



DISTRICT

PUERTO RICO

Basic Financial Statements and Supplemental
Schedules

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

June 30, 2024

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RSM Puerto Rico

PO Box 10528

San Juan, PR 00922-0528

T 787-751-6164

F 787-759-7479

www.rsm.pr

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of the business-type activities of the Puerto Rico Convention Center District Authority, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Puerto Rico Convention Center District Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Puerto Rico Convention Center District Authority, as of June 30, 2024, and the changes in 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Puerto Rico Convention Center District 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 opinions.

Emphasis of Matter

As discussed in Note 3 to the accompanying basic financial statements, the Puerto Rico Convention Center District Authority has restated its net position as of June 30, 2023, to correct an error. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditors' 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 GAAS 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 GAAS, 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 Puerto Rico Convention Center District Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Puerto Rico Convention Center District Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Puerto Rico Convention Center District Authority's basic financial statements. The supplemental schedule of net position by venue, the supplemental schedule of revenues, expenses and changes in net position information by venue, and the supplemental schedule of revenue and expenses—Puerto Rico Convention Center (collectively referred as Supplemental Schedules) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

San Juan, Puerto Rico
September 5, 2025.



DOP91-893

Puerto Rico Convention Center District
Authority

RSM Puerto Rico

Management's Discussion and Analysis (Unaudited)
For The Year Ended June 30, 2024

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 ended on June 30, 2024. 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 decreased by approximately \$4 million in fiscal year 2024 or 0.64% as compared to the prior fiscal year.
- The Authority's total liabilities increased by approximately \$17 million in fiscal year 2024 or 6.37% as compared to the prior fiscal year.
- The Authority's total deferred inflows of resources decreased by approximately \$3 million in fiscal year 2024 or 16.53% as compared to the prior fiscal year.
- The Authority's net position decreased by approximately \$18 million in fiscal year 2024 or 4.57% when compared to the prior fiscal year.
- Operating revenues decreased by approximately \$94 thousand in fiscal year 2024 or 0.18% when compared to the prior fiscal year.
- Operating expenses increased by approximately \$4 million in the fiscal year 2024, which represents an increase of 6% when compared with the prior fiscal year.
- Non-operating revenues - net decreased by approximately \$1.4 million in fiscal year 2024, which represents an decrease of 12.59% when compared with the prior fiscal year.

Management's Discussion and Analysis (Unaudited)
For The Year Ended June 30, 2024

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.

Required Financial Statements for Business-Type Activities

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

Statement of Net Position – The statement of net position presents information on all the Authority's assets, liabilities, and deferred inflows of resources with the difference between the assets less liabilities and deferred inflows of resources 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 rates 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 revenues and non-operating revenues.

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.

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



Management's Discussion and Analysis (Unaudited)
For The Year Ended June 30, 2024

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

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

Financial Analysis of the Fiscal Year Ended June 30, 2024

The following summarizes the Authority's financial position as of June 30, 2024 and 2023:

Statements of Net Position

	2024	2023	Variance	%
Assets				
Current assets	\$ 80,982,256	\$ 69,726,562	\$ 11,255,694	16.14 %
Capital assets – net	575,306,189	588,479,698	(13,173,509)	(2.24)%
Other non-capital assets	25,598,458	28,063,218	(2,464,760)	(8.78)%
Total assets	<u>\$ 681,886,903</u>	<u>\$ 686,269,478</u>	<u>\$ (4,382,575)</u>	<u>(0.64)%</u>
Liabilities				
Current liabilities	\$ 43,650,798	\$ 39,459,026	\$ 4,191,772	10.62 %
Non-current liabilities	241,277,883	228,409,717	12,868,166	5.63 %
Total liabilities	<u>284,928,681</u>	<u>267,868,743</u>	<u>17,059,938</u>	<u>6.37 %</u>
Deferred inflows of resources	16,098,569	19,286,931	(3,188,362)	(16.53)%
Net position	<u>380,859,653</u>	<u>399,113,804</u>	<u>(18,254,151)</u>	<u>(4.57)%</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 681,886,903</u>	<u>\$ 686,269,478</u>	<u>\$ (4,382,575)</u>	<u>(0.64)%</u>

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Management's Discussion and Analysis (Unaudited)
For The Year Ended June 30, 2024

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 2024 fiscal year, the Authority's total assets decreased by approximately \$4 million or 0.64% when compared to the previous fiscal year. The decrease in this category is attributed to the following:

- Net decrease in capital assets by approximately \$13 million mainly related to the increase in accumulated depreciation by \$8.6 million mainly related to the depreciation expense recognized during fiscal year 2024, an increase in construction in progress of approximately \$4 million, a retirement of furniture and fixtures, and equipment of approximately \$2.6 million, a retirement of land of \$7 million, and increase in improvements-other than land of approximately \$900 thousand.
- Net increase in cash of approximately \$14 million is the result of decrease in cash used in operations of approximately \$6 million and cash received from Puerto Rico Tourism Company of approximately \$5 million, contributions from the Commonwealth of Puerto Rico of approximately \$4.5 million and contributions from federal grants from Coronavirus Relief Fund and Disaster Relief of approximately \$11 million.
- Increase in accounts receivable, net by approximately \$3 million, mainly related to an increase in sponsorship and suite agreements.
- Decrease in due from Commonwealth of Puerto Rico of approximately \$648 thousand related to the collection of funds assigned to offset the Authority's deficit during fiscal year 2024.

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Management's Discussion and Analysis (Unaudited)
For The Year Ended June 30, 2024

Analysis of Liabilities

For the 2024 fiscal year, the Authority's total liabilities increased by approximately \$17 million or 6.37% when compared to the previous fiscal year. The increase is attributed to the net effect of following:

- Increase in accrued interest of line of credit by approximately \$10 million related to interests accrued and not paid on the lines of credit with the Government Development Bank of Puerto Rico Debt Recovery Authority (DRA).
- Net increase in accounts payable and accrued expenses of approximately \$2.6 million mainly related to delay payments in prior years.
- Decrease in unearned revenues of approximately \$800 thousand related to federal funds received not yet expensed in the amount of approximately \$3.1 million and an increase in sponsorship agreements and billings of \$2.3 million during fiscal year 2024.
- Increase in customer deposits by approximately \$5.5 million mainly related to an increase in advance ticket sales during fiscal year 2024.

Analysis of Non-Current Liability

The Authority's non-current liabilities consist of two lines of credit with the DRA, which amounted to approximately \$138 million as of June 30, 2024. The lines of credit were obtained for the construction of the Coliseum.

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

Analysis of Deferred Inflows of Resources

For the 2024 fiscal year, the Authority's total deferred inflows of resources decreased by approximately \$3.2 million when compared to the previous year. The net decrease is attributed to the following:

- Current year amortization of deferred inflows of resources related to GASB Statement No. 87 (GASB 87) "Leases" by approximately \$1.8 million.
- Lease remeasurement adjustment by approximately \$2 million.
- New leases under GASB 87 of approximately \$600 thousand.

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Management's Discussion and Analysis (Unaudited)
For The Year Ended June 30, 2024

Analysis of Net Position

For the 2024 fiscal year, the Authority's net position decreased by approximately \$18 million when compared to the previous year. The decrease is attributed mainly to the following:

- Decrease in net investment in capital assets by approximately \$13 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 deficit by approximately \$5.8 million.
- Increase in restricted net position of \$675 thousand related to the Tax Increment Financing program.
- As of June 30, 2024, the Authority's beginning net position was restated to correct an error identified during the year related to the accounting for its investment in commercial entities.

