Puerto Rico Public Broadcasting Corporation
(A Component Unit of the Commonwealth of Puerto Rico)

Financial Statements and Supplementary Information

June 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Puerto Rico Public Broadcasting Corporation
(A Component Unit of the Commonwealth of Puerto Rico)
San Juan, Puerto Rico

We have audited the accompanying financial statements of the Puerto Rico Public Broadcasting Corporation (the Corporation), a component unit of the Commonwealth of Puerto Rico (the Commonwealth), which comprise the statement of net position as of June 30, 2020 and the related statements of revenues, expenses and changes in net position, and of cash flows for the year then ended, and the related notes to the financial statements.

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 the 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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 purposes 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.

Galíndez LLC

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Puerto Rico Public Broadcasting Corporation as of June 30, 2020 and the related 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.

Emphasis of Matter

As discussed in Note 1 to the accompanying financial statements, on June 30, 2016, the Puerto Rico Oversight, Management, and Economic Stability Act, Pub. Law 114-187 (PROMESA or the Act) was enacted into law. This Act established a Financial Oversight and Management Board for Puerto Rico (the Oversight Board) to oversee the finances of the Commonwealth and its efforts to achieve fiscal responsibility and obtain access to capital markets. On May 13, 2017, the Oversight Board filed a petition for relief under Title Ill of PROMESA, similar to bankruptcy proceedings, on behalf of the Commonwealth. On January 18, 2022, the Title Ill Court entered an order confirming the Commonwealth's Eight Amended Plan of Adjustment (the Plan). The Plan became effective in accordance with its terms on March 15, 2022, and the Commonwealth emerged from Title Ill of PROMESA.

As part of the recommendations made by the Oversight Board to improve the Commonwealth's finances, the Corporation has commenced a privatization process to provide for increased growth opportunities, enhance its programming offering, and to reduce the Commonwealth's future spending. Such privatization plan will be implemented by transferring the Corporation's assets to a transitional not-for-profit entity that will ensure the continuity of services until the creation of a permanent, private organization.

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, and the schedules of the Corporation's proportionate share of the collective total pension liability and the other postemployment benefits (OPEB) collective net liability, as listed on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Galíndez LLC

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

Galíndez LLC

San Juan, Puerto Rico
April 30, 2022
License No. LLC-322
Expires December 1, 2023

As management of the Puerto Rico Public Broadcasting Corporation (the Corporation), a component unit of the Commonwealth of Puerto Rico (the Commonwealth), we present the following management's discussion and analysis (MD&A) to provide an overview of the financial performance of the Corporation as of and for the years ended June 30, 2020 and 2019, and to provide readers with additional financial information for placing the basic financial statements in an appropriate operational, economic, or historical context. We recommend the readers to consider the analysis, narrative and data information presented in this report in conjunction with the financial statements that follow this section.

Financial Highlights

- The assets of the Corporation as of June 30, 2020 increased by approximately $3.7 million or 45% when compared to June 30, 2019.
- The liabilities of the Corporation as of June 30, 2020 exceeded its assets by approximately $18.7 million, including deferred outflows and inflows, resulting in a negative net position for such amount.
- At June 30, 2020, the net position of the Corporation increased by $4.2 million or 18% when compared to June 30, 2019, mainly due to the results from operations for the year.
- Operating revenues for the year ended June 30, 2020 decreased by approximately $1 million or 8% when compared to the year ended June 30, 2019.
- Non-operating revenues for the year ended June 30, 2020 decreased by approximately $71,000 or 2% when compared to the year ended June 30, 2019.
- Operating expenses for the year ended June 30, 2020 decreased by approximately $1.5 million or 11.6% when compared to the year ended June 30, 2019.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation operates the radio, television and electronic communications facilities of the Commonwealth and presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting. This presentation means that the Corporation's financial information is reported using accounting methods similar to those followed by private sector companies. These financial statements include both short-term and long-term financial information about the financial position and activities of the Corporation.

Required Financial Statements for Business-Type Activities

The Corporation's basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows for the year ended June 30, 2020. To provide our users with a contextual frame of reference, this MD&A includes comparative information from the prior year. The financial statements also include notes that are considered essential for a full understanding of the information that is presented on the face of these statements.

Required Financial Statements for Business-Type Activities – (continued)

The primary purpose of such notes is to provide additional information, enhanced disclosures and tabular presentation of financial data to further explain the balances included in the basic financial statements and to provide more detailed financial information.

Statement of Net Position

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

Statement of Revenues, Expenses and Changes in Net Position

The Corporation's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position. This statement measures the results of the Corporation's operations for each of the years presented and can be used to determine whether the Corporation has successfully recovered all of its costs through operating revenue and non-operating revenue. It provides the users of the financial statements with basic financial information about the profitability and credit worthiness of the Corporation.

Statement of Cash Flows

The primary purpose of the statement of cash flows is to provide information about the Corporation's cash receipts and cash payments during each of the years presented. The statement reports cash receipts, cash payments and net changes in cash resulting from operating; noncapital financing; capital and related financing; and investing activities. This statement also provides the users with information about the sources of the Corporation's cash, what the cash was used for, and by how much the balance of cash changed over the course of each of the years presented.

Notes to the Basic Financial Statements

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

Required Supplementary Information

This MD&A represents financial information required to be presented by GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended. Such information provides the users of this report with additional information that supplements the basic financial statements.

Financial Analysis of the Year Ended June 30, 2020

The statements of financial position provide information on the Corporation's assets and liabilities, with the difference between them reported as net assets, as follows:

	2020	2019	Change In Dollars	Change Percentage
Assets:				
Current assets	$ 6,381,933	$ 3,173,897	$ 3,208,036	101.08%
Non-current assets:				
Capital assets	5,510,081	4,997,724	512,357	10.25%
Other	24,731	61,250	(36,519)	-59.62%
Total assets	11,916,745	8,232,871	3,683,874	44.75%
Deferred outflows of resources	2,527,944	2,123,155	404,789	19.07%
Total assets and deferred outflow of resources	$ 14,444,689	$ 10,356,026	$ 4,088,663	39.48%
Liabilities:				
Current liabilities	$ 6,374,881	$ 6,526,654	$ (151,773)	-2.33%
Non-current liabilities:				
Accrued legal claims	1,680,000	1,680,000	-	0.00%
Termination benefits	1,627,760	1,711,015	(83,255)	-4.87%
Compensated absences	1,374,512	1,290,691	83,821	6.49%
Other postemployment benefits	453,686	472,244	(18,558)	-3.93%
Pension liability	19,472,059	20,255,556	(783,497)	-3.87%
Total liabilities	30,982,898	31,936,160	(953,262)	-2.98%
Deferred inflow of resources	2,202,031	1,346,731	855,300	63.51%
Total liabilities and deferred inflow of resources	33,184,929	33,282,891	(97,962)	-0.29%
Net assets:				
Investment in capital assets	5,510,081	4,997,724	512,357	10.25%
Restricted	3,111,352	1,521,556	1,589,796	104.48%
Unrestricted	(27,361,673)	(29,446,145)	2,084,472	-7.08%
Total net assets	(18,740,240)	(22,926,865)	4,186,625	-18.26%
Total liabilities and net assets	$ 14,444,689	$ 10,356,026	$ 4,088,663	39.48%

Analysis of Net Assets

As of June 30, 2020, the net assets of the Corporation increased by approximately $4.2 million or 18.2% when compared to June 30, 2019 mainly due to the following:

- Increase in investment in capital assets is mainly due to capital acquisitions of approximately $1.5 million net of depreciation and amortization expense of approximately $979,000 for the year ended June 30, 2020.

- Increase of approximately $1.6 million or 104% in net assets with donor restrictions is mostly due to the following:

    - Increase of approximately $486,000 in restricted funds from Television Taller Dramático.
    - Increase of approximately $193,000 in restricted funds from Radio Taller Dramático.
    - Increase of approximately $913,000 in restricted funds from the Corporation for Public Broadcasting (CPB).

- Net increase of approximately $2.1 million or 7% in unrestricted net position is mainly due to the increase in net position of $4.1 million offset by the increase in restricted net position of $1.6 million and investment in capital assets of $512,000, as discussed above.

Analysis of Current Assets

Current assets represent the sum of cash (restricted and unrestricted), accounts receivable trade, accounts receivable other, and due from governmental entities. Current assets are important in any financial analysis because it is from current assets that a business funds its ongoing day-to-day operations. A comparison of current assets as of June 30, 2020 and 2019 by asset classification is as follows:

			Change	
	2020	2019	In Dollars	Percentage
Cash	$ 7,800	$ 2,400	$ 5,400	225.00%
Restricted cash	3,218,158	1,713,534	1,504,624	87.81%
Accounts receivable, net	448,664	339,903	108,761	32.00%
Other receivables	574,302	902,613	(328,311)	-36.37%
Due from governmental entities, net	2,133,009	215,447	1,917,562	890.04%
Total current assets	$ 6,381,933	$ 3,173,897	$ 3,208,036	101.08%

Analysis of Current Assets – (continued)

Restricted cash at June 30, 2020 increased by approximately $1.5 million or about 88% when compared to June 30, 2019, mainly due to increases in the Lucy Boscana and CPB CSG TV and Radio cash accounts. Increase in accounts receivable of approximately $109,000 or 32% is mainly due to the timing of billings and collections. Other receivables decreased by $328,000 or 36% mostly due to the net effect of an increase of approximately $251,000 in accounts receivable from the Puerto Rico Office of Management and Budget related to retirement expenses, as assigned by the Commonwealth, and a decrease of approximately $578,000 in receivables from CPB. Increase in due from government entities of approximately $1.9 million or 890% is mainly due to receivables from Department of Education of $1.9 million.

Analysis of Non-Current Assets

Non-current assets represent assets that are not reasonably expected to be realized in cash or sold or consumed during the next fiscal year. When making a distinction between whether an asset should be considered current or non-current, liquidity or nearness to cash are not the only considerations for determining the classification; restrictions on the use of the asset must also be considered. Thus, cash investments intended for the liquidation of liabilities due beyond a one-year period are non-current assets, as are assets segregated or restricted for the liquidation of long-term debt (including amounts due within the next operating cycle). Certain assets designated to be used to acquire, construct, or improve capital assets would also be considered non-current.

A comparison of non-current assets as of June 30, 2020 and 2019 by asset classification is as follows:

			Change	
	2020	2019	In Dollars	Percentage
Licensed program rights and costs incurred for programs not yet broadcasted	$ 11,731	$ 34,850	$ (23,119)	-66.34%
Other	13,000	26,400	(13,400)	-50.76%
Capital assets, net	5,510,081	4,997,724	512,357	10.25%
Total non-current assets	$ 5,534,812	$ 5,058,974	$ 475,838	9.41%

Total non-current assets at June 30, 2020 increased by approximately $476,000 or about 9% when compared to June 30, 2019. Such increase is mainly due to an increase of approximately $512,000 or 10% in capital assets as a result of approximately $1.5 million of additions less depreciation expense of approximately $979,000 for the year ended June 30, 2020.

