574,297</u>
Depreciable:	
Buildings	473,984,368
Improvements — other than land	17,835,635
Furniture and fixtures	24,368,043
Equipment	72,434
Vehicles	76,862
Accumulated depreciation	<u>(184,520,514)</u>
Depreciable assets, net	331,816,828
Total noncurrent assets	<u>641,036,175</u>
Total assets	<u>\$ 718,670,240</u>

(Continued)

Puerto Rico Convention Center District Authority
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Statement of Net Position
June 30, 2022

Liabilities, Deferred Inflows of Resources and Net Position

Current liabilities:	
Accounts payable and accrued expenses	\$ 14,868,581
Unearned revenues	14,270,510
Payable from restricted assets:	
Customer deposits payable	<u>26,259,075</u>
Total current liabilities	<u>55,398,166</u>
Noncurrent liabilities:	
Unearned revenues	2,042,094
Accrued interests — line of credit	76,974,287
Borrowings under line of credit	<u>138,416,144</u>
Total noncurrent liabilities	<u>217,432,525</u>
Total liabilities	<u>272,830,691</u>
Deferred inflows of resources:	
Relating to leases	<u>33,166,848</u>
Total deferred inflows of resources	<u>33,166,848</u>
Net position:	
Net investment in capital assets	383,000,694
Restricted for rental and event services	129,031
Unrestricted	<u>29,542,976</u>
Total net position	<u>412,672,701</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 718,670,240</u>

Puerto Rico Convention Center District Authority
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Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2022

Operating revenues:	
Rental and event services	\$ 16,418,559
Food and beverage	14,069,021
Advertising	1,794,727
Interest revenues from lease agreements	234,806
Total operating revenues	<u>32,517,113</u>
Direct operating costs and expenses:	
Rental and event services	3,590,946
Food and beverage	6,239,140
Advertising	124,055
Total direct operating costs and expenses	<u>9,954,141</u>
Gross operating profit	<u>22,562,972</u>
Other operating expenses:	
Salaries and related benefits	1,162,511
Professional and contract services	6,202,753
Depreciation	10,343,809
Insurance	4,665,088
Utilities	7,820,976
Advertising	577,799
Repairs and maintenance	6,575,128
Legal contingencies recovery	(1,112,511)
Provision for doubtful accounts	113,059
Other	1,322,328
Total other operating expenses	<u>37,670,940</u>
Operating loss	<u>(15,107,968)</u>
Non-operating revenues (expenses):	
Interest expense	(19,754,929)
Contributions from Puerto Rico Tourism Company	5,923,000
Contributions to Commonwealth of Puerto Rico	(1,129,588)
Contributions from Commonwealth of Puerto Rico	112,000,000
Hurricane expenses recovery	110,083
Contributions from Federal Government - FEMA	992,817
Contributions from Federal Government - ARPA	7,884,651
Contributions from Federal Government - SVOG	10,000,000
Bond principal and interest forgiveness	347,737,564
Interest income	3,431
Other expenses, net	(378,348)
Total non-operating revenues — net	<u>463,388,681</u>
Change in net position	448,280,713
Net deficit — Beginning of year	<u>(35,608,012)</u>
Net position — End of year	<u>\$ 412,672,701</u>

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Statement of Cash Flows
Year Ended June 30, 2022

Cash flows from operating activities:	
Collections of operating revenues	\$ 37,601,906
Payments to suppliers for operating expenses	(20,079,693)
Payments to employees	(1,162,511)
Net cash provided by operating activities	<u>16,359,702</u>
Cash flows from non-capital financing activities:	
Contributions from Puerto Rico Tourism Company	7,551,521
Contributions to Commonwealth of Puerto Rico	(1,129,588)
Contributions from federal government	18,877,468
Federal funds expenditures	(4,878,833)
Other income	4,610,568
Net cash provided by non-capital financing activities	<u>25,031,136</u>
Cash flows from capital and related financing activities:	
Capital expenditures, net	(1,575,625)
Proceeds from sale of land	3,100,000
Proceeds from redemption of investments	606,409
Title VI qualifying modification payment	(606,409)
Net cash provided by capital and related financing activities	<u>1,524,375</u>
Cash flows from investing activities:	
Collection from notes receivable	188,472
Collection of interest income	3,431
Net cash provided by investing activities	<u>191,903</u>
Net increase in cash	43,107,116
Cash — Beginning of year	<u>26,112,338</u>
Cash — End of year	<u>\$ 69,219,454</u>
Reconciliation to Statement of Net Position :	
Cash — unrestricted	\$ 42,960,379
Cash — restricted	<u>26,259,075</u>
Total cash — End of year	<u>\$ 69,219,454</u>
Non-cash investing, capital and financing activities	
Interest on line of credit	\$ 9,855,644
Interest on bonds payable	9,899,285
Amortization of premium/discount on bonds	321,350
Disposition of depreciable assets	645,383
Bond prepaid insurance	6,455,894
Contribution from Commonwealth of Puerto Rico	112,000,000
Bonds principal and interest forgiveness	<u>347,737,564</u>
	<u>\$ 486,915,120</u>

The accompanying notes are an integral part of this statement.

