Puerto Rico Trade and Export Company
(A Component Unit of the Commonwealth of Puerto Rico)

Financial Statements and Supplementary Information

June 30, 2019

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FPV & GALINDEZ LLC

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Puerto Rico Trade and Export Company
(A Component Unit of the Commonwealth of Puerto Rico)
San Juan, Puerto Rico

We have audited the accompanying financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of the Puerto Rico Trade and Export Company (the Company), a component unit of the Commonwealth of Puerto Rico (the Commonwealth), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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 audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities and the aggregate remaining fund information of the Puerto Rico Trade and Export Company as of June 30, 2019, and the respective changes in financial position and where applicable its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters – Going Concern

Puerto Rico Trade and Export Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3, the financial condition of the Commonwealth of Puerto Rico (the Commonwealth) is an external matter that may affect the ability of the Company to continue as a going concern.

The Company is a component unit of the Commonwealth of Puerto Rico. The Commonwealth has incurred recurring deficits, has a negative financial position, has experienced a further deterioration of its economic condition, with limited access to credit markets.

Furthermore, 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. The Act establishes 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. The Oversight Board, on behalf of the Commonwealth and certain of its instrumentalities, has filed voluntary petitions for relief under Title III of PROMESA in the United States District Court for the District of Puerto Rico (the Court).

Title III of PROMESA provides for similar procedures to Chapter 9 and 11 of the Federal Bankruptcy Code seeking an orderly restructuring of the local public finances, which includes a debt adjustment process under the supervision of the Court.

On April 19, 2018, pursuant to Section 201 of PROMESA, the Oversight Board approved and certified a Fiscal Plan for Puerto Rico. In accordance with the Plan, the Company will be consolidated into the Department of Economic Development and Commerce.

These conditions raise substantial doubts about the Commonwealth's, and therefore the Company's ability to continue as a going concern for a reasonable period of time. The Commonwealth's plans regarding these matters are also described in Note 3. The financial statements do not include any adjustment that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the Company's proportionate share of the collective total pension liability and the other postemployment benefits (OPEB) collective net liability, as listed on the table of contents, be presented to supplement the basic financial statements.

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

FPV & Galindez

San Juan, Puerto Rico
September 8, 2021
License No. LLC-322
Expires December 1, 2023

As management of the Puerto Rico Trade and Export Company's (the Company), 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 Company as of and for the years ended June 30, 2019 and 2018, 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

- Net position of the Company decreased from $19.8 million as of June 30, 2018, to $14.4 million as of June 30, 2019, $5.4 million or 27.3%.

- The main portion of the Company's net position reflects its investment in capital assets (e.g., buildings, land, machinery, and equipment, net of related debt). The Company uses these capital assets to provide rental warehouse facilities and services to exporting corporations, as well as for the overall administration of the Company.

- Note 1 to the financial statements provides information regarding Act No. 141 from July 11, 2018, known as the "Department of Economic Development and Commerce Reorganization Plan Implementation Act 2018" which allows the transition of the Company from a public corporation into a consolidated entity of the Department of Economic Development and Commerce.

- Note 3 to the financial statements provides information regarding the Company's going concern uncertainty.

Overview of the Financial Statements

The financial statements consist of two parts – management's discussion and analysis (this section), and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the Company:

- The first two statements are government-wide financial statements that provide information about the Company's overall financial position and results of operations. These statements, which are presented on the accrual basis of accounting, consist of the statement of net position and the statement of activities.

- The remaining statements are fund financial statements of the Company's major and non-major governmental funds, for which activities are funded primarily from Commonwealth appropriations and for which the Company follows the modified accrual basis of accounting, and the Company's proprietary fund, which operates similar to business activities and for which the Company follows the accrual basis of accounting.

Overview of the Financial Statements – (continued)

- The basic financial statements also include the notes to financial statements section that explains some of the information in the government-wide and fund financial statements and provides more detailed data.