Statements of Revenues, Expenses and Changes in Net Position

Analysis of Operating Revenues

	2024	2023	Variance
Operating revenues	\$ 51,245,731	\$ 51,339,758	\$ (94,027) (0.18)%
Operating expenses	(78,987,012)	(74,516,319)	(4,470,693) (6.00)%
Non-operating revenues — net	<u>9,487,130</u>	<u>10,853,024</u>	<u>(1,365,894)</u> (12.59)%
Change in net position	(18,254,151)	(12,323,537)	(5,930,614) 48.12 %
Net position — beginning of year, as restated	<u>399,113,804</u>	<u>411,437,341</u>	<u>(12,323,537)</u> (3.00)%
Net position — end of year	<u>\$ 380,859,653</u>	<u>\$ 399,113,804</u>	<u>\$ (18,254,151)</u> (4.57)%

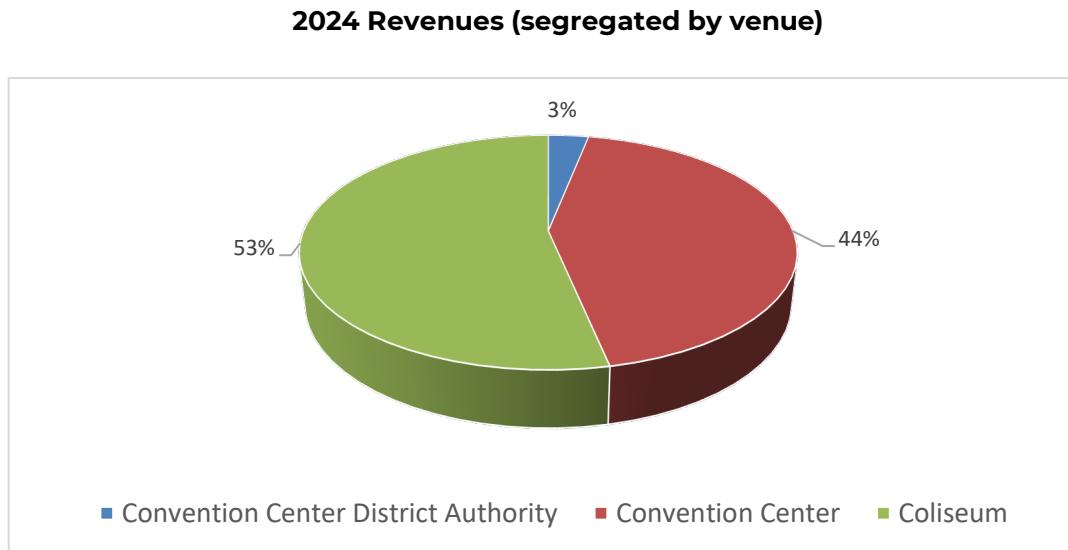
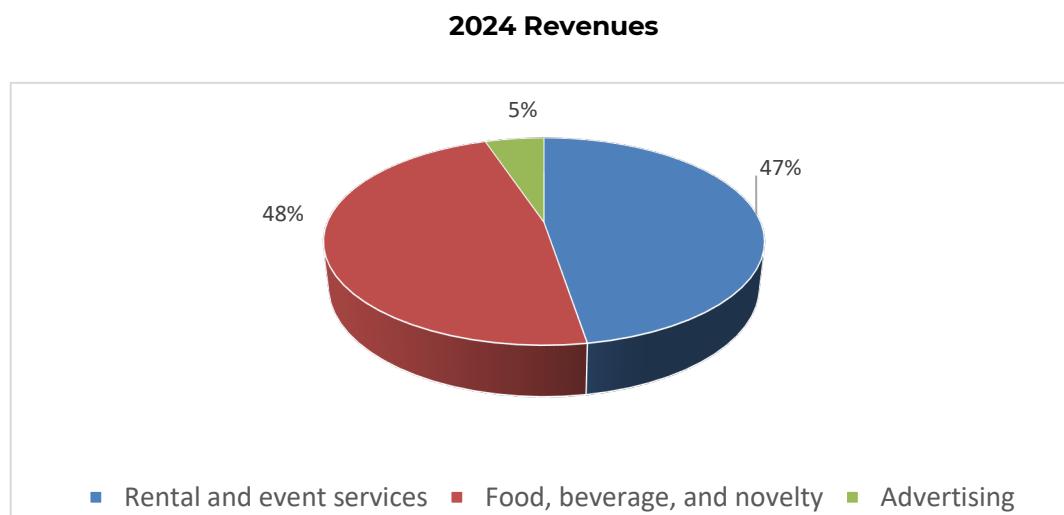
Operating revenues are earned from rental of facilities and related support services, sale of food and beverages, suites and club seat rentals, sponsorships, and ticket incentive rebates, among others.

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Management's Discussion and Analysis (Unaudited)
For The Year Ended June 30, 2024

The decrease in the operating revenues of the Authority by approximately \$94 thousand during the fiscal year ended June 30, 2024, is the combination of an increase in food and beverage income by approximately \$18 thousand, decrease in rental and event services income by approximately \$89 thousand, and a decrease advertising income by approximately \$24 thousand.

The following graph presents the sources of the revenues generated by the Authority during fiscal year 2024:



Analysis of Operating Expenses

Operating expenses increased by approximately \$4 million or 6% for fiscal year 2024 as compared to the previous fiscal year, mainly due to the following: rental and event services decrease by approximately \$805 thousand; food, beverage, and novelty increased by approximately \$800 thousands; utilities decrease by approximately \$1.4 million; professional services increase by approximately \$1.4 million; repair and maintenance expenses decrease of approximately \$300 thousands; related to capital expenditures and common areas; an increase in advertising of approximately \$1.4 million; an increase in insurance expense of approximately \$2 million; an increase in other expenses of \$1 million; and an decrease in depreciation and amortization of approximately \$200 thousand.

Analysis of Net Non-Operating Revenues (Expenses)

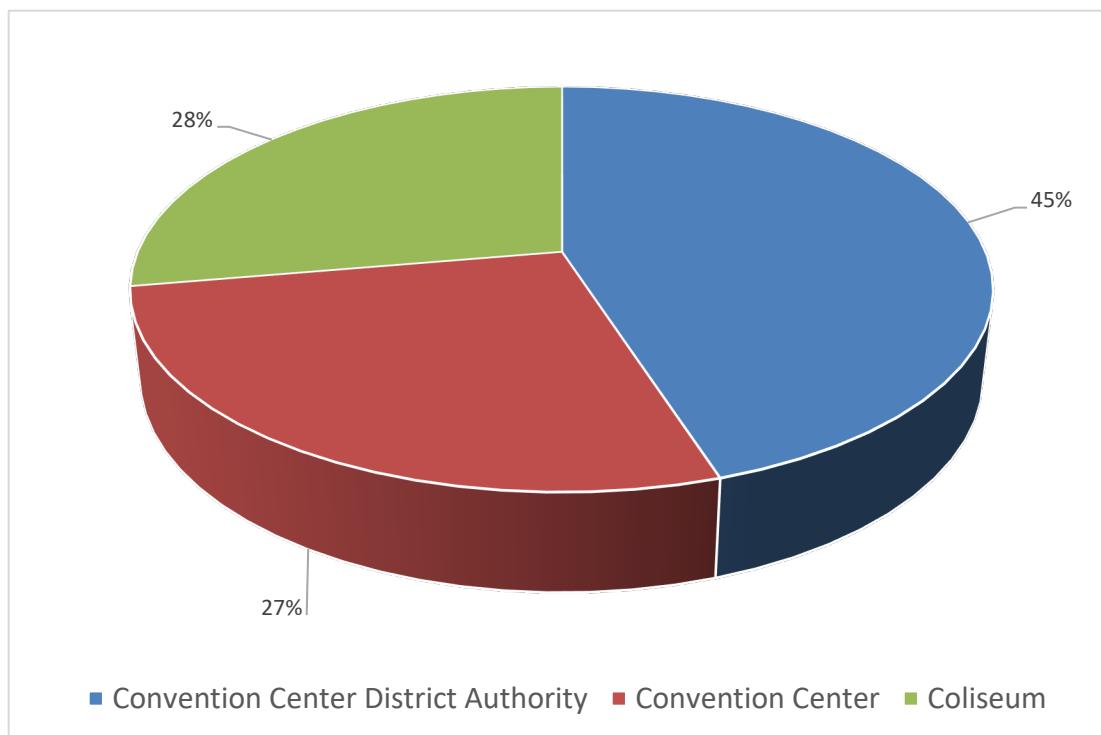
For the 2024 fiscal year, non-operating revenues had a net decrease of approximately \$1.4 million when compared to the previous year. The increase in this category is attributed mainly to the following:

- Increase of approximately \$300 thousand in interest expense.
- Increase of approximately \$125 thousand in contributions received from Puerto Rico Tourism Company.
- Increase of contributions from the Commonwealth of Puerto Rico \$1.1 million.
- Decrease of approximately \$800 thousand in contributions received from the Federal Emergency Management Agency (FEMA).
- Increase of approximately \$1.6 million in contributions received from American Rescue Plan Act Fund (ARPA).
- Loss on sale of land of approximately \$4.3 million.
- Increase of approximately \$500 thousand in interest and other income net during fiscal year 2024.
- Increase in net gain of investment in other entities of approximately \$700 thousand during the fiscal year 2024.

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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:



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



Management's Discussion and Analysis (Unaudited)
For The Year Ended June 30, 2024

Schedule of Capital Assets (in 000's)

Asset Classification	2024	2023	Variance
Capital assets not being depreciated:			
Land and improvements	\$ 255,845	\$ 262,848	\$ (7,003)
Construction in progress	5,633	1,901	3,732
Total capital assets not being depreciated	261,478	264,749	(3,271)
Capital assets being depreciated:			
Buildings	473,923	473,984	(61)
Improvements-other than land	21,936	21,073	863
Furniture and Fixture	20,968	23,186	(2,218)
Equipment	239	72	167
Vehicles	77	77	-
Total capital assets being depreciated	517,143	518,392	(1,249)
Less: Accumulated Depreciation and impairment	(203,315)	(194,662)	(8,653)
Total capital assets being depreciated-Net	313,828	323,730	(9,902)
Capital Assets-Net	\$ 575,306	\$ 588,479	\$ (13,173)

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

- Decrease in land and improvements of approximately \$7 million.
- Decrease of approximately \$3 million in furniture and fixtures is due to retirements during the fiscal year 2024.
- Increase of approximately \$4 million in construction in progress.
- Depreciation and amortization expense for approximately \$11 million.

See Note 9 to the accompanying 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 the public with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the monies it receives. If you have questions about this report or need additional financial information, contact the Puerto Rico Convention Center District Authority at 100 Convention Boulevard, San Juan, PR 00907.

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



Statement of Net Position
June 30, 2024

ASSETS

Current assets:

Cash	\$ 37,623,702
Accounts receivable – net	7,918,991
Intergovernmental receivable	2,919
Due from Puerto Rico Tourism Company	30,667
Due from Commonwealth of Puerto Rico	153,438
Due from Corporación para la Promoción de Puerto Rico como Destino, Inc.	81,000
Lease receivable	1,117,811
Interest receivable – leases	316,105
Prepaid expenses and other assets	444,778
Other assets	735,263
Restricted assets:	
Cash	29,876,452
Accounts receivable	472,579
Due from Commonwealth of Puerto Rico	<u>2,208,551</u>
Total current assets	<u>80,982,256</u>

Non-current assets:

Accounts receivable-net	1,685,410
Lease receivable	15,964,456
Investment in commercial entities	7,948,592
Capital assets:	
Nondepreciable	261,480,093
Depreciable – net	<u>313,826,096</u>
Total non-current assets	<u>600,904,647</u>
Total assets	<u>\$ 681,886,903</u>

Continues

Statement of Net Position
June 30, 2024

Continued

LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION

Current liabilities:

Accounts payable and accrued expenses	\$ 13,458,368
Unearned revenues	10,518,826
Customer deposits payable	<u>19,673,604</u>
Total current liabilities	<u>43,650,798</u>

Non-current liabilities

Unearned revenues	5,271,623
Legal contingencies	1,570,596
Borrowings under line of credit	138,416,144
Accrued interests – line of credit	<u>96,019,520</u>
Total non-current liabilities	<u>241,277,883</u>
Total liabilities	<u>284,928,681</u>

DEFERRED INFLOWS OF RESOURCES

Leases	<u>16,098,569</u>
Total liabilities and deferred inflows of resources	<u>301,027,250</u>

NET POSITION

Invested in capital assets — net of related debt	436,890,045
Restricted for TIF program	3,315,146
Unrestricted	<u>(59,345,538)</u>
Total net position	<u>380,859,653</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 681,886,903</u>

See accompanying notes to basic financial statements.

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



Statement of Revenues, Expenses, and Change in Net Position
For the Year Ended June 30, 2024

OPERATING REVENUES

Rental and event services	\$ 24,283,427
Food, beverage, and novelty	24,320,036
Advertising	2,642,268
Total operating revenues	51,245,731

OPERATING EXPENSES

Rental and event services	5,737,233
Food, beverage, and novelty	12,115,793
Salaries and related benefits	1,296,984
Professional and contract services	8,727,471
Depreciation and amortization	11,285,221
Insurance	6,850,364
Utilities	8,863,207
Advertising	11,609,153
Repairs and maintenance	8,271,475
Provision for doubtful acct	216,410
Others – net	4,013,701
Total operating expenses	78,987,012

OPERATING LOSS

NONOPERATING REVENUES (EXPENSES)

Interest expense	(9,689,130)
Contributions from Puerto Rico Turism Company	5,048,000
Contributions from Commonwealth of Puerto Rico	4,487,483
Contributions from Federal Government – ARPA	11,046,869
Contributions from Federal Government – FEMA	161,626
Equity in earnings on investment in commercial entities	48,592
Interest income	2,480,028
Loss on disposal of non-depreciable assets	(4,304,771)
Other income	208,433
Total net nonoperating revenues	9,487,130

CHANGE IN NET POSITION

NET POSITION — Beginning of year, as previously presented	(18,254,151)
Error correction, see note 3	397,186,021
NET POSITION — Beginning of year, as restated	1,927,783
NET POSITION — End of year	399,113,804

See accompanying notes to basic financial statements.

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



Statement of Cash Flows
For the Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Collections of operating revenues	\$ 58,696,617
Contributions from federal government	28,848
Payments to suppliers for operating expenses	(64,055,646)
Payments to employees	(1,296,984)
Net cash used in operating activities	<u>(6,627,165)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Contributions from Puerto Rico Tourism Company	5,048,000
Contributions from Commonwealth of Puerto Rico	5,104,608
Contributions from federal government	8,388,806
Other income	165,631
Net cash provided by non-capital financing activities	<u>18,707,045</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital expenditures	(5,116,483)
Proceeds from sale of land	2,700,000
Net cash used by capital and related financing activities	<u>(2,416,483)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Collection from notes receivable	78,541
Collection from interest income	2,480,028
Net cash provided by investing activities	<u>2,558,569</u>
Net change in cash	12,221,966
Cash – beginning of year	55,278,188
Cash – end of year	<u>67,500,154</u>

Reconciliation to Statement of Net Position:

Cash- unrestricted	37,623,702
Cash- restricted	29,876,452
Total cash – end of year	<u>67,500,154</u>

NON-CASH INVESTING, CAPITAL, AND FINANCIAL ACTIVITIES

Interest on line of credit	9,689,130
Loss on disposal of non-depreciable capital assets	4,304,771
Equity in earnings on investment in commercial entities	(48,592)
Total non-cash investing, capital, and financing activities	<u>13,945,309</u>

See accompanying notes to basic financial statements.