Puerto Rico Convention Center District Authority
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Statement of Cash Flows
Year Ended June 30, 2022

Reconciliation of operating loss to net cash provided by

Operating activities:

Operating loss \$ (15,107,968)

Adjustments to reconcile operating loss to net cash used in operating activities:

Depreciation 10,343,809

Provision for doubtful accounts 113,059

Amortization of prepaid insurance 291,751

Recovery from note payable forgiveness (300,000)

Reclassification of construction in progress 1,401,866

Changes in operating assets and liabilities:

Decrease (increase) in assets:

Accounts receivable (1,651,304)

Prepaid expenses and other assets (340,202)

Lease receivable (33,166,848)

Increase (decrease) in liabilities:

Accounts payable and accrued expenses 956,990

Deferred inflows - Leases 33,166,848

Customer deposits payable 13,915,604

Unearned revenues 6,736,097

Total adjustments 31,467,670

Net cash provided by operating activities \$ 16,359,702

(Concluded)

See notes to basic financial statements.

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

Notes to Basic Financial Statements June 30, 2022

1. REPORTING ENTITY

The Puerto Rico Convention Center District Authority (the Authority) is a component unit of the Commonwealth of Puerto Rico (the Commonwealth), as it complies with GASB 14, *The Financial Reporting Entity* and GASB 39, *Determining Whether Certain Organizations Are Components Units*, as amended by GASB 61. The Authority was created by Act No. 351 of September 2, 2000, as amended (Act 351), to be responsible, for improving, developing, managing and operating the property and improvements within the District's geographical area. The Authority has the ability to finance all of the improvements to be developed through the issuance of bonds and the imposition of assessments against the owners or lessees of land within the District who benefit from the Convention Center and other improvements. The Authority also promotes the development, construction, expansion and improvement of the Convention Center and the Coliseum, which was appropriated and transferred to the Authority under Act 351. On May 15, 2013, the Authority acquired the 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 Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA), and the Director of the Office of Management and Budget. From the private sector, the members are individuals with expertise in areas such as engineering, planning, real estate, law, corporate finance, artistic, cultural, sports, marketing, tourism, hospitality and/or convention center management. All board members shall be appointed by the Governor of Puerto Rico with the advice and consent of the Senate.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The basic financial statements provide information about the Authority's business-type activities in conformity with GAAP, as prescribed by the GASB. The Authority follows GASB pronouncements under the hierarchy established by GASB Statement No. 76, *The Hierarchy of 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.

**Puerto Rico Convention Center District Authority
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**Notes to Basic Financial Statements
June 30, 2022**

(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 Puerto Rico Tourism Company (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 the 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. During the year ended June 30, 2022 the Authority implemented GASB Statement No. 87, Leases (GASB 87). On the implementation date (July 1, 2021) Authority evaluated contracts that were previously accounted for as operating leases to determine whether they meet the definition of a lease as defined in GASB 87. The standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Authority determined that the contracts evaluated on July 1, 2021 met the definition of a lease per GASB 87. The beginning net position was not restated for the adoption of GASB 87.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Authority determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Authority uses the incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**Puerto Rico Convention Center District Authority
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**Notes to Basic Financial Statements
June 30, 2022**

(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, 2022. The Authority's cash composition as of June 30, 2022 is disclosed in Note 3.

(f) Investments in Commercial Entities

Investments in commercial entities are accounted for by the equity method. As stated in GASB Statement No. 14, *The Financial Reporting 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, unless there is evidence of the contrary. 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 carrying value of the investments is reported in the statement of net position as investments in commercial entities.

(g) Accounts Receivables

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

(h) Capital Assets

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

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

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

**Puerto Rico Convention Center District Authority
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**Notes to Basic Financial Statements
June 30, 2022**

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, 2022.

(i) Unearned revenue

Unearned revenues arise when resources are received by the Authority before it has a legal claim to them, as when federal grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenues are recognized.

(j) Compensated Absences

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

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(k) 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 reports deferred amounts related to leases.

(l) 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.

(m) 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.

(n) 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.

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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.

(o) 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.

(p) 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.

(q) 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.