Government-Wide Financial Statements

The government-wide financial statements report information about the Company as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all the Company's assets and liabilities. All the current year's revenues and expenses are accounted for in the statement of activities regardless of when the cash is received or paid.

Fund Financial Statements

The fund financial statements provide more detailed information about the Company's most significant funds and not the Company as a whole. The Company has two fund types:

- *Governmental Funds* – Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. Governmental funds financial statements focus on current inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. This information may be useful in evaluating the Company's current financing requirements. The Company maintains twenty individual governmental funds.

- *Proprietary Fund* – The Company's primary activities are included in its proprietary fund, which is accounted for in a manner similar to businesses operating in the private sector. Funding has primarily arisen through revenue derived from the rental of commercial facilities.

Financial Analysis of the Company as a Whole

We provide the readers of these basic financial statements with the following summarized discussion and analysis of the relevant facts that affected the government-wide financial statements for the fiscal years ended June 30, 2019, and 2018:

Financial Analysis of the Company as a Whole – (continued)

Statements of Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current assets	$ 6,146,586	$ 6,988,072	$ 12,117,098	$ 12,379,211	$ 18,263,684	$ 19,367,283
Non-current assets	-	-	-	245,207,159	-	245,207,159
Capital assets	3,492,559	3,532,341	72,781,522	73,418,700	76,274,081	76,951,041
Total assets	9,639,145	10,520,413	84,898,620	331,005,070	94,537,765	341,525,483
Deferred outflows of resources	-	-	3,367,465	10,429,840	3,367,465	10,429,840
Liabilities:						
Current liabilities	922,361	1,250,771	17,121,298	18,787,274	18,043,659	20,038,045
Long-term liabilities	-	-	62,474,346	306,444,489	62,474,346	306,444,489
Total liabilities	922,361	1,250,771	79,595,644	325,231,763	80,518,005	326,482,534
Deferred inflows of resources	-	-	2,950,985	5,704,441	2,950,985	5,704,441
Net position:						
Net investment in capital assets	3,492,559	3,532,341	60,946,209	60,904,984	64,438,768	64,437,325
Restricted	5,238,352	5,751,428	-	-	5,238,352	5,751,428
Unrestricted (deficit)	(14,127)	(14,127)	(55,226,753)	(50,406,278)	(55,240,880)	(50,420,405)
Total net position	$ 8,716,784	$ 9,269,642	$ 5,719,456	$ 10,498,706	$ 14,436,240	$ 19,768,348

In overall, the net position of the Company decreased $5.4 million or 27.3% from $19.8 million to $14.4 million.

Key elements for the decrease in net position are as follows:

- Current assets decreased by $1.1 million of which $1.4 million are related to the net decrease in accounts receivable due to the increase in the allowance for bad debts. A decreased of $538 thousand in interest receivable due to the cancelation of the investment securities, net by an increase in cash received for $1.3 million from the PR Treasury Department for permanent improvements, and the collection of $600 thousand from insurance recovery related to Hurricane María in the business-type fund and there was a decrease in cash of $951 thousand used in the governmental activities' funds.

- Investment in restricted securities included in non-current assets decreased by $245 million as a result of the cancelation of the investments and the collateralized notes effective on June 5, 2019.

- Current liabilities decreased by approximately $1.9 million due to the decreased of approximately $600 thousand in interest payable because of the cancelation of the collateralized notes and $1 million decreased in the current portion of the total pension liability in the business-type fund and a decreased of $300 thousand in the accounts payable in the governmental-type fund.

Financial Analysis of the Company as a Whole – (continued)

- Long term liabilities decreased by $244 million because of the cancelation of the collateralized notes effective on June 5, 2019.