Analysis of Non-Current Assets – (continued)

Capital Assets

At June 30, 2020, the Corporation had an investment in capital assets of approximately $5.5 million, net of accumulated depreciation and amortization. This amount represents a net increase of approximately $512,000 or 10% when compared to June 30, 2019.

A comparison of net capital assets as of June 30, 2020 and 2019 by asset category is as follows:

Asset Category	2020	2019	Change In Dollars	Change Percentage
Land	$ 82,600	$ 82,600	$ -	0.00%
Television, radio and other equipment	4,812,067	4,130,426	681,641	16.50%
Building and building improvements	349,797	444,475	(94,678)	-21.30%
Motor vehicles	167,525	199,408	(31,883)	-15.99%
Furniture and fixtures	66,672	89,367	(22,695)	-25.40%
Computers	31,420	51,448	(20,028)	-38.93%
Capital assets, net	$ 5,510,081	$ 4,997,724	$ 512,357	10.25%

Television, radio and other equipment at June 30, 2020 increased by approximately $690,000 when compared to June 30, 2019, mainly due to the net effect of the following:

- Additions of transmission equipment amounting to approximately $1,302,000, as part of the Federal Communications Commission (FCC) repacking program funds.
- Current year's depreciation expense of approximately $808,000.

Deferred Outflows of Resources

The increase in deferred outflows of resources of approximately $405,000 or 19% is due to the net result of adjustments related to the PayGo system under Act 106, mainly due to changes in actuarial assumptions.

Analysis of Liabilities

In financial accounting, the term liability is defined as an obligation of an entity arising from past transactions or events, which settlement may result in the transfer or use of assets, provision of services or other yielding of economic benefits in the future.

Analysis of Liabilities – (continued)

A comparison of liabilities as of June 30, 2020 and 2019 is as follows:

	2020	2019	Change In Dollars	Change Percentage
Accounts payable	$ 2,298,356	$ 2,313,112	$ (14,756)	-0.64%
Accrued expenses, payroll taxes and withholdings	1,972,706	2,016,617	(43,911)	-2.18%
Termination benefits	1,864,098	1,962,095	(97,997)	-4.99%
Compensated absences	2,159,802	2,087,892	71,910	3.44%
Accrued legal claims	1,680,000	1,680,000	-	0.00%
Other postemployment benefits	493,831	512,389	(18,558)	-3.62%
Pension liability	20,514,105	21,364,055	(849,950)	-3.98%
Total liabilities	$ 30,982,898	$ 31,936,160	$ (953,262)	-2.98%

Accrued expenses, payroll and taxes and withholdings decreased by approximately $44,000 or 2% as of June 30, 2020 when compared to June 30, 2019, mainly due to a decrease in vacations, withholdings and retirement accruals.

Termination benefits decreased by approximately $98,000 or 5% mainly due to current year benefit payments under Act No. 70 of July 2, 2010. Such liability is expected to continue to decrease as the benefits expire upon the participating employees reaching the normal retirement age.

The increase of approximately $72,000 or 3% in compensated absences is mainly due to the current year activity.

Decrease in the total pension liability of $850,000 or 4% is due to the implementation of the PayGo system as provided by Act 106, which provides for pension plan payments based on actual disbursements made to participants. Pension liability is expected to continue to decrease as participants receive their benefits.

Deferred Inflows of Resources

The increase in deferred inflows of resources of approximately $855,000 or 63% is mainly due to changes in the Corporation's proportionate share of the pension plan liability under the PayGo system, as provided by Act 106.

Statements of Revenues, Expenses and Change in Net Position

The change in net position is an indicator of whether the overall fiscal condition of a government component unit has improved or worsened during the year. Following is a summary of the statements of revenues, expenses and changes in net position for the years ended June 30, 2020 and 2019:

			Change	
	2020	2019	In Dollars	Percentage
Operating revenues:				
Sponsoring services	$ 455,021	$ 911,315	$ (456,294)	-50.07%
Production services	3,308,145	1,244,470	2,063,675	165.83%
Contributions from Corporation for Public Broadcasting	1,831,592	1,937,499	(105,907)	-5.47%
Contributions from the Commonwealth of Puerto Rico	6,465,000	8,926,000	(2,461,000)	-27.57%
Other	240,800	320,570	(79,770)	-24.88%
Total operating revenues	12,300,558	13,339,854	(1,039,296)	-7.79%
Non-operating revenue:				
Federal financial assistance	1,592,070	2,052,936	(460,866)	-22.45%
Interest and other income	1,497,333	1,107,464	389,869	35.20%
Total non-operating revenue	3,089,403	3,160,400	(70,997)	-2.25%
Operating expenses:				
Broadcasting and technical	1,897,044	2,046,256	(149,212)	-7.29%
Programming and production	5,854,255	6,716,016	(861,761)	-12.83%
General administration	2,472,703	2,934,710	(462,007)	-15.74%
Depreciation and amortization	979,334	976,208	3,126	0.32%
Total operating expenses	11,203,336	12,673,190	(1,469,854)	-11.60%
Decrease in pension liability as a result of the implementation of the PayGo system as provided by Act No. 106 of 2017	-	18,533,524	(18,533,524)	100.00%
Change in net position	4,186,625	22,360,588	(18,173,963)	-81.28%
Net position, at beginning of year	(22,926,865)	(45,287,453)	22,360,588	-49.37%
Net position, at end of year	$ (18,740,240)	$ (22,926,865)	$ 4,186,625	-18.26%

Analysis of Revenues

Operating revenues decreased by approximately $1 million or 8%, from $13.3 million in 2019 to $12.3 million in 2020, as a result of the following:

- Income from production services increased by approximately $2.1 million or 166% mainly due to an increase in special projects, particularly from the Department of Education and the Department of Health for COVID-19 related projects.

- Sponsoring services experimented a 50% decrease due to a restriction in sponsoring sales caused by COVID-19.

- Contributions from the CPB decreased by approximately $106,000 or 5%, from $1.9 million in 2019 to $1.8 million in 2020. On an annual basis, the CPB determines the funds to be provided to the Corporation based on their budget and internal criteria.

- Contributions from the Commonwealth of Puerto Rico decreased by approximately $2.5 million or 28%, from $8.9 million in 2019 to $6.5 million in 2020 due to budgetary restrictions and cuts implemented by the Commonwealth to reduce government spending as a result of its severe financial crisis. Since 2016, the Fiscal Management and Oversight Board (the Oversight Board) has reviewed and provided final authorization of the annual budget of the Commonwealth, which has resulted in gradual decreases every year since.

Non-operating revenue decreased by approximately $71,000 or 2% from $3.16 million in 2019 to $3.09 million in 2020, as a result of the following:

- Federal financial assistance decreased by approximately $461,000 or 22% during the year ended June 30, 2020, mostly due to a $149,000 decrease in funds received from the FCC (approximately $1,592,000 in 2020 compared to $1,741,000 in 2019) in connection with the repacking program or broadband television spectrum reorganization, and a decrease of approximately $310,000 in certain fees charged during the year ended June 30, 2019.

- Increase in interest and other income of approximately $390,000 or 35% is mainly due to insurance recoveries from business interruption policies amounting to approximately $1,262,000 in connection with the passage of Hurricane María.

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Analysis of Expenses

Total operating expenses for the year ended June 30, 2020 decreased by approximately $1.5 million or 12%, from $12.7 million in 2019 to $11.2 million in 2020, mainly due to the decrease in pension expense and related balances resulting from the implementation of the PayGo system during 2019 and the continuing cost control measures required as a result of the budgetary cuts described in the analysis of revenues, as follows:

- Broadcasting and technical expenses decreased by $149,000 or 7%, from approximately $2 million in 2019 to $1.9 million in 2020. Such decrease is mainly due to payroll related expenses reduction of approximately $126,000, caused by a voluntary transition program in which some employees leave the Corporation voluntarily; also, there was a reduction in equipment and building maintenance of $166,000, related to the Corporation's cost control measures.

- Programming and production expenses decreased by approximately $862,000 or 13%, from $6.7 million in 2019 to $5.9 million in 2020. Such decrease is mainly due to the decrease in production costs expense and related balances of approximately $633,000, caused by a reduction in local programming expenses, that was replaced by historical archive programming.

- General administration costs decreased by $462,000 or 16%, from $2.9 million in 2019 to $2.5 million in 2020. Such decrease is mainly due to the decrease in the payroll related expenses of $120,000 and the results of the Corporation's cost control measures.

As previously discussed, as a result of the adoption of PayGo system, and the related implementation of GASB 73, during the year ended June 30, 2019, the Corporation's pension plan liability decreased by approximately $18.5 million.

Request for Information

This financial report is designed to provide a general overview of the Corporation's finances for all those individuals having an interest in the Corporation's operations and financial condition. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Corporation's Finance Office at 570 Hostos Avenue, Baldrich, San Juan, PR or call at 787-764-2036.

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Puerto Rico Public Broadcasting Corporation
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Net Position
June 30, 2020

Assets	
Current assets:	
Cash	$ 7,800
Restricted cash	3,218,158
Accounts receivable:	
Trade, net of allowance for doubtful accounts of $289,310	448,664
Other receivables	574,302
Due from governmental entities, net	2,133,009
Total current assets	6,381,933
Non-current assets:	
Licensed program rights and costs incurred for programs not yet broadcasted	11,731
Other assets	13,000
Capital assets, net of accumulated depreciation and amortization	5,510,081
Total assets	11,916,745
Deferred outflows of resources:	
Pension	2,487,799
Other postemployment benefits	40,145
Total deferred outflows of resources	2,527,944
Total assets and deferred outflows of resources	$ 14,444,689
Liabilities	
Current liabilities:	
Accounts payable	$ 2,298,356
Accrued expenses, payroll taxes and withholdings	1,972,706
Termination benefits accrual	236,338
Compensated absences	785,290
Total other postemployment benefits	40,145
Total pension liability	1,042,046
Total current liabilities	6,374,881
Non-current liabilities:	
Accrued legal claims	1,680,000
Termination benefits accrual	1,627,760
Compensated absences	1,374,512
Total other postemployment benefits	453,686
Total pension liability	19,472,059
Total non-current liabilities	24,608,017
Total liabilities	30,982,898
Deferred inflows of resources - pension	2,202,031
Total liabilities and deferred inflows of resources	33,184,929
Net Position	
Investment in capital assets	5,510,081
Restricted	3,111,352
Unrestricted deficit	(27,361,673)
Total net position	(18,740,240)
Total liabilities and net position	$ 14,444,689

The accompanying notes are an integral part of these basic financial statements.

Puerto Rico Public Broadcasting Corporation
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Revenues, Expenses and Changes In Net Position
Year Ended June 30, 2020

Operating revenues:	
Sponsoring services	$ 455,021
Production services	3,308,145
Contributions from Corporation for Public Broadcasting	1,831,592
Contributions from the Commonwealth of Puerto Rico	6,465,000
Other	240,800
Total operating revenues	12,300,558
Operating expenses:	
Broadcasting and technical	1,897,044
Programming and production	5,854,255
General administration	2,472,703
Depreciation and amortization	979,334
Total operating expenses	11,203,336
Income from operations	1,097,222
Non-operating revenues:	
Federal financial assistance	1,592,070
Interest and other income	1,497,333
Total non-operating revenues	3,089,403
Increase in net position	4,186,625
Net position, beginning of year	(22,926,865)
Net position, end of year	$ (18,740,240)

The accompanying notes are an integral part of these basic financial statements.