(r) Future Adoption of Accounting Principles

The GASB has issued the following accounting pronouncements that have effective date after June 30, 2022:

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

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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. 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. 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. 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.

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- 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.

Management is evaluating the impact that these statements will have, if any, on the Authority's financial statements.

3. CASH AND INVESTMENTS

Cash and Deposits

As of June 30, 2022, the Authority has interest-bearing demand deposits as follows:

Financial Institution	Carrying Amount	Interest	Depository Bank Balance
Commercial banks	\$ 69,146,462	0.87% - 1.00%	70,324,126

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As of June 30, 2022, reconciliation to the statement of net position is as follows:

Current assets — cash:	
Unrestricted, including cash on hand of \$72,992	\$ 42,960,379
Restricted:	
Customer Advance deposits	2,451,594
Advance ticket sales	23,807,481
Total restricted	<u>26,259,075</u>
Total current assets — cash	<u>\$ 69,219,454</u>

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).

4. ACCOUNTS RECEIVABLE

As of June 30, 2022, the Authority has accounts receivable as follows:

	<u>Current</u>	<u>Noncurrent</u>
Trade receivables, net	\$ 3,069,064	\$ -
Deferred billing	3,042,910	3,351,834
	<u>\$ 6,111,974</u>	<u>\$ 3,351,834</u>

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, 2022, are considered current receivables within the accompanying statement of net position and consist of:

<u>Description</u>	<u>Total</u>
Trade receivables	\$ 4,040,334
Less: allowance for doubtful accounts	(971,270)
Trade receivables — net	<u>\$ 3,069,064</u>

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Deferred Billing and Unearned Revenues

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

As of June 30, 2022, 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:

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Deferred billing:			
Billable	\$ 3,032,992	\$ 3,351,834	\$ 6,384,826
Non-monetary consideration	9,918	-	9,918
	<u>\$ 3,042,910</u>	<u>\$ 3,351,834</u>	<u>\$ 6,394,744</u>

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

<u>Year Ending</u>	<u>Billable</u>	<u>Non-monetary Consideration</u>	<u>Total</u>
2023	3,032,992	9,918	3,042,910
2024	1,746,208	-	1,746,208
2025	1,042,292	-	1,042,292
2026	563,334	-	563,334
	<u>\$ 6,384,826</u>	<u>\$ 9,918</u>	<u>\$ 6,394,744</u>

As of June 30, 2022, the unearned revenues were as follows:

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Unearned revenues:			
Unearned billing related to long-term agreements	\$ 4,813,129	\$ 2,042,094	\$ 6,855,223
Federal grants	7,781,997	-	7,781,997
Other	1,675,384	-	1,675,384
	<u>\$ 14,270,510</u>	<u>\$ 2,042,094</u>	<u>\$ 16,312,604</u>

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

<u>Year Ending</u>	<u>Total</u>
2023	\$ 14,270,510
2024	1,322,533
2025	606,490
2026	113,071
	<u>\$ 16,312,604</u>

5. DUE FROM PUERTO RICO TOURISM COMPANY

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

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

- To provide the funding for the debt service related to Authority's bonds payable described in Note 11.
- To cover the operating deficit, if any, of the Convention Center up to \$2.5 million during the first 10 years of the Convention Center's operations. On July 1st, 2015, Act No. 98 was created to extend contributions for an additional five years, changing the frequency of payments to a quarterly basis, effective with fiscal year 2016, to cover operating costs of the Authority.
- To cover the operating deficit of the Convention Center, if any, in excess of \$2.5 million for a period of 10 years, PRTC will contribute five percent of collections of the hotel room taxes.
- 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. This contribution has been included as part of non-operating revenues in the accompanying statement of revenues, expenses, and changes in net position. Payments for subsequent fiscal years are being evaluated as part of both parties proposed budgets.

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).

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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, 2022, the outstanding principal of the non-interest bearing note receivable amounted to \$267,013 of which \$188,472 are considered current receivables and are included within the accompanying statement of net position.

7. INVESTMENTS IN COMMERCIAL ENTITIES

The Authority's carrying values of investments in commercial entities are as follows:

Investment in DL, LLC	\$	3,950,000
Investment in DL Hotel Ventures, LLC		<u>3,950,000</u>
Total investments in commercial entities	\$	7,900,000
Less: Allowance on commercial entities investments		<u>(1,276,457)</u>
Investment in commercial entities, net	\$	<u>6,623,543</u>

DL, LLC

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

The carrying value of the Authority's investment at June 30, 2022, approximates its share of underlying equity in the net assets of DL.

DL Hotel Ventures, LLC

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

The carrying value of the Authority's investment at June 30, 2022, approximates its share of underlying equity in the net assets of DLH.