Statement of Cash Flows
 For the Year Ended June 30, 2024

Continued

**RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN
 OPERATING ACTIVITIES**

Operating loss	<u>(27,741,281)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	11,285,221
Provision for doubtful accounts	216,410
Amortization of prepaid insurance	60,790
Interest expense from legal contingencies	46,830
Changes in operating assets and liabilities:	
Decrease (increase) in assets:	
Accounts receivable	(537,292)
Prepaid expenses and other assets	(387,315)
Lease receivable	3,169,309
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	2,616,177
Deferred inflows of resources	(3,188,362)
Customer deposits payable	5,508,483
Unearned revenues	2,323,865
Total adjustments	<u>21,114,116</u>
Net cash used in operating activities	<u>\$ (6,627,165)</u>

See accompanying notes to basic financial statements.



1. Reporting Entity

The Puerto Rico Convention Center District Authority (the Authority) is a component unit of the Commonwealth of Puerto Rico (the Commonwealth), as it complies with GASB 14, *The Financial Reporting Entity* and GASB 39, *Determining Whether Certain Organizations Are Components Units*, as amended by GASB 61. The Authority was created by Act No. 351 of September 2, 2000, as amended (Act 351), to be responsible for improving, developing, managing and operating the property and improvements within the Puerto Rico Convention Center District geographical area (the District). 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's 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 No. 351. On May 15, 2013, the Authority acquired the Bahía Urbana 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.

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2. Basis of Presentation and Summary of Significant Accounting Policies

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 generally accepted accounting principles (GAAP), as prescribed by the Government Accounting Standards Board (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.

Authority's most significant accounting policies

(a) Revenues and Expenses

Operating revenues generally result from rental and event services, sale of food, beverage, and novelty, and advertising in connection with the Authority's principal on-going operations. Operating expenses include costs associated with operating revenues, salaries and related benefits, professional and contract services, depreciation and amortization, insurance, utilities, advertising, repairs and maintenance, legal contingencies, provision for doubtful accounts, and other. 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.



Note to Basic Financial Statements
June 30, 2024

The Authority has received contributions from the Puerto Rico Tourism Company (PRTC), another component unit of the Commonwealth, which have been recorded in the year in which the funds were available to the Authority, as disclosed in Note 11. Additionally, the Authority received contributions from the Commonwealth for capital expenditures and estimated operating losses; and contributions from the federal government related to hurricane relief assistance and American Rescue Plan. These contributions are recorded as part of non-operating revenues in the accompanying statement of revenues, expenses, and changes in net position.

(b) Leases

In accordance with GASB Statement No. 87, *Leases*, the Authority, as a lessor, recognizes lease receivables and deferred inflows of resources for leases that were previously classified as operating leases. For each lease, the Authority records a lease receivable, representing the right to receive lease payments during the lease term, and a deferred inflow of resources, representing the unearned revenue associated with the lease. The lease receivable is measured at the present value of lease payments expected to be received during the lease term, discounted using the interest rate the Authority charges the lessee or the Bloomberg spot rate for a BBB credit rating. Lease receivables and deferred inflows of resources are recognized at the commencement of the lease term. Deferred inflows of resources are recognized as revenue over the lease term, and lease receivables are reduced by the principal portion of lease payments received. The interest portion of lease payments received is recognized as interest revenue. The Authority assesses each lease receivable annually for changes in the terms of the lease, impairment of the underlying leased asset, or other factors that may impact the expected lease payments. Lease amendments and other modifications could necessitate remeasuring the lease receivable. Additional information is provided in Note 7.

(c) 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.

(d) 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 as of June 30, 2024. The Authority's cash composition as of June 30, 2024 is disclosed in Note 4.



(e) Accounts Receivable

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.

(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 8. The carrying value of the investments is reported in the statement of net position as investments in commercial entities.

(g) 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 when there is no cost associated to the transaction.

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

Capital assets	Years
Building and building improvements	20 - 50
Equipment	3 - 10
Furniture and fixtures	3 - 10
Vehicles	5



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

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

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

The Authority evaluated its capital assets as required by GASB Statement No. 42, and no impairment loss has been recorded for the year ended June 30, 2024.

(h) Unearned Revenues

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.



Note to Basic Financial Statements
June 30, 2024

(i) 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 No. 66 states that excess of those limits, which were normally paid, cease to be paid to employees. Employees 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.

(j) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows 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, in addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. The 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.

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(k) Net Position

The Authority's financial statements are being presented in conformity with the 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 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. Restricted assets include resources that are subject to externally imposed restrictions, such as those by creditors, grantors, contributors, or laws or regulations of other governments. Restricted assets include funds held for specific capital projects, and debt service reserves.
- *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.

(l) 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.



Sponsorships – 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., sponsorships). 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 record sponsorships as part of advertising revenues and advertising operating expenses in the accompanying statement of revenues, expenses, and changes in net position.

(m) 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.

(n) Risk Management

The Authority purchases commercial insurance to cover 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.

(o) Legal Contingencies

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



(p) Recently Adopted Accounting Principles

- GASB Statement No. 100, *Accounting Changes and Error Corrections*. 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 defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change.

The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in the absence of specific transition provisions in the new pronouncement. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI).

(q) Future Adoption of Accounting Principles

The GASB has issued the following accounting pronouncements that have effective date after June 30, 2024:

- GASB Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.



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.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

- GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.
- GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.
- GASB Statement No. 104, Disclosure of Certain Capital Assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.



This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. This Statement is effective for fiscal years beginning after June 15, 2025, 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. Restatement to Net Position

During the year ended June 30, 2024, management identified an error related to the recording of its investment in commercial entities, in which the Authority hold a 30% participation. The correction relates to a restatement in the commercial entity's own financial statements, which had not been reflected in the Authority's investment balances in prior period. As the prior period financial statements have not been presented herein, the restatement has been recognized as an adjustment to the July 1, 2023 opening balances in the accompanying Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2024. Correction is as follows:

Description	Amount
Net position balance as of June 30, 2023	\$ 397,186,021
Understatement of investment in commercial entities	1,927,783
Net position balance as of June 30, 2023, as restated	\$ 399,113,804

4. Cash and Custodial Credit Risk

Cash and Deposits

As of June 30, 2024, the Authority has interest-bearing demand deposits as follows:

Description	Carrying Amount	Depository Bank Balance	Uninsured Amount
Commercial banks	\$ 67,972,733	\$ 69,454,946	\$ -



As of June 30, 2024, reconciliation to the statement of net position is as follows:

Current assets – cash:

Unrestricted	<u>\$ 37,623,702</u>
Restricted:	
Federal grants	6,791,679
TIF program	2,804,350
Customer advance deposits	1,796,036
Advance ticket sales	18,484,387
Total restricted	<u>29,876,452</u>
Total current assets – cash	<u>\$ 67,500,154</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the 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).

5. Accounts Receivable

As of June 30, 2024, accounts receivable as follows:

Description	Current	Non-current	Total
Unrestricted:			
Trade receivables, net	\$ 5,181,666	\$ -	\$ 5,181,666
Future billings	<u>2,737,325</u>	<u>1,685,410</u>	<u>4,422,735</u>
Total unrestricted:	<u>7,918,991</u>	<u>1,685,410</u>	<u>9,604,401</u>
Restricted –			
Accounts receivable	472,579	-	472,579
Total accounts receivable	<u>\$ 8,391,570</u>	<u>\$ 1,685,410</u>	<u>\$ 10,076,980</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, 2024, are considered current receivables within the accompanying statement of net position and consist of the following:

Description	Amount
Trade receivables, net	\$ 6,395,209
Less: allowance for doubtful accounts	(1,213,543)
Trade receivables – net	<u>\$ 5,181,666</u>

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Future Billings

The Authority enters into long-term multiservice agreements for advertising and corporate sponsorship, which provides, among others, future 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.

