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

Financial Statements and Supplementary Information

June 30, 2021

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Galíndez LLC

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, 2021 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.

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, 2021 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 Notes 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 collective net other postemployment benefits (OPEB) 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.

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.

Galindez LLC

San Juan, Puerto Rico
April 11, 2023
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, 2021 and 2020, 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, 2021 increased by approximately $13.4 million or 96%, including deferred outflows, when compared to June 30, 2020.
- The liabilities of the Corporation as of June 30, 2021 exceeded its assets by approximately $3.1 million or 10% including deferred inflows, resulting in a negative net position for such amount.
- At June 30, 2021, the net position of the Corporation increased by $10.4 million or 64% when compared to June 30, 2020, mainly due to the results from operations for the year.
- Operating revenues for the year ended June 30, 2021 increased by approximately $10.1 million or 82% when compared to the year ended June 30, 2020.
- Non-operating revenues for the year ended June 30, 2021 decreased by approximately $1 million or 31% when compared to the year ended June 30, 2020.
- Operating expenses for the year ended June 30, 2021 increased by approximately $3 million or 27% when compared to the year ended June 30, 2020.

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, 2021. 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 for the Year Ended June 30, 2021

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:

	2021	As Restated 2020	Change In Dollars	Change Percentage
Assets:				
Current assets	$ 14,115,020	$ 5,830,773	$ 8,284,247	142.08%
Non-current assets:				
Capital assets	7,889,684	5,510,081	2,379,603	43.19%
Other	411,923	24,731	387,192	1565.61%
Total assets	22,416,627	11,365,585	11,051,042	97.23%
Deferred outflows of resources	4,879,427	2,527,944	2,351,483	93.02%
Total assets and deferred outflows of resources	$ 27,296,054	$ 13,893,529	$ 13,402,525	96.47%
Liabilities:				
Current liabilities	$ 5,103,716	$ 4,707,794	$ 395,922	8.41%
Non-current liabilities:				
Accrued legal claims	1,680,000	1,680,000	-	0.00%
Termination benefits	1,413,419	1,627,760	(214,341)	-13.17%
Compensated absences	544,919	14,503	530,416	3657.28%
Other postemployment benefits	462,634	453,686	8,948	1.97%
Pension liability	22,344,507	19,472,059	2,872,448	14.75%
Total liabilities	31,549,195	27,955,802	3,593,393	12.85%
Deferred inflows of resources	1,660,675	2,202,031	(541,356)	-24.58%
Total liabilities and deferred inflows of resources	33,209,870	30,157,833	3,052,037	10.12%
Net assets:				
Investment in capital assets	7,889,684	5,510,081	2,379,603	43.19%
Restricted	2,607,904	3,111,352	(503,448)	-16.18%
Unrestricted	(16,411,404)	(24,885,737)	8,474,333	-34.05%
Total net assets	(5,913,816)	(16,264,304)	10,350,488	-63.64%
Total liabilities and net assets	$ 27,296,054	$ 13,893,529	$ 13,402,525	96.47%

Analysis of Net Assets

As of June 30, 2021, the net assets of the Corporation increased by approximately $10.4 million or 64% when compared to June 30, 2020 mainly due to the following:

- Increase in investment in capital assets is mainly due to capital acquisitions of approximately $3.2 million, net of depreciation and amortization expense of approximately $816,000 for the year ended June 30, 2021.

- Decrease of approximately $0.5 million or 16% in net assets with donor restrictions is mostly due to the following:

    - Decrease of approximately $373,000 in restricted funds from Television Taller Dramático.
    - Decrease of approximately $691,000 in restricted funds from Radio Taller Dramático.
    - Increase of approximately $557,000 in restricted funds from the Corporation for Public Broadcasting (CPB).

- Net increase of approximately $8.5 million or 34% in unrestricted net position is mainly due to the increase in net position of $10.4 million offset by the decrease in restricted net position of $0.5 million and the increase in investment in capital assets of approximately $2.4 million, as discussed above, mainly driven by the increase in production revenue for the year.