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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 others. The development strategy is a combined effort from public and private investment, but ownership of the land will remain with the Authority.

Capital asset activity for the year ended June 30, 2022, is as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 155,895,214	\$ -	\$ (3,100,000)	\$ 152,795,214
Land improvements	110,052,621	-	-	110,052,621
Construction in progress	3,655,922	1,472,404	(1,401,864)	3,726,462
Total capital assets not being depreciated	269,603,757	1,472,404	(4,501,864)	266,574,297
Capital assets being depreciated:				
Buildings	473,984,368	-	-	473,984,368
Improvements — other than land	17,840,126	-	(4,491)	17,835,635
Furniture and fixture	24,858,211	107,712	(597,880)	24,368,043
Equipment	87,793	-	(15,359)	72,434
Vehicles	109,007	-	(32,145)	76,862
Total capital assets being depreciated	516,879,505	107,712	(649,875)	516,337,342
Less accumulated depreciation	(174,822,086)	(10,343,809)	645,381	(184,520,514)
Capital assets being depreciated — net	342,057,419	(10,236,097)	(4,494)	331,816,828
Capital assets — net	<u>\$ 611,661,176</u>	<u>\$ (8,763,693)</u>	<u>\$ (4,506,358)</u>	<u>\$ 598,391,125</u>

Lease Agreements

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

On October 22, 2012, the Authority, as a lessor, entered into another development ground lease agreement with District Hotel Co., LLC, as a lessee. This agreement involved the construction of a minimum of 126-room hotel under the Hyatt House brand at Parcel D of the Authority. The lease agreement has a fifty years term which shall expire on the fiftieth anniversary of the commencement of operations (October 2014) and could be extended for two terms of ten additional years. The lessee will pay rent during the first year prior to commencement of operations in the amount of \$50 thousands, then after commencement of operations, the first year rent will be

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\$50 thousands, during the second year \$75 thousands, during the third year \$100 thousands, during the fourth year \$125 thousands, during the fifth year through the ninth year \$150 thousands and from the tenth year and every five years thereafter the minimum rent shall increase 15% or the CPI over the five previous years, and the additional rent of two percent of gross receipts beginning with the commencement of operations.

Effective on January 24, 2014, but contingent to the commencement of operations, the Authority, as a lessor, entered into a development ground lease agreement with District Hotel Partners, LLC, as a lessee. This agreement involves the construction of a minimum of 137-room hotel under the Hyatt Place brand at Parcel D of the Authority. The lease agreement has a fifty years term, which shall expire on the fiftieth anniversary of the commencement of operations and could be extended for two terms of ten additional years. The lessee will pay rent during the first year prior to commencement of operations in the amount of \$50 thousands, then after commencement of operations, the first year rent will be \$50 thousands, during the second year \$75 thousands, during the third year \$100 thousands, during the fourth year \$125 thousands, during the fifth year through the ninth year \$150 thousands and from the tenth year and every five years thereafter the minimum rent shall increase 15% or the CPI over the previous five years, and the additional rent of two percent of gross receipts beginning with the commencement of operations.

On 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 (5th) anniversary of the day the parking facility opens for business (Commencement Date). As part of the agreement, CCHPR agrees to rent two hundred and twenty-two (222) parking spaces at a monthly cost of fifty dollars each (\$50), for an annual rent amount of \$133,200. Additionally, CCHPR was granted a purchase option in the amount of \$3.1M if CCHPR exercises the option within the first two (2) years of the lease term; if the option is exercised after the first two (2) years of the lease term the purchase price shall be determined by a formal appraisal at the date of the execution. On December 1, 2021, the Authority transferred the ownership of Parcel B1-D to CCHPR Hospitality, LLC as a result of CCHPR executing the option to purchase included in this agreement. The purchase price paid to the Authority amounted to \$3,100,000.

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

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

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On February 7, 2020, the Authority entered into a lease agreement with NEX GEN LLC, rehabilitation, installation and maintenance of a digital display. The lease agreement has a term of 35 months upon the commencement of operations ending on February 7, 2023. The lessee will pay a rent of \$2,000 per month. On January 15, 2021, this lease agreement was amended an monthly rent fees were increased to \$3,000 per month.