As of June 30, 2024, the future billings 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:

Description	Current	Noncurrent	Total
Future billings	\$ 2,737,325	\$ 1,685,410	\$ 4,422,735

Future billings under these agreements are as follows:

Year <u>ending June 30.</u>	<u>Amount</u>
2025	\$ 2,737,325
2026	997,910
2027	351,250
2028	336,250
	<u><u>\$ 4,422,735</u></u>

Restricted Accounts Receivable

The Authority recognized as restricted accounts receivable the tickets collected by a third party for future events that have not been transferred to the Authority. As of June 30, 2024 there are approximately \$500 thousand of tickets collected for future events not transferred to the Authority.

Unearned Revenues

The revenues associated with the long-term agreements, discussed above, 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.



Also, the Authority accounts for federal grants and other assistance program conditional contributions received from grantors received before the specified condition has been substantially met as a refundable advance liability (unearned revenues). Upon complying with the applicable restrictions, the refundable advances are recognized as revenue in the statement of revenues, expenses and changes in net position.

As of June 30, 2024, unearned revenue is as follows:

	Current	Noncurrent	Total
Unearned revenues:			
Unearned billing related to			
long-term agreements	\$ 6,903,353	\$ 2,095,417	\$ 8,998,770
Federal grants	3,615,473	3,176,206	6,791,679
	<u>\$ 10,518,826</u>	<u>\$ 5,271,623</u>	<u>\$ 15,790,449</u>

Unearned revenues will be earned in the following years as follows:

<u>Ending June 30,</u>	<u>Total</u>
2025	\$ 13,695,032
2026	1,535,416
2027	559,160
2028	841
	<u>\$ 15,790,449</u>

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 approximately \$57 thousand, not to exceed \$6 million (amount invested by the Authority for the design and construction of the thermal energy production facility, known as the TEP Facility).



Note to Basic Financial Statements
June 30, 2024

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 \$2.2 million. CCHPR agreed to pay to the Authority the amount of approximately \$337 thousand on the date of the execution of the agreement; followed by fifty-nine (59) monthly installments in the amount of approximately \$37 thousand commencing on January 20, 2019.

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. The final amount incurred by CCHPR for the development of "Parcel Bld" to be credited to the outstanding balance between CCHPR and the Authority was approximately \$1.3 million. CCHPR agreed to pay to the Authority thirty-two (32) consecutive monthly installments of approximately \$16 thousand commencing on April 28, 2021 and finalizing on November 20, 2023 to repay the outstanding balance of approximately \$503 thousand at the amendment effective date. As of June 30, 2024, the outstanding principal of the non-interest-bearing note receivable was repaid in full.

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7. 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 established in GASB 87. For the year ended June 30, 2024, the Authority recognized approximately \$1.8 million in lease revenues released from the Deferred Inflows of 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 approximately \$733 thousand for the year ended June 30, 2024.

Lease Agreements

On August 31, 2005, the Authority, as lessor, entered into a development ground lease agreement with CCHPR, LLC 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 thousand 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 G-1 of the Authority. The lease agreement has a fifty-year term which shall expire on the fiftieth anniversary of the commencement of operations (July 1, 2015) 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 thousand, then after commencement of operations, the first year rent will be \$50 thousand, during the second year \$75 thousand, during the third year \$100 thousand, during the fourth year \$125 thousand, during the fifth year through the ninth year \$150 thousand 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.

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Effective on July 1, 2016, the commencement of operations, the Authority, as a lessor, entered into a development ground lease agreement with District Hotel Partners, LLC, as a lessee. This agreement involves the construction of a minimum of 137-room hotel under the Hyatt Place brand at Parcel D of the Authority. The lease agreement has a fifty-year term, which shall expire on the fiftieth anniversary of the commencement of operations and could be extended for two terms of ten additional years. The lessee will pay rent during the first year prior to commencement of operations in the amount of \$50 thousand, then after commencement of operations, the first year rent will be \$50 thousand, during the second year \$75 thousand, during the third year \$100 thousand, during the fourth year \$125 thousand, during the fifth year through the ninth year \$150 thousand 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.

Effective on November 25, 2016, the commencement of operations, the Authority, as a lessor, entered into a development ground lease agreement with District Hotel Company, LLC, as a lessee. This agreement involves the development of additional parking facilities at Parcel F of the Authority for the employees, guests and customers of the Hyatt Place San Juan, Hyatt House San Juan, and restaurants in the premises. The lease agreement has an eight-year term, which shall expire on the eighth anniversary of the commencement of operations and could be extended for separates terms of one year. The lessee will pay rent after commencement of operations, the first (1st) year rent will be \$50 thousand, during the second (2nd) year \$65 thousand, during the third (3rd) year \$80 thousand, during the fourth year \$95 thousand, during the fifth (5th) year through the eight year \$110 thousand.

Effective on June 1, 2017, the commencement of operations, the Authority, as a lessor, entered into a development ground lease agreement with District Hotel Company, LLC, as a lessee. This agreement involves the development of restaurants at Parcel G-2 of the Authority. The lease agreement has a fifty (50) years term, which shall expire on the fiftieth (50th) anniversary of the commencement of operations and could be extended for two terms of ten additional years. Effective, September 1, 2023, the rental space was reduced, which resulted in a decrease to lease receivable and deferred inflows of approximately \$2.2 million and \$2 million, respectively. The lessee will pay rent after commencement of operations, the first (1st) year rent will be \$60 thousand, during the second (2nd) year \$70 thousand, during the third (3rd) year \$80 thousand, during the fourth year \$90 thousand, during the fifth (5th) through ninth (9th) years \$100 thousand. Beginning the tenth (10th) and every five (5) years thereafter (including the extended terms) the rent shall be increased by a 15% over the rent of the previous year.

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 at Lots 1A & 2A. The lease agreement has a five-year term, which shall expire on the fifth anniversary of the commencement of operations (January 1, 2020) of the "DL Hotel Project". The lessee will pay rent, following the commencement of operations and throughout the five lease years, \$1.2 million per annum payable in twelve (12) equal monthly installments of \$100 thousand.



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 at Parcel I-2. The lease agreement has a term of five (5) years and shall end after the fifth (5th) anniversary of the commencement of operations (June 24, 2021) 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 \$300 thousand annually, in four (4) equal quarterly installments of \$75 thousand.

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 (September 1, 2021). Monthly lease payments for the first (1st) year shall amount to \$3 thousand per month. Monthly lease payments for the second (2nd) year shall amount to \$3.5 thousand per month. Monthly lease payments for the remaining three (3) years shall amount to \$4 thousand per month.

Effective October 20, 2021, the Authority entered into an advertising lease agreement with Nex Gen, LLC. for the installation and operation of various digital advertising screens throughout the Convention Center for promotion of Puerto Rico goods, services and events. The agreement has a term of approximately thirty-five (35) months and shall end on June 20, 2025. There are no automatic extensions. The lessee will pay a monthly rent of \$5 thousand.

On January 18, 2023, the Authority entered into a lease agreement with KG Management Group LLC for the operation of its restaurant business. The lease agreement has a term of five (5) years and shall end after the fifth (5th) anniversary of the commencement of operations (March 21, 2023) but should not exceed December 31, 2027. Monthly lease payments for the first (1st) year shall amount to approximately \$1.3 thousand per month. Monthly lease payments for the first semester of the second (2nd) year shall amount to approximately \$1.8 thousand per month. Monthly lease payments for the second semester of the second (2nd) year shall amount to \$4 thousand per month. Monthly lease payments for the third (3rd) year shall amount to \$4.5 thousand per month. Monthly lease payments for the fourth (4th) year shall amount to \$5 thousand per month. Monthly lease payments for the remaining months of the fifth (5th) year shall amount to \$5.5 thousand per month.