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, 2021 and 2020 by asset classification is as follows:

		As Restated	Change	
	2021	2020	In Dollars	Percentage
Cash	$ 5,265,113	$ 7,800	$ 5,257,313	67401.45%
Restricted cash	2,945,222	3,218,158	(272,936)	-8.48%
Accounts receivable, net	449,781	448,664	1,117	0.25%
Other receivables	21,688	23,142	(1,454)	-6.28%
Due from governmental entities, net	5,433,216	2,133,009	3,300,207	154.72%
Total current assets	$ 14,115,020	$ 5,830,773	$ 8,284,247	142.08%

Analysis of Current Assets – (continued)

Cash at June 30, 2021 increased by approximately $5.3 million when compared to June 30, 2020, mainly due to collections of billings for new production projects with the Puerto Rico Department of Education. Increase in due from government entities of approximately $3.3 million or 155% is mainly due to amounts receivable from the Puerto Rico Department of Education of $4 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, 2021 and 2020 by asset classification is as follows:

		As Restated	Change	
	2021	2020	In Dollars	Percentage
Licensed program rights and costs incurred for programs not yet broadcasted	$ 398,923	$ 11,731	$ 387,192	3300.59%
Other	13,000	13,000	-	0.00%
Capital assets, net	7,889,684	5,510,081	2,379,603	43.19%
Total non-current assets	$ 8,301,607	$ 5,534,812	$ 2,766,795	49.99%

Total non-current assets at June 30, 2021 increased by approximately $2.8 million or about 50% when compared to June 30, 2020. Such increase is mainly due to an increase of approximately $2.4 million or 43% in capital assets as a result of approximately $3.2 million of additions less depreciation expense of approximately $816,000 for the year ended June 30, 2021.

Capital Assets

At June 30, 2021, the Corporation had an investment in capital assets of approximately $7.9 million, net of accumulated depreciation and amortization. This amount represents a net increase of approximately $2.4 million or 43% when compared to June 30, 2020.

Analysis of Non-Current Assets – (continued)

Capital Assets – (continued)

A comparison of net capital assets as of June 30, 2021 and 2020 by asset category is as follows:

Asset Category	2021	As Restated 2020	Change In Dollars	Change Percentage
Land	$ 82,600	$ 82,600	$ -	0.00%
Television, radio and other equipment	7,176,488	4,812,067	2,364,421	49.14%
Building and building improvements	286,856	349,797	(62,941)	-17.99%
Motor vehicles	140,138	167,525	(27,387)	-16.35%
Furniture and fixtures	45,654	66,672	(21,018)	-31.52%
Computers	157,948	31,420	126,528	402.70%
Capital assets, net	$ 7,889,684	$ 5,510,081	$ 2,379,603	43.19%

Television, radio and other equipment at June 30, 2021 increased by approximately $2.4 million when compared to June 30, 2020, mainly due to the net effect of the following:

- Additions of transmission equipment amounting to approximately $1,840,000 as part of the Federal Communications Commission (FCC) repacking program funds, in addition to approximately $1,200,000 mostly composed of broadcasting equipment as required under the new projects' agreement with the Puerto Rico Department of Education, and

- Current year's depreciation expense of approximately $815,500.

Deferred Outflows of Resources

The increase in deferred outflows of resources of approximately $2.4 million or 93% is due to the net result of adjustments mainly due to changes in actuarial assumptions related to the PayGo system under Act No. 106.

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, 2021 and 2020 is as follows:

	2021	As Restated 2020	Change In Dollars	Change Percentage
Accounts payable	$ 3,072,000	$ 2,298,356	$ 773,644	33.66%
Accrued expenses, payroll taxes and withholdings	321,419	305,619	15,800	5.17%
Termination benefits	1,621,740	1,864,098	(242,358)	-13.00%
Compensated absences	952,627	799,793	152,834	19.11%
Accrued legal claims	1,680,000	1,680,000	-	0.00%
Other postemployment benefits	499,034	493,831	5,203	1.05%
Pension liability	23,402,375	20,514,105	2,888,270	14.08%
Total liabilities	$ 31,549,195	$ 27,955,802	$ 3,593,393	12.85%

Accounts payable increased by approximately $774,000 or 34% as of June 30, 2021 when compared to June 30, 2020, mainly due to an increase in local production costs accruals.

Termination benefits decreased by approximately $242,000 or 13% 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 $153,000 or 19% in compensated absences is mainly due to the current year activity.

Increase in the total pension liability of $2.9 million or 14% is mainly due to a decrease in the discount rate used to determine the total pension liability under the PayGo system, as provided by Act No. 106.