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

On April 6, 2021, the Authority entered into a lease agreement with PR Beer Garden LLC for the operation of its business. The lease agreement has a term of five (5) years and shall end after the fifth (5th) anniversary of the commencement of operations. Monthly lease payments for the first (1st) year shall amount to \$3,000 per month. Monthly lease payments for the first (2nd) year shall amount to \$3,500 per month. Monthly lease payments for the remaining three (3) years shall amount to \$4,000 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. LEASE RECEIVABLE

The Authority implemented GASB Statement No. 87, Leases (GASB 87), as of July 1, 2021. The Authority evaluated agreements that were formerly accounted for as operating leases to determine whether they meet the definition of a lease as defined in GASB 87. The agreements related to the lease of land and properties meet the definition of a lease and the Authority calculated and recognized a lease receivable and deferred inflow of resources of \$33,707,406 as of July 1, 2021. The beginning net position was not restated for the adoption of GASB 87. For the year ended June 30, 2022, the Authority recognized \$610,021 in lease revenues released from the Deferred Inflows from Resources which are included within rental and event services amount presented in the accompanying statement of revenues, expenses and changes in net position. Interest income related to these agreements amounted to \$234,806 as of June 30, 2022.

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Future minimum payments under non-cancelable leases are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 575,716	\$ 208,647	\$ 784,363
2024	540,264	203,850	744,114
2025	469,675	196,521	666,196
2026	418,456	211,159	629,615
2027	390,797	219,066	609,863
2028-2032	2,166,585	1,040,857	3,207,442
2033-2037	2,496,655	1,079,505	3,576,160
2038-2042	2,877,647	1,122,540	4,000,187
2043-2047	3,317,633	1,170,185	4,487,818
2048-2052	3,826,029	1,222,565	5,048,594
2053-2057	4,413,839	1,279,646	5,693,485
2058-2062	5,093,949	1,341,160	6,435,109
2063-2067	4,604,269	866,139	5,470,408
2068-2072	244,941	504,376	749,317
2073-2078	321,415	427,902	749,317
2078-2082	421,442	327,875	749,317
2083-2087	552,275	197,042	749,317
2088-2091	435,261	39,307	474,568
Total lease receivable	\$ 33,166,848	\$ 11,658,342	\$44,825,190
Less: current portion	(575,716)	(208,647)	(784,363)
Long-term lease receivable	<u>\$ 32,591,132</u>	<u>\$ 11,449,695</u>	<u>\$44,040,827</u>

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, 2022, the accrued interest on the lines of credit amounted to \$76,974,287 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, 2022, were as follows:

Description	Beginning Balance 2021	Additions/ Transfer Borrowings	Payments	Ending Balance 2022
Borrowings under lines of credit — Coliseum	\$ 138,416,144	\$ -	\$ -	\$ 138,416,144
	<u>\$ 138,416,144</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,416,144</u>

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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 DRA, the Authority may not be able to cover the debt service of their loans from DRA. In fact, further debt service payments under these lines of credit have ceased since June 2015.

11. BONDS

On March 15, 2006, the Authority, with approval from the Governmental Board, issued bonds amounting to \$468,800,000 to refinance any outstanding loans, or fund any construction project associated with the Convention Center. The revenue bonds are direct obligations of the Authority and are secured by a pledge of a specific percentage of the hotel room tax levied by PRTC to be received by the Authority until all bonds payments have been paid in full. These bonds were issued with a maturity of 20 years for serial bonds and 30 years for the term bonds, with different amounts of principal maturing each year. Certain bonds may be subject to optional redemption, with the first possible date of redemption being July 1, 2016. Interest on the bonds is payable semiannually on January 1 and July 1, and is calculated based on a 360-days year. On July 3, 2017, of the approximately \$21.1 million debt service (\$11.8 million in principal and \$9.3 million in interest) due on the Authority's Bond Series 2006A, only interest of \$8.7 million was paid, with the entire principal amount due of \$11.8 million remaining unpaid. On 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. 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 do not longer have enough funds to cover the debt service due and it is uncertain if the corresponding insurance policies will fully cover such amounts. Ambac and CIFG have been covering the full debt service requirements on the bonds series covered by their corresponding insurance policies. FGIC has been subject to a Rehabilitation Plan and has been paying their corresponding portions based on an established percentage of debt service that has ranged from 25% in fiscal year 2017 to 43.5% through October 4, 2020. After October 4, 2020, the debt service percentage coverage was 44.5%. Through June 30, 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.

On January 20, 2022, the U.S. District Court for the District of Puerto Rico entered an order approving the qualifying modification for the Authority's Bonds (the Qualifying Modification). The conditions precedent the effective date for the Qualifying Modification include, among other things, that the effective date for the Commonwealth Plan of Adjustment becomes effective.

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On March 15, 2022 (the Commonwealth 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. The Commonwealth Plan of Adjustment became effective together with the Qualifying Modification.

