

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
DE PUERTO RICO**  
(A Component Unit of the  
Commonwealth of Puerto Rico)

Audited Financial Statements  
and Single Audit Report

For the Year Ended June 30, 2021

**ZAYAS, MORAZZANI & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 366225  
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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
**Corporación del Conservatorio de Música  
de Puerto Rico**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the **Corporación del Conservatorio de Música de Puerto Rico** (a component unit of the Commonwealth of Puerto Rico) (the Corporation), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Basis for Qualified Opinion**

The Corporation was unable to obtain from the Employees' Retirement System Administration the financial and technical information necessary for the proper recognition of its total pension liability as of June 30, 2021. As a result, management has not recognized the effect of the accounting and financial reporting requirements of Statement No. 73 of the Governmental Accounting Standard Board, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*" for the year then ended. Therefore, the Corporation does not have nor record its proportionate share of total pension liability, deferred inflows of resources, deferred outflows of resources, and pension expense, and the Corporation has not recognized the effect of current year changes in the Total Pension Liability as it relates to, deferred outflows of resources, deferred inflows of resources, and pension expense for the year ended June 30, 2021.

In addition, the Corporation was unable to obtain from the pension administrator the information about the employment allocations and other postemployment benefit amounts necessary to comply with the requirements of Statement No. 75 of the Governmental Accounting Standard Board, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", as of June 30, 2021. Therefore, the Corporation has not recorded the total post-employment benefits liability, deferred inflows of resources, deferred outflows of resources, and other post-employment expense, and the Corporation has not recognized the effect of current year changes in the total post-employment benefits obligation as it related to, deferred outflows of resources, deferred inflows of resources, and other post-employment expense for the year ended June 30, 2021.

Accounting principles generally accepted in the United States of America require that the total pension liability, total other post-employment benefits liability, related deferred outflows of resources, deferred inflows of resources, as applicable, be recognized in accordance with parameters established by Statements No. 73 and 75, as well as the effect of current year changes of the respective liabilities that must be recognized in expense during the current year.

In addition, the accompanying notes to the basic financial statements do not disclose the pension related information required by Statements No. 73 and 75. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

### **Qualified Opinion**

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of the **Corporación del Conservatorio de Música de Puerto Rico** as of June 30, 2021, and the respective changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Corporation adopted the provisions of GASB Statement No. 75, “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*”, and GASB Statement No. 73, “*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*”, because the Corporation has been provided with actuarial information as of June 30, 2018 and 2019, for the implementation of such statements. Therefore, the Corporation should record its proportionate share of total pension liability, total post-employment benefits liability, deferred inflows of resources, deferred outflows of resources, pension expense, and other post-employment expense as of June 30, 2018 and 2019. However, the Corporation has not recognized the effect of current year changes in the total pension liability, post-employment benefits obligation as it related to, deferred outflows of resources, deferred inflows of resources, pension expense, and other post-employment expense, effective July 1, 2020. The Corporation’s net position at the beginning of year has been adjusted for this change. Our opinion is not modified with respect to this matter.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7 through 15, the Schedule of Proportionate Share of Total Pension Liability on page 54 and the Schedule of Proportionate Share of Total OPEB Liability on page 55 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


### Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the business-type activities of the **Corporación del Conservatorio de Música de Puerto Rico**. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2022, on our consideration of Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Corporation's internal control over financial reporting and compliance.

San Juan, Puerto Rico  
June 13, 2022

A handwritten signature in black ink that reads "Zayas, Morazzani & Co." with a stylized flourish at the end.

Stamp No. E491857 of the Puerto Rico Society of Certified Public Accountants was affixed to original.

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
DE PUERTO RICO**

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Management Discussion and Analysis  
For the Year Ended June 30, 2021

**Introduction**

The following discussion presents an overview of the financial position and financial activities of **Corporación del Conservatorio de Música de Puerto Rico** and its blended component unit **Corporación del Programa de Música 100x35: Sistema de Orquestas y Coros Juveniles e Infantiles de Puerto Rico** (the Corporation or Conservatory) for the year ended June 30, 2021. This discussion and analysis were prepared by the Corporation's management and should be read in conjunction with the financial statements and notes thereto, which follows this section.

**Mission**

The Corporation is a specialized public university that offers professional programs of excellence at undergraduate and graduate levels, as well as services, studies and programs aimed at the community at large.

**Vision**

To attract, educate and develop students artistically and intellectually in the interpretation, teaching, and research of music. To ensure the perpetuity and strengthening of our Conservatory in order to transform it into a leading educational institution in Latin America.

**Organizational Structure**

The Corporation is governed by a nine (9) member board. Except for one faculty and one student representative (both appointed by the Corporation), “the Governor of the Commonwealth of Puerto Rico appoints and establishes the time limit of the remaining seven members of the Board”. The president is appointed by the Governor, with the consent of the Senate of Puerto Rico. The Directors select the positions of Vice-President, and Secretary among their members. They also appoint the Chancellor after consultation with faculty, students, non-educational personnel, and the Academic Senate. The Chancellor is the principal executive and the maximum administrative and academic authority of the Corporation.

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**Programmatic Structure**

Outreach programs - the Corporation has several outreach programs as follows:

- **Degree Program:** The Corporation is the only institution in Puerto Rico, which offers professional degrees in music. The principal purpose of the program is the formation of professional musicians in areas such as the performance, composition, and the music education.
- **Preparatory School:** The Preparatory School brings together non-academic offers from the Conservatory. Its mission is to provide the general community with access to outstanding musical education, encouraging the appreciation and enjoyment of the musical arts in each individual infant (from the age of 5 months), children, youth, and adults of all ages and impacting their quality of life. In addition, the Preparatory School has a pre-university program that seeks to develop potential students for programs leading to a degree.
- **100x35 Music Program:** is a subsidiary public corporation ascribed to the “**Corporación del Conservatorio de Música de Puerto Rico**”. The program, promotes social rescue and development through music education, giving massive access to Puerto Rican children and youth, especially those with low resources, making music an instrument to motivate, dignify, unite, and help progress. The program created by Act 94-2012, uses as its main platform the collective teaching of orchestral, choral, and ensembles of all kinds as part of the training process. As a pedagogical instrument, musical group teaching through orchestral ensembles, corals, bands, and others are an invaluable tool for the prevention of social exclusion and violence and for developing values of community and coexistence, indispensable for living in society. The program has currently impacted more than 3,400 participants in the towns of Aguas Buenas, Bayamón, Cataño, Guaynabo, Guayama, Aibonito, Loíza, and San Juan.
- **Despertar Musical:** is a music education program created by the Conservatory in response to the need to provide a curriculum and teacher training tool in Spanish to formalize music education at an early age (for example, in programs like Head Start, Early Head Start, and Child Care) in children from an innovative, effective, practical, and attractive approach. The program also generates educational materials that stimulate school use and the development of skills and concepts specifically related to musical learning, in turn helping to rescue the tradition of singing in the family and in school.



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**Objectives:**

- To seek the highest standard of excellence at all levels of instruction in all areas of the institution.
- To impart a comprehensive understanding of the world of music - balanced with both artistic and practical elements to prepare students to be active professionals in the music world.
- To promote a strong commitment to the relevancy of program offerings in tune with current trends and needs of the music and educational markets.
- To preserve, disseminate and advance the musical heritage and traditions of our country and geographical region and promote educational experience that stimulate musical diversity.
- To promote advocacy for music education by maintaining institutional and community educational outreach programs that meet the formative and vocational need of children, youth, and adults at all levels of preparation throughout the island.
- To promote collaborative pedagogical and artistic experience of mutual benefit to Latin American musicians and music educators.
- To exert a strong institutional leadership role in the local, Latin American, and international music communities. To develop professional musicians to maintain a rich and active musical life in the country.

**Statistical Data**

The general index of retention of the Corporation is of approximately 69%.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Concerts and activities	135	127	367
Overall activity attendance	16,217	7,001	9,177
Non-degree students enrolled	796	1,077	1,057
Degree students enrolled (undergraduate, graduate, and continuing education)	346	404	413

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**Students**

Approximately, 63% of the students are high school graduates and 37% are transfers from other universities. The Corporation has students from 67 towns or municipalities, representing 86% of the municipalities of Puerto Rico. The Degree Program has an enrollment of 346 students as of June 30, 2021. The Preparatory School, a non-degree program for the community had an enrollment of 796 students. The Corporation also offered a variety of institutional concerts during the year, with over 135 presentation and a public attendance of approximately 16,217 people.

**Using the Financial Statements**

The accounting and reporting policies of the Corporation conform with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37 and 38, which expands the applicability of Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Previously, public colleges and universities had their own financial reporting model. The new reporting model should make annual reports easier to understand and be more useful to the people who use the information to make decisions: legislators, investors, creditors, and the public.