Puerto Rico Public Broadcasting Corporation
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Cash Flows
Year Ended June 30, 2020

Cash flows from operating activities:	
Receipts from customers	$ 2,099,958
Contributions from Corporation for Public Broadcasting	1,831,592
Contributions from the Commonwealth of Puerto Rico	6,465,000
Payments to suppliers and contractors	(4,232,746)
Payments to employees	(6,236,189)
Net cash used in operating activities	(72,385)
Cash flows from non-capital financing activities -	
Federal financial assistance	1,592,070
Cash flows from capital and related financing activities:	
Insurance recovery proceeds	1,262,061
Acquisition of capital assets	(1,491,691)
Acquisitions of licensed programs rights and costs incurred for programs not yet broadcasted	(15,303)
Net cash used in capital and related financing activities	(244,933)
Cash flows from investing activities -	
Interest and other income received	235,272
Net change in cash and restricted cash	1,510,024
Cash and restricted cash, beginning of year	1,715,934
Cash and restricted cash, end of year	$ 3,225,958
Reconciliation of cash and restricted cash to the statement of net position:	
Cash	$ 7,800
Restricted cash	3,218,158
Total cash and restricted cash	$ 3,225,958

(Continues)

Puerto Rico Public Broadcasting Corporation
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Cash Flows - (Continued)
Year Ended June 30, 2020

Reconciliation of income from operations to net cash used in operating activities:	
Income from operations	$ 1,097,222
Adjustments to reconcile income from operations to net cash used in operating activities	
Depreciation and amortization	979,334
Provision for doubtful accounts	138,125
Amortization of licensed programs rights and cost incurred for programs not yet broadcasted	38,422
Changes in operating assets and liabilities:	
Accounts receivable	(337,587)
Other receivables	328,311
Due from governmental entities	(1,826,861)
Other assets	13,400
Deferred outflows of resources	(404,789)
Accounts payable	(14,756)
Accrued expenses, payroll taxes and withholdings	(43,911)
Termination benefits accrual	(97,997)
Compensated absences	71,910
Other postemployment benefits	(18,558)
Pension liability	(849,950)
Deferred inflows of resources	855,300
Total adjustments	(1,169,607)
Net cash used in operating activities	$ (72,385)
Non-cash transactions:	
Trade and barter transactions	$ 205,996
Reclassification of allowance for doubtful accounts between due from governmental entities and accounts receivables	$ 90,701

The accompanying notes are an integral part of these basic financial statements.

Note 1 - Organization

The Puerto Rico Public Broadcasting Corporation (the Corporation) was created on January 21, 1987 by Act No. 7 for the purpose of integrating, developing and operating the radio, television and electronic communication facilities of the Commonwealth of Puerto Rico (the Commonwealth). The Corporation is a component unit of the Commonwealth as per Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB 39, *Determining Whether Certain Organizations Are Components Units*, as amended by GASB 61. On September 12, 1996, the Legislative Assembly of the Commonwealth approved Act No. 216. This Act created and transferred all existing assets and broadcasting facilities from a subsidiary of the Puerto Rico Telephone Authority to the Corporation. On December 13, 1996, the Federal Communications Commission (FCC) approved the transfer.

The Corporation is governed by an eleven-member Board of Directors, which is comprised of the Secretary of the Department of Education of the Commonwealth, the President of the University of Puerto Rico, the Executive Director of the Institute for Puerto Rican Culture, five others are leaders from different governmental agencies, and three private citizens, appointed by the Governor of Puerto Rico, with the advice and consent of the Senate. At least three of these members must have proven interest, knowledge, and experience in education, culture, art, science, or radio and television.

The Corporation is required under existing laws to use its broadcasting facilities exclusively for educational, cultural and public interest purposes, and not for private purposes, partisan politics or sectarian propaganda.

The Corporation operates with funding sources through appropriations from the Commonwealth, grants from the Corporation for Public Broadcasting (CPB), and funds internally generated. It is the policy of the Commonwealth to annually appropriate financial resources to cover the operations of the Corporation. These appropriations are dependent on the availability of funds from the Commonwealth's annual budget.

The Act creating the Corporation exempts it from all taxes levied on its properties or revenues by the laws of the Commonwealth and its municipalities.

The Corporation operates the following television and radio stations:

San Juan (WIPFR)	Mayagüez (WIPM)
WIPR (6.1)	WIPM (3.1)
Kids TV (6.3)	Kids TV (3.3)
FM Allegro (91.3)	
AM (940)	

Note 1 - Organization – (continued)

On June 30, 2016, the Puerto Rico Oversight, Management, and Economic Stability Act, Pub. Law 114-187 (PROMESA or the Act) was enacted into law. This Act established a Financial Oversight and Management Board for Puerto Rico (the Oversight Board) to oversee the finances of the Commonwealth and its efforts to achieve fiscal responsibility and obtain access to capital markets. On May 13, 2017, the Oversight Board filed a petition for relief under Title Ill of PROMESA, similar to bankruptcy proceedings, on behalf of the Commonwealth. On January 18, 2022, the Title Ill Court entered an order confirming the Commonwealth's Eight Amended Plan of Adjustment (the Plan). The Plan became effective in accordance with its terms on March 15, 2022, and the Commonwealth emerged from Title Ill of PROMESA.

As part of the recommendations made by the Oversight Board to improve the Commonwealth's finances, the Corporation has commenced a privatization process to provide for increased growth opportunities, enhance its programming offering, and to reduce the Commonwealth's future spending. As part of this privatization plan, the Corporation is committed to increasing revenues, control costs and becoming self-sufficient. Such privatization plan will be implemented by transferring the Corporation's assets to a transitional not-for-profit entity that will ensure the continuity of services until the creation of a permanent, private organization.

Basis of Accounting

The financial statements are presented as an enterprise fund prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for governments, as prescribed by the GASB. Accordingly, revenues are recorded when earned and expenses are recorded when a liability is incurred or an economic asset is used, regardless of the timing of the related cash flows. Grants and similar items resources are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Corporation accounts for its operations in a manner similar to private business enterprises.

The Corporation distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods and/or services in connection with the Corporation's principal on-going operations. The principal operating revenues are charges to customers for sponsoring services, public broadcasting and the production of program material for distribution. Operating expenses include cost of services, administrative expenses, depreciation and amortization on capital assets and bad debt expenses. All other revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses, such as revenues associated with, or restricted by donors to use for, capital improvements grants, and revenues and expenses that result from financing and investing activities.

Note 2 - Summary of significant accounting policies – (continued)

Use of Estimates

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 the disclosure of contingent assets and liabilities 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.

Cash and Cash Equivalents

Cash and cash equivalents include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. There were no cash equivalents as of June 30, 2020.

Accounts Receivable

Accounts receivable are stated at their net realizable value. The Corporation provides for estimated losses on accounts receivables, upon an evaluation of the risk characteristics, loss experience, economic conditions and other pertinent factors. Accounts receivable deemed to be uncollectible are charged off against the allowance for doubtful accounts and recoveries are taken into income. In accordance with GASB standards, the Corporation’s revenues are presented net of bad debt expense. During the year ended June 30, 2020, the Corporation made a reclassification of $90,701 between the allowance for amounts due from governmental entities and the allowance for trade accounts receivable.

Licensed Program Rights and Costs Incurred for Programs not yet Broadcasted

Costs incurred in the acquisition or development of licensed program rights related to programs or program series that will be aired during subsequent periods are stated at cost. Amortization is computed based on the estimated number of future showings, except those licenses providing for unlimited showings of cartoons and programs with similar characteristics may be amortized over the period of the agreement because the estimated number of future showings may not be determinable. Amortization expense associated with the licensed programs rights and costs incurred for programs not yet broadcasted amounted to $38,422 for the year ended June 30, 2020 and are included as part of programming and production expenses in the accompanying statement of revenues, expenses, and changes in net position.

Note 2 - Summary of significant accounting policies – (continued)

Capital Assets

Capital assets are reported as a component of non-current assets in the basic financial statements. Capital assets are generally defined by the Corporation as being those assets with an individual cost of more than $200 and an estimated useful life in excess of 12 months. Such assets are recorded at historical cost or estimated historical cost, when constructed. Certain capital assets were valued at estimated historical costs with the assistance provided by independent outside appraisers. Donated capital assets are recorded at the estimated fair market value of the assets at the date of donation. The cost of normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate, are charged to operations as incurred.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Capital assets	Years
Building and building improvements	3-20
Television and other equipment	3-10
Furniture and fixtures	5-10
Motor vehicles	5-10

GASB 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, addresses accounting and financial reporting principles for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the statement excludes pollution prevention or control obligations with respect to current obligations, and future pollution activities that are required upon retirement of an asset, such as post-closure care. As of June 30, 2020, management evaluated its responsibilities for environmental and pollution exposures and no contingency exposure was identified.

Impairment of long-lived assets

GASB 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, establishes accounting and financial reporting standards for the impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. GASB 42 also clarifies and establishes accounting requirements for insurance recoveries. No impairment charges were recorded during the year ended June 30, 2020.

Note 2 - Summary of significant accounting policies – (continued)

Compensated Absences

The vacation and sick leave policy of the Corporation provides for the accrual of fifteen (15) days of vacation and eighteen (18) days of sick leave annually in accordance with Law No. 26 of April 29, 2017. Also, for any employee hired after February 4, 2017, the accrual is reduced to fifteen (15) days of vacation and twelve (12) days of sick leave annually. Compensated absences are accrued as earned by the employees. As per Law No. 26 of April 29, 2017, the employees of the Corporation can accumulate up to a maximum of 60 vacation days at the end of each calendar year. In addition, Law No. 26 of April 29, 2017 limits the accumulation of sick leave days to ninety (90) days at the end of each calendar year.

Termination Benefits

The Corporation accounts for termination benefits in accordance with GASB 47, *Accounting for Termination Benefits*, which states that employers should recognize a liability and expense for voluntary termination benefits when the offer is accepted, and the amount can be estimated. A liability and expense for involuntary termination benefits should be recognized when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees, and the amount can be estimated.

Pension Benefits

The Corporation is a participant in the Commonwealth of Puerto Rico Employees Retirement System (the Pension Plan), a multiemployer retirement plan. The Company accounts for the Pension Plan under the provisions of GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, an amendment to Certain Provisions of GASB Statements No. 67 and 68*. Pursuant to the provisions of GASB 73, the Corporation recognizes a pension liability for its proportionate share of the collective pension liability under the Pension Plan, as well as its proportionate share of the collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense. The Corporation's allocation percentage is based on the ratio of the Corporation's benefit payments to total benefit payments under the Pension Plan. Changes in the total pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in the total pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the average of the remaining service life of all participants including retirees, in the qualified pension plan and recorded as a component of pension expense beginning with the period in which they arose.