The Qualifying Modification resolves all claims related to the Authority's Bonds, including extensive litigation related thereto, in exchange for (i) a 4% allocation of the Clawback contingent value instruments (CVIs) issued pursuant to the Eighth Amended Plan (premised on outperformance of the sales and use tax (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 amounting to approximately \$15 million. The Authority-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 Commonwealth contributed \$112 million to the Authority's Bond claimants on behalf of the Authority and, as a result, the Authority was legally released from all claims related to the Authority's bonds outstanding. The Authority's bond principal and interest outstanding on the Bonds amounting to \$459,737,564 was thus discharged. The Authority reported the \$112 million paid by the Commonwealth as a contribution from Commonwealth and the remaining \$347.7 million as forgiveness on bond principal and interest and were presented as non-operating income within the accompanying statement of revenues, expenses and changes in net position for the year ended June 30, 2022.

Balances settled as part of the Qualifying Modification as of June 30, 2022:

<u>Description</u>	<u>Balance</u>
Bonds payable	\$ 386,415,000
Accrued interest on bonds payable	78,786,832
Bonds premiums - net	1,306,284
Bond prepaid insurance	(6,164,143)
Restricted investments	(606,409)
	<u>\$ 459,737,564</u>
Contributions from Commonwealth of Puerto Rico	<u>(112,000,000)</u>
Bond principal and interest forgiveness	<u>\$ 347,737,564</u>

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, 2022, amounted to \$76,570 included within administrative expenses (salaries and related benefits line item) in the statement of revenues, expenses, and changes in net position.

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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, 2022, consulting and management services amounted to \$450,805 included within administrative expenses (professional and contract services line item) in statement of revenues, expenses, and changes in net position.

Federal Program

The Authority participates in several federal financial programs. These programs are subject to audits in accordance with the provisions of the Office of Management and Budget (OMB) Uniform administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance") or to compliance audits by grantor agencies.

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 \$1,265,645 to cover for anticipated unfavorable judgments at June 30, 2022. 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, the Authority faces its own challenges to meet its future debt service obligations upon having its own sources of revenues being redirected to the Commonwealth General Obligations Bonds pursuant to the EO 2015-046 and its clawback provisions. As a result, these clawback revenues were not available to pay interest on the PRCC Construction Bonds due on July 1, 2016. The Authority paid such interest due on July 1, 2016 under the Trust Agreement from funds on deposit in the debt service reserve funds established under such Agreement. Since July 1, 2017, the Authority did not have available funds to meet its future bond payment obligations.

Notwithstanding the circumstances existing on June 30, 2022, 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.

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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.

15. SUBSEQUENT EVENTS

American Rescue Plan Act Funds

On December 15, 2022, the Authority was awarded \$3,350,000 from the American Rescue Plan Act ("ARP") to cover partnership costs related to the New Year's Celebration Production of the Authority as part of the "Promote Puerto Rico Program". On April 17, 2023, the Authority was awarded \$4,000,000 from ARP funds to aid in capital expenditures and maintenance of the Authority's property. On April 24, 2023, the Authority was awarded an additional \$425,000 from ARP funds for the purpose of covering sponsorship costs. On May 16, 2023, the Authority was awarded \$719,430 from ARP funds to aid in capital expenditures and maintenance of the Authority's property. On May 25, 2023, the Authority was awarded \$1,000,000 from ARP funds for the purpose of covering the Authority's sponsorship of the twentieth edition of "Premios Juventud".

Purchase and Sale Agreement

On March 8, 2023, the Authority transferred the ownership of Consolidated Parcel F (comprised of lots in Parcel G-1; Parcel G-2 and Parcel F) to Parcel F Hotel LLC as a result of the purchase and sale agreement signed by both parties. The purchase price paid to the Authority amounted to \$2,700,000.

Federal Emergency Management Agency Funds

During the period between April 28, 2023 through July 13, 2023, the Authority was reimbursed by the Federal Emergency Management Agency (FEMA) in the amount of \$3,743,863 related multiple project worksheets (PW) filed by the Authority during previous periods.