Statements of Activities

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Operating grants and contributions	$ 632,000	$ 690,000	$ 1,330,000	$ -	$ 1,962,000	$ 690,000
Charges for services	42,120	105,010	14,372,398	14,633,105	14,414,518	14,738,115
General revenue:						
Interest and investment earnings	-	-	12,806,480	12,404,326	12,806,480	12,404,326
Other	391,133	225,110	919,622	303,600	1,310,755	528,710
Total revenues	1,065,253	1,020,120	29,428,500	27,341,031	30,493,753	28,361,151
Program expenses						
Administration	125,462	160,379	-	-	125,462	160,379
Employment development incentive	775,040	492,625	-	-	775,040	492,625
Economic development incentive	412,613	1,138,310	-	-	412,613	1,138,310
Promotion and commercial development	304,996	507,136	-	-	304,996	507,136
Rental activities expenses and other	-	-	13,169,653	17,043,107	13,169,653	17,043,107
Interest expense	-	-	11,780,710	11,504,954	11,780,710	11,504,954
Interest expense on mortgage	-	-	735,313	773,301	735,313	773,301
Interest expense on capital lease	-	-	6,235	5,752	6,235	5,752
Total expenses	1,618,111	2,298,450	25,691,911	29,327,114	27,310,022	31,625,564
Loss on capital assets	-	-	-	(2,744,876)	-	(2,744,876)
Increase in the pension liability as a result of the implementation of the PayGo system as provided by Act No. 106 of 2017	-	-	(8,515,839)	-	(8,515,839)	-
Decrease in net position	$ (552,858)	$ (1,278,330)	$ (4,779,250)	$ (4,730,959)	$ (5,332,108)	$ (6,009,289)

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Financial Analysis of the Company as a Whole – (continued)

During the year ended June 30, 2019, the Company's total revenues increased by approximately $2.1 million or 7.5% from $28.4 million for the year ended June 30, 2018, to $30.5 million for the year ended June 30, 2019.

In the business-type activities there was an increase in operating grants and contributions for $1.3 million granted by the PR Legislature for permanent improvements, a decrease in rental income of approximately $261 thousand or 1.8% and an increase in interest and investment earnings for $402 thousand or 3.2%. In 2019, other income includes $600,000 of business interruption income from the insurance recovery for Hurricane María damages. In the governmental activities the revenues remained comparable.

Governmental Fund Results

The Company's governmental activities have no major governmental fund in fiscal year 2019, while there are twenty non-major governmental funds. Governmental funds received $532 thousand in appropriations from the Commonwealth of Puerto Rico during the fiscal year ended June 30, 2019. Following is a description of each governmental fund:

Administrative Fund

The fund's operating objective is to provide funds for administrative functions of the Company not accounted for in other governmental funds. The fund had no significant activity during the current fiscal year.

Direct Employment for Urban Centers Fund

The fund's operating objective is to provide grants of salary incentives for small and medium size entities located in urban centers. This program wants to strengthen and revitalize urban centers. The fund received $199,580 in legislative appropriations during the current fiscal year.

Key for Your Business Fund

This fund was created with the objective of providing incentives for the creation and strengthening of small and medium businesses. The fund had no significant activity during the current fiscal year.

Governmental Fund Results – (continued)

Economic Incentive for Roosevelt Roads Fund

This fund was used to account for resources and expenditures related to the grant of economic incentives for new business development for persons within the east coast of Puerto Rico, which were affected by the closing of the naval base of Roosevelt Roads. The objective was to improve the probabilities of success of the new merchant, increasing its working capital and providing technical advice to them. The fund had no significant activity during the current fiscal year.

Commercial Impact to Urban Centers Fund

This fund is used to account for resources and expenditures related to activities conducted to revitalize the commerce on the traditional urban centers through the performance of activities designed to attract the flow of clients to urban centers. The fund had no significant activity during the current fiscal year.

PYMES (Pequeña y Mediana Empresas) and Other Program Funds

These funds are used to account for redeployed funds that were reprogrammed to provide economic incentives to small and medium businesses. The funds had no significant activity during the current fiscal year.

World Trade Center Fund

This fund was used to account for resources and expenditures related to the development of enterprises in Puerto Rico, and the development and maintenance of information systems for the service management of the enterprises in Puerto Rico. The fund had no significant activity during the current fiscal year.