Note 2 - Summary of significant accounting policies – (continued)

Postemployment Benefits Other Than Pensions

The Corporation also participates in the Commonwealth's postemployment benefits other than pensions plan (the OPEB Plan). The Corporation accounts for postemployment benefits under the OPEB Plan in accordance with the provisions of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense.

For defined benefit OPEB, GASB identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources as of June 30, 2020 relate to the Corporation's participation in the Pension Plan and the OPEB Plan.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section of deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until then. Deferred inflows of resources as of June 30, 2020 relate to the Corporation's participation in the Pension Plan.

Net Position

The Corporation's financial statements are presented in conformity with provisions of the GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. As required by GASB 63, the Corporation has classified its net position into three components: net investment in capital assets, restricted, and unrestricted.

Note 2 - Summary of significant accounting policies – (continued)

Net Position – (continued)

These classifications of net position are defined as follows:

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

- Restricted - This component of net position consists of constraints placed on the Corporation's net position through external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments. This component would also include constraints imposed by law through constitutional provisions or enabling legislation.

  A description of the Corporation's restricted net position and related restrictions and balances as of June 30, 2020 are as follows:

Type of Restriction	Amount
TV Dramatic Project	$ 969,149
Radio Dramatic Project	910,856
Banda de Conciertos de Puerto Rico	(1,505)
Corporation for Public Broadcasting	1,232,852
Total restricted net position	$ 3,111,352

- Unrestricted - This component of net position consists of the net position that does not meet the definition of restricted or net investment in capital assets. Generally, this represents those financial resources that are available to the Corporation to meet any future obligations that might arise.

Note 2 - Summary of significant accounting policies – (continued)

Contributions and Other Support

The Corporation receives annual distributions from the CPB, which are considered voluntary nonexchange transactions and reported as operating revenues in the statement of revenues, expenses and changes in net position. CPB is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSG) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization. According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Certain general provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet certain requirements. These general provisions pertain to the use of grants funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the FCC.

The Corporation also receives contributions from the Commonwealth, which are recorded in the year in which the funds are available to the Corporation and all eligibility requirements, including time restrictions, have been met. When their use is restricted for the acquisition or construction of capital assets and related studies, they are recorded as capital contributions.

Other Nonexchange Transactions - Trade and Barter

In accordance with the provisions of GASB 62, *Codification of Accounting and Financial Reporting Guidance*, the Corporation recognizes trade and barter transactions as revenue and expense based on the estimated fair value of goods and services received or the recorded amount of the nonmonetary asset transferred from the Corporation, if neither the fair value of the nonmonetary asset transferred nor the fair value of the nonmonetary asset received in exchange is determinable within reasonable limits.

During the year ended June 30, 2020, the Corporation recorded trade and barter transactions amounting to $205,996, which are included as part of sponsorship services revenues and as part of programming and production and general administration expenses in the accompanying statement of revenues, expenses and changes in net position.

Note 2 - Summary of significant accounting policies – (continued)

Advertising Costs

Advertising costs are expensed in the period in which they are incurred. During the year ended June 30, 2020, the Corporation incurred in advertising costs of $184,863, which are included as part of broadcasting and technical, programming and production, and general administration expenses in the accompanying statement of revenues, expenses, and changes in net position.

Accounting Pronouncements Adopted

- GASB 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. This statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

- GASB 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in the 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 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 the 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.

Note 2 - Summary of significant accounting policies – (continued)

Accounting Pronouncements Adopted – (continued)

The adoption of these statements did not have a material effect on the basic financial statements of the Corporation.

Accounting Pronouncements Issued but not yet Effective

The following new accounting standards have been issued but are not yet effective:

- GASB 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a Business-type activity that normally expects to hold custodial assets for three months or less. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this statement are effective for reporting periods beginning after December 15, 2019, as amended by GASB 95.

- GASB 87, *Leases.* The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use lease assets, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after June 15, 2021, as amended by GASB 95.

Note 2 - Summary of significant accounting policies – (continued)

Accounting Pronouncements Issued but not yet Effective – (continued)

- GASB 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5- 22 of GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement are effective for reporting periods beginning after December 15, 2020, as amended by GASB 95.

- GASB 90, *Majority Equity Interest*. The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

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

Note 2 - Summary of significant accounting policies – (continued)

Accounting Pronouncements Issued but not yet Effective – (continued)

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. The requirements of this statement are effective for reporting periods beginning after December 15, 2019, as amended by GASB 95.

- GASB 91, *Conduit Debt Obligations*. This statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

- GASB 92, *Omnibus 2020*. This statement addresses a variety of topics and includes specific provisions about the following, the effective date of GASB 87 and Implementation Guide No. 2019-3, *Leases*, for interim financial reports; Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPES) plan; The applicability of GASB 73 and GASB 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, to reporting assets accumulated for postemployment benefits. The applicability of certain requirements of GASB 84 to postemployment benefit arrangements; measurement of liabilities (and assets, if any) related to AROs in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and terminology used to refer to derivative instruments.

  The portion of this statement that relates to the effective date of GASB 87 and its associated implementation guidance are effective upon issuance. Provisions related to intra-entity transfers of assets and applicability of GASB 73 and 74 are effective for fiscal years beginning after June 15, 2020. The remaining requirements related to asset retirement obligations are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021, as amended by GASB 95.

Note 2 - Summary of significant accounting policies – (continued)

Accounting Pronouncements Issued but not yet Effective – (continued)

- GASB 93, *Replacement of Interbank Offered Rates*. The objective of this statement is to address those and other accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR). Some governments have entered into agreements in which variable payments made or received depend on an IBOR-most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this statement are effective for reporting periods beginning after June 15, 2021, as amended by GASB 95.

- GASB 94, *Public-Private and Public-Public Partnerships and Availability Payments Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange like transaction.

  This statement requires that PPPs that meet the definition of a lease apply the guidance in GASB 87, *Leases*, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of a service concession arrangement (SCA). This statement also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of GASB 87, as amended (as clarified in this statement). This statement also requires a government to account for PPP and non-PPP components of a PPP as separate contracts. This statement also requires an amendment to a PPP to be considered a PPP modification, unless the operator's right to use the underlying PPP asset decreases, in which case it should be considered a partial or full PPP termination. The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

Note 2 - Summary of significant accounting policies – (continued)

Accounting Pronouncements Issued but not yet Effective – (continued)

- GASB 95, *Postponements of Effective Dates of Certain Authoritative Guidance*. The primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

  The effective dates of certain provisions contained in the following pronouncements are postponed by one year after the original implementation date:

  - GASB 83, *Certain Asset Retirement Obligations*
  - GASB 84, *Fiduciary Activities*
  - GASB 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
  - GASB 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
  - GASB 90, *Majority Equity Interests*
  - GASB 91, *Conduit Debt Obligations*
  - GASB 92, *Omnibus 2020*
  - GASB 93, *Replacement of Interbank Offered Rates*
  - GASB Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
  - GASB Implementation Guide No. 2018-1, *Implementation Guidance Update-2018*
  - GASB Implementation Guide No. 2019-1, *Implementation Guidance Update-2019*
  - GASB Implementation Guide No. 2019-2, *Fiduciary Activities*

  The effective dates of the following pronouncements are postponed by 18 months after the original implementation date:

  - GASB 87, *Leases*
  - GASB Implementation Guide No. 2019-3, *Leases*.

Note 2 - Summary of significant accounting policies – (continued)

Accounting Pronouncements Issued but not yet Effective – (continued)

- GASB 96, *Subscription Based Information Technology Arrangements*. The objective of this statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA) for government end users. GASB 96 (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB 87, *Leases*, as amended. The requirements of this statement are effective for fiscal years beginning after June 15, 2022.

- GASB 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in certain circumstances; (2) mitigate cost associated with the reporting of certain defined contribution pension and OPEB plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this statement that are effective immediately, except for those related to Section 457 plans, which are effective for fiscal years beginning after June 15, 2021.

- GASB 98, *The Annual Comprehensive Financial Report*. This statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021.

- GASB 99, *Omnibus 2022*. This statement establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships, SBITA arrangements, the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program, nonmonetary transactions, pledges of future revenues, the focus of government-wide financial statements, and terminology. The requirements of this statement apply to the financial statements of all state and local governments. This statement supersedes certain provisions of GASB 24 and GASB 62.

Note 2 - Summary of significant accounting policies – (continued)

Accounting Pronouncements Issued but not yet Effective – (continued)

In addition, GASB 99 amends specific provisions of GASB 10, 24, 30, 33, 34, 53, 62, 72, 87, 93 and 96, and certain implementation guides. Certain requirements of GASB 99 are effective upon issuance, while others are effective for fiscal years beginning after June 15, 2022 and June 15, 2023.

Management is evaluating the impact that these statements may have on the Corporation's basic financial statements upon adoption.

Note 3 - Cash deposits

The carrying amount of the Corporation's cash deposits at June 30, 2020 consists of:

	Deposit	Cash on Hand	Total	Bank Balance
Unrestricted:				
Cash on hand	$ -	$ 7,800	$ 7,800	$ -
Restricted:				
CPB CSG TV and Radio	1,232,852	-	1,232,852	1,306,641
Taller Dramatico Radio	847,445	-	847,445	849,365
Lucy Boscana	1,118,307	-	1,118,307	1,119,617
Banda de Conciertos	13,448	-	13,448	13,448
FCC Repacking	3,000	-	3,000	3,000
FEMA	3,016	-	3,016	3,016
Other	90	-	90	91
Total	$ 3,218,158	$ 7,800	$ 3,225,958	$ 3,295,178

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

As of June 30, 2020, the Corporation's carrying amount of bank demand deposits was $3,218,158. The bank balances for all demand deposit accounts amounted to $3,295,178 as of June 30, 2020. Bank balances are insured by the Federal Deposit Insurance Corporation for to $250,000 per financial institution. The Corporation maintained all its funds in two insured private or non-governmental financial institutions. Uninsured balances amounting to $2,795,178 as of June 30, 2020 were collateralized with securities pledged by the financial institutions and held by the Treasury Department.