The Authority has evaluated subsequent events from the balance sheet date through September 7, 2023, 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
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Schedule of Net Position Information
June 30, 2022

	Convention Center District Authority	Convention Center	Coliseum	Total
Assets				
Current assets:				
Cash	\$ 27,144,336	\$ 2,355,677	\$ 13,460,366	\$ 42,960,379
Accounts receivable — net	1,406,097	1,009,861	3,696,016	6,111,974
Due from Commonwealth of Puerto Rico	853,865	-	-	853,865
Lease Receivable	575,716	-	-	575,716
Note receivable	188,472	-	-	188,472
Prepaid expenses	27,584	97,637	13,146	138,367
Other assets	-	253,256	292,961	546,217
Restricted assets:				
Cash	-	1,744,783	24,514,292	26,259,075
Total current assets	<u>30,196,070</u>	<u>5,461,214</u>	<u>41,976,781</u>	<u>77,634,065</u>
Noncurrent assets:				
Accounts receivable — net	-	265,000	3,086,834	3,351,834
Lease Receivable	32,591,132	-	-	32,591,132
Note receivable	78,541	-	-	78,541
Investments in commercial entities	<u>6,623,543</u>	<u>-</u>	<u>-</u>	<u>6,623,543</u>
Capital assets:				
Nondepreciable:				
Land	\$ 25,175,175	99,063,577	28,556,462	152,795,214
Land improvements	8,386,602	101,666,019	-	110,052,621
Construction in progress	<u>2,703,009</u>	<u>1,023,453</u>	<u>-</u>	<u>3,726,462</u>
Total nondepreciable assets	<u>36,264,786</u>	<u>201,753,049</u>	<u>28,556,462</u>	<u>266,574,297</u>
Depreciable:				
Building	32,346,262	243,758,582	197,879,524	473,984,368
Improvements — other than land	8,413,390	2,142,134	7,280,111	17,835,635
Furniture and fixtures	544,871	10,220,314	13,602,858	24,368,043
Equipment	72,434	-	-	72,434
Vehicles	13,115	48,000	15,747	76,862
Accumulated depreciation	<u>(9,051,233)</u>	<u>(90,604,340)</u>	<u>(84,864,941)</u>	<u>(184,520,514)</u>
Depreciable assets, net	<u>32,338,839</u>	<u>165,564,690</u>	<u>133,913,299</u>	<u>331,816,828</u>
Total noncurrent assets	<u>107,896,841</u>	<u>367,582,739</u>	<u>165,556,595</u>	<u>641,036,175</u>
Total assets	<u>\$ 138,092,911</u>	<u>373,043,953</u>	<u>207,533,376</u>	<u>718,670,240</u>

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Schedule of Net Position Information
June 30, 2022

	Convention Center District Authority	Convention Center	Coliseum	Total
Liabilities, Deferred Inflows of Resources and Net Position				
Current liabilities:				
Accounts payable and accrued expenses	\$ 4,564,721	\$ 6,197,467	\$ 4,106,393	\$ 14,868,581
Unearned revenues	7,781,997	226,667	6,261,846	14,270,510
Payable from restricted assets:				
Customer deposits payable	-	1,873,814	24,385,261	26,259,075
Total current liabilities	<u>12,346,718</u>	<u>8,297,948</u>	<u>34,753,500</u>	<u>55,398,166</u>
Noncurrent liabilities:				
Unearned revenues		75,833	1,966,261	2,042,094
Accrued interests — line of credit	-	-	76,974,287	76,974,287
Borrowings under line of credit	-	-	138,416,144	138,416,144
Total noncurrent liabilities	<u>-</u>	<u>75,833</u>	<u>217,356,692</u>	<u>217,432,525</u>
Total liabilities	<u>12,346,718</u>	<u>8,373,781</u>	<u>252,110,192</u>	<u>272,830,691</u>
Deferred inflows of resources				
Relating to leases	33,166,848	-	-	33,166,848
Total deferred inflows of resources	<u>33,166,848</u>	<u>-</u>	<u>-</u>	<u>33,166,848</u>
Net Position:				
Net investment in capital assets	68,603,625	367,317,739	(52,920,670)	383,000,694
Restricted for rental and event services	-	-	129,031	129,031
Unrestricted	23,975,720	(2,647,567)	8,214,823	29,542,976
Total net position	<u>92,579,345</u>	<u>364,670,172</u>	<u>(44,576,816)</u>	<u>412,672,701</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 138,092,911</u>	<u>\$ 373,043,953</u>	<u>\$ 207,533,376</u>	<u>\$ 718,670,240</u>

Puerto Rico Convention Center District Authority
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Schedule of Revenues, Expenses, and Changes in Net Position Information
Year Ended June 30, 2022