Ideal Certification Fund

This fund was created with the objective of providing businessmen interested in establishing, operating or expanding their business, certifications from the government agencies in order to expedite such process. The fund had no significant activity during the current fiscal year.

Merchant's Register Fund

This fund was created with the objective of preparing a Merchant's Register for the preparation of statistical and economic studies. The fund had no significant activity during the current fiscal year.

Governmental Fund Results – (continued)

Businesswomen Fund

This fund was created to implement an economic incentive program to assist women that are heads of family and carry out small business operations. The fund had no significant activity during the current fiscal year.

Law of Jobs Now Fund- "Ley de Empleos Ahora"

This fund was created to facilitate new jobs in a period of eighteen months from January 1, 2013 through June 30, 2014. The law establishes incentive programs in collaboration with other governmental agencies to promote sustainable business, create new small and medium business, and increase the labor employment through granting special incentives. The fund had no significant activity during the current fiscal year.

Community Microenterprises Economic Incentive Funds

The Community Microenterprises Economic Incentive is divided in three funds created to provide to the communities, institutions and organized groups the necessary tools for a permanent economic and social development of their environment, through promoting productive projects that contribute to the economic livelihoods and that promote social responsibility. This program addresses existing microenterprises in the communities and of new creation granting an economic incentive up to a maximum of $5,000. Legislative appropriations from the Commonwealth were received for the amount of $332,631 during the current fiscal year.

Franchises Fund

This fund provides economic incentives up to a maximum of $20,000 to develop a business plan focus on the creation of franchises of local small and medium enterprises. This program addresses the growth strategies, and the creation of a valuable brand with potential of local and international marketing. The Company receives a fee from the franchises program. The fees received during the year were $99,789.

Entrepreneurship Camp Fund

This summer camp offer 80 hours entrepreneurship education to young children between 13 to 18 years. The summer camp provided education through training, site visit to manufacturing and development of business plan. This initiative was reached in collaboration with the Department of Education, municipalities and non-profit institution. The fund had no significant activity during the current fiscal year.

Governmental Fund Results – (continued)

Voluntary Chains Program

The program of voluntary chains is a tool that gives local businesses the opportunity to compete with big stores since they can share resources and inventory together and get better prices from their suppliers. These voluntary chains have to be endorsed by the Company to benefit from some tax exemptions. The Company receives a fee from the voluntary chains. The fees received during the year were $42,120.

Law 120 of Department of Labor, "Incentive Act for the Generation and Retention of Jobs PYMES"

This fund was created to establish a program of tax and wage incentives for small and medium enterprises for the creation of new jobs and retention of jobs for small and medium companies with economic difficulties. The fund had no significant activity during the current fiscal year.

Federal Grants

State Trade and Export Promotion Grants (STEP)

The State Trade and Export Promotion Grants (STEP or the Program) objective is to increase the number of small business that are planning exporting and/or are currently exporting goods and services. During the fiscal year 2019, the Company received reimbursement of expenditures under the grant award by $105,038.

Economic Development Administration (EDA)

The Company obtained an Economic Development Administration Award (EDA or the Program) in the amount of $800,000 for a period of three years from 2014 to 2017. The Program objective is to support business technical assistance services and "Business 2 Business" forums for small and mid-sized enterprises (SME's).

During the fiscal year 2019, the Company received reimbursement of expenditures under the grant award by $286,095.

Federal and State Technology (FAST)

The Company obtained the Federal and State Technology (FAST or the Program) Partnership Program by the amounts of $100,000 for the period from September 30, 2015, through September 30, 2016. The Program objective is to promote and develop the creation of start-ups companies, based in technology, sponsor their participation in trade shows where its products and services are promoted and provide technical training for local companies and researchers seeking to obtain federal funds to market their inventions or services, among others. The fund had no significant activity during the current fiscal year.

Proprietary Fund Results

Net position of the Company's proprietary fund decreased during the year ended June 30, 2019, by $4.8 million or 46%. Following is an analysis of the financial position and results of operations of the proprietary fund.

The Company's rental operations resulted in an operating income of approximately $3.7 million. During 2019 the Company received an operating grant for $1.3 million for permanent improvements and $600 thousand on business income insurance recovery. The non-operating revenues/expenses mostly consist of net interest spread of $1 million on the Company's collateralized notes and investment program. In addition, the Company incurred approximately $742 thousand in interest cost in its mortgage loan and capital lease and a loss on the transition on the pension related pronouncements from GASB 68 to GASB 73 of $8.5 million.

Collateralized Promissory Note Administration

At June 30, 2019, the Company had no collateralized promissory notes and no qualified investments securities. On June 5, 2019, the collateralized promissory notes, and the investment securities for the cost of $221,925,000 were cancelled.

Capital Assets

The Company's net investment in capital assets for its business-type activities as of June 30, 2019, amounted to approximately $61 million, net of accumulated depreciation, amortization and related debt. Capital assets include rental property, information systems, leasehold improvements, office furniture, equipment, capital leases and vehicles. Capital assets decreased during the fiscal year 2019 by approximately $637 thousand or (.9%) mainly due to the depreciation expense of $2.1 million offset by approximately $1.5 million on capital additions. See Note 6 to the basic financial statements for additional details on capital assets at the end of the year and the activity during the fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Puerto Rico Trade and Export Company finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Puerto Rico Trade and Export Company, Controller's Office, PO Box 195009, San Juan, Puerto Rico 00919-5009.

Puerto Rico Trade and Export Company
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Net Position

June 30, 2019

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash	$ 507	$ 8,630,557	$ 8,631,064
Rent receivable, net	-	646,405	646,405
Account receivable-other, net of allowance for uncollectibles	391,848	-	391,848
Accrued interest receivable	-	2,768,079	2,768,079
Prepaid expenses	1,031	90,700	91,731
Internal balances	18,643	(18,643)	-
Cash - restricted	5,734,557	-	5,734,557
Capital assets:			
Non-depreciable assets	578,720	39,469,174	40,047,894
Depreciable assets, net	2,913,839	33,312,348	36,226,187
Total assets	9,639,145	84,898,620	94,537,765
Deferred outflows of resources:			
Pension related	-	3,262,204	3,262,204
Other post employment benefits related	-	105,261	105,261
Total deferred outflows of resources	-	3,367,465	3,367,465
Liabilities:			
Accounts payable	856,981	171,624	1,028,605
Due to governmental entities	-	8,362,940	8,362,940
Accrued interest payable	-	2,515,743	2,515,743
Accrued liabilities	65,380	1,626,743	1,692,123
Liabilities payable within one year:			
Termination benefit obligation	-	139,250	139,250
Voluntary termination benefits	-	486,469	486,469
Compensated absences	-	467,562	467,562
Obligations under capital leases	-	68,397	68,397
Mortgage note	-	683,685	683,685
Total pension liability		2,493,624	2,493,624
Total other postemployment benefit liability		105,261	105,261
Liabilities payable after one year:			
Termination benefit obligation	-	525,402	525,402
Voluntary termination benefit	-	1,647,282	1,647,282
Compensated absences	-	27,435	27,435
Obligations under capital leases	-	33,406	33,406
Mortgage note	-	11,049,825	11,049,825
Total pension liability	-	44,319,723	44,319,723
Total other postemployment benefit liability	-	1,141,881	1,141,881
Deposits from tenants	-	2,667,399	2,667,399
Accrual for legal claims	-	1,061,993	1,061,993
Total liabilities	922,361	79,595,644	80,518,005
Deferred inflows of resources - pension related	-	2,950,985	2,950,985
Net position:			
Net investment in capital assets	3,492,559	60,946,209	64,438,768
Restricted	5,224,225	-	5,224,225
Unrestricted (deficit)	-	(55,226,753)	(55,226,753)
Total net position	$ 8,716,784	$ 5,719,456	$ 14,436,240

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

Puerto Rico Trade and Export Company
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Activities