Note 4 - Due from governmental entities

Due from governmental entities as of June 30, 2020 consists of:

Departamento de Educación	$ 1,861,127
Administración de Servicios Generales	98,000
Loteria Electrónica	274,244
Departamento de Recreación y Deportes	62,855
Compañia de Turismo de Puerto Rico	54,000
Other governmental entities	76,965
Total due from governmental entities	2,427,191
Less: allowance for doubtful accounts	(294,182)
Due from governmental entities, net	$ 2,133,009

Note 5 - Capital assets

The activity of each of the major classes of capital assets and accumulated depreciation for the year ended June 30, 2020 is summarized as follows:

	June 30, 2019	Increase	Decrease	June 30, 2020
Capital assets not being depreciated -				
Land	$ 82,600	$ -	$ -	$ 82,600
Capital assets being depreciated:				
Television, radio and other equipment	52,538,470	1,490,370	-	54,028,840
Building and building improvements	12,903,926	553	-	12,904,479
Motor vehicles	1,539,008	-	-	1,539,008
Furniture and fixtures	1,099,389	-	-	1,099,389
Computers	2,678,804	768	-	2,679,572
Total capital assets being depreciated	70,759,597	1,491,691	-	72,251,288
Less: accumulated depreciation and amortization:				
Television, radio and other equipment	48,408,044	808,729	-	49,216,773
Building and building improvements	12,459,451	95,231	-	12,554,682
Motor vehicles	1,339,600	31,883	-	1,371,483
Furniture and fixtures	1,010,022	22,695	-	1,032,717
Computers	2,627,356	20,796	-	2,648,152
Total accumulated depreciation and amortization	65,844,473	979,334	-	66,823,807
Capital assets, net	$ 4,997,724	$ 512,357	$ -	$ 5,510,081

Note 6 - Retirement plan

The Employees' Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities (ERS) was created pursuant to Act No. 447 in May 15, 1951, as amended. ERS sponsors the Pension Plan, which is a cost-sharing multiemployer defined benefit pension plan, as amended by Act no. 106 of 2017 (Act 106). Act 106 provides for a substantial pension reform for all of the Commonwealth's retirement systems, which include ERS, the Retirement System for the Judiciary of the Commonwealth, and the Puerto Rico System of Annuities and Pensions for Teachers (collectively referred to as the Retirement Systems). This reform modified most of the Retirement System's activities, eliminated all employer contributions and created the legal framework to implement a pay-as-you-go (PayGo) system. Act 106 required ERS to liquidate its assets and to transfer the proceeds from such liquidation to the Commonwealth for the payment of pension benefits. Under the PayGo system, the Commonwealth's General Fund makes direct pension payments to the pensioners and then gets reimbursed for those payments by the participating employers. Charges under the PayGo program for the year ended June 30, 2020 amounted to $1,042,046, which have been included as part of deferred outflows of resources for the year ended June 30, 2020.

The Commonwealth, including the Corporation, accounts for pensions based on actuarial valuations using a measurement date as of the beginning of the year.

Before July 1, 2017, ERS administered different benefit structures pursuant to Act No. 447, as amended, including a cost-sharing, multi-employer, defined benefit program, a defined contribution program (System 2000 program) and a contributory hybrid program. Benefit provisions vary depending on member's date of hire.

Substantially all full-time employees of the Commonwealth and its instrumentalities were covered by ERS. The benefits under the aforementioned benefit structures were paid by ERS until June 30, 2017.

Before August 23, 2017, membership was mandatory for all regular, appointed, and temporary employees of the Commonwealth at the date of employment in ERS' prior programs.

The benefits provided to members of ERS were statutorily established by the Commonwealth and may be amended only by the Legislature with the Governor's approval. Act No. 3 of 2013, in conjunction with other recent funding and design changes, provided for a comprehensive reform of ERS. This summary details the provisions under Act No. 3 of 2013, which were in effect prior to August 23, 2017.

Note 6 - Retirement plan – (continued)

Certain provisions are different for the three groups of members who entered ERS prior to July 1, 2013 as described below:

- Members of Act No. 447 of 1951 are generally those members hired before April 1, 1990 (contributory, defined benefit program.)
- Members of Act No. 1 of 1990 are generally those members hired on or after April 1, 1990 and on or before December 31, 1999 (together with Act No. 447 participants, the Defined Benefit Program).
- Members of Act No. 305 of 1999 (Act No. 305 of 1999 or System 2000) are generally those members hired on or after January 1, 2000 and on or before June 30, 2013 (the System 2000 Program).

All regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the defined benefit program and the System 2000 program, and were rehired on or after July 1, 2013, became members of the Contributory Hybrid Program as a condition to their employment. In addition, employees who on June 30, 2013 were participants of previous programs became part of the Contributory Hybrid Program on July 1, 2013. Before July 1, 2017, the assets of the Defined Benefit Program, the System 2000 Program, and the Contributory Hybrid Program were pooled and invested by ERS. Each member has a nonforfeitable right to the value of his/her account. Members have three options to invest their contributions. Investment income is credited to the member's account semiannually. Benefits at retirement age are not guaranteed.

Pension Plan Benefits

(i) Service retirements

The following summary of ERS plan provisions is intended to describe the essential features of the plan. All eligibility requirements and benefit amounts should be determined in strict accordance with the applicable laws and regulations.

a) Eligibility for Act No. 447 of 1951 Members: Act No. 447 of 1951 members who were eligible to retire as of June 30, 2013 would continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 447 of 1951 members could retire upon (1) attainment of age 55 with 25 years of credited service; (2) attainment of age 58 with 10 years of credited service; (3) any age with 30 years of credited service; (4) for Public Officers in High Risk Positions (the PRPOB and Commonwealth Firefighter Corps, the Municipal Police and Firefighter Corps and the Custody Office Corps), attainment of age 50 with 25 years of credited service; and (5) for Mayors of municipalities, attainment of age 50 with 8 years of credited service as a Mayor.

Note 6 - Retirement plan – (continued)

(i) Service retirements – (continued)

In addition, Act No. 447 of 1951 members who would attain 30 years of credited service by December 31, 2013 would be eligible to retire at any time.

Act No. 447of 1951 members who were not eligible to retire as of June 30, 2013 and did not attain 30 years of credited service by December 31, 2013 are eligible to retire upon attainment of the retirement eligibility age shown in the table below with 10 years of credited service.

Date of birth	Attained age as of June 30, 2013	Retirement eligibility age
July 1, 1957 or later	55 or less	61
July 1, 1956 to June 30, 1957	56	60
Before July 1, 1956	57 and up	59

In addition to the requirements in the table above, Act No. 447 of 1951 Public Officers in High-Risk Positions who were not eligible to retire as of June 30, 2013 and did not attain 30 years of credited service by December 31, 2013 are eligible to retire directly from active service upon the attainment of age 55 with 30 years of credited service.

b) Eligibility for Act No. 1 of 1990 Members: Act No. 1 of 1990 members who were eligible to retire as of June 30, 2013 continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 1-1990 members could retire upon (1) attainment of age 55 with 25 years of credited service; (2) attainment of age 65 with 10 years of credited service; (3) for public officers in high-risk positions, any age with 30 years of credited service; and (4) for Mayors, attainment of age 50 with 8 years of credited service as a Mayor.

   Act No. 1 of 1990 members who were not eligible to retire as of June 30, 2013 are eligible to retire upon attainment of age 65 with 10 years of credited service. In addition, Act No. 1 of 1990 public officers in high-risk positions who were not eligible to retire as of June 30, 2013 are eligible to retire directly from active service upon the attainment of age 55 with 30 years of credited service.

c) Eligibility for System 2000 Members: System 2000 members who were eligible to retire as of June 30, 2013 continue to be eligible to retire at any time. Prior to July 1, 2013, System 2000 members could retire upon attainment of age 55 for public officers in high-risk positions and attainment of age 60 otherwise.

Note 6 - Retirement plan – (continued)

(i) Service retirements – (continued)

System 2000 members who were not eligible to retire as of June 30, 2013 are eligible to retire upon attainment of age 55 for public officers in high-risk positions and upon attainment of the retirement eligibility age shown in the table below otherwise.

Date of birth	Attained age as of June 30, 2013	Retirement eligibility age
July 1, 1957 or later	55 or less	65
July 1, 1956 to June 30, 1957	56	64
July 1, 1955 to June 30, 1956	57	63
July 1, 1954 to June 30, 1955	58	62
Before July 1, 1954	59 and up	61

d) Eligibility for Members Hired after June 30, 2013: Attainment of age 58 if a public officer in a high-risk position and attainment of age 67 otherwise.

(ii) Compulsory retirement

All Act No. 447 of 1951 and Act No. 1 of 1990 Public Officers in High-Risk Positions were required to retire upon attainment of age 58 and 30 years of credited service. A two-year-extension may be requested by the member from the Superintendent of the PRPOB, the Chief of the Firefighter Corps, or supervising authority as applicable.

(iii) Service retirement annuity benefits

An annuity payable for the lifetime of the member equal to the annuitized value of the balance in the hybrid contribution account at the time of retirement plus, for Act No. 447 of 1951 and Act No. 1 of 1990 members, the accrued benefit determined as of June 30, 2013. If the balance in the hybrid contribution account was $10,000 or less, it would have been paid as a lump sum instead of as an annuity.

a) Accrued Benefit as of June 30, 2013 for Act No. 447 of 1951 Members: The accrued benefit as of June 30, 2013 was determined based on the average compensation, as defined, for Act No. 447 of 1951 members, the years of credited service, and the attained age of the member all as of June 30, 2013. For Mayors, the highest compensation, as defined, for Act No. 447 of 1951 members, determined as of June 30, 2013.

Note 6 - Retirement plan – (continued)

(iii) Service retirement annuity benefits – (continued)

If the Act No. 447 of 1951 member had at least 30 years of credited service as of June 30, 2013, the accrued benefit equals 65% of average compensation if the member was under age 55 as of June 30, 2013 or 75% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting the Coordination Plan, the benefit was recalculated at the Social Security Retirement Age (SSRA), as defined, as 1.5% of average compensation up to $6,600 multiplied by years of credited service, up to 30 years, plus 65% (75% if member was at least age 55 as of June 30, 2013) of average compensation in excess of $6,600.

If the Act No. 447 of 1951 member had less than 30 years of credited service as of June 30, 2013 and attained 30 years of credited service by December 31, 2013, the accrued benefit equaled 55% of average compensation if the member was under age 55 as of June 30, 2013 or 60% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting the Coordination Plan, the benefit was recalculated at SSRA as 1.5% of average compensation up to $6,600 multiplied by years of credited service, up to 30 years, plus 55% (60% if member was at least age 55 as of June 30, 2013) of average compensation in excess of $6,600. Member contributions received from Act No. 447 of 1951 members eligible for this transitory benefit during the period beginning July 1, 2013 and ending upon the attainment of 30 years of credited service were considered pre July 1, 2013 contributions; the contributions to the hybrid contribution account begin after the member attains 30 years of credited service.

If the Act No. 447 of 1951 member had less than 30 years of credited service as of December 31, 2013, the accrued benefit equaled 1.5% of average compensation multiplied by years of credited service up to 20 years, plus 2% of average compensation multiplied by years of credited service in excess of 20 years. Maximum benefit is 75% of average compensation. Except for the PRPOB policemen and Commonwealth Firefighters, the benefit was actuarially reduced for each year payment commences prior to age 58. For participants selecting the Coordination Plan, the basic benefit is recalculated at SSRA as 1% of average compensation up to $6,600 multiplied by years of credited service up to 20 years, plus 1.5% of average compensation up to $6,600 multiplied by years of credited service in excess of 20 years, plus 1.5% of average compensation in excess of $6,600 multiplied by years of credited service up to 20 years, plus 2.0% of average compensation in excess of $6,600 multiplied by years of credited service in excess of 20 years. Except for police and firefighters, the benefit was actuarially reduced for each year payment commences prior to age 58.

Note 6 - Retirement plan – (continued)

(iii) Service retirement annuity benefits – (continued)

For Act No. 447 of 1951, Mayors with at least 8 years of credited service as a mayor, the accrued benefit was not to be less than 5% of highest compensation, as defined, as a Mayor for each year of credited service as a Mayor up to 10 years, plus 1.5% of highest compensation as Mayor for each year of non-Mayoral credited service up to 20 years, plus 2.0% of highest compensation as Mayor for each year of non-mayoral credited service in excess of 20 years. Non-Mayoral credited service included service earned as a mayor in excess of 10 years. Maximum benefit was 90% of highest compensation as a mayor.

b) Accrued Benefit as of June 30, 2013 for Act No. 1 of 1990 Members: The accrued benefit as of June 30, 2013 is determined based on the average compensation for Act No. 1 of 1990 members, the years of credited service, and the attained age of the member all as of June 30, 2013. For mayors, the highest compensation as a mayor was determined as of June 30, 2013.

If the Act No. 1 of 1990 member is a police officer or firefighter member that had at least 30 years of credited service as of June 30, 2013, the accrued benefit equaled 65% of average compensation if the member was under age 55 as of June 30, 2013 or 75% of average compensation if the member was at least age 55 as of June 30, 2013. For all other Act No. 1 of 1990 members, the accrued benefit equaled 1.5% of average compensation multiplied by years of credited service. The benefit was actuarially reduced for each year payment commences prior to age 65.

For Act No. 1 of 1990 Mayors with at least 8 years of credited service as a mayor, the accrued benefit was not to be less than 5% of highest compensation as a Mayor for each year of credited service as a Mayor up to 10 years, plus 1.5% of highest compensation as Mayor for each year of non-Mayoral credited service up to 20 years, plus 2.0% of highest compensation as Mayor for each year of non-Mayoral credited service in excess of 20 years. Non-Mayoral credited service included service earned as a mayor in excess of 10 years. Maximum benefit is 90% of highest compensation as a mayor.

(iv) Termination benefits

a) Lump sum withdrawal

Eligibility - A Member was eligible upon termination of service prior to 5 years of service or if the balance in the hybrid contribution account is $10,000 or less.

Benefit - The benefit equaled a lump sum payment of the balance in the hybrid contribution account as of the date of the permanent separation of service.

Note 6 - Retirement plan – (continued)

(iv) Termination benefits – (continued)

b) Deferred retirement

Eligibility - A Member was eligible upon termination of service with 5 or more years of service (10 years of credited service for Act No. 447 of 1951 and Act No. 1 of 1990 members) prior to the applicable retirement eligibility, provided the member had not taken a lump sum withdrawal of the accumulated contributions from the hybrid contribution account.

Benefit - An annuity payable for the lifetime of the member commencing at the applicable retirement eligibility age equal to the annuitized value of the balance in the hybrid contribution account at the time of retirement, plus, for Act No. 447 of 1951 and Act No. 1 of 1990 members, the accrued benefit determined as of June 30, 2013.

(v) Death benefits

a) Pre-retirement - death benefit

Eligibility - Any current nonretired member was eligible.

Benefit - A refund of the hybrid contribution account, plus the accumulated contributions for Act No. 447 of 1951 and Act No. 1 of 1990 members.

b) High risk death benefit under Act No. 127 of 1958

Eligibility - Police, firefighters, and other employees in specified high-risk positions who die in the line of work due to reasons specified in Act No. 127 of 1958, as amended.

Spouse's Benefit - 50% of the participant's compensation at date of death, payable as an annuity until death or remarriage.

Children's Benefit - 50% of the participant's compensation at date of death, payable as an annuity, and allocated pro rata among eligible children. The annuity was payable for life for a disabled child, until age 18 for a nondisabled child not pursuing studies, and until age 25 for a nondisabled child who is pursuing studies.

Note 6 - Retirement plan – (continued)

(v) Death benefits – (continued)

Benefit if No Spouse or Children - The parents of the member should each receive 50% of the participant's compensation at date of death, payable as an annuity for life.

Post-death Increases - Effective July 1, 1996 and subsequently every three-years, the above death benefits are increased by 3% provided that the beneficiary(ies) had been receiving payments for at least three-years.

The cost of these benefits was paid by the Commonwealth.

c) Postretirement death benefit for members who retired prior to July 1, 2013

Eligibility - Any retiree or disabled member receiving a monthly benefit who had not elected a reversionary annuity and whose benefits commenced prior to July 1, 2013.

Benefit - The benefit is as follows (Act No. 105, as amended by Act No. 4):

i. For those married or with dependent children at the time of death, the annual income to a widow, or widower or dependent children is equal to 60% (50% if in the Coordination Plan - 30%, prior to January 1, 2004) of the retirement benefit payable for life for a surviving spouse and/or disabled children and payable until age 18 (age 25 if pursuing studies) for nondisabled children. If in the Coordination Plan, the benefit to the surviving spouse does not begin until the spouse's attainment of age 60 and the surviving spouse must have been married to the member for at least 10 years to be eligible for this benefit. The increase in the percentage from 30% to 50% if in the Coordination Plan is paid by the Commonwealth for former government employees or by the public enterprise or municipality for their former employees. See Act No. 105 of 1969, as amended by Act No. 158 of 2003.

ii. The benefit, when there is no relation as stated above, is equal to the remaining balance of accumulated contributions at the time of retirement after the deduction of lifetime annual income paid and is payable to a beneficiary or to the Member's estate. In no case may the benefit be less than $1,000. Either the Commonwealth for former government employees or the public enterprise or municipality for their former employees pays the difference, up to $250, between (1) the accumulated contributions less the lifetime annual income paid and (2) $1,000. ERS pays for the rest. See Article 2-113 of Act No. 447 of 1951, as amended by Act No. 524 of 2004.

Note 6 - Retirement plan – (continued)

(v) Death Benefits – (continued)

d) Postretirement death benefit for members who retired after June 30, 2013

Eligibility - Any retiree or disabled member who began receiving a monthly benefit after June 30, 2013.

Benefit: If the member elected at the time of retirement to transfer a portion of the annuity to a beneficiary by selecting an actuarially equivalent optional form of payment, the applicable survivor benefit.

For all members, the excess, if any, of the hybrid contribution account, plus the accumulated contributions for Act No. 447 of 1951 and Act No. 1 of 1990 members, at the time of retirement over the total annuity payments paid to the member and any beneficiary per the terms of the optional form of payment must be payable to a beneficiary or the member's estate.

e) Beneficiaries receiving occupational death benefits as of June 30, 2013 continue to be eligible to receive such benefits.

(vi) Disability benefits

a) Disability

Eligibility - All members are eligible upon the occurrence of disability.

Benefit - The balance of the hybrid contribution account payable as lump sum distribution, an immediate annuity, or a deferred annuity at the election of the participant. Act No. 447 of 1951 and Act No. 1 of 1990 members remain eligible to receive the accrued benefit as of June 30, 2013 commencing at the applicable retirement eligibility age.

b) High risk disability under Act No. 127 of 1958

Eligibility - Police, firefighters, and other employees in specified high-risk positions who are disabled in the line of work due to reasons specified in Act No. 127 of 1958 (as amended).

Note 6 - Retirement plan – (continued)

(vi) Disability benefits – (continued)

Benefit - 80% (100% for Act No. 447 of 1951 members) of compensation as of date of disability, payable as an annuity. If the member died while still disabled, this annuity benefit continued to his beneficiaries. Beneficiaries include the surviving spouse and/or disabled children (for life), nondisabled children until age 18 (age 25 if pursuing studies), and the parents if no other beneficiaries. Effective July 1, 1996 and subsequently every three-years, the disability benefit was increased by 3% provided that the member (or beneficiary) had been receiving payments for at least three-years (Act No. 127 of 1958, as amended). The cost of these benefits was paid by the Commonwealth.

c) Members who qualified for occupational or nonoccupational disability benefits as of June 30, 2013 continue to be eligible to receive such benefits.

(vii) Special benefits

a) Minimum benefits

i. *Past Ad hoc Increases* - The Legislature, from time to time, increased pensions for certain retirees as described in Act No. 124-1973 and Act No. 23 of 1983. The benefits were paid 50% by the Commonwealth and 50% by ERS.

ii. *Minimum Benefit for Members Who Retired before July 1, 2013 (Act No. 156 of 2003, Act No. 35 of 2007, and Act No. 3 of 2013)* - The minimum monthly lifetime income for members who retired or become disabled before July 1, 2013 is $500 per month effective July 1, 2013 ($400 per month effective July 1, 2007 and $300 per month up to June 30, 2007). The increase in the minimum monthly benefit from $200 per month to $300 per month was paid by the Commonwealth for former government and certain public corporations without their own treasuries' employees or by certain public corporations with their own treasuries or municipalities for their former employees. The increase in the minimum monthly benefit from $300 per month to $400 per month was to be paid by ERS for former government and certain public corporations without their own treasuries' employees or by certain public corporations with their own treasuries or municipalities for their former employees.

Note 6 - Retirement plan – (continued)

(vii) Special benefits – (continued)

iii. Coordination Plan Minimum Benefit - A minimum monthly benefit was payable upon attainment of SSRA such that the benefit, when added to the Social Security Benefit, was not less than the benefit payable prior to SSRA.

b) Cost of Living Adjustments (COLA} to Pension Benefits - The Legislature, from time to time, increased pensions by 3% for retired and disabled members. Beneficiaries were not entitled to COLAs granted after the retiree's death. The first increase was granted by Act No. 10 of 1992. Subsequent 3% increases have been granted every third year since 1992, with the latest 3% increase established on April 24, 2007 and effective July 1, 2007 (retroactive to January 1, 2007) for retired and disabled members that were receiving a monthly benefit on or before January 1, 2004 (Act No. 35 of 2007). In addition, effective July 1, 2008, any retired or disabled member that was receiving a monthly annuity on or before January 1, 2004 less than $1,250 per month received an increase of up to 3% without exceeding the limit of $1,250 per month (Act No. 35 of 2007). The COLAs granted in 1992 to all retirees and in 1998 to retirees who are former government or municipal employees are to be paid by ERS.

All other COLAs granted in 1995 and later were required to be paid by the Commonwealth for former government and certain public corporations without their own treasuries or by certain public corporations with their own treasuries or municipalities for their former employees.

c) Special bonus benefits

i. *Christmas Bonus (Act No. 144 of 2005, as Amended by Act No. 3 of 2013):* An annual bonus of $200 for each retiree, beneficiary, and disabled member has historically been paid in December provided the member retired prior to July 1, 2013. This benefit is paid from the supplemental contributions received from the Commonwealth for former government and certain public corporations without their own treasuries, or by certain public corporations with their own treasuries or municipalities for their former employees.

ii. *Medication Bonus (Act No. 155 of 2003, as Amended by Act No. 3 of 2013)*: An annual bonus of $100 for each retiree, beneficiary, and disabled member to cover health costs paid in July provided the member retired prior to July 1, 2013. Evidence of coverage is not required. The amount is prorated if there are multiple beneficiaries.

Note 6 - Retirement plan – (continued)

(vii) Special benefits – (continued)

This benefit is paid from the Supplemental Contributions received from the Commonwealth for former government and certain public corporations without their own treasuries, or by certain public corporations with their own treasuries or municipalities for their former employees.

Before July 1, 2017, the Commonwealth made contributions to ERS for the special benefits granted by special laws. The funding of the special benefits was provided to ERS through legislative appropriations each January 1 and July 1. Special benefits to eligible Act 447 of 1951 participants are being paid by each employer as they become due since July 1, 2017.

(viii) Contributions

Prior to July 1, 2017, the plan contributions requirements were as follows:

a) *(Article 5 of 105 of Law 447, as amended by Law No. 3 of 2013, amended by Law No. 106 of 2017 and amended by Law 71 of 2019)* - Effective July 1, 2013 through June 30, 2017, contributions by members consisted of 10% of compensation.

   However, for Act No. 447 members who selected the Coordination Plan, the member contributions were 7% of compensation up to $6,600 plus 10% of compensation in excess of $6,600 during the 2013-2014 fiscal year and 8.5% of compensation up to $6,600 plus 10% of compensation in excess of $6,600 during the 2014-2015 fiscal year. Effective July 1, 2015 for members who selected the Coordination Plan, member contribution increased to 10% of compensation.

   Members may voluntarily make additional contributions to their Defined Contribution Hybrid Contribution Account.

   Prior to July 1, 2013, contributions by Act No. 447 members selecting the Coordination Plan were 5.775% of compensation up to $6,600 plus 8.275% of compensation in excess of $6,600. Contributions by all other members were 8.275% of compensation. System 2000 members may also have made voluntary contributions of up to 1.725% of compensation prior to July 1, 2013.

Note 6 - Retirement plan – (continued)

(viii) Contributions – (continued)

Effective July 1, 2017, contributions by members consist of 8.5% of compensation and are being directly deposited by the Treasury Department in the individual member accounts under the New Defined Contribution Plan created pursuant to Act 106. Also, as of that date, system's participants shall make no individual contributions or payments to the accumulated pension benefits payment account or additional contributions to ERS. However, in the case of members of the Puerto Rico Police Department, the mandatory contribution is 2.3% of their compensation. In the case of those members of the Puerto Rico Police Department, which have less than 10 years to qualify for retirement as established by Act No. 447, the reduction in the percentage of contribution from the 8.5% level will apply voluntarily.

b) *Employer Contributions (Article 2 116, as Amended by Act No. 116 of 2010 and Act No. 3 of 2013)*: Prior to July 1, 2011, employer contributions were 9.275% of compensation. Effective July 1, 2011, employer contributions are 10.275% of compensation. For the next four fiscal years effective July 1, 2012, employer contributions will increase annually by 1% of compensation. For the next five fiscal years, employer contributions will increase annually by 1.25% of compensation, reaching an employer contribution rate of 20.53% of compensation effective July 1, 2020.

Act 106 eliminated all employer contributions to ERS as of July 1, 2017. Instead, participating employers are responsible for the payment of the PayGo fee to the newly created accumulated pension benefits payment account, which is computed based on the amount of actual benefits paid to retirees, disabled and beneficiaries of each participating employer.

c) *Supplemental Contributions from the Commonwealth Certain Public Corporations, and Municipalities (Act No. 3 of 2013)*: Effective July 1, 2013, ERS received a supplemental contribution of $2,000 each year for each pensioner (including beneficiaries receiving survivor benefits) that was previously benefitting an Act No. 447 of 1951 or Act No. 1 of 1990 member while an active employee. This supplemental contribution was paid by the Commonwealth Fund for former government and certain public corporations without their own treasuries or by certain public corporations with their own treasuries or municipalities for their former employees.

Note 6 - Retirement plan – (continued)

(viii) Contributions – (continued)

Act 106 eliminated the special benefits contribution requirement to ERS, instead they will be allocated to the new PayGo System through legislative appropriations, as necessary.

d) *Additional Uniform Contribution (Act No. 32 of 2013, as Amended)*: The additional uniform contribution (AUC) was to be certified by the external actuary of ERS each fiscal year from fiscal year 2015 through 2033 as necessary to avoid the projected gross assets of ERS, falling below $1 billion during any subsequent fiscal year. The AUC was to be paid by the Commonwealth, public corporations with their own treasuries, and municipalities. Only a fraction of the AUC from prior years had been received by ERS. Total AUC due to ERS from fiscal years 2015, 2016 and 2017 was approximately $776 million in the aggregate. The AUC determined for fiscal year 2018 is $685 million payable at the end of the year. As result of the enactment of Act 106, all employers' contributions, including the additional uniform contribution were eliminated effectively on July 1, 2017.

(ix) Early retirement programs

On July 2, 2010, the Commonwealth enacted Act No. 70 establishing a program that provides benefits for early retirement or economic incentives for voluntary employment termination to eligible employees, as defined.

Act No. 70 also established that early retirement benefits will be provided to eligible employees that have completed between 15 and 29 years of creditable services and will consist of monthly benefits ranging from 37.5% to 50% of each employees' monthly salary. Benefits under this program will be paid by the General Fund of the Commonwealth (the General Fund) and by the public corporations, covering their respective employees until the plan member reaches the later of age 55 for members under Act No. 447 of 1951 or age 65 for members under Act No. 1 of 1990, or the date the plan member would have completed 30 years of service had the member continued employment. In addition, the public corporations will also be required to continue making the required employee and employer contributions to ERS. The General Fund will be required to continue making its required employer contributions. ERS will be responsible for benefit payments afterward.

On December 8, 2015, the Commonwealth enacted the Voluntary Early Retirement Law, Act No. 211 of 2015 (Act No. 211), establishing a voluntary program to provide pre-retirement benefits to eligible employees, as defined. Act 106 repealed Act No. 211, while creating an incentives, opportunities and retraining program for public workers.

Note 6 - Retirement plan – (continued)

Total Pension Liability and Actuarial Information

The total Pension Plan liability recorded by the Corporation as of June 30, 2020 (measurement date June 30, 2019) amounted to $20,514,105 representing its proportionate share of the total pension liability of the Pension Plan as of such date. The total pension liability as of June 30, 2020 (measurement date June 30, 2019) was determined by an actuarial valuation as of July 1, 2018 that was rolled forward to June 30, 2019.

The total Pension Plan liability activity for the year ended June 30, 2020 was as follows:

Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
$ 21,364,055	$ 628,427	$ (1,478,377)	$ 20,514,105	$ 1,042,046

The Corporation's proportion of the total pension liability was actuarially determined based on the ratio of the Corporation's benefit payments to the total benefit payments made by all participating employers under the Pension Plan for the year ending on the measurement date. At June 30, 2019, the Corporation's proportionate share was 0.08255%, which represents a decrease of 0.00469% when compared to the Corporation's proportionate share of 0.08724% at June 30, 2018.

(a) Actuarial methods and assumptions

The actuarial valuation used the following actuarial methods and assumptions applied to all periods in the measurement period.

Discount rate

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

Mortality

The mortality tables used in the June 30, 2019 actuarial valuation were as follows:

- Pre-Retirement Mortality - For general employees not covered under Act No. 127 of 1958, 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.

Note 6 - Retirement plan – (continued)

Total Pension Liability and Actuarial Information – (continued)

(a) Actuarial methods and assumptions – (continued)

Mortality – (continued)

For members covered under Act No. 127 of 1958, 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 No. 127 of 1958.

- Post-Retirement Healthy Mortality - Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Pension 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.

- Post-Retirement Disabled Mortality - Rates, which vary by gender are assumed for disabled retirees based on a study of the Pension Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvements. 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 before and after the measurement date.

Other assumptions

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 3 of 2017, four-year extension of Act No. 66 of 2014 and the current general economy.

Note 6 - Retirement plan – (continued)

Total Pension Liability and Actuarial Information – (continued)

(b) Sensitivity of the total pension liability to changes in the discount rate

The following presents the Corporation's total Pension Plan liability calculated using the discount rate of 3.50%, as well as what the Corporation's proportionate share of the total Pension Plan liability would be if it were calculated using a discount rate of 1% point lower (2.50%) or 1% point higher (4.50%) than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total pension liability	$ 23,004,432	$ 20,514,105	$ 17,953,471

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2020 (measurement date June 30, 2019), the reported deferred outflows of resources and deferred inflows of resources related to pensions consist of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 695,488
Changes of assumptions	666,144	530,345
Changes in proportion	779,609	976,198
Pension benefits paid subsequent to the measurement date	1,042,046	-
Total	$ 2,487,799	$ 2,202,031

Pension benefits paid subsequent to the measurement date of $1,042,046 have been excluded from the table below.

Note 6 - Retirement plan – (continued)

Total Pension Liability and Actuarial Information – (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources – (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2019 (measurement date) will be recognized as adjustment to pension expense in the Corporation's financial statements as follows:

Years Ending June 30	Amount
2020	$ (189,070)
2021	(189,070)
2022	(189,070)
2023	(189,068)
Total	$ (756,278)

Pension Plan Expense

The Corporation's Pension Plan expense for the year ended June 30, 2020 (measurement date June 30, 2019) amounted to $628,427.

Note 7 - Other Postemployment Benefits

The Corporation participates in the OPEB Plan of the Commonwealth for retired participants of ERS, which is an unfunded, multi-employer defined benefit other postemployment healthcare benefit plan created under Act No. 95 of 1963. The OPEB Plan is administered on a pay-as-you-go basis. Accordingly, there are no assets accumulated in a qualifying trust for the OPEB plan that meet the criteria in paragraph 4 of GASB 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*.

OPEB Plan Description

The OPEB Plan covers a payment of up to $100 per month to the eligible medical insurance plan selected by each member provide that the member retired prior to July 1, 2013 (Act No. 483, as amended by Act No. 3). The OPEB Plan is financed by the Commonwealth through legislative appropriations. However, the Commonwealth claims reimbursements from each employer on a monthly basis for the corresponding OPEB payments made by the Commonwealth in relation to the retirees associated with each employer.

Note 7 - Other Postemployment Benefits – (continued)

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. GASB 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.

Total OPEB Liability and Actuarial Information

The total OPEB liability recorded by the Corporation as of June 30, 2020 (measurement date June 30, 2019) amounted to $493,831 representing its proportionate share of the total OPEB liability of the OPEB Plan as of such date. The total OPEB liability as of June 30, 2020 (measurement date June 30, 2019) was determined by an actuarial valuation as of July 1, 2018 that was rolled forward to June 30, 2019 (measurement date).

The total OPEB liability activity for the year ended June 30, 2020 was as follows:

Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
$ 512,389	$ 22,387	$ (40,945)	$ 493,831	$ 40,145

The Corporation's proportion of the total OPEB liability was actuarially determined based on the ratio of the Corporation's benefit payments to the total benefit payments made by all participating employers under the OPEB Plan for the year ending on the measurement date. At June 30, 2019 (measurement date), the Corporation's proportion of the collective total OPEB liability was 0.05934%, which represents a decrease of 0.00150% when compared to the Corporation's proportionate share of 0.06084% at June 30, 2018.

(a) Actuarial assumptions

The actuarial valuation used the following actuarial methods and assumptions applied to all periods in the measurement period.

Discount rate

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

Note 7 - Other Postemployment Benefits – (continued)

Total OPEB Liability and Actuarial Information – (continued)

(a) Actuarial assumptions – (continued)

Mortality

The mortality tables used in the June 30, 2019 actuarial valuation were as follows:

- Pre-Retirement Mortality - For general employees not covered under Act No. 127 of 1958, RP-2014 Employee Mortality Rates for males and females adjusted to reflect Mortality Improvement Scale MP-2019 on a generational basis.

  For members covered under Act No. 127 of 1958, 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 No. 127 of 1958.

- Post-Retirement Healthy Mortality - Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the OPEB 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.

- Post-Retirement Disabled Mortality - Rates, which vary by gender, are assumed for disabled retirees based on a study of the OPEB Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvements. 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 before and after the measurement date.

Note 7 - Other Postemployment Benefits – (continued)

Total OPEB Liability and Actuarial Information – (continued)

(b) Sensitivity of total OPEB liability to changes in the discount rate

The following presents the Corporation’s OPEB Plan liability calculated using the discount rate of 3.50%, as well as what the Corporation's proportionate share of the total collective OPEB liability would be if it were calculated using a discount rate of 1% point lower (2.50%) or 1% point higher (4.50%) than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	$ 541,637	$ 493,831	$ 453,226

Deferred Outflows of Resources Related to the OPEB Plan

At June 30, 2020 (measurement date June 30, 2019), the reported deferred outflows of resources related to the OPEB Plan of $40,145 consist of OPEB benefits paid subsequent to the measurement date.

OPEB Plan Expense

The Corporation’s OPEB Plan expense for the year ended June 30, 2020 (measurement date June 30, 2019) amounted to $22,387.

Note 8 - Termination benefits

During the year ended June 30, 2011, the Legislature approved a one-time retirement incentive plan for all regular employees of the Central Government Agencies and certain Public Corporations, known as Act No. 70 of July 2, 2010 (Act 70). The plan included early retirement incentives for certain eligible employees.

Note 8 - Termination benefits – (continued)

Termination Benefits Plan Provisions

Under the termination benefits plan, employees could select one of three options as follows:

Option A - Article 4(a) provides a one-time economic incentive based on the following parameters:

Years of Service in Public Sector	Incentive Gross Amount
Up to 1 year	1 month of salary
From 1 year and 1 day and less than 3 years	3 months of salary
More than 3 years	6 months of salary

Option B - Article 4(b) provides, employees meeting certain years of service criteria (between 15 and 29 years) and opting for early retirement, to receive a higher pension benefit rate than they would otherwise be entitled to receive based on their current years of service, but such pension rate is lower than what they would have been entitled to if they had waited to meet the full vesting requirements.

Annuity pension payments are based on the following parameters:

Credited Years of Service	Pension Payment (As a % of Salary)
15	37.5%
16	40.0%
17	42.5%
18	45.0%
19	47.5%
20 to 29	50.0%

The Corporation will be responsible for making the applicable employer contributions to the Pension Plan, as well as making the payments to cover the annuity payments to the employees opting for the early retirement window, until both; the years of service and age requirements for full vesting would have occurred, at which time ERS will continue making the annuity payments.

Employees selecting options A or B were entitled to receive full payment of healthcare plan benefits for a period of up to 12 months or the date that the employee is eligible for a healthcare plan benefit offered by another employer, whichever occurs first.

Note 8 - Termination benefits – (continued)

The voluntary termination benefits liability at June 30, 2020 represents the present value of future payments under the incentive plan, calculated using a discount rate of .95%. The voluntary termination benefits liability activity for the year ended June 30, 2020 was as follows:

Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
$ 1,962,095	$ 153,083	$ (251,080)	$ 1,864,098	$ 236,338

Option C - Article - 4(c) provides eligible employees that have 30 years of credited services contributing to the Pension Plan and request to start receiving their pension benefits will be entitled to receive the economic incentive disposed on article 4(a) but not entitled to the incentives provided on article 4(b). Employees that have the required retirement age but have not achieved the years of credited services contributing to the Pension Plan will be entitled to an economic incentive of up to 6 months of salary to cover for the years of service not credited.

The Corporation funds the program with appropriations assigned from the annual budget of the Commonwealth. Since the inception of the program 32 employees have elected to retire, 7 in 2013, 10 in 2012 and 15 in 2011.

Note 9 - Commitments

Leases

The Corporation, as lessee, leases transmission tower space for certain repeater stations from third parties under operating lease agreements. The leases provide for terms of up to five years, with additional renewal options, however, certain agreements are renewed on a month-to-month basis. Total rental expense under operating leases amounted to $485,551 for the year ended June 30, 2020 and is included as part of broadcasting and technical expenses, and programming and production expenses in the accompanying statement of revenues, expenses, and changes in net position

The Corporation, as lessor, leases space on certain towers that it owns to various third parties under operating lease agreements with terms ranging from five to ten years, with additional renewal options, however, certain agreements are renewed on a month-to-month basis. Revenues for the year ended June 30, 2020 amounted to $240,800 and are included as part of other operating revenue in the accompanying statement of revenues, expenses and changes in net position.

Note 9 - Commitments – (continued)

Leases – (continued)

Future commitments under operating lease agreements as of June 30, 2020, are as follows:

Years Ending June 30,	As Leasee Minimum Lease	As Lessor Minimum Lease
2021	$ 61,139	$ 229,654
2022	43,139	233,954
2023	34,139	204,387
2024	34,139	209,089
Total	$ 172,556	$ 877,084

Commissions

The Corporation has agreements with independent consultants to solicit and acquire funds for program underwriting and other activities related to public broadcasting. The agreements provide for the payment of commissions to the consultants based on varying percentages of funds received.

Note 10 - Contingencies and risk management

Contingent liabilities

The Corporation is a defendant in a legal case in which five plaintiffs claim reinstatement of employment with back pay and compensatory damages for unjust dismissal. During the year ended June 30, 2016, the Court issued a partial judgement in favor of the plaintiffs ordering the Corporation to reinstate them in their previous employment posts with the Corporation. The plaintiffs' claim for back pay was estimated in approximately $1.3 million. This determination is under review of the Puerto Rico Supreme Court. In addition, during the year ended June 30, 2016, the Court of First Instance issued a final judgement granting these plaintiffs compensatory damages in the amount of $380,000. As of June 30, 2020, the Corporation maintains an accrual of $1,680,000 related to this legal contingency.

The Corporation is also a defendant or co-defendant in various other lawsuits in the normal course of operations. Some claims have been brought against the Corporation by employees and others. Based on the opinion of legal counsel, management has concluded that no reserves are required in relation to these cases as of June 30, 2020.

Note 10 - Contingencies and risk management – (continued)

Risk Management

The Corporation is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets, extra expense, errors and omissions, employee injuries and illnesses, natural disasters, and other losses. Commercial insurance coverage is obtained for claims arising from such matters. The commercial insurance coverage and premium are negotiated by the Corporation and the Treasury Department. The cost is paid by the Treasury Department and reimbursed by the Corporation.

Concentration of Credit Risk

Financial instruments that potentially subject the Corporation to concentration of credit risk consist of accounts receivable and due from governmental entities. Accounts receivable and due from governmental entities are due from customers, municipalities and governmental instrumentalities mainly located in Puerto Rico. The Corporation generally does not require collateral and credit losses are provided for periodically through the allowance for doubtful accounts. The Corporation routinely assesses the financial strength of its customers to reduce its exposure to potential credit losses.

Note 11 - Hurricanes Irma and María

During the year ended June 30, 2020, the Corporation received the final settlement under its business interruption insurance policy amounting to $1,262,061, for losses incurred as a result of Hurricanes Irma and María. Such amount has been included as part of interest and other income in the accompanying statement of revenues, expenses, and changes in net position.

Note 12 - COVID-19

In March 2020, the World Health Organization declared the coronavirus disease COVID-19 a global pandemic. This highly contagious disease spread across the world and into Puerto Rico and resulted in local government enforced business lockdowns and curfews on non-essential services, as well as other restrictions on social. government and business activities involving large numbers of individuals and/or participants. In addition, governments around the world have imposed restrictions on non-essential services, which may result in disruptions in the production and distribution of materials and supplies, as well as reduced availability of certain services.

These conditions have negatively affected the normal operations of the Corporation and other private and governmental entities, however, the potential impact on the Corporation's financial statements for future periods, if any, cannot be reasonably estimated at this time.

Note 13 - Subsequent events

The Corporation has evaluated subsequent events through April 30, 2022, which is the date the financial statements were available to be issued. Except as described in Note 1 and the following paragraph, no other events have occurred subsequent to the statement of net position date that would require additional adjustment to, or disclosure, in the financial statements.

On April 26, 2022, the Corporation became a member of the Public Broadcasting Service (PBS) network. As a member of the PBS network, the Corporation will have access to a wide variety of award winning programming, including PBS Kids.

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Puerto Rico Public Broadcasting Corporation
(A Component Unit of the Commonwealth of Puerto Rico)

Required Supplemental Information
Schedule of Proportionate Share of the Collective Total Pension Liability

June 30, 2020

	2020	2019
Proportion (percentage) of the net collective total pension liability	0.08255%	0.08724%
Proportion (amount) of the net collective total pension liability	$ 20,514,105	$ 21,364,055

Notes to Required Supplementary Information

1. As a result of the implementation of the PayGo system, as provided by Act No. 106 of 2017 (Act 106), the Pension Plan has no assets accumulated in a trust that are dedicated to pay the related benefits in accordance with the benefit terms. As such, the Pension Plan does not meet the criteria to be considered a plan that is administered through a trust or equivalent arrangement under GASB 68 and, therefore, it is subject to the provisions of GASB 73. Act 106 eliminated all employer contributions and required ERS to liquidate its assets and to transfer the proceeds to the Commonwealth for the payment of pension benefits.

2. The Corporation's proportion of the total pension liability was actuarially determined based on the ratio of the Corporation’s benefit payments to the total benefit payments made by all participating employers under the Pension Plan for the year ending on the measurement date.

3. The schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

4. The amounts presented were determined by an actuarial valuations.

Puerto Rico Public Broadcasting Corporation
(A Component Unit of the Commonwealth of Puerto Rico)

Required Supplemental Information
Schedule of Proportionate Share of the Collective Net OPEB Liability

June 30, 2020

	2020	2019	2018	2017
Proportion of the collective net OPEB liability	0.05934%	0.06084%	0.05940%	0.05762%
Proportionate share of the collective net OPEB liability	$ 493,831	$ 512,389	$ 546,742	$ 682,842
Covered employee payroll	N/A	N/A	N/A	N/A
Proportionate share of the collective net OPEB liability as a percentage of the covered employee payroll	N/A	N/A	N/A	N/A
Plan's fiduciary net position as a percentage of the total OPEB liability	N/A	N/A	N/A	N/A

Notes to Required Supplementary Information

1. The OPEB plan has no assets accumulated in a trust that are dedicated to pay the related benefits in accordance with the benefit terms.

2. The Corporation's proportion of the net OPEB liability was actuarially determined based on the ratio of the Corporation's benefit payments to the total benefit payments made by all participating employers under the OPEB Plan for the year ending on the measurement date.

3. The schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

4. The amounts presented were determined by an actuarial valuations.