Deferred Inflows of Resources

The decrease in deferred inflows of resources of approximately $541,000 or 25% 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, 2021 and 2020:

	2021	As Restated 2020	Change In Dollars	Change Percentage
Operating revenues:				
Sponsoring services	$ 704,775	$ 455,021	$ 249,754	54.89%
Production services	18,779,059	3,308,145	15,470,914	467.66%
Contributions from Corporation for Public Broadcasting	2,092,576	1,831,592	260,984	14.25%
Contributions from the Commonwealth of Puerto Rico	602,893	6,465,000	(5,862,107)	-90.67%
Other	236,582	240,800	(4,218)	-1.75%
Total operating revenues	22,415,885	12,300,558	10,115,327	82.23%
Non-operating revenue:				
Federal financial assistance	1,858,764	1,592,070	266,694	16.75%
Interest and other income	279,141	1,497,333	(1,218,192)	-81.36%
Total non-operating revenue	2,137,905	3,089,403	(951,498)	-30.80%
Operating expenses:				
Broadcasting and technical	1,850,340	1,897,044	(46,704)	-2.46%
Programming and production	8,652,014	5,854,255	2,797,759	47.79%
General administration	2,885,448	2,472,703	412,745	16.69%
Depreciation and amortization	815,500	979,334	(163,834)	-16.73%
Total operating expenses	14,203,302	11,203,336	2,999,966	26.78%
Change in net position	10,350,488	4,186,625	6,163,863	147.23%
Net position, at beginning of year	(16,264,304)	(22,926,865)	6,662,561	-29.06%
Restatement adjustment	-	2,475,936	(2,475,936)	-100.00%
Net position, at end of year	$ (5,913,816)	$ (16,264,304)	$ 12,826,424	-78.86%

Analysis of Revenues

Operating revenues increased by approximately $10.1 million or 82%, from $12.3 million in 2020 to $22.4 million in 2021, as a result of the following:

- Income from production services increased by approximately $15.5 million or 468%, mainly due to an increase in special projects, particularly from the Puerto Rico Department of Education and the Puerto Rico Department of Health for COVID-19 related projects.

- Sponsoring services increased by approximately 55% when compared to 2020, mainly due to the restrictions imposed as a result of COVID-19.

- Contributions from the CPB increased by approximately $261,000 or 14%, from $1.8 million in 2020 to $2.1 million in 2021. 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 $5.9 million, or 91%, from $6.5 million in 2020 to $603,000 in 2021 mainly due to the increase in production revenue from the Commonwealth, which off-sets the decrease in contributions. Furthermore, such contributions are subject to budgetary restrictions and cuts implemented by the Commonwealth to reduce government spending as a result of the deterioration of its financial condition.

Non-operating revenue decreased by approximately $952,000 or 31%, from $3.1 million in 2020 to $2.1 million in 2021, mainly due the following:

- Federal financial assistance increased by approximately $267,000 or 17% during 2021, mainly due to funds received from the FCC (approximately $1,840,000 in 2021 compared to $1,592,000 in 2020) in connection with the repacking program or broadband television spectrum reorganization.

- Decrease in interest and other income of approximately $1.2 million or 81% is mainly due to insurance recoveries from business interruption policies amounting to approximately $1,262,000 in connection with Hurricane María that were collected during the year ended June 30, 2020.

Analysis of Expenses

Total operating expenses for the year ended June 30, 2021 increased by approximately $3 million or 27%, from $11.2 million in 2020 to $14.2 million in 2021, mainly due to programming and production expenses increase of $2.8 million or 48%, from approximately $5.9 million in 2020 to $8.7 million in 2021. Such decrease is mainly due to an increase of approximately $3.3 million in local production costs mainly due to the special production projects with the Puerto Rico Department of Education.

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, 2021

Assets	
Current assets:	
Cash	$ 5,265,113
Restricted cash	2,945,222
Accounts receivable:	
Trade, net of allowance for doubtful accounts of $263,266	449,781
Other receivables	21,688
Due from governmental entities, net	5,433,216
Total current assets	14,115,020
Non-current assets:	
Licensed program rights and costs incurred for programs not yet broadcasted	398,923
Other assets	13,000
Capital assets, net of accumulated depreciation and amortization	7,889,684
Total assets	22,416,627
Deferred outflows of resources:	
Pension	4,843,027
Other postemployment benefits	36,400
Total deferred outflows of resources	4,879,427
Total assets and deferred outflows of resources	$ 27,296,054
Liabilities	
Current liabilities:	
Accounts payable	$ 3,072,000
Accrued expenses, payroll taxes and withholdings	321,419
Termination benefits accrual	208,321
Compensated absences	407,708
Total other postemployment benefits	36,400
Total pension liability	1,057,868
Total current liabilities	5,103,716
Non-current liabilities:	
Accrued legal claims	1,680,000
Termination benefits accrual	1,413,419
Compensated absences	544,919
Total other postemployment benefits	462,634
Total pension liability	22,344,507
Total non-current liabilities	26,445,479
Total liabilities	31,549,195
Deferred inflows of resources - pension	1,660,675
Total liabilities and deferred inflows of resources	33,209,870
Net Position	
Investment in capital assets	7,889,684
Restricted	2,607,904
Unrestricted deficit	(16,411,404)
Total net position	(5,913,816)
Total liabilities and net position	$ 27,296,054