Year Ended June 30, 2019

		Program Revenue		Net Revenue (Expense) and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
Administration	$ 125,462	$ -	$ -	$ (125,462)	$ -	$ (125,462)
Economic development incentive	775,040	42,120	823,553	90,633	-	90,633
Employment development incentive	412,613	-	199,580	(213,033)	-	(213,033)
Promotion and commercial development	304,996	-	-	(304,996)	-	(304,996)
Total governmental activities	1,618,111	42,120	1,023,133	(552,858)	-	(552,858)
Business-type activities-						
Rental activities	13,169,653	14,372,398	1,330,000	-	2,532,745	2,532,745
Total	14,787,764	14,414,518	2,353,133	(552,858)	2,532,745	1,979,887
General revenue (expenses):						
Interest income on investment held as collateral earnings				-	12,806,480	12,806,480
Interest expenses on collateralized notes				-	(11,780,710)	(11,780,710)
Interest on mortgage notes				-	(735,313)	(735,313)
Interest on capital leases				-	(6,235)	(6,235)
Loss on transition from GASB 68 to GASB 73				-	(8,515,839)	(8,515,839)
Other income				-	919,622	919,622
Total general revenue (expenses)				-	(7,311,995)	(7,311,995)
Change in net position				(552,858)	(4,779,250)	(5,332,108)
Net position - beginning of year				9,269,642	10,498,706	19,768,348
Net position - end of year				$ 8,716,784	$ 5,719,456	$ 14,436,240

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

Puerto Rico Trade and Export Company
(A Component Unit of the Commonwealth of Puerto Rico)

Balance Sheet – Governmental Funds

June 30, 2019

Assets

	Other and Total Governmental Funds
Cash	$ 5,735,064
Other receivables - net	391,848
Due from other funds - net	18,643
Prepaid expenses	1,031
Total	$ 6,146,586

Liabilities and Fund Balances

Liabilities:	
Accounts payable	$ 856,981
Accrued liabilities	65,380
Total liabilities	922,361
Fund Balances:	
Restricted for:	
Economic development incentive	4,204,487
Employment development incentive	1,031,003
Promotion and comercial development	2,862
Unassigned (deficit)	(14,127)
Total fund balances	5,224,225
Total	$ 6,146,586

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

Puerto Rico Trade and Export Company
(A Component Unit of the Commonwealth of Puerto Rico)

Reconciliation of the Balance Sheet to the
Statement of Net Position – Governmental Funds

Year Ended June 30, 2019

Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balances of governmental funds	$ 5,224,225
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds, net accumulated depreciation of $2,214,015	3,492,559
Net position of governmental activities	$ 8,716,784

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

Puerto Rico Trade and Export Company
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2019

	Other and Total Governmental Funds
Revenues:	
Contributions from Commonwealth	$ 632,000
Charges for services	42,120
Others	391,133
Total revenues	1,065,253
Expenditures:	
Administration	85,680
Economic development incentive	775,040
Employment development incentives	412,613
Promotion and commercial development	304,996
Total expenditures	1,578,329
Expenditures in excess of revenues	(513,076)
Fund balances - beginning of year	5,737,301
Fund balances - end of year	$ 5,224,225

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

Puerto Rico Trade and Export Company
(A Component Unit of the Commonwealth of Puerto Rico)

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities – Governmental Funds

Year Ended June 30, 2019

Expenditures in excess of revenues of governmental funds	$	(513,076)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		(39,782)
Change in net position of governmental activities	$	(552,858)

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

Puerto Rico Trade and Export Company
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Net Position – Proprietary Fund

June 30, 2019

Assets		
Current Assets:		
Cash	$	8,630,557
Rent receivable, net of allowance for uncollectibles		646,405
Accrued interest receivable		2,768,079
Prepaid expenses		90,700
Due from other funds		189,743
Total current assets		12,325,484
Noncurrent Assets:		
Capital assets:		
Non-depreciable assets		39,469,174
Depreciable assets, net		33,312,348
Total capital assets, net		72,781,522
Total assets		85,107,006
Deferred outflows of resources:		
Pension related		3,262,204
Other post employment benefits related		105,261
Total deferred outflows of resources		3,367,465
Total assets and deferred outflows of revenues	$	88,474,471
Liabilities and Net Position		
Current Liabilities:		
Accounts payable	$	171,624
Due to governmental entities		8,362,940
Accrued interest payable		2,515,743
Accrued liabilities		1,626,743
Termination benefit obligation		139,250
Voluntary termination benefits		486,469
Compensated absences		467,562
Obligations under capital leases		68,397
Mortgage loan		683,685
Total pension liability		2,493,624
Total other postemployment benefit liability		105,261
Due to other funds		208,386
Total current liabilities		17,329,684
Noncurrent Liabilities:		
Termination benefit obligation		525,402
Voluntary termination benefits		1,647,282
Compensated absences		27,435
Obligations under capital leases		33,406
Mortgage loan		11,049,825
Total pension liability		44,319,723
Total other postemployment benefit liability		1,141,881
Deposits from tenants		2,667,399
Accrual for legal claims		1,061,993
Total noncurrent liabilities		62,474,346
Total liabilities		79,804,030
Deferred inflows of resources - pension related		2,950,985
Net Position:		
Net investment in capital assets		60,946,209
Unrestricted (deficit)		(55,226,753)
Total net position		5,719,456
Total liabilities, deferred inflows of revenues and net position	$	88,474,471

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

Puerto Rico Trade and Export Company
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Revenues, Expenses and
Changes in Net Position – Proprietary Fund

Year Ended June 30, 2019

Operating revenue:	
Rent revenue	$ 14,372,398
Operating grant and contributions	1,330,000
Business interruption	600,000
Other	319,622
Total operating revenue	16,622,020
Operating expenses:	
Salaries and employees' benefits	6,807,076
Pension benefit	(1,447,987)
Provision for uncollectible accounts	2,683,561
Depreciation and amortization	2,091,725
Occupancy and related expenses	1,457,577
Insurance	218,311
Administrative and management services	506,205
Security services	367,302
Professional services	112,582
Advertising	183,652
Office supplies	36,675
Travel expenses	44,183
Commercial development	60,955
Other	47,836
Total operating expenses	13,169,653
Operating income	3,452,367
Non operating revenue (expenses):	
Interest income and other	12,806,480
Interest expense on capital leases	(6,235)
Interest expense on mortgage loan	(735,313)
Interest expense on collaterized notes	(11,780,710)
Increase in total pension liability as a result of the implementation of the PayGo system as provided by Act. No. 106 of 2017	(8,515,839)
Total non operating (expenses), net	(8,231,617)
Change in net assets	(4,779,250)
Net position - beginning of year	10,498,706
Net position - end of year	$ 5,719,456

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

Puerto Rico Trade and Export Company
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Cash Flows – Proprietary Fund

Year Ended June 30, 2019

Cash flows from operating activities:	
Collection of rent	$ 13,145,208
Payments to employees	(8,668,782)
Payments to suppliers	(3,303,271)
Other operating revenues	2,249,622
Net cash provided by operating activities	3,422,777
Cash flows from non-capital financing activities-	
Interest paid on collateralized notes	(12,730,230)
Cash flows from capital and related financing activities:	
Acquisitions of capital assets	(1,454,547)
Payments on capital leases interest	(6,235)
Payments of obligations under capital leases	(33,173)
Net cash used in capital and related financing activities	(1,493,955)
Cash flows from investing activities:	
Interest collected on interest-bearing deposits and restricted investments	12,248,624
Payment on mortgage loan	(645,230)
Payment on mortgage notes interest	(735,313)
Proceeds from insurance claim	409,545
Net cash provided by investing activities	11,277,626
Net change in cash and cash equivalents	476,218
Cash, beginning of year	6,666,618
Cash, end of year	$ 7,142,836
Reconciliation of operating loss to net cash provided by operating activities:	
Operating income	$ 3,452,367
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	2,091,725
Provision for uncollectible accounts receivable	2,683,561
Increase in total pension liability as a result of the implementation of the PayGo system as provided by Act No. 106 of 2017	(8,515,839)
Changes in assets and liabilities:	
Increase in rent receivable and other receivable	(1,279,483)
Increase in prepaid expenses	(45,816)
Increase in due from other fund	(79,956)
Decrease in deferred outflows of resources	7,062,375
Decrease in accounts payable and due to governmental entities	(24,100)
Decrease voluntary termination benefits	(251,325)
Decrease in accrued expenses	(48,364)
Increase in compensated absences	12,727
Decrease in termination benefits accrual	(136,957)
Increase in deposits from tenants	52,293
Decrease in legal claim reserve	(27,861)
Increase in total pension liability	1,292,575
Decrease in other post employment benefits obligation	(61,689)
Decrease in deferred inflows of resources	(2,753,456)
Total adjustments	(29,590)
Net cash provided by operating activities	$ 3,422,777

(Continue)

Statement of Cash Flows – Proprietary Fund (Continued)

Year Ended June 30, 2019

Supplemental information of non-cash transactions:

Decrease in net pension liability as a result of the implementation of the PayGo system as provided by Act No. 106 of 2017	$ 45,520,772
Decrease in deferred outflows of resources as a result of the implementation of the PayGo system as provided by Act No. 106 of 2017	$ 10,326,255
Decrease in deferred inflows of resources as a result of the implementation of the PayGo system as provided by Act No. 106 of 2017	$ 5,704,441

Note 1 - Reporting entity

The Puerto Rico Trade and Export Company (the Company) is a component unit of the Commonwealth of Puerto Rico (the Commonwealth) created by Law No. 323 of December 28, 2003. The Company has the responsibility to promote the highest efficiency in the services provided to the commercial sector, with emphasis on small and medium-sized enterprises, and the export of products and services from Puerto Rico to other countries to strengthen the economy of the Commonwealth and promote the creation and retention of employments.

In accordance with Article 18 of Law No. 323, the balances and other funds available through other laws and special funds of the Puerto Rico Export Development Corporation and the Commerce Development Administration, which are under the custody of the Puerto Rico Department of Treasury, were transferred to the Company to allow it to perform the functions, faculties and powers commended by this Law.

On July 11, 2018, Act No. 141 known as the "Department of Economic Development and Commerce Reorganization Plan Implementation Act 2018" was signed. In accordance with Act 141, the Company is an operational entity, which is defined as a governmental entity that will remained a public corporations attached to the Department of Economic Development and Commerce, until the Secretary of the Department of Economic Development and Commerce certifies that the corresponding transition process was fulfilled and whose amendments to the enabling laws contained in the Act will be in suspense until the date of the aforementioned certification from the Secretary to the Governor and the Legislative Assembly indicating that the process was completed and at which point the Company will become a consolidated entity. Through the date the financial statements were available to be issued the transition process has not been fulfilled.

Note 2 - Basis of Presentation and Summary of Significant Accounting Policies

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to governmental entities.

The Company follows the Governmental Accounting Standards Board (GASB) Statement No. 62, *Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements.* The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (1) Financial Accounting Standards Board Statements and Interpretations; (2) Accounting Principles Board Opinions; and (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for*

Note 2 - Basis of Presentation and Summary of Significant Accounting Policies – (continued)

Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

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.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements – The statement of net position and the statement of activities report information on all activities of the Company. The effect of interfund balances has been removed from the government-wide statement of net position. The Company's activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed through rental activities in connection with the proprietary fund's principal ongoing operations. Following is a description of the Company's government-wide financial statements.

The statement of net position presents the Company's assets deferred inflows/deferred outflows and liabilities, with the difference reported as net position. Net position components are reported in three categories:

- Net investment in capital assets, consists of capital assets, net of accumulated depreciation and amortization and any related debt.

- Restricted net position result when constraints placed on net assets use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Note 2 - Basis of Presentation and Summary of Significant Accounting Policies – (continued)

Government-Wide