On December 11, 2023, the Authority entered into a ground lease and development agreement with Vax Development Group, LLC for the development, construction and operation of an immersive experience park. The lease agreement has a term of ten (10) years with the option to two (2) consecutive extension of five (5) years each. Monthly lease payments for the first five (5) years shall amount to \$6.5 thousand per month. Monthly lease payments for the remaining five (5) years shall amount to \$7.150 thousand per month.



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

Year ending June 30,	Principal	Interest	Total
2025	\$ 1,117,811	\$ 553,280	\$ 1,671,091
2026	445,602	541,398	987,000
2027	124,921	537,079	662,000
2028	105,596	530,404	636,000
2029	70,651	525,899	596,550
2030 - 2034	386,468	2,839,345	3,225,813
2035 - 2039	63,437	3,135,455	3,198,892
2040 - 2044	106,562	3,497,163	3,603,725
2045 - 2049	1,215,284	2,854,001	4,069,285
2050 - 2054	1,954,480	2,650,197	4,604,677
2055 - 2059	2,969,380	2,250,998	5,220,378
2060 - 2064	4,655,284	1,273,151	5,928,435
2065 - 2069	2,219,135	479,538	2,698,673
2070 - 2074	222,882	277,118	500,000
2075 - 2079	266,708	233,292	500,000
2080 - 2084	319,152	180,848	500,000
2085 - 2089	381,909	118,091	500,000
2090 - 2094	457,006	42,994	500,000
	<u>\$ 17,082,268</u>	<u>\$ 22,520,251</u>	<u>\$ 39,602,519</u>

8. Investments in Commercial Entities

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) 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.

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 thousand. For its contribution, the Authority holds a participation interest of 30% in DL. DLM holds the remaining 70% of membership interest.



DL Hotel Ventures, LLC

As part of the DL Agreement and 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) 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.

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 thousand. For its contribution, the Authority holds a membership interest of 30% in DLH. DLHM holds the remaining 70% of membership interest.

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

Description	Amount
Investment in DL, LLC	\$ 3,950,000
Investment in DL Hotel Ventures, LLC	3,950,000
Total investments in commercial entities	7,900,000
Plus: Unrealized gains on commercial entities investments	48,592
Investment in commercial entities, net	<u><u>\$ 7,948,592</u></u>

The carrying value of the Authority's investments at June 30, 2024, approximates its share of underlying equity in the net assets of DL and DLH, respectively.

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9. 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, 2024, is as follows:

Description	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets not being depreciated:					
Land and land improvements	\$ 262,847,835	\$ -	\$ (7,002,655)	\$ -	\$ 255,845,180
Construction in progress	1,901,050	4,208,073	-	(474,210)	5,634,913
Total capital assets not being depreciated	<u>\$ 264,748,885</u>	<u>\$ 4,208,073</u>	<u>\$ (7,002,655)</u>	<u>\$ (474,210)</u>	<u>\$ 261,480,093</u>
Capital assets being depreciated					
Building	473,984,368	-	(61,133)	-	473,923,235
Improvements - other than land	21,073,327	386,160	-	474,210	21,933,697
Furniture and fixtures	23,186,096	341,605	(2,559,742)	-	20,967,959
Equipment	72,014	186,648	(19,296)	-	239,366
Vehicles	76,862	-	-	-	76,862
Total assets being depreciated	<u>518,392,667</u>	<u>914,413</u>	<u>(2,640,171)</u>	<u>474,210</u>	<u>517,141,119</u>
Less accumulated depreciation					
Building	167,920,716	9,506,065	(61,133)	-	177,365,648
Improvements - other than land	4,887,984	1,336,545	-	-	6,224,529
Furniture and fixtures	21,714,582	430,905	(2,557,625)	-	19,587,862
Equipment	62,580	16,878	(19,296)	-	60,162
Vehicles	75,992	830	-	-	76,822
Total accumulated depreciation	<u>194,661,854</u>	<u>11,291,223</u>	<u>(2,638,054)</u>	<u>-</u>	<u>203,315,023</u>
Capital assets - net	<u>\$ 588,479,698</u>	<u>\$ (6,168,737)</u>	<u>\$ (7,004,772)</u>	<u>\$ -</u>	<u>\$ 575,306,189</u>

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10. Borrowings Under Lines of Credit

The Authority had two interim non-revolving lines of credit with the Government Development Bank (GDB) that were used for the construction of the Coliseum. The maximum credit limit on these facilities amounted to approximately \$158 million. 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 Restructuring 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, 2024, the accrued interest on the lines of credit amounted to approximately \$96 million and has been included as such in the accompanying statement of net position. Additionally, approximately \$9.7 million of interest expense was recorded during fiscal year 2024 and is presented as a non-operating expense in the accompanying statement of revenues, expenses, and changes in net position.

The activity of the lines of credit for the year ended June 30, 2024, were as follows:

Descriptions	Balance	Transfer Borrowings	Payments	Ending Balance
Borrowings under lines of credit – Coliseum	\$ 138,416,144	\$ -	\$ -	\$ 138,416,144

The debt service of these lines of credit depends on future appropriations by the Legislative Assembly and the availability of funds to meet such appropriations. As a result of the uncertainty regarding budgetary appropriations (particularly following the implementation of the Commonwealth Plan of Adjustment, where such budgetary appropriations were discharged) and availability of Commonwealth funds to repay loans to 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. Federal Grants Revenues and Other Assistance Programs

The Authority accounts for conditional contributions received before the specified condition has been substantially met as a refundable advance liability (unearned revenues). Upon complying with the applicable restrictions, the refundable advances are recognized as revenue in the statement of revenues, expenses and changes in net position.

American Rescue Plan Act Funds

On July 26, 2023 and September 26, 2023, the Authority was awarded \$3.5 million, and \$3 million, respectively, from the American Rescue Plan Act ("ARPA") to cover partnership costs related to the New Year's Celebration Production of the Authority as part of the "Promote Puerto Rico Program". On November 15, 2023, the Authority was awarded \$2.5 thousand from ARPA funds for the first respondent's assistance expenditures of the Authority's property.



Note to Basic Financial Statements
June 30, 2024

On May 6, 2024, the Authority was awarded \$3 million from the American Rescue Plan Act (ARP) to cover partnership costs of \$2 million related to the Global Entrepreneurship Congress Plus (GEC+) that took place between July 15 and July 18, 2024, and partnership costs of \$1 million for the twenty first edition of Premios Juventud that took place on July 18, 2024. On June 12, 2024, the Authority was awarded an additional \$1.55 million from ARPA funds for the purpose of covering sponsorship costs.

As of June 30, 2024, approximately \$6 million were expensed and recorded as revenue that were included as unearned revenues in prior year. Also approximately \$3.6 million, have not been used yet for the designated purpose and thus, are included as part of restricted cash and unearned revenues in the accompanying statement of net position.

Federal Emergency Management Agency Funds

During the year ended June 30, 2023, the Authority was reimbursed by the Federal Emergency Management Agency (FEMA) in the amount of approximately \$3.5 million and related to multiple project worksheets (PW) filed by the Authority during previous periods and protective measures of hurricane Fiona, respectively.

As of June 30, 2024, approximately \$3.2 million, have not been used yet for the designated purpose and thus, are included as part of restricted cash and unearned revenues in the accompanying statement of net position.

The Authority believes that compliance with the grant's requirements will be achieved within the timeframe prescribed by the grant, however, there is no assurance that compliance will be attained.

Funds received from federal funded programs are subject to financial or compliance audits by the corresponding federal agencies and pass-through entities, as applicable. The Uniform Guidance requires compliance audits for entities expending federal financial assistance in excess of \$750 thousand in the aggregate in a single year. Related compliance reports are required to be submitted to the corresponding federal agencies. Since the Authority received and expended federal financial assistance in excess of \$750 thousand, it is subject to compliance audits under the Uniform Guidance for the fiscal year ended on June 30, 2024.