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, 2021

Operating revenues:	
Sponsoring services	$ 704,775
Production services	18,779,059
Contributions from Corporation for Public Broadcasting	2,092,576
Contributions from the Commonwealth of Puerto Rico	602,893
Other	236,582
Total operating revenues	22,415,885
Operating expenses:	
Broadcasting and technical	1,850,340
Programming and production	8,652,014
General administration	2,885,448
Depreciation and amortization	815,500
Total operating expenses	14,203,302
Income from operations	8,212,583
Non-operating revenues:	
Federal financial assistance	1,858,764
Interest and other income	279,141
Total non-operating revenues	2,137,905
Increase in net position	10,350,488
Net position, beginning of year, as previously reported	(18,740,240)
Restatement adjustment	2,475,936
Net position, beginning of year, as restated	(16,264,304)
Net position, end of year	$ (5,913,816)

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, 2021

Cash flows from operating activities:	
Receipts from customers	$ 16,116,941
Contributions from Corporation for Public Broadcasting	2,092,576
Contributions from the Commonwealth of Puerto Rico	602,893
Payments to suppliers and contractors	(7,755,500)
Payments to employees	(4,614,192)
Net cash provided by operating activities	6,442,718
Net cash flows provided by non-capital financing activities -	
Federal financial assistance	1,858,764
Cash flows from capital and related financing activities:	
Insurance recovery proceeds	276,102
Acquisition of capital assets	(3,195,103)
Acquisitions of licensed programs rights and costs incurred for programs not yet broadcasted	(401,143)
Net cash used in capital and related financing activities	(3,320,144)
Net cash flows provided by investing activities -	
Interest and other income received	3,039
Net change in cash and restricted cash	4,984,377
Cash and restricted cash, beginning of year	3,225,958
Cash and restricted cash, end of year	$ 8,210,335
Reconciliation of cash and restricted cash to the statement of net position:	
Cash	$ 5,265,113
Restricted cash	2,945,222
Total cash and restricted cash	$ 8,210,335

(Continues)

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

Statement of Cash Flows - (Continued)

Year Ended June 30, 2021

Reconciliation of income from operations to net cash provided by operating activities:	
Income from operations	$ 8,212,583
Adjustments to reconcile income from operations to net cash provided by operating activities	
Depreciation and amortization	815,500
Amortization of licensed programs rights and cost incurred for programs not yet broadcasted	13,951
Changes in operating assets and liabilities:	
Accounts receivable	165,107
Other receivables	1,454
Due from governmental entities	(3,466,431)
Deferred outflows of resources	(2,351,483)
Accounts payable	773,644
Accrued expenses, payroll taxes and withholdings	15,800
Termination benefits accrual	(242,358)
Compensated absences	152,834
Other postemployment benefits	5,203
Pension liability	2,888,270
Deferred inflows of resources	(541,356)
Total adjustments	(1,769,865)
Net cash provided by operating activities	$ 6,442,718

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.

Note 2 - Summary of significant accounting policies

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.

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

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.

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, 2021.

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, 2021, the Corporation made a reclassification of $166,224 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 that may be amortized over the period of the agreement because the estimated number of future showings may not be

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

determinable. Amortization of licensed programs rights and costs incurred for programs not yet broadcasted amounted to $13,951 for the year ended June 30, 2021 and is included as part of programming and production expenses in the accompanying statement of revenues, expenses, and changes in net position.

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, 2021, management evaluated its responsibilities for environmental and pollution exposures and no contingency exposure was identified.

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

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, 2021.

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, as per Law No. 26 of 2017, no accrual is recognized for sick leave.

The activity of compensated absences for the year ended June 30, 2021 was as follows:

Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
$ 799,793	$ 442,786	$ (289,952)	$ 952,627	$ 407,708

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*

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

Pension Benefits – (continued)

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.

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, 2021 relate to the Corporation's participation in the Pension Plan and the OPEB Plan.

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

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, 2021 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.

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 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.

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

Net Position – (continued)

A description of the Corporation's restricted net position and related restrictions and balances as of June 30, 2021 are as follows:

Type of Restriction	Amount
TV Dramatic Project	$ 595,963
Radio Dramatic Project	220,045
Banda de Conciertos de Puerto Rico	2,000
Corporation for Public Broadcasting	1,789,896
Total restricted net position	$ 2,607,904

- 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.

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, not-for-profit 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.

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

Contributions and Other Support – (continued)

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, 2021, the Corporation recorded trade and barter transactions amounting to $303,605, 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.

Advertising Costs

Advertising costs are expensed in the period in which they are incurred. During the year ended June 30, 2021, the Corporation incurred in advertising costs amounting to $323,540 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.

New accounting principles

The following accounting standards were effective in fiscal year 2021:

- GASB Statement No. 84, *Fiduciary Activities*. This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary

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

New accounting principles – (continued)

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. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The adoption of this Statement did not have an effect on the Corporation's basic financial statements.

- GASB Statement No. 90, *Majority Equity Interest – an amendment of GASB statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority 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)

New accounting principles – (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 adoption of this Statement did not have an effect on the Corporation's basic financial statements.

Future adoption of accounting standards

GASB has issued the following accounting standards that the Corporation has not yet adopted:

- GASB Statement No. 87, *Leases*. 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. GASB 87 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 asset, 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 provisions of this Statement are effective for reporting periods beginning after June 15, 2021. Management is in the process of evaluating the impact this Statement may have on the Corporation's basic financial statements.

- GASB Statement No. 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 Statement No. 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,

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

Future adoption of accounting standards – (continued)

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. Management is in the process of evaluating the impact this Statement may have on the Corporation's basic financial statements.

- GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related notes disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required disclosure.

  The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The adoption of this Statement is not expected to have an impact on the Corporation's basic financial statements.

- GASB Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Management is in the process of evaluating the impact this Statement may have on the Corporation's basic financial statements.

- GASB Statement No. 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 IBOR. 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 periods beginning after June 15, 2020. The adoption of this Statement is not expected to have an impact on the Corporation's basic financial statements.

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

Future adoption of accounting standards – (continued)

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The adoption of this Statement is not expected to have an impact on the Corporation's basic financial statements.

- GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

- GASB Statement No. 96, *Subscription – Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription – based information technology arrangements (SBITA's) for government end users (governments). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. Management is in the process of evaluating the impact this Statement may have on the Corporation's basic financial statements.

- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The objectives of this Statement are to (1) increase consistency and comparability in the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

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

Future adoption of accounting standards – (continued)

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021.

Management is in the process of evaluating the impact this Statement may have on the Corporation's basic financial statements.

- GASB Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term Annual Comprehensive Financial Report and its acronym ACFR. This new term and acronym replace 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 and will have no impact on the Corporation's basic financial statements.

- GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:
    - Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.

Note 2 - <u>Summary of significant accounting policies – (continued)</u>

<u>Future adoption of accounting standards – (continued)</u>

- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition, and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription - based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this Statement that are effective as follows:

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

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

Future adoption of accounting standards – (continued)

- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023.

Management is in the process of evaluating the impact this Statement may have on the Corporation's basic financial statements.

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

  This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

  This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amounts of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

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

Future adoption of accounting standards – (continued)

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023. Management is in the process of evaluating the impact this Statement may have on the Corporation's basic financial statements.

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

  This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

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

Future adoption of accounting standards – (continued)

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

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. Management is in the process of evaluating the impact this Statement may have on the Corporation's basic financial statements.

Note 3 - Cash deposits

The carrying amount of the Corporation's cash deposits at June 30, 2021 consists of:

	Deposit	Cash on Hand	Total	Bank Balance
Unrestricted:				
Cash on hand	$ 5,253,113	$ 12,000	$ 5,265,113	$ 5,329,963
Restricted:				
CPB CSG TV and Radio	1,882,395	-	1,882,395	1,882,395
Taller Dramatico Radio	276,278	-	276,278	276,378
Lucy Boscana	760,240	-	760,240	762,450
Banda de Conciertos	869	-	869	1,044
FCC Repacking	22,333	-	22,333	22,333
FEMA	3,016	-	3,016	3,016
Other	91	-	91	91
Total	$ 8,198,335	$ 12,000	$ 8,210,335	$ 8,277,670

Note 3 - Cash deposits – (continued)

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, 2021, the Corporation's carrying amount of bank demand deposits was $8,198,335. The bank balances for all demand deposit accounts amounted to $8,277,670 as of June 30, 2021. 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 $7,777,670 as of June 30, 2021 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, 2021 consists of:

Departamento de Educación	$ 4,996,650
Departamento de Salud	302,340
Loteria Electrónica	101,106
Administración de Servicios Generales	98,000
Departamento de Recreación y Deportes	62,855
Compañia de Turismo de Puerto Rico	51,500
Other governmental entities	279,116
Total due from governmental entities	5,891,567
Less allowance for doubtful accounts	(458,351)
Due from governmental entities, net	$ 5,433,216

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Note 5 - Capital assets

The activity of each of the major classes of capital assets and accumulated depreciation for the year ended June 30, 2021 is summarized as follows:

	June 30, 2020	Increase	Decrease	June 30, 2021
Capital assets not being depreciated -				
Land	$ 82,600	$ -	$ -	$ 82,600
Capital assets being depreciated:				
Television, radio and other equipment	54,028,840	3,046,362	-	57,075,202
Building and building improvements	12,904,479	5,419	(25,014)	12,884,884
Motor vehicles	1,539,008	-	-	1,539,008
Furniture and fixtures	1,099,389	854	-	1,100,243
Computers	2,679,572	142,468	-	2,822,040
Total capital assets being depreciated	72,251,288	3,195,103	(25,014)	75,421,377
Less accumulated depreciation and amortization:				
Television, radio and other equipment	49,216,773	681,941	-	49,898,714
Building and building improvements	12,554,682	68,360	(25,014)	12,598,028
Motor vehicles	1,371,483	27,387	-	1,398,870
Furniture and fixtures	1,032,717	21,872	-	1,054,589
Computers	2,648,152	15,940	-	2,664,092
Total accumulated depreciation and amortization	66,823,807	815,500	(25,014)	67,614,293
Capital assets, net	$ 5,510,081	$ 2,379,603	$ -	$ 7,889,684

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 of 1951, as amended. ERS sponsors the Pension Plan and other benefit programs, as amended by Act No. 106 of 2017 (Act No. 106). Act No. 106 modified most of the activities 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, the Retirement Systems). In addition, Act No. 106 implemented the pay-as-you-go (PayGo) system for which the Corporation assumed its proportional share of the pension benefits of its retirees.

Under Act No. 106, active employees are required to contribute a minimum of 8.5% of their compensation into a defined contribution plan. Such contributions are deposited in separate accounts for each employee and invested in accordance with certain guidelines. However, Act No. 106 does not provide for employer contributions.

Note 6 - Retirement plan – (continued)

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 applicable employer. The PayGo charge must be submitted to the Treasury Department before the 15th day of each month along with the individual contributions withheld from active employees. Charges under the PayGo system for the year ended June 30, 2021 amounted to $1,104,276, which have been included as part of deferred outflows of resources as of June 30, 2021.

Upon retirement, employees will receive the retirement benefits accumulated after the enactment of Act No. 106, with certain limitations, plus benefits accumulated until the enactment of Act No. 106, with certain limitations, including benefits accumulated under previous defined benefit, defined contribution, and hybrid plans, as discussed below. Benefits accumulated after the enactment of Act No. 106 include only those amounts contributed by the participant during that period and the yield from those deposits. Based on the investment instruments acquired by the participant, there may be investment risks that may impair the value of the participants' accounts through the date of retirement.

Before Act No. 106, ERS administered different benefit structures, including a cost sharing multiemployer 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. The benefits provided to members of ERS were statutorily established by the Commonwealth and could only be amended by the Legislature with the Governor's approval. Act No. 3 of 2013 (Act No. 3), in conjunction with other funding and design changes, provided for a comprehensive reform of ERS.

Under Act No. 3, certain provisions are different for the three groups of members who entered ERS prior to July 1, 2013 as follows:

- 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).

Note 6 - Retirement plan – (continued)

Under Act No. 3, all regular employees that were participants of previous programs and those hired for the first time on or after July 1, 2013 became members of the Contributory Hybrid Program as a condition to their employment until the enactment of Act No. 106.

Total Pension Liability and Actuarial Information

The total Pension Plan liability recorded by the Corporation as of June 30, 2021 (measurement date June 30, 2020) amounted to $23,402,375. Such total amount represents its proportionate share of the total pension liability of the Pension Plan as of such date. The total pension liability as of June 30, 2021 (measurement date June 30, 2020) was determined by an actuarial valuation as of July 1, 2019, that was rolled forward to June 30, 2020 (measurement date).

The total Pension Plan liability activity for the year ended June 30, 2021 was as follows:

Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
$ 20,514,105	$ 3,992,546	$ (1,104,276)	$ 23,402,375	$ 1,057,868

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, 2021, the Corporation's proportion was 0.08337%, which represents an increase of 0.00082% when compared to its proportion of 0.08255% at June 30, 2020.

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, 2020 (measurement date) was 2.21%. 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 6 - Retirement plan – (continued)

Actuarial Methods and Assumptions – (continued)

Mortality tables

The mortality tables used in the June 30, 2020 (measurement date) actuarial valuation were as follows:

- *Pre-retirement Mortality* – For general employees not covered under Act No. 127, PubG-2010 Employee Mortality Rates, adjusted by 100% for males and 110% for females, projected to reflect Mortality Improvement Scale MP-2020 on a generational basis. For members covered under Act No. 127, the PubS-2010 Employee Mortality Rates are assumed for males and females, projected to reflect Mortality Improvement Scale MP-2020 on a generational basis. 100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127.
- Post-Retirement Healthy Mortality - Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the 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.
- *Post-retirement Healthy Mortality* – Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the ERS Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2020 a generational basis. Prior to retiree's death, beneficiary mortality is assumed to be the same as the post-retirement healthy retiree mortality. For periods after the retiree's death, the PubG-2010(B) contingent survivor rates, adjusted by 110% for males and 120% for females, projected using MP-2020 on a generational basis.
- *Post-retirement Disabled Mortality* – Rates which vary by gender are assumed for disabled retirees based on a study of the ERS Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP-2020 on a generational basis.

All the above mortality tables, as generational tables, reflect mortality improvements both before and after the measurement date.

Note 6 - Retirement plan – (continued)

Actuarial Methods and Assumptions – (continued)

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

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 2.21%, 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 (1.21%) or 1% point higher (3.21%) than the current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Total pension liability	$ 26,844,465	$ 23,402,375	$ 20,626,656

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2021 (measurement date June 30, 2020), 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	$ 48,271	$ 526,809
Changes of assumptions	2,937,938	401,718
Changes in proportion	752,542	732,148
Pension benefits paid subsequent to the measurement date	1,104,276	-
Total	$ 4,843,027	$ 1,660,675

Note 6 - Retirement plan – (continued)

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

Pension benefits paid subsequent to the measurement date of $1,104,276 have been excluded from the table below.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2020 (measurement date) will be recognized as adjustment to pension expense in the Corporation's financial statements as follows:

Years Ending June 30	Amounts
2021	$ 471,903
2022	471,903
2023	471,906
2024	662,364
Total	$ 2,078,076

Pension Plan Expense

The Corporation's Pension Plan expense for the year ended June 30, 2021 (measurement date June 30, 2020) amounted to $1,158,192.

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).

Note 7 - Other Postemployment Benefits – (continued)

OPEB Plan Description – (continued)

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.

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, 2021 (measurement date June 30, 2020) amounted to $499,034 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, 2021 (measurement date June 30, 2020) was determined by an actuarial valuation as of July 1, 2019 that was rolled forward to June 30, 2020 (measurement date).

The total OPEB liability activity for the year ended June 30, 2021 was as follows:

Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
$ 493,831	$ 44,103	$ (38,900)	$ 499,034	$ 36,400

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, 2021 (measurement date June 30, 2020), the Corporation's proportion of the collective total OPEB liability was 0.05706%, which represents a decrease of 0.00228% when compared to the Corporation's proportion of 0.05934% as of June 30, 2020.

Note 7 - Other Postemployment Benefits – (continued)

Total OPEB Liability and Actuarial Information – (continued)

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, 2020 (measurement date) was 2.21%. This represents the municipal bond return rate as selected by the Commonwealth. The source is the Bond Buyer Obligation (GO) 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality tables

The mortality tables used in the June 30, 2020 (measurement date)actuarial valuation were as follows:

- Pre-Retirement Mortality - For general employees not covered under Act No. 127 of 1958, PubG-2010 Employee Mortality Rates, adjusted by 100% for males and 110% for females, projected to reflect Mortality Improvement Scale MP-2020 on a generational basis. For members covered under Act No. 127, the PubS-2010 Mortality Rates are assumed for males and females, projected to reflect Mortality Improvement Scale MP-2020 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 Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2020 on a generational basis. Prior to retiree's death, beneficiary mortality is assumed to be the same as the post-retirement healthy retiree mortality. For periods after the retiree's death, the PubG-2010(B) contingent survivor rates, adjusted by 110% for males and 120% for females, projected using MP2020 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Note 7 - Other Postemployment Benefits – (continued)

Total OPEB Liability and Actuarial Information – (continued)

a. Actuarial assumptions – (continued)

Mortality tables – (continued)

- Post-Retirement Disabled Mortality - Rates, which vary by gender, are assumed for disabled retirees based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvements. The PubG-2010 disabled retiree rates are adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP-2020 on a generational basis. As a generational table, it reflects mortality improvements before and after the measurement date.

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 2.21%, 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 (1.21%) or 1% point higher (3.21%) than the current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	$ 550,180	$ 499,034	$ 455,818

Deferred Outflows of Resources Related to the OPEB Plan

At June 30, 2021 (measurement date June 30, 2020), the reported deferred outflows of resources related to the OPEB Plan of $36,400 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, 2021 (measurement date June 30, 2020) amounted to $44,103.

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, under Act No. 70 of July 2, 2010 (Act No. 70). The plan included early retirement incentives for certain eligible employees.

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%

Note 8 - Termination benefits – (continued)

Termination Benefits Plan Provisions – (continued)

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.

The voluntary termination benefits liability at June 30, 2021 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, 2021 was as follows:

Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
$ 1,864,098	$ -	$ (242,358)	$ 1,621,740	$ 208,321

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 $101,139 for the year ended June 30, 2021 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, 2021 amounted to $236,582 and are presented as other operating revenue in the accompanying statement of revenues, expenses and changes in net position.

Future commitments under operating lease agreements as of June 30, 2021, are as follows:

Years Ending June 30,	As Lesee Minimum Lease Payments	As Lessor Minimum Lease Payments
2022	$ 43,139	$ 233,954
2023	34,139	204,387
2024	34,139	209,089
Total	$ 111,417	$ 647,430

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, 2021, 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, 2021.

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 - Restatement of net position

Subsequent to the issuance of the Corporation's financial statements for the year ended June 30, 2020, management of the Corporation identified the following misstatements in the recording of certain assets and liabilities:

a. As provided by Article 2.5 of Act No. 106, payments related to the PayGo system made by the Commonwealth's instrumentalities will be applied to the balance of unpaid contributions and amounts due to ERS at the effective date of Act No. 106. At June 30, 2017, the Corporation had balances due to ERS amounting to $1,667,087, which consisted mainly of outstanding payables related to the uniform additional contribution, special laws and interest. During the year ended June 30, 2019, payments made by the Corporation for the PayGo system exceeded the balance due to ERS, accordingly, the total amount payable to ERS should had been eliminated at that time.

b. As of June 30, 2020, the Corporation had recorded accrued sick leave amounting to $1,360,009, however, as per Article 2.10 of the Special Memorandum No. 20-2017 issued by the Human Resources Administration and Transformation Office of the Commonwealth of Puerto Rico, in accordance with Chapter 2 of Act No. 26-2017, no employee of the Commonwealth shall have the right to be compensated for excess accrued sick days after December 31, 2017. Accordingly, such accrued sick leave should had been eliminated as of December 31, 2017.

c. As of June 30, 2020, the Corporation had an account receivable from the Office of Management and Budget of the Commonwealth (OGP) related to the enactment of Act. No. 70-2010 amounting to $551,160, which should had been written-off in previous years.

In order to correct such prior year misstatements, the Corporation restated its net position as of June 30, 2020 as follows:

Net position at June 30, 2020, as previously reported	$ (18,740,240)
Restatement adjustments:	
Effect of the elimination of amounts due to ERS	1,667,087
Effect of the elimination of the sick leave accrual	1,360,009
Effect of the elimination of OGP receivable related to Act No. 70-2010	(551,160)
Total restatement adjustments	2,475,936
Net position at June 30, 2020, as restated	$ (16,264,304)

Note 12 - Subsequent events

The Corporation has evaluated subsequent events through April 11, 2023, which is the date the financial statements were available to be issued. Except as described in Note 1 and in 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, 2021

	2021	2020	2019
Proportion (percentage) of the net collective total pension liability	0.08337%	0.08255%	0.08724%
Proportion (amount) of the net collective total pension liability	$ 23,402,375	$ 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 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, 2021

	2021	2020	2019	2018	2017
Proportion of the collective net OPEB liability	0.05706%	0.05934%	0.06084%	0.05940%	0.05762%
Proportionate share of the collective net OPEB liability	$ 499,034	$ 493,831	$ 512,389	$ 546,742	$ 682,842

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 actuarial valuations.