The financial statements presentation provides a comprehensive, entity-wide perspective of the Corporation's assets, liabilities, net position, revenues, expenses, changes in net position and cash flows. The focus of these financial statements will be on the government as a whole rather than on individual funds. These statements are prepared on the full accrual basis of accounting and will have the look and feel of corporate financial statements. Users of the financial statements will be able to see the cost of providing services, and how government finances its programs, and understand the extent in which government has invested in capital assets. Other requirements are the presentation of capital assets infrastructure, reporting cash flows from operations, changes from indirect to direct method, and Management's Discussion and Analysis as supplementary information.

**Overview of the Basic Financial Statements**

The Corporation financial statements consist of the three basic financial statements and notes that provide information on the accounting alternative used, explanatory information and detail on certain financial elements. The three basic financial statements are the Statement of Net Position, Statement of Activities and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position presents the information of the Corporation's assets, liabilities, and net position, as of the end of the reporting period. Net position represents the difference between assets and liabilities and is detailed into classifications that help readers understand the constraints that the Corporation must consider in making decisions on expending assets. Over time, changes in net position can help in understanding whether the financial condition of the Corporation is improving or deteriorating.

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**Overview of the Basic Financial Statements, Continued**

The Statement of Activities and Changes in Net Position presents information on the changes in net position during the year. All changes in net position are reported as soon as the underlying event takes place, regardless of the timing of the related cash flows. Thus, revenues and expenses are recorded for some items that will result in cash flows in future fiscal years. The Statement of Activities and Changes in Net Position is the Corporation's income statement. Financial activities are reported as either operating or non-operating. GASB Statement No. 35 requires state appropriations, gifts, and investment and endowment income to be classified as non-operating revenues. Accordingly, the Corporation reports a net operating loss prior to the addition of non-operating revenues. The utilization of long-lived capital assets is reflected in the financial statements as depreciation, which spread the cost of an asset over its expected useful life. Tuition revenue is reduced by gift scholarships and institutional aid and is reported net of the scholarship allowance.

The Statement of Cash Flows presents information on sources and uses of cash during the year. This statement details the changes in cash and cash equivalents from the amounts reported at the end of the preceding year, to the amounts reported in the Statement of Net Position as of the end of the current year. Sources and uses are organized into operating activities, noncapital financial activities, capital, and related financing activities, and investing activities.

The notes to financial statements provide additional information that is essential to the full understanding of the data provided in the Corporation's financial statements.

**Financial Highlights and Analysis of Significant Variances**

As of June 30, 2021, the Corporation has total assets and deferred outflows of approximately \$75.8 million, total liabilities and deferred inflows of approximately \$12.7 million and a net position of approximately \$63.1 million. The Corporation net position increased by approximately \$8.2 million, during the year ended June 30, 2021, when compared with year ended June 30, 2020. Net investment in capital assets decreased by approximately \$2.2 million, while unrestricted net position increased by approximately \$10.1 million. Unrestricted net position represents the portion of assets, net of the corresponding liabilities that can be used to meet ongoing obligations and new initiatives.

The schedule below presents condensed financial statements for the Corporation as of and for the years ended June 30, 2021 and 2020.

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**Financial Highlights and Analysis of Significant Variances, Continued**

**CONDENSED STATEMENTS OF NET POSITION**

	<b>2021</b>	<b>2020</b>
Assets:		
Current assets	\$ 3,427,640	2,679,497
Capital assets	66,920,826	69,109,291
Other assets	4,480,260	4,179,392
Total Assets	74,828,726	75,968,180
Deferred outflows of resources	950,970	3,405,202
Total Assets and Deferred Outflows of Resources	75,779,696	79,373,382
Liabilities:		
Current liabilities	1,236,006	1,916,909
Non-current liabilities	9,361,151	20,107,462
Total Liabilities	10,597,157	22,024,371
Deferred inflows of resources	2,093,778	2,484,931
Net position:		
Net investment in capital assets	66,920,826	69,109,291
Restricted	4,480,260	4,179,392
Unrestricted	(8,312,325)	(18,424,603)
Total Net Position	63,088,761	54,864,080
Total Liabilities,		
Deferred Inflows of Resources, and Net Position	\$ 75,779,696	79,373,382

**Assets** - As of June 30, 2021, total assets and deferred outflows of resources amounted to approximately \$75.8 million. The largest asset class was capital assets (net of depreciation) which amounted to approximately \$67 million, or 88% of total assets and deferred outflows of resources.

**Liabilities** - As of June 30, 2021, total liabilities and deferred inflows of resources amounted to approximately \$12.7 million from which noncurrent liabilities, including compensated absences, OBEP pension liability and total pension liability represent approximately 74% of total liabilities and deferred inflows of resources.

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**Financial Highlights and Analysis of Significant Variances, Continued**

**Net Position** - The equity of the Corporation, amounted to approximately \$63.1 million as of June 30, 2021, is reported on the Statement of Net Position in three (3) categories: net investment in capital assets of approximately \$67 million; restricted net position totaling approximately \$4.5 million; and unrestricted net position of approximately (\$8.3 million).

Restricted net position is subject to externally imposed restrictions governing their use. Although unrestricted net position is not subject to externally imposed stipulations, most of the unrestricted net position has been internally designated for support of academic programs and initiatives, capital projects, and working capital requirements. Scholarship restricted endowment for 2021 and 2020 amounted to \$1,634,158 and \$1,600,662, respectively. These represent resources that are subject to external restrictions on how they may be used.

Total net position increased by approximately \$8.2 million during the year ended June 30, 2021. It was mainly due to a prior period adjustment of approximately \$9.4 million resulting from the recognition of the Corporation's unfunded pension obligations upon implementation of the GASB Statement No. 73 with audited schedules as of June 30, 2018 and 2019, issued by the Puerto Rico Retirement System Administration provided by KPMG in its audited report dated August 12, 2021 and January 28, 2022, respectively. Net investment in capital asset decreased by approximately \$2.2 million, primarily due to the recognition of the depreciation expense during the fiscal year. Restricted net position increased by approximately \$301 thousand as a result of scholarship awarded. Unrestricted net position increased by \$10.1 million primarily due to prior period adjustment mentioned above. Unrestricted net position represents the portion of assets, net of the corresponding liabilities that can be used to meet ongoing obligations and new initiatives. The table below presents summary-level information on revenues, expenses, and other changes in the Corporation's net position for the years ended June 30, 2021 and 2020:

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Management Discussion and Analysis  
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**Financial Highlights and Analysis of Significant Variances, Continued**

**CONDENSED STATEMENTS OF  
ACTIVITIES AND CHANGES IN NET POSITION**

	<b>2021</b>	<b>2020</b>
Operating revenues	\$ 2,939,746	2,907,312
Operating expenses	9,971,863	10,725,075
Net operating loss	(7,032,117)	(7,817,763)
Non-operating revenues	5,859,446	6,129,777
Income/(loss) before other revenues	(1,172,671)	(1,687,986)
Other revenues	40,247	42,867
Change in net position	(1,132,424)	(1,645,119)
Net position at beginning of year, as previously reported	54,864,080	56,509,199
Prior period adjustments	9,357,105	-
Net position at beginning of year, as restated	64,221,185	56,509,199
Net position at end of year	\$ 63,088,761	54,864,080

**Operating revenues** - For the year ended June 30, 2021, operating revenues totaled approximately \$3 million. The primary components of operating revenues were student tuition and fees of \$2.1 million; grants and contracts of \$722 thousand; rent of \$17 thousand and other income of \$138 thousand. The major increase in operating revenues was related to the grants and contracts.

**Non-Operating Revenues** - The non-operating revenues decreased by approximately \$270 thousand or 4%, compared to prior fiscal year. The Corporation received less governmental grants and appropriations in 2021 than in 2020. Most of the Corporation's revenues during 2021 are from non-operating revenues, which represent approximately 66 % of the total revenues.

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**Financial Highlights and Analysis of Significant Variances, Continued**

**Operating expenses** - For the year ended June 30, 2021, operating expenses totaled approximately \$10 million which decreased by approximately \$753 thousand or 7% compared with prior year. Of this amount, approximately \$6 million were expended for educational and general programs, including salaries and benefits as well as professional consulting services. Such line items decreased by approximately \$210 thousand in the fiscal year ended June 30, 2021. Depreciation expense for the year amounted to approximately \$2.4 million. Other significant expenses are utilities of \$454 thousand, repairs and maintenance of approximately \$218 thousand and general and administrative expenses of approximately \$746 thousand. During the year 2021, major fluctuations were noted in the following expense categories: salaries and fringe benefits, professional and consulting services and utilities.

**Request for Information**

This financial report is designed to provide a general overview of the Corporation's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chancellor's Office, Corporación del Conservatorio de Música de Puerto Rico, 951 Avenida Ponce de León, San Juan, Puerto Rico 00907-3373.

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
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Statement of Net Position  
As of June 30, 2021

**ASSETS**

Current Assets:		
Cash and cash equivalents	\$	3,023,803
Accounts receivable, net		332,519
Prepaid expenses		<u>71,318</u>
		<u>3,427,640</u>
Total Current Assets		
Non-current assets:		
Restricted cash and cash equivalents		4,480,260
Capital assets, net of accumulated depreciation		<u>66,920,826</u>
		<u>71,401,086</u>
Total Non-Current Assets		
		74,828,726
Total Assets		
Deferred outflows of resources:		
Pension related		<u>950,970</u>
		<u>75,779,696</u>
Total Assets and Deferred Outflows of Resources	\$	

(Continued)

See accompanying independent auditors' report  
and notes to financial statements.



**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
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Statement of Net Position, Continued  
As of June 30, 2021

**LIABILITIES AND NET POSITION**

Current liabilities:	
Accounts payable	\$ 452,331
Compensated absences	64,126
Accrued expenses	264,868
OPEB liability	15,500
Total pension liability	<u>439,181</u>
Total Current Liabilities	<u>1,236,006</u>
Non-current liabilities:	
Compensated absences, net of current portion	119,872
OBEP liability, net of current portion	156,367
Total pension liability, net of current portion	<u>9,084,912</u>
Total Non-Current Liabilities	<u>9,361,151</u>
Total Liabilities	<u>10,597,157</u>
Deferred inflows of resources:	
Tuition and fees	124,508
Contracts and grants	933,344
Pension related	<u>1,035,926</u>
Total Deferred Inflows of Resources	<u>2,093,778</u>
Net Position:	
Net investment in capital assets	66,920,826
Restricted for:	
Scholarship restricted endowment fund	1,634,158
Other restricted funds	2,846,102
Unrestricted	<u>(8,312,325)</u>
Total Net Position	<u>63,088,761</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ <u>75,779,696</u>

See accompanying independent auditors' report  
and notes to financial statements.

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(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Activities and Changes in Net Position  
For the Year Ended June 30, 2021

Operating Revenues:		
Tuition and fees (net of scholarship allowance of \$61,652)	\$	2,062,230
Grants and contracts		721,729
Rent		17,325
Other		<u>138,462</u>
Total Operating Revenues		<u>2,939,746</u>
Operating Expenses:		
Salaries and fringe benefits		3,726,248
Faculty professional and consulting services		2,205,405
Professional and consulting services		94,660
Depreciation		2,404,454
Rent		35,559
Utilities		454,237
Repairs and maintenance		218,434
Scholarships		86,538
Bad debts		(562)
General and administrative		<u>746,890</u>
Total Operating Expenses		<u>9,971,863</u>
Net Operating Loss	\$	<u>(7,032,117)</u>

(Continued)

See accompanying independent auditors' report  
and notes to financial statements.

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
DE PUERTO RICO**

(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Activities and Changes in Net Position, Continued  
For the Year Ended June 30, 2021

Non-Operating Revenues:	
Contribution from Commonwealth of Puerto Rico	5,377,479
Interest income	2,103
Gift and grants	378,909
Other	<u>100,955</u>
Total-Non-Operating Revenue	<u>5,859,446</u>
 Additions to Term Endowments	 <u>40,247</u>
 Decrease in net position	 (1,132,424)
Net position at beginning of year, as previously reported	54,864,080
Prior Period Adjustment	<u>9,357,105</u>
Net position at beginning of year, as restated	<u>64,221,185</u>
Net position at end of year	\$ <u>63,088,761</u>

See accompanying independent auditors' report  
and notes to financial statements.

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
DE PUERTO RICO**

(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Cash Flows  
For the Year Ended June 30, 2021

**Cash Flows from Operating Activities**

Tuition and fees	\$ 2,158,336
Grants and contracts	614,738
Payments to Employees and related fringe benefits	(5,903,999)
Payments to suppliers	(1,614,970)
Other receipts, including rent	<u>122,338</u>
Net Cash Used in Operating Activities	<u>(4,623,557)</u>

**Cash Flows from Non-Capital Financing Activities**

Contribution from Commonwealth of Puerto Rico	5,377,479
Other income	100,955
Gift and grant	<u>378,909</u>
Net Cash Provided by Non-Capital Financing Activities	<u>5,857,343</u>

**Cash Flows from Capital and Related Financing Activities**

Addition to term endowment	40,247
Acquisition of capital assets	<u>(215,989)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(175,742)</u>

**Cash Flows from Investing Activities**

Interest income	<u>2,103</u>
Net change in cash and cash equivalents	1,060,147
Cash and cash equivalents at beginning of year	<u>6,443,916</u>
Cash and cash equivalents at end of year	\$ <u>7,504,063</u>

(Continued)

See accompanying independent auditors' report  
and notes to financial statements.

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
DE PUERTO RICO**

(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Cash Flows, Continued  
For the Year Ended June 30, 2021

**As Presented in the Statement of Net Position**

Cash	\$ 3,023,803
Restricted cash and cash equivalents	<u>4,480,260</u>
Total Cash and Cash Equivalents	<u><u>7,504,063</u></u>

**Reconciliation of Operating Loss to Net Cash Used in Operating Activities**

Net Operating Loss	<u>(7,032,117)</u>
Adjustment to reconcile net operating loss to net cash Used in operating activities:	
Depreciation	2,404,454
Bad debts	(562)
(Increase)/decrease in assets:	
Accounts receivable	74,767
Prepaid expenses	(63,069)
Increase/(decrease) in liabilities:	
Accounts payable	70,285
Accrued expenses	41,224
Deferred inflows of resources	<u>(118,539)</u>
Total adjustments	<u>2,408,560</u>
Net Cash Used in Operating Activities	\$ <u><u>(4,623,557)</u></u>

See accompanying independent auditors' report  
and notes to financial statements.

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
DE PUERTO RICO**

(A Component Unit of the Commonwealth of Puerto Rico)

Notes to Financial Statements  
June 30, 2021

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

The **Corporación del Conservatorio de Música de Puerto Rico** (the Corporation) is a component unit of the Commonwealth of Puerto Rico, and created by Act No. 77, as amended, (the Act) of the Legislature of the Commonwealth on September 7, 1993. On August 9, 1995, an amendment to the Act was approved in order to grant fiscal and operational autonomy to the Corporation effective July 1, 1995.

The Corporation is governed by a nine-member (9) board, the president is appointed by the Governor, with the consent of the Senate of Puerto Rico. The Corporation is responsible for providing the Puerto Rico community, and especially its youths, with the required facilities to educate and perfect their musical skills, including secondary educational program for developing musical arts. It prepares the artistic element that nourishes the Puerto Rico Symphony Orchestra and other musical organizations, and coordinates the governmental efforts to interested industries, private enterprises, and particular citizens. The Commonwealth provides financial support to the Corporation through legislative appropriations.

Financial Reporting

The accompanying basic financial statements of the Corporation are presented in conformity with U.S. Generally Accepted Accounting Principles (US GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying basic financial statements present the financial position of the Corporation, the results of operations, and its cash flows of the business-type activities. The basic financial statements are presented as of June 30, 2021, and for the year then ended.

- a) *Financial Reporting Entity* - The basic financial statements of the Corporation include the accounts of **Corporación del Conservatorio de Música de Puerto Rico** and its related company **Corporación del Programa de Música 100x35: Sistema de Orquestas y Coros Juveniles e Infantiles de Puerto Rico**. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include when the Corporation appoints a voting majority of an organization's governing body and it has (i) the ability to impose its will on that organization or (ii) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Corporation. In situations where the Corporation has not appointed the voting majority of an organization's governing body, the GASB has then provided as criteria for financial accountability the fiscal dependency of such organizations on the Corporation when there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Corporation.

(Continued)

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
DE PUERTO RICO**

(A Component Unit of the Commonwealth of Puerto Rico)

Notes to Financial Statements

June 30, 2021

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,  
Continued**

As required by US GAAP, these basic financial statements present the Corporation and its component units.

The financial statements of the component units discussed below have been included in the financial reporting entity either as blended component units or as discretely presented component units in accordance with GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statements No. 39 and No. 61.

- b) *Blended Component Units* - The following entity, while legally separate from the Commonwealth, meet the blending criteria to be reported as part of the primary government as follows:

**Corporación del Programa de Música 100x35:** Sistema de Orquestas y Coros Juveniles e Infantiles de Puerto Rico" is a public corporation created by Law No. 94 of May 23, 2012. The Corporation was created to promote the music education to low-income children in order to prevent social problems and promoting individual social development.

Measurement Focus and Basis of Accounting

For financial reporting purposes, the Corporation is considered a special purpose governmental agency engaged only in business-types activities, as defined by the GASB 35. Accordingly, the Corporation's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under accrual basis, revenues are recognized when earned, and expenses are recorded when the liability was incurred regardless of the timing of related cash flow. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

(Continued)

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
DE PUERTO RICO**

(A Component Unit of the Commonwealth of Puerto Rico)

Notes to Financial Statements  
June 30, 2021

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,  
Continued**

Application of Accounting Standards

The Corporation complies with accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) 105, Generally Accepted Accounting Principles, which became effective September 15, 2009, replaces the FASB's previous four-part GAAP hierarchy with a single source of GAAP. GASBS No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, issued in December 2010, effective July 1, 2012, incorporates the FASB, APB, and ARB pronouncements issued on or before November 30<sup>th</sup>, 1989, which do not conflict with or contradict GASB pronouncements. While GASBS No. 62 keeps the substance of that guidance, it nevertheless modifies the guidance to recognize the effects of the governmental environment and the needs of governmental financial statement users. GASB No. 62 also supersedes GASB No. 20, thus eliminating the election that allowed enterprise funds and business-type activities to apply FASB Statements and Interpretations issued after November 30, 1989, that did not conflict with or contradict GASB pronouncements.

The Corporation's pension costs accounting transitioned from GASB Statement No. 68 to the requirements of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within The Scope of GASB No. 68*. Accordingly, pension costs are reported based on the employer total pension liability, pension expense and deferred outflows/inflows of resources reported by the Employees' Retirement System Administration (ERS) (refer to note2)

The Corporation follows the provisions of GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Statement provides financial reporting guidance for deferred outflows of resources, which is a consumption of net assets by the government that is applicable to a future reporting period and deferred inflows of resources which is an acquisition of net assets by the government that is applicable to a future reporting period. GASB Statement No. 63 also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

(Continued)



**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
DE PUERTO RICO**

(A Component Unit of the Commonwealth of Puerto Rico)

Notes to Financial Statements

June 30, 2021

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,  
Continued**

Classification of Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Corporation are tuition and fees, rent, federal grants, local and private sponsored programs and other. Operating expenses for proprietary funds include mainly salaries, faculty professional and consulting services, and other general and administrative operating expenses. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues as defined by GASB No. 34, including appropriations, investment income and gifts. Restricted and unrestricted resources are spent and tracked at the discretion of the Corporation within the guidelines of donor restricted, if any.

Designation of Management

The Board of Directors appoints a Chancellor. The Chancellor selects the other members of management. The powers and functions of management reside within the legal limits of the Corporation, and they are responsible to the Board of Directors.

Capacity to Manage Operations

The Corporation has the legal capacity to make significant decisions in the management of its operations. This legal capacity includes, but not limited, to the control of the assets, which include facilities and properties, make short-term loans, and contract and develop programs.

Use of Estimates in the Preparation of Financial Statements

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

(Continued)

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
DE PUERTO RICO**

(A Component Unit of the Commonwealth of Puerto Rico)

Notes to Financial Statements

June 30, 2021

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,  
Continued**

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Corporation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

The Corporation maintains cash and cash equivalents in deposit accounts with high credit financial institutions. The laws of the Commonwealth of Puerto Rico require that public funds deposited in commercial banks be collateralized when funds exceed the amount insured by the Federal Government. The securities pledged by the banks as collateral for those deposits are under the custody of the Secretary of the Treasury in the name of the Commonwealth of Puerto Rico.

Allowance for Doubtful Accounts

The allowance for uncollectible accounts and other receivables 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 collections of the receivables and prior credit loss experience. Because of uncertainties inherent in the estimation process, the related allowance may change in the future.

(Continued)

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
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Notes to Financial Statements

June 30, 2021

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,  
Continued**

Capital Assets

Property, plant, equipment, and books and materials are stated at historical cost when purchased or at estimated fair value when donated. Costs of normal maintenance and repairs that do not add value to the asset or neither extend assets lives are not capitalized. Improvements to building and other assets that significantly increase the value or extend the useful life of the assets are capitalized. Depreciation is computed on a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	40
Library	40
Furniture and equipment	15
Musical instruments	15
Leasehold improvements	7
Motor vehicle	5
Software	5

Impairment of Long-Lived Assets

The Corporation follows the provision of GASB No. 42, *Accounting and Financial Reporting for Impairments 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 service 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. During the year ended June 30, 2021, the Company evaluated its capital assets for impairment amount, if any, would not have a material impact in the Corporation's financial statements.

(Continued)

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
DE PUERTO RICO**

(A Component Unit of the Commonwealth of Puerto Rico)

Notes to Financial Statements  
June 30, 2021

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,  
Continued**

Net Position Classifications

Net Position is classified and displayed in the following three categories:

- a) **Net Investment in Capital Assets** - consists of historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- b) **Restricted Net Position** - consists of net position with constraints placed on the use either by 1) external groups such as grantors, contributors or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation less related liabilities.
- c) **Unrestricted Net Position** - net position whose use by the Corporation is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may be limited by contractual agreements with outside parties.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Corporation's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. The primary restricted assets are related to scholarship endowment fund, and donations that are fully explained on Note 10.

Compensated Absences

From July 1, 2016, and until April 28, 2017, with the exceptions explained below, the Corporation employees were granted vacations and sick leave in accordance with the “*Reglamento de Personal Docente*” reviewed on July 14, 2014 and “*Reglamento de Personal No Docente*” reviewed on August 29, 2016 (Personnel Regulations). Law No. 66 of June 17, 2014, for Fiscal and Operational Sustainability of the Government of the Estado Libre Asociado de Puerto Rico (Law 66-2014) limited the accrual of vacation and sick leave, and the payment for excess days accrued.

Law No. 8 of February 4, 2017, for the Administration and Transformation of Human Resources in the Government of Puerto Rico (Law 8-2017) and Law 26 of April 29, 2017, for Compliance with the Fiscal Plan (Law 26-2017) established new parameters for the accrual of vacations and sick leave.

(Continued)

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
DE PUERTO RICO**

(A Component Unit of the Commonwealth of Puerto Rico)

Notes to Financial Statements

June 30, 2021

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,  
Continued**

Compensated Absences, (Continued)

During year 2021, the Corporation's employees were granted vacations and sick leave as follows:

Vacations

Vacations were accrued as follows:

<u>Type of Employment</u>	<u>Monthly Accrual</u>	<u>Maximum Annual Balance</u>
Regular employment	1.25 days	15 days
Temporary employment	1.25 days	15 days

For the period between April 29, 2017, to December 16, 2019, all employees accrued 1.25 vacation days monthly, equivalent to fifteen (15) days annually, and up to a maximum of sixty (60) days. Accrued days more than sixty (60) days cannot be paid. Any excess of sixty (60) days accrued by employees prior to April 29, 2017, had to be used by December 31 of each year.

Sick leave

For the period between July 1, 2016, and April 28, 2017, employees accrued sick leave as follows:

<u>Type of Employment</u>	<u>Monthly Accrual</u>	<u>Maximum Annual Balance</u>
Regular employment	1.50 days	18 days
Temporary employment	1.50 days	18 days

(Continued)

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
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Notes to Financial Statements

June 30, 2021

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,  
Continued**

After April 29, 2017, and while Law 26-2017 remains in effect, the following applies to all Corporation employees:

<u>Type of Employment</u>	<u>Monthly Accrual</u>	<u>Maximum Annual Balance</u>
Regular employment	1.50 days	18 days
Temporary employment	1.50 days	18 days

Days in excess of the ninety (90) day accrual limit cannot be paid.

The Corporation accrues a liability for compensated absences which meet the following criteria:

1. The Corporation's obligations relating to employee's rights to receive compensation for futures absences are attributable to employee's services already rendered.
2. The obligation relates to right that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria and requirements as established by GASB No. 16; the Corporation has accrued a liability for compensated absences, which has been earned but not taken by Corporation's employees. For the financial statements, the current portion is the amount estimated to be used in the following years. Accrued compensated absences for the fiscal year ended June 30, 2021, for vacation days only, amounted to \$183,998.

Contributions from Commonwealth of Puerto Rico

The Corporation receives annually legislative appropriations from the Government of the Commonwealth of Puerto Rico. These appropriations are for the operations of the Corporation and are recognized when granted. The legislative appropriations for any specific activity not used in the fiscal year are reported as deferred inflows of resources.

(Continued)

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
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(A Component Unit of the Commonwealth of Puerto Rico)

Notes to Financial Statements

June 30, 2021

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,  
Continued**

Scholarship Allowances and Student Financial Aid

Student tuition and fees, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of activities and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the Corporation and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state, or nongovernmental programs, are recorded as operating revenue in the Corporation's financial statements.

Gifts and Pledges

Unconditional promises to give (pledges) from organizations and individuals are recorded as receivables and revenues in the year promised, at the present value of expected cash flows. Conditional promises to give are not recognized until they become unconditional, that is when the conditions are substantially met. Gifts of noncash assets are recorded at the fair market value at the date of contribution. Endowment pledges generally do not meet eligibility requirements, as defined by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and are not recorded as assets until the related gift has been received.

Risk Financing

The Corporation carries commercial insurance to cover casualty, theft, claims and other losses. During the year ended June 30, 2021, the Corporation decided to self-insure the Property area. Nonetheless, the current insurance policies have not been cancelled or terminated. The Corporation has not settled any claims in excess of its insurance coverage for the year ended June 30, 2021.

(Continued)

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
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(A Component Unit of the Commonwealth of Puerto Rico)

Notes to Financial Statements  
June 30, 2021

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,  
Continued**

Accounting for Pension Costs

The Corporation accounts for pension costs under the provisions of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within The Scope of GASB No. 68*. Therefore, the Corporation allocates its proportionate share of the local Government Employees' Retirement System net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense and the effects on the net position of contributions made by the Corporation during the measurement period.

Other Postemployment Benefits

In addition to the pension benefits the Corporation accounts for postemployment benefits other than pensions under the GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Other Postemployment Benefit Plan (OPEB) of the Commonwealth of Puerto Rico (the Commonwealth) for Retired Participants of the Employees Retirement System (Plan) is an unfunded, multi-employer defined benefit OPEB. The Plan is administered on a pay as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75. Therefore, the schedules of employer allocations and the schedules of OPEB amounts by employer present the OPEB amounts attributable to the Commonwealth reporting entity and exclude the OPEB amounts of other participating employers that are not included in the Commonwealth reporting entity.

(Continued)



**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
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Notes to Financial Statements  
June 30, 2021

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,  
Continued**

New Accounting Pronouncements

GASB has issued the following statements which the Corporation will be analyzing their impact in future years for implementation:

<b>GASB Statement No.</b>	<b>Description</b>	<b>Adoption Required in Fiscal Year</b>
		July 1 <sup>st</sup> to June 30 <sup>th</sup>
89	Accounting for Interest Cost Incurred before the End of a Construction Period	2022
91	Conduit Debt Obligations	2023
92	Omnibus 2020	2022
93	Replacement of Interbank Offered Rates	2022
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	2023
95	Postponement of the Effective Dates of Certain Authoritative Guidance	2021
96	Subscription-Based Information Technology Arrangements	2023
97	Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32	2022
98	The Annual Comprehensive Financial Report	2023
99	Omnibus 2022	2023

The impact of these statements has not yet been determined by the Corporation.

(Continued)

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
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Notes to Financial Statements

June 30, 2021

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,  
Continued**

Effects of New Accounting Standards

Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary relationship exists. Separate criteria are included to identify fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a Business-Type activity that normally expects to hold custodial assets for three months or less. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This statement also provides for recognition of liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The adoption of this statement had no impact on the Corporation's financial statements.

GASB Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement had no impact on the Corporation's financial statements.

(Continued)

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
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Notes to Financial Statements  
June 30, 2021

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,  
Continued**

Effects of New Accounting Standards, Continued

Statement No. 88, *Certain Disclosures related to Debt*, including Direct Borrowing and Direct Placement, the primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. This statement had no impact on the Corporation's financial statements.

Statement No. 90, *Majority Equity Interest an amendment of GASB Statement No.14 and No. 61*, the primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

(Continued)

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
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(A Component Unit of the Commonwealth of Puerto Rico)

Notes to Financial Statements  
June 30, 2021

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,  
Continued**

Effects of New Accounting Standards, Continued

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit.

Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. This statement had no impact on the Corporation's financial statements.

**2. CHANGE IN ACCOUNTING PRINCIPLES**

The Corporation has implemented the requirements of Statement 73, "*Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB 68, and amendments to certain provision of GASB Statement 67 and 68*" and Statement No. 75 of the Governmental Accounting Standard Board, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", in the fiscal year June 30, 2018, because the Corporation has been provided the actuarial information required for the implementation of such statements. Therefore, the Corporation has recorded the total pension liability, post-employment benefits liability, deferred inflows of resources, deferred outflows of resources, pension expenses, and other post-employment expense for that period. In relation to GASB 75, because all participants are inactive, there are no deferred outflows or inflows of resources as changes in actuarial assumptions, economic or demographic gains and losses, and changes in proportionate share which are recognized immediately during the measurement year. To adjust the total OBEP and the total pension liability proportionate share beginning balance as of July 1, 2020, to the audited amount as of June 30, 2020 of the Puerto Rico Employee Retirement System Administration, the total OBEP Liability was decreased by \$57 thousand and the Total Pension Liability were adjusted reducing it by \$10.3 million and decreasing deferred outflows/inflows by \$1.5 million for a net effect of \$8.9. The management of the Corporation believes that this adoption presents more appropriately the financial position of the Corporation in line with the requirements established by the adopted Statements.

(Continued)

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
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**2. CHANGE IN ACCOUNTING PRINCIPLES, Continued**

Accordingly, the beginning net position balance was restated as follows:

Beginning net position, as previously reported, June 30, 2020		\$ 54,864,080
Adoption of GASB Statement No. 73:		
To eliminate GASB No. 68 report balances at beginning of year:		
Net pension liability	\$ 19,829,460	
Deferred outflows of resources	(3,405,202)	
Deferred inflows of resources	2,484,931	
Recognition of total pension liability – measurement date as of June 30, 2018 and 2019	(9,524,093)	
Recognition of deferred outflows of resources – measurement date as of June 30, 2018 and 2019	(38,964)	
Recognition of deferred inflows of resources – measurement date as of June 30, 2018 and 2019	(1,035,926)	
Recognition of deferred outflows of resources after measurement date	<u>989,934</u>	
Total adjustments due to adoption of GASB No. 73		9,300,140
Recognition of OPEB – measurement date as of June 30, 2018 and 2019:		
Total OPEB liability	56,965	
Deferred outflows of resources	(29,750)	
Deferred outflow of resources for benefits payments made after the measurement date	<u>29,750</u>	
Total adjustments due to recognition of OPEB		<u>56,965</u>
Total prior period adjustments		<u>9,357,105</u>
Beginning net position, as restated, July 1, 2020		\$ <u>64,221,185</u>

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**3. DEPOSITS**

The Corporation maintains its cash and cash equivalents in bank deposit accounts at high credit qualified financial institutions.

	<b>Book Balance</b>			<b>Bank Balance</b>
	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>	
Deposits in Commercial Institutions	\$ 3,023,122	4,480,260	7,503,382	7,581,056
Petty Cash	681	-	681	-
Total	\$ 3,023,803	4,480,260	7,504,063	7,581,056

The Corporation follows the provisions of GASB Statement No. 40 (GASB No. 40), *Deposit and Investment Risk Disclosure, an Amendment to GASB Statement No.3*. Accordingly, the following is essential information about credit risk, interest rate risk, custodial credit risk, and foreign exchange exposure of deposits and investments of Corporation at June 30, 2021:

- *Credit Risk* – This is the risk that in the event of bank failure, the Corporation’s deposit might not be recovered. The Corporation maintains cash deposits in a commercial bank in Puerto Rico. The Commonwealth of Puerto Rico requires that public funds deposited in commercial banks in Puerto Rico must be fully collateralized for the amount deposited in excess of federal depository insurance. All securities pledged as collateral are held by the Secretary of the Treasury of the Commonwealth.
- *Interest Rate Risk* - This is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Corporation manages its exposure to declines in fair values by: (1) not including debt or equity investments in its investments portfolio at June 30, 2021, (2) limiting the weighted average maturity of its investments in certificates of deposit to periods of three months or less, and (3) keeping most of its banks’ deposits and certificates of deposit in interest bearing accounts generating interest at prevailing market rates. At June 30, 2021, the interest rate risk associated with the Corporation's cash and cash equivalents are considered low since they have no investment portfolio.
- *Foreign Exchange Risk* - This is the risk that changes in exchange rates will adversely affect the value of an investment or a deposit. Corporation is prevented from investing in foreign securities or any other types of investments for which foreign exchange risk exposure may be significant. Accordingly, management has concluded that the foreign exchange risk related to the Corporation's deposits is considered low at June 30, 2021.

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**4. ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts of student tuition and fees, contract and grant reimbursements due from third parties, reported net of allowances. Allowances for uncollectible accounts, are reported based on management's best estimate as of fiscal year-end considering type, collection history, and other factors considered appropriate.

As of June 30, 2021, the Corporation reported the following amounts as accounts receivable:

Corporación del Conservatorio de Música de Puerto Rico:

Students Tuition and Fees	\$ 490,562
Contracts and Grants	115,558
Other	<u>63,924</u>
Less: Allowance for Doubtful Accounts	<u>(427,267)</u>
Subtotal	\$ <u>242,777</u>

Corporación del Programa de Música 100x35: Sistema de Orquestas y Coros Juveniles e Infantiles de Puerto Rico:

Contracts and Grants	\$ 95,742
Less: Allowance for Doubtful Accounts	<u>(6,000)</u>
Subtotal	\$ <u>89,742</u>
Accounts Receivable, Net	\$ <u>332,519</u>

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**5. CAPITAL ASSETS**

Corporación del Conservatorio de Música de Puerto Rico:

	<u>6/30/2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2021</u>
Capital Assets Not Being Depreciated:				
Land	\$ 5,156,500	-	-	5,156,500
Capital Assets Being Depreciated:				
Building	81,534,780	-	-	81,534,780
Library	375,670	-	-	375,670
Furniture and equipment	3,881,092	179,442	-	4,060,534
Leasehold improvements	1,330,579	-	-	1,330,579
Musical instruments	2,863,700	319	-	2,864,019
Software's	423,942	8,944	-	432,886
Motor vehicles	17,500	-	-	17,500
Total Capital Assets Being Depreciated	<u>90,427,263</u>	<u>188,705</u>	<u>-</u>	<u>90,615,968</u>
Less Accumulated Depreciation:				
Building	(19,689,154)	-	(2,038,369)	(21,727,523)
Library	(268,709)	-	(9,392)	(278,101)
Furniture and equipment	(2,824,380)	-	(184,557)	(3,008,937)
Leasehold improvements	(1,330,579)	-	-	(1,330,579)
Musical instruments	(2,006,495)	-	(147,535)	(2,154,030)
Software's	(375,129)	-	(19,948)	(395,077)
Motor vehicles	(17,500)	-	-	(17,500)
Total Accumulated Depreciation	<u>(26,511,946)</u>	<u>-</u>	<u>(2,399,801)</u>	<u>(28,911,747)</u>
Subtotal carried forward	<u>\$ 69,071,817</u>	<u>188,705</u>	<u>(2,399,801)</u>	<u>66,860,721</u>

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**5. CAPITAL ASSETS, Continued**

Corporación del Programa de Música 100x35: Sistema de Orquestas y Coros Juveniles e Infantiles de Puerto Rico

	<u>6/30/2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2021</u>
Subtotal brought forward	\$ 69,071,817	188,705	(2,399,801)	66,860,721
Capital Assets Being Depreciated:				
Furniture and equipment	22,098	27,284	-	49,382
Musical instruments	141,002	-	-	141,002
Total Capital Assets Being Depreciated	<u>163,100</u>	<u>27,284</u>	<u>-</u>	<u>190,384</u>
Less Accumulated Depreciation:				
Furniture and equipment	(12,480)	-	(2,052)	(14,532)
Musical instruments	(113,146)	-	(2,601)	(115,747)
Total Accumulated Depreciation	<u>(125,626)</u>	<u>-</u>	<u>(4,653)</u>	<u>(130,279)</u>
Subtotal	<u>37,474</u>	<u>27,284</u>	<u>(4,653)</u>	<u>60,105</u>
Net Capital Assets	\$ <u>69,109,291</u>	<u>215,989</u>	<u>(2,404,454)</u>	<u>66,920,826</u>

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**6. DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources include student tuition and fees paid in advance for the next academic semester and contracts/grants for specific restricted use. As of June 30, 2021, the Corporation reported the following amounts as deferred inflows related with tuition and contracts:

Corporación del Conservatorio de Música de Puerto Rico:

Students Tuition and Fees	\$ 124,508
Contracts and Grants	<u>710,846</u>
Subtotal	\$ <u>835,354</u>

Corporación del Programa de Música 100x35: Sistema de Orquestas y Coros Juveniles e Infantiles de Puerto Rico:

Contracts and Grants	\$ <u>222,498</u>
Deferred inflows of resources	\$ <u><u>1,057,852</u></u>

**7. RETIREMENT SYSTEM**

Before July 1, 2017, the Corporation was a participating employer in the retirement plans administered by the Employees' Retirement System of the Commonwealth of Puerto Rico (the System or "ERS").

Effective July 1, 2017, the pension obligation of the ERS was transferred to an unfunded pension trust, where pension obligations are funded on a pay-as-you go basis (PayGo). With the start of fiscal year 2018, employers' contributions, contributions ordered by special laws, and the additional uniform contribution were eliminated. On that date, active employees stopped contributing to ERS and new employees will not become members either. Act No. 106 of August 23, 2017 (Act No. 106-2017) provided the legal framework for the Commonwealth of Puerto Rico to implement the PayGo system.

This change resulted in the change in accounting principle from GASB 68, *Accounting and Financial Reporting for Pensions* to GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.

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**7. RETIREMENT SYSTEM, Continued**

The PayGo charge is determined by actual benefits amounts paid to retirees and beneficiaries per each covered entity, as established by article 2.1 of law 106-2017. The PayGo charge requirement in the future years will increase in accordance with the law 106, as liquid retirement funds become depleted.

The total amount paid by the Corporation under the PayGo charge for the year ended June 30, 2021, amounted to \$501,724. This amount represents the 100% of the required contribution for the corresponding year.

***Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources***

The Corporation implemented the Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and amendments to certain provision of GASB Statement 67 and 68*, in the fiscal year ended June 30, 2018. The implementation of the Statement required the Corporation to allocate its proportionate share of the local Government Employees' Retirement System Total Pension Liability, deferred outflows of resources, deferred inflows of resources, pension expense and the effects on the net position of contributions made by the Corporation during the measurement period. To adjust Net Position Proportioned Share beginning balance of July 1, 2020, to the audited amount as of June 30, 2020, of the Puerto Rico Employee Retirement System Administration, the Total Pension Liability, the Deferred Outflows, and Deferred Inflows were adjusted by \$9,300,140. The management of the Corporation believes that this adoption presents more appropriately the financial position of the Corporation in line with the requirements established by the adopted Statements. Also, adjustment to Net Position were made to reflect the effects of the proportioned share of total pension liability.

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**7. RETIREMENT SYSTEM, Continued**

At June 30, 2021, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 309,271	246,223
Differences between expected and actual experience	-	322,895
Benefits paid after measurement date	439,181	-
Changes in Proportion	<u>202,518</u>	<u>466,808</u>
	<u>\$ 950,970</u>	<u>1,035,926</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions at June 30, 2019 will be recognized in pension expense (benefit) in future years as follows:

<u>Year Ending June 30,</u>	<u>Collective Data</u>	<u>Propor- tional Share</u>
2020	\$ (169,499,352)	(131,034)
2021	(169,499,352)	(131,034)
2022	(169,499,352)	(131,034)
2023	<u>(169,499,351)</u>	<u>(131,035)</u>
	<u>\$ (677,997,407)</u>	<u>(524,137)</u>

The previous amounts do not include specific deferred outflows and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is five (5) years for 2019.

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**7. RETIREMENT SYSTEM, Continued**

*Actuarial Methods and Assumptions*

The total pension liability as of June 30, 2019 (the measurement date) was determined by an actuarial valuation as of July 1, 2018, respectively, that was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial methods and assumptions, applied to all periods in the measurement:

Actuarial cost method	Entry age normal
Inflation rate	Not applicable
Salary increases	3.00% per year. No compensation increases are assumed until July 1, 2021, as a result of Act No. 3-2017, four-year extension of Act No. 66-2014, and the current general economy.

The mortality tables used in the 2019 actuarial valuations were as follows:

- Pre-retirement Mortality – For general employees not covered under Act No. 127, RP-2014 Employee Mortality Rates for males and females adjusted to reflect Mortality Improvement Scale MP-2019 from the 2006 base year and projected forward using MP-2019 on generational basis. For members covered under Act No. 127, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for males and females adjusted to reflect Mortality Improvement Scale MP-2019 from the 2006 base year and projected forward using MP-2019 on generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date. 100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127.
- Post-retirement Healthy Mortality – Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Plan’s experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from the UP-1994 Mortality Table for Males and 95% of the rates from the UP-1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. The base rates are projected using Mortality Improvement Scale MP-2019 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

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**7. RETIREMENT SYSTEM, Continued**

- Post-retirement Disabled Mortality – Rates which vary by gender are assumed for disabled retirees based on a study of the Plan’s experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP-2019 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

*Sensitivity of the Collective Total Pension Liability to Changes in the Discount Rate*

The following presents the Corporation proportionate share of the net pension asset as of June 30, 2019, calculated using the discount rate of 3.50 percentage, respectively, as well as what the Corporation’s proportionate share of the net pension asset or Total Pension Liability would be if it were calculated using a discount rate that is one percentage lower (2.50 percent), or one percentage point higher (4.50 percent) than the current rate:

		<b>At 1 Percent Decrease (2.50%)</b>		<b>At Current Discount Rate (3.50%)</b>		<b>At 1 Percent Increase (4.50%)</b>
	\$	<u>28,258,889,734</u>		<u>24,850,437,978</u>		<u>22,081,366,613</u>
Total Pension Liability						
Proportional Share	\$	<u>10,831,632</u>		<u>9,524,093</u>		<u>8,463,788</u>

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**8. OTHER POST-EMPLOYMENT BENEFITS**

**Plan Description**

The Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico (the Commonwealth) for Retired Participants of the Employees Retirement System (the Plan) is an unfunded, multi-employer defined benefit other postemployment healthcare benefit plan (OPEB). The Plan is administered on a pay as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75). Therefore, the schedules of employer allocations and the schedules of OPEB amounts by employer (collectively, the Schedules) present the OPEB amounts attributable to the Commonwealth reporting entity and exclude the OPEB amounts of other participating employers that are not included in the Commonwealth reporting entity.

The Plan covers a payment of up to \$100 per month to the eligible medical insurance plan selected by each member provided that the member retired prior to July 1, 2013 (Act No. 483, as amended by Act No. 3). The Plan is financed by the Commonwealth through legislative appropriations. However, the Commonwealth claims reimbursement from each employer on a monthly basis for the corresponding amount of the OPEB payments made by the Commonwealth in relation to the retirees associated with each employer. There is no contribution requirement from the plan members during active employment. The retirees contribute the amount of the healthcare insurance premium not covered by the Commonwealth contribution. Plan members were eligible for benefits upon reaching the applicable pension benefits retirement age. Act No. 3 of 2013 eliminated this healthcare benefit to the Plan members that retired after June 30, 2013.

The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the Commonwealth to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

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**8. OTHER POST-EMPLOYMENT BENEFITS, Continued**

The Corporation has implemented GASB Statement No 75 because the Corporation has been provided the actuarial information report as of June 30, 2019 (measurement date), which is required for the implementation of this statement. Consequently, the Corporation has recorded the post-employment benefits liability, and the other post-employment expense for that year. However, because all participants are inactive, there are no deferred outflows or inflows of resources as changes in actuarial assumptions, economic or demographic gains and losses, and changes in proportionate share which are recognized immediately during the measurement year. To adjust the Total OBEP Liability Proportionate Share beginning balance as of July 1, 2020, to the audited amount as of June 30, 2019, of Puerto Rico Employee Retirement System Administration, the Total OBEP Liability decrease it by \$56,965. The management of the Corporation believes that this adoption presents more appropriately the financial position of the Corporation in line with the requirements established by the adopted Statement.

**Allocation Methodology**

GASB Statement No. 75 requires participating employers to recognize their proportionate share of the collective total OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense (benefit). The employer allocation percentages presented in the schedule of employer allocations and applied to amounts presented in the schedule of OPEB amounts by employer are based on the ratio of Corporation to the total actual benefit payments paid during the year ending on the measurement date. Employer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer may result in immaterial differences.

**Total OPEB Liability and Actuarial Information**

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of July 1, 2018, respectively, which was rolled forward to June 30, 2019, respectively (measurement date as of June 30, 2019). The actuarial valuation used the following actuarial assumptions applied to all periods in the measurement period.

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**8. OTHER POST-EMPLOYMENT BENEFITS, Continued**

*Actuarial assumptions*

*Discount rate*

The discount rate for June 30, 2019 was and 3.50%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

*Mortality*

*Pre-retirement Mortality*

For general employees not covered under Act No. 127, RP-2014 Employee Mortality Rates for males and females adjusted to reflect Mortality Improvement Scale MP-2019 from the 2006 base year and projected forward using MP-2019 on a generational basis. For members covered under Act No. 127, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for males and adjusted to reflect Mortality Improvement Scale MP-2019 from the 2006 base year and projected forward using MP-2019 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date. 100% of deaths while in active service are assumed to be occupational for members covered under Act 127.

*Post-retirement Healthy Mortality*

Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from the UP-1994 Mortality Table for Males and 95% of the rates from the UP-1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. The base rates are projected using Mortality Improvement Scale MP-2019 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

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**8. OTHER POST-EMPLOYMENT BENEFITS, Continued**

*Post-retirement Disabled Mortality*

Rates which vary by gender are assumed for disabled retirees-based experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP-2019 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

*Sensitivity of Total OPEB Liability to Changes in the Discount Rate*

The following presents the collective total OPEB liability of the Plan at June 30, 2019, calculated using the discount rate of 3.50%, as well as the Plan total OPEB liability if it were calculated using the discount rate of 1-percentage point lower (2.50%) or 1-percentage point higher (4.50%) than the current rate:

		<u>At 1 Percent Decrease (2.50%)</u>		<u>At Current Discount Rate (3.50%)</u>		<u>At 1 Percent Increase (4.50%)</u>
Total OBEP Liability	\$	<u>912,797,426</u>		<u>832,231,462</u>		<u>763,801,691</u>
Proportionate Share	\$	<u>188,493</u>		<u>171,867</u>		<u>157,725</u>

**9. NON-CURRENT LIABILITIES**

Changes in non-current liabilities for the year ended June 30, 2021, are as follows:

		<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current</u>
Compensated Absences	\$	153,947	65,714	35,663	183,998	64,126
Total Pension Liability		19,829,460	11,235,479	21,540,846	9,524,093	439,181
Total OPEB Liability		<u>228,832</u>	<u>-</u>	<u>56,965</u>	<u>171,867</u>	<u>15,500</u>
Total	\$	<u>20,212,239</u>	<u>11,301,193</u>	<u>21,633,474</u>	<u>9,879,958</u>	<u>518,807</u>

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**10. RESTRICTED ASSETS**

a. Scholarship Restricted Endowment Fund

The scholarship restricted endowment fund, to be invested for twenty years, was established in 2002. The awards made by private foundations were matched dollar by dollar by an equal amount provided by the Puerto Rico Department of Education, Title V. The Corporation may use only 50% of the endowment funds income. After twenty years, it may use all of the endowment fund income for whatever educational purposes it defines.

The scholarship restricted endowment fund consists of awards received to be matched with federal funds as follows:

Fundación Angel Ramos	\$	200,000
Fundación Banco Popular		300,000
Donations Made by Individuals		13,495
		<u>513,495</u>
Transfer approved by Board of Directors		483,301
Matching Federal Funds, Title V		363,495
Accumulated Interest from endowment Investment		523,872
Scholarship awarded		<u>(250,005)</u>
Total	\$	<u>1,634,158</u>

b. Other Restricted Fund

State funds	\$	63,187
Federal funds		446,517
Donations		2,124,450
Other restricted funds (100x35)		<u>211,948</u>
Total	\$	<u>2,846,102</u>
Grand Total	\$	<u>4,480,260</u>

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**11. COMMITMENTS AND CONTINGENCIES**

The Corporation participates in various federal financial assistance's programs. These programs are subject to audits in accordance with the provisions of Title 2 CFR part 200, subpart F. Any disallowed cost, including already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures that could be disallowed by the grantors cannot be determined at this time.

**12. LEGAL CLAIMS**

The Corporation is a defendant in various legal claims arising out from the normal course of business. Since these claims are in the early stage of the discovery process as of June 30, 2021, it is Management's opinion, based on legal counsels' analysis, that the ultimate liability, if any, resulting from these pending proceedings, will not be material in relation to the financial statements taken as a whole.

**13. SUBSEQUENT EVENTS**

Since December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. The World Health Organization has declared COVID-19 a pandemic resulting in federal, state, and local governments and private entities mandating various restrictions, where businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

The Corporation has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended June 30, 2021, have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and financial institutions responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Corporation for future periods.

Subsequent events were evaluated through June 13, 2022, which is the date the financial statements were available to be issued. No material subsequent events requiring further disclosure have been identified.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
DE PUERTO RICO**

(A Component Unit of the Commonwealth of Puerto Rico)

**REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF TOTAL PENSION LIABILITY  
AS OF JUNE 30, 2021**

<b>Total Pension Liability (Reporting Date)</b>	<b>2020</b>	<b>2019</b>
Proportion of the net pension liability	0.03833%	0.04057%
Proportionate share of the total pension liability	\$ 9,524,093	9,934,677
Covered-employee payroll	\$ 3,602,758	3,572,243
Proportionate share of the total pension liability as a percentage of its covered-employee payroll	264.36%	278.11%

Notes:

GASB Statement No. 73 requires information for 10 years. Nonetheless, 2019 was the first year of implementation in the Corporation, therefore only two years are shown. Until a full 10-year trend is compiled, the Corporation will present information for only those years for which information is available.

The Corporation's total Pension liability as of June 30, 2020 and 2019, were measured on June 30, 2018 and 2019, respectively, and were determined by an actuarial valuation as of July 1, 2017 and 2018, respectively, that was rolled forward to June 30, 2018 and 2019, respectively.

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
DE PUERTO RICO**

(A Component Unit of the Commonwealth of Puerto Rico)

**REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF TOTAL OPEB LIABILITY  
AS OF JUNE 30, 2021**

<b>Total OPEB liability (Reporting Date)</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Proportion of the total OPEB liability	.02065%	.02377%	0.02486%
Proportionate share of the total OPEB liability	\$ 171,867	200,149	228,832
Covered-employee payroll	\$ 3,602,758	3,572,243	2,778,181
Proportionate share of the total OPEB liability as a percentage of its covered-employee payroll	4.77%	5.60%	8.24%

Notes:

GASB Statement No. 75 requires information for 10 years. Nonetheless, 2018 was the first year of implementation in the Corporation, therefore only three years are shown. Until a full 10-year trend is compiled, the Corporation will present information for only those years for which information is available.

The Corporation's total OPEB liability as of June 30, 2020, 2019 and 2018 were measured on June 30, 2019, 2018 and 2017, respectively and were determined by an actuarial valuation as of June 30, 2019, 2018 and 2017, respectively.

**SUPPLEMENTARY INFORMATION**



**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
DE PUERTO RICO**

(A Component Unit of the Commonwealth of Puerto Rico)

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Total Federal Expenditures</u>
<b>U.S. Department of Educations:</b>		
<b>Student Financial Assistance Cluster Program</b>		
Federal Pell Grant Program	84.063	\$ 1,158,986
William D. Ford Federal Direct Loan Program	84.268	238,066
Federal Work-Study Program	84.033	648
Federal Supplemental Educational Opportunity Grants	84.007	<u>31,800</u>
Total Expenditures of Cluster Award		1,429,500
<b>Education Stabilization Fund – COVID-19, Higher Education Emergency Relief Fund (HEERF):</b>		
COVID 19 - HEERF – Student Aid Portion	84.425E	299,711
COVID 19 - HEERF – Institutional Portion	84.425F	647,918
COVID 19 - HEERF – Minority Serving Institutions	84.425L	<u>93,304</u>
Total Expenditures of Education Stabilization Fund – COVID - 19, HEERF		1,040,933
Total Expenditures of Federal Awards		<u>\$ 2,470,433</u>

See accompanying independent auditors' report  
and notes to the Schedule of Expenditures of Federal Awards.

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
DE PUERTO RICO**

(A Component Unit of the Commonwealth of Puerto Rico)

Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021

**1. BASIS PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Corporation under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Corporation, it is not intended to and does not present the financial position, changes in net assets or cash flows of Corporation.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures included in the Schedule are reported on the accrual basis of accounting, which is further explained in Note 1 to the accompanying financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, where in certain types of expenditures are not allowable or limited as to reimbursements. The amounts in the Schedule agree with the amounts reported in the accompanying financial statements.

**3. RELATION TO FEDERAL FINANCIAL REPORTS**

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the accompanying schedule, which is prepared on the basis of accounting explained in Note 1.

Set forth in 200.327 Financial reporting and 200.328 Monitoring and reporting program performance, if a Federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient must not be required to establish an accrual accounting system. This recipient may develop accrual data for its reports on the basis of an analysis of the documentation on hand. The Corporation's prepares the federal financial reports on accrual basis of accounting primarily based on information from the internal accounting records of the Corporation.

(Continued)

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
DE PUERTO RICO**

(A Component Unit of the Commonwealth of Puerto Rico)

Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021

**4. RELATION TO FINANCIAL STATEMENTS**

Federal awards revenues and expenses are reported in the Corporation's Statement Activities and Changes in Net Position, in accordance with standards issued by the Government Accounting Standards Board (GASB) No. 35. Because the Schedule of Expenditures of Federal Awards presents only federal activities of the Corporation, it is not intended to and does not present the financial position, assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows, as a whole.

**5. CLUSTER PROGRAMS**

2 CFR 200.17 defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to this definition, Federal Student Financial Assistance Programs were deemed to be a cluster of programs and were tested accordingly.

**6. LOAN PROGRAM**

William D. Ford Federal Direct Loan - The Corporation is responsible only for the performance of certain administrative duties with respect to the William D. Ford Federal Direct Loan. Accordingly, balances and transactions relating to this program are not included in the Corporation's basic financial statements. Therefore, it is not practical to determine the balance of Loans outstanding to students and former students of the Corporation at June 30, 2021.

Federally guaranteed loans issued to students of the Corporation during the year ended June 30, 2021, are summarized as follows:

	<u>CFDA Number</u>		<u>2021</u>
William D. Ford Federal Direct Loan Program	84.268	\$	<u>238,066</u>

**7. DISTINCTION BETWEEN TYPE A AND TYPE B PROGRAMS**

The dollar threshold for Type A and Type B programs amounted to \$750,000.

(Continued)

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
DE PUERTO RICO**

(A Component Unit of the Commonwealth of Puerto Rico)

Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021

**8. MATCHING COSTS**

Matching costs, such as the nonfederal share of certain program costs, are not included in the accompanying Schedule.

**9. INDIRECT COST**

For the purpose of charging indirect costs to federal award, the Corporation has not prepared or submitted indirect cost proposal as permitted by CFR 200.414 of the Uniform Guidance.

**10. PASS-TROUGH**

No federal grant dollar has been passed through to sub-recipient.

**ZAYAS, MORAZZANI & CO.**  
CERTIFIED PUBLIC ACCOUNTANTS

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San Juan, Puerto Rico 00936-6225  
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To Board of Directors of  
**Corporación del Conservatorio de Música  
de Puerto Rico**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of **Corporación del Conservatorio de Música de Puerto Rico** (the Corporation), which comprise the statement of net position as of June 30, 2021, and the related statements of activities and changes in net position, and cash flows for the year then ended, and the related notes to the basic financial statements and have issued our report thereon dated June 13, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

San Juan, Puerto Rico  
June 13, 2022



Stamp No. E491858 of the Puerto  
Rico Society of Certified Public  
Accountants was affixed to original.

**ZAYAS, MORAZZANI & CO.**  
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
**Corporación del Conservatorio de Música  
de Puerto Rico**

Report on Compliance for Each Major Federal Program

We have audited **Corporación del Conservatorio de Música de Puerto Rico** (the Corporation)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended June 30, 2021. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

### Opinion on Each Major Federal Program

In our opinion, the Corporation's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### Report on Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness. However, material weakness may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

San Juan, Puerto Rico  
June 13, 2022



Stamp No. E491859 of the Puerto  
Rico Society of Certified Public  
Accountants was affixed to original.



**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
DE PUERTO RICO**

(A Component Unit of the Commonwealth of Puerto Rico)

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued	Qualified
Internal Control over financial reporting:	
1. Material weakness identified?	No
2. Significant deficiencies that are not to be considered material weakness?	No
3. Non-compliance material to financial statement noted?	Yes

**Financial Awards**

Internal control over major programs:	
1. Material weakness identified?	No
2. Significant deficiencies that are not to be considered material weakness?	No
3. Type of auditors’ report issued on compliance for major program	Unmodified
4. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

The programs tested as major programs are the following:

<b>Federal grantor/Name of Federal Program or Cluster</b>	<b>CFDA Number</b>
Student Financial Assistance Cluster Program:	
Federal Pell Grant Program	84.063
William D. Ford Federal Direct Loan Program	84.268
Federal Work-Study Program	84.033
Federal Supplemental Educational Opportunity Grants	84.007
Education Stabilization Fund – COVID 19 - Higher Educational Emergency Relief Fund	84.425
Dollar threshold used to distinguish between Types A and B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
DE PUERTO RICO**

(A Component Unit of the Commonwealth of Puerto Rico)

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

**SECTION II – FINDING – FINANCIAL STATEMENTS AUDIT**

- None Reported.

**SECTION III - FEDERAL AWARDS FINDINGS,**

- None Reported.

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
DE PUERTO RICO**

(A Component Unit of the Commonwealth of Puerto Rico)

Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2021

**SECTION IV – SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

- None Reported.

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA  
DE PUERTO RICO**

(A Component Unit of the Commonwealth of Puerto Rico)

Audit Engagement Profile  
For the Year Ended June 30, 2021

AUDITORS : Zayas, Morazzani & Co.  
CONTACT PERSON : Mr. Luis A. Martínez-Renta, CPA, Partner  
l.martinez@zmcompany.com  
FEDERAL EMPLOYER ID NUMBER : 66-0365844  
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LICENSE NUMBER : 95  
TELEPHONE NUMBER : (787) 753-7025; 753-7038  
FAX NUMBER : (787) 759-7122

The audit was performed at the Corporation's facilities, as follows:

<u>Location</u>	<u>Description of Facility</u>	<u>Dates Visited</u>
951 PR-25, San Juan, 00907	Administration Offices	Various

Records for the accounting and administration of the Corporation are located at the above-referenced facilities.