	<u>Convention Center District Authority</u>	<u>Convention Center</u>	<u>Coliseum</u>	<u>Total</u>
Operating revenues:				
Rental and event services	\$ 1,145,572	\$ 5,348,145	\$ 9,924,842	\$ 16,418,559
Food and beverage	-	6,116,126	7,952,895	14,069,021
Advertising	-	331,167	1,463,560	1,794,727
Interest revenues from lease agreements	234,806	-	-	234,806
Total operating revenues	<u>1,380,378</u>	<u>11,795,438</u>	<u>19,341,297</u>	<u>32,517,113</u>
Direct operating costs and expenses:				
Rental and event services	-	672,094	2,918,852	3,590,946
Food and beverage	-	3,651,194	2,587,946	6,239,140
Advertising	-	-	124,055	124,055
Total direct operating costs and expenses	<u>-</u>	<u>4,323,288</u>	<u>5,630,853</u>	<u>9,954,141</u>
Gross operating profit	<u>1,380,378</u>	<u>7,472,150</u>	<u>13,710,444</u>	<u>22,562,972</u>
Other operating expenses:				
Salaries and related benefits	1,162,511	-	-	1,162,511
Professional and contract services	619,952	3,515,855	2,066,946	6,202,753
Depreciation	868,735	5,128,412	4,346,662	10,343,809
Insurance	437,857	2,579,794	1,647,437	4,665,088
Utilities	1,006,134	3,452,139	3,362,703	7,820,976
Advertising	2,847	498,534	76,418	577,799
Repairs and maintenance	3,009,155	1,663,387	1,902,586	6,575,128
Legal contingencies recovery	(1,112,511)	-	-	(1,112,511)
Provision for doubtful accounts	-	-	113,059	113,059
Other	54,534	744,386	523,408	1,322,328
Allocation of administrative expenses	(3,938,501)	-	3,938,501	-
Total other operating expenses	<u>2,110,713</u>	<u>17,582,507</u>	<u>17,977,720</u>	<u>37,670,940</u>
Operating loss	<u>(730,335)</u>	<u>(10,110,357)</u>	<u>(4,267,276)</u>	<u>(15,107,968)</u>
Non-operating revenues (expenses):				
Interest expense	-	(9,899,285)	(9,855,644)	(19,754,929)
Contributions from Puerto Rico Tourism Company	-	5,923,000	-	5,923,000
Contributions to Commonwealth of Puerto Rico	(1,129,588)	-	-	(1,129,588)
Contributions from Commonwealth of Puerto Rico	-	112,000,000	-	112,000,000
Hurricane expenses recovery	110,083	-	-	110,083
Contributions from Federal Government - FEMA	992,817	-	-	992,817
Contributions from Federal Government - ARPA	7,884,651	-	-	7,884,651
Contributions from Federal Government - SVOG	10,000,000	-	-	10,000,000
Bond principal and interest forgiveness	-	347,737,564	-	347,737,564
Interest income	2,902	-	529	3,431
Other expenses, net	(433,453)	30,105	25,000	(378,348)
Total non-operating revenues (expenses) — net	<u>17,427,412</u>	<u>455,791,384</u>	<u>(9,830,115)</u>	<u>463,388,681</u>
Income (loss) before transfers	16,697,077	445,681,027	(14,097,391)	448,280,713
Transfers in (out)	<u>349,927</u>	<u>(8,400,565)</u>	<u>8,050,638</u>	<u>-</u>
Change in net position	17,047,004	437,280,462	(6,046,753)	448,280,713
Net position — Beginning of year	<u>75,532,341</u>	<u>(72,610,290)</u>	<u>(38,530,063)</u>	<u>(35,608,012)</u>
Net position — End of year	<u>\$ 92,579,345</u>	<u>\$ 364,670,172</u>	<u>\$ (44,576,816)</u>	<u>\$ 412,672,701</u>

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Schedule of Revenues, Expenses – Puerto Rico Convention Center
Year Ended June 30, 2022

Operating revenues:	
Food and beverage	5,348,145
Rental and event services	6,116,126
Advertising	331,167
Total operating revenues	<u>11,795,438</u>
Direct operating costs and expenses:	
Food and beverage	672,094
Rental and event services	3,651,194
Total direct operating costs and expenses	<u>4,323,288</u>
Gross operating profit	<u>7,472,150</u>
Other operating expenses:	
Professional and contract services	3,515,855
Insurance	2,579,794
Utilities	3,452,139
Advertising	498,534
Repairs and maintenance	1,663,387
Other	744,386
Total other operating expenses	<u>12,454,095</u>
Operating loss	<u>(4,981,945)</u>
Other non-operating income	
Other income, net	30,105
Total non-operating income	<u>30,105</u>
Loss	<u>\$ (4,951,840)</u>
Reconciliation operating loss to income before transfers	
Loss	\$ (4,951,840)
Adjustments to reconcile operating loss to income before transfers	
Depreciation	(5,128,412)
Interest expense	(9,899,285)
Contributions from Puerto Rico Tourism Company	5,923,000
Contributions from Commonwealth of Puerto Rico	112,000,000
Bond forgiveness proceeds	347,737,564
Income before transfers	<u>\$ 445,681,027</u>