Federal agencies have the authority to recoup, as well as to limit, suspend, or terminate the federal financial assistance programs. If any unallowed costs are detected as a result of such compliance audits, the Authority may be required to reimburse such amounts to the corresponding federal agencies from its own non-federal resources.



Community Development Block Grant – Disaster Recovery

On July 8, 2022, the Authority entered into a Subrecipient Agreement with the Puerto Rico Department of Housing (PRDOH) under the Community Development Block Grant – Disaster Recovery (CDBG-DR) Program. Under the agreement, the Authority was allocated a total of approximately \$137.1 million in CDBG-DR funds. These funds are intended to be used for the planning, development, and implementation of designated infrastructure projects in areas such as the docklands and Bahía Urbana in San Juan. The funds are subject to the terms and conditions of the federal CDBG-DR program, including eligibility, procurement, reporting, and national objective compliance requirements.

Funds under the agreement are reimbursed based on eligible costs incurred and are recorded as revenue in the accompanying financial statements when qualifying expenditures have been made and reimbursement is probable.

The term of the agreement is 36 months from its effective date, with the possibility of extension subject to mutual agreement and federal funding availability. As of June 30, 2024, the Authority has not incurred any expenditures related to this agreement.

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, 2024, amounted to approximately \$112 thousand included within administrative expenses (salaries and related benefits line item) in the accompanying statement of revenues, expenses, and changes in net position.

13. Related Party Transactions

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



Note to Basic Financial Statements
June 30, 2024

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

- To 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 May 25, 2022, the Authority and PRTC entered into an agreement for the payment of fiscal year 2024 hotel room tax contributions in the amount of approximately \$4.9 million plus \$125 thousand of a sponsorship for an event. These contributions have been included as part of non-operating revenues in the accompanying statement of revenues, expenses, and changes in net position.

Commonwealth of Puerto Rico

On September 13, 2014, the Legislature of the Commonwealth enacted Act No. 157. This legislation aims to provide a financial mechanism using incremental Sales and Use Tax revenues to support eligible improvement projects in the Convention Center District, thereby enhancing the area's economic development.

By means of this Law, the Law of the Convention Center District Authority and the Puerto Rico Internal Revenue Code of 2011 ("Code") are amended to establish that for any improvement project within the District whose construction begins on or after July 1, 2014 ("Improvement Project"), fifty (50) percent of the state portion of the Sales and Use Tax ("IVU") collected by businesses operating in the District, including the Improvement Projects and the parcels where they are located, will be available for specific uses in the District.

A special fund provision is incorporated in Section 4050.06 of the Code, whereby fifty (50) percent of the State ("IVU") collected by businesses in the Improvement Projects and the parcels where they are located, will go to a special fund that the Authority will establish for any of the following purposes: (i) to create reserves and provide guarantees for the payment of principal and interest on financings granted by the Authority for Improvement Projects in the District; (ii) to provide loans for Improvement Projects in the District; and (iii) to finance construction and maintenance works by the Authority in the District.

By establishing this Tax Increment Financing ("TIF") program for projects in the Convention Center District, the necessary collateral will be provided for the Authority to finance improvement projects that it currently cannot finance.

During the year ended June 30, 2024, the Authority recorded contributions from the Commonwealth of Puerto Rico related to TIF of approximately \$4.5 million, of which as of June 30, 2024 approximately \$2.2 million are due from the Commonwealth of Puerto Rico.



During the year ended June 30, 2024 approximately \$1.7 million were used to finance qualified maintenance works incurred by DL, LLC and DL Hotel Company, LLC, a wholly owned subsidiary of DL Hotel Ventures, LLC, which are presented as accounts payable and accrued expenses and as others – net of operating expenses in the accompanying Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position, respectively.

14. Commitments and Contingencies

Consulting and Management

The Authority has entered into various consulting services and management agreements with third parties for the administration, operation and management of the Convention Center and Coliseum. The agreements covered the daily operations that include scheduling of activities, pricing of rental and advertising, and food and beverages, among others. The contracts have several provisions that, at the option of the Authority, could extend the management period. During the year ended June 30, 2024, consulting and management services amounted to approximately \$400 thousand and is included within operating expenses in the accompanying statement of revenues, expenses, and changes in net position.

Federal Grants

The Authority participates in several federal financial assistance programs. These programs are subject to audits in accordance with the provisions of Title 2 of the U.S. Code of Federal Regulation, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (the 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 approximately \$1.5 million to cover for anticipated unfavorable judgments at June 30, 2024. This amount is included as legal contingencies in the accompanying statement of net position, and represents the amount estimated by assigned legal counsels as probable liability that will require future available financial resources for its payment.

15. Liquidity Risk and Uncertainties

Liquidity Risk

As detailed in Note 10, the debt service related to the line of credit payable to the DRA depends on future appropriations which remain uncertain and as such the Authority may not be able to cover these debt service repayments.



16. Subsequent Events

Coronavirus State Fiscal Recovery Fund

Subsequent to year-end, the Authority was awarded additional funding under the Coronavirus State Fiscal Recovery Fund (CSFRF) as part of the Government of Puerto Rico's Promote Puerto Rico Program:

- On August 20, 2024, the Authority received an award of \$2.5 million through Resolution 2024-86 to support Dick Clark's New Year's Rocking Eve 2024 and a professional tennis exhibition match.
- On September 24, 2024, the Authority received an additional \$250,000 through Resolution 2024-111 to support the Resort Oeste Fashion Event.
- On October 7, 2024, the Authority was awarded a further \$3.5 million through Resolution 2024-118 to cover production costs associated with Dick Clark's New Year's Rocking Eve 2024.

TIF program

On December 15, 2024 the Authority, DL, LLC and DL Hotel Company, LLC entered into an agreement for disbursements under article 5.2 of the Regulation for the Administration of the Convention District Improvement Fund (the Agreement) in which DL, LLC and DL Hotel Company, LLC will jointly present quarterly qualifying maintenance work reimbursement applications to the Authority for an amount up to a maximum of \$2 million per fiscal year, which have been paid by DL, DL Hotel Company, LLC and their managers, operators, lessees, and concessionaires, which are operating within Distrito T-Mobile and its parking facilities. The Agreement shall remain in effect for a period of 20 years.

Lease Agreement

On October 31, 2024, the Authority entered into a ground lease and development agreement for the development, construction and operation of a project offering commercial facilities and retail and restaurant venues. The lease agreement has a term of twenty (20) years commencing on the expiry date of the Construction Term or the date that the Project opens to the public after the issuance of all applicable required permits for the Permitted Uses, whichever occurs earlier (Initial Term), with the option of up to six (6) consecutive automatic extensions for separate successive periods often (10) years each. Lease receivable and deferred inflows of resources, at the inception of the lease, is expected to be approximately \$845 thousand for the Initial Term of this lease agreement.

The Authority has evaluated subsequent events from the balance sheet date through September 5, 2025, the date at which the financial statements were available to be issued and determined there are no other material items to disclose.

SUPPLEMENTAL SCHEDULES

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



Schedule of Net Position by Venue
June 30, 2024

	Convention Center District Authority	Convention Center	Coliseum	Total
ASSETS				
Current assets:				
Cash	\$ 22,122,153	\$ 834,653	\$ 14,666,896	\$ 37,623,702
Accounts receivable – net	2,335,614	1,837,877	5,954,051	10,127,542
Intergovernmental receivable	2,919	-	-	2,919
Due from Puerto Rico Tourism Company	30,667	-	-	30,667
Due from Commonwealth of Puerto Rico	55,074	98,364	-	153,438
Due from Corporación para la Promoción de Puerto Rico como Destino, Inc.	-	81,000	-	81,000
Lease receivable	1,117,811	-	-	1,117,811
Interest receivable – leases	316,105	-	-	316,105
Note receivable	-	-	-	-
Prepaid expenses and other assets	35,946	303,053	105,779	444,778
Other Assets	-	293,819	441,444	735,263
Restricted assets:				
Cash	9,596,029	1,796,036	18,484,387	29,876,452
Accounts receivable	-	-	472,579	472,579
Due from Commonwealth of Puerto Rico	2,208,551	-	-	2,208,551
Total current assets	37,820,869	5,244,802	40,125,136	83,190,807
Non-current assets:				
Accounts receivable-net	-	117,500	1,567,910	1,685,410
Lease receivable	15,964,456	-	-	15,964,456
Investment in commercial entities	7,948,592	-	-	7,948,592
Capital assets:				
Nondepreciable	227,832,223	96,670	33,551,200	261,480,093
Depreciable – net	31,568,146	156,470,620	125,787,330	313,826,096
Total non-current assets	283,313,417	156,684,790	160,906,440	600,904,647
Total assets	\$ 321,134,286	\$ 161,929,592	\$ 201,031,576	\$ 684,095,454

Continues

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



Schedule of Net Position by Venue
June 30, 2024

Continued

**LIABILITIES, DEFERRED INFLOW OF RESOURCES,
AND NET POSITION**

Current liabilities:

Accounts payable and accrued expenses	\$ 3,610,175	\$ 4,230,978	\$ 5,617,215	\$ 13,458,368
Unearned revenues	3,615,473	306,500	6,596,853	10,518,826
Payable from restricted assets –				
Customer deposits payable	-	1,796,036	17,877,568	19,673,604
Total current liabilities	<u>7,225,648</u>	<u>6,333,514</u>	<u>30,091,636</u>	<u>43,650,798</u>

Non-current liabilities

Unearned revenues	3,176,206	117,500	1,977,917	5,271,623
Legal contingencies	1,570,596	-	-	1,570,596
Borrowings under line of credit	-	-	138,416,144	138,416,144
Accrued interests – line of credit	-	-	96,019,520	96,019,520
Total non-current liabilities	<u>4,746,802</u>	<u>117,500</u>	<u>236,413,581</u>	<u>241,277,883</u>
Total liabilities	<u>11,972,450</u>	<u>6,451,014</u>	<u>266,505,217</u>	<u>284,928,681</u>

DEFERRED INFLOWS OF RESOURCES

Leases	<u>16,098,569</u>	<u>-</u>	<u>-</u>	<u>16,098,569</u>
Total liabilities and deferred inflows of resources	<u>28,071,019</u>	<u>6,451,014</u>	<u>266,505,217</u>	<u>301,027,250</u>

NET POSITION

Invested in capital assets — net of related debt	259,400,369	156,567,290	20,922,386	436,890,045
Restricted for TIF program	3,315,146	-	-	3,315,146
Unrestricted	<u>28,139,201</u>	<u>(1,088,712)</u>	<u>(86,396,027)</u>	<u>(59,345,538)</u>
Total net position	<u>290,854,716</u>	<u>155,478,578</u>	<u>(65,473,641)</u>	<u>380,859,653</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 318,925,735</u>	<u>\$ 161,929,592</u>	<u>\$ 201,031,576</u>	<u>\$ 681,886,903</u>

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



**Schedule of Revenues, Expenses, and Change in Net Position
by Venue**
For the year ended June 30, 2024

	Convention Center District Authority	Convention Center	Coliseum	Total
OPERATING REVENUES				
Rental and event services	\$ 1,593,629	\$ 8,386,074	\$ 14,303,724	\$ 24,283,427
Food, beverage, and novelty	-	13,618,289	10,701,747	24,320,036
Advertising	-	333,980	2,308,288	2,642,268
Total operating revenues	<u>1,593,629</u>	<u>22,338,343</u>	<u>27,313,759</u>	<u>51,245,731</u>
OPERATING EXPENSES				
Rental and event services	-	1,414,605	4,322,628	5,737,233
Food, beverage, and novelty	-	7,657,690	4,458,103	12,115,793
Salaries and related benefits	1,296,984	-	-	1,296,984
Professional and contract services	984,278	4,165,309	3,577,884	8,727,471
Depreciation and amortization	1,721,463	5,205,317	4,358,441	11,285,221
Insurance	441,529	3,532,481	2,876,354	6,850,364
Utilities	1,327,554	3,865,615	3,670,038	8,863,207
Advertising	11,058,499	(6,960)	557,614	11,609,153
Repairs and maintenance	2,459,120	3,736,114	2,076,241	8,271,475
Provision for doubtful acct	104,276	114,775	(2,641)	216,410
Others – net	<u>1,850,675</u>	<u>1,115,237</u>	<u>1,047,789</u>	<u>4,013,701</u>
Total operating expenses	<u>21,244,378</u>	<u>30,800,183</u>	<u>26,942,451</u>	<u>78,987,012</u>
OPERATING LOSS				
	<u>(19,650,749)</u>	<u>(8,461,840)</u>	<u>371,308</u>	<u>(27,741,281)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest expense	-	-	(9,689,130)	(9,689,130)
Contributions from Puerto Rico Tourism Company	-	5,048,000	-	5,048,000
Contributions from Commonwealth of Puerto Rico	4,487,483	-	-	4,487,483
Contributions from Federal Government – ARPA	11,046,869	-	-	11,046,869
Contributions from Federal Government – FEMA	161,626	-	-	161,626
Equity in earnings on investment in commercial entities	48,592	-	-	48,592
Interest income	1,500,734	4,796	974,498	2,480,028
Loss on disposal of non-depreciable assets	(2,117)	(4,302,654)	-	(4,304,771)
Other income	<u>3,557</u>	<u>32,808</u>	<u>172,068</u>	<u>208,433</u>
Total net nonoperating revenues	<u>17,246,744</u>	<u>782,950</u>	<u>(8,542,564)</u>	<u>9,487,130</u>
LOSS BEFORE TRANSFERS				
	<u>(2,404,005)</u>	<u>(7,678,890)</u>	<u>(8,171,256)</u>	<u>(18,254,151)</u>
TRANSFER IN (OUT)				
	<u>2,441,646</u>	<u>2,873,779</u>	<u>(5,315,425)</u>	<u>-</u>
CHANGE IN NET POSITION				
NET POSITION — Beginning of year, as previously present	288,889,292	160,283,689	(51,986,960)	397,186,021
Error correction, see note 3	1,927,783	-	-	1,927,783
NET POSITION — Beginning of year, as restated	<u>290,817,075</u>	<u>160,283,689</u>	<u>(51,986,960)</u>	<u>399,113,804</u>
NET POSITION — End of year	<u>\$ 290,854,716</u>	<u>\$ 155,478,578</u>	<u>\$ (65,473,641)</u>	<u>\$ 380,859,653</u>

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

Schedule of Revenues and Expenses – Puerto Rico Convention Center
For the year ended June 30, 2024



OPERATING REVENUES

Rental and event services	\$ 8,386,074
Food, beverage, and novelty	13,618,289
Advertising	333,980
Total operating revenues	<u>22,338,343</u>

OPERATING EXPENSES

Rental and event services	1,414,605
Food, beverage, and novelty	7,657,690
Professional and contract services	4,165,309
Insurance	3,532,481
Utilities	3,865,615
Advertising	(6,960)
Repairs and maintenance	3,736,114
Provision for doubtful accounts	114,775
Others – net	1,115,237
Total operating expenses	<u>25,594,866</u>
	(3,256,523)

OPERATING LOSS

RECONCILIATION OF OPERATING LOSS TO INCOME BEFORE TRANSFERS

Depreciation and amortization	(5,205,317)
Contributions from Puerto Rico Tourism Company	5,048,000
Interest income	4,796
Loss on disposal of non-depreciable assets	(4,302,654)
Other income	32,808
LOSS BEFORE TRANSFER IN	<u>\$ (7,678,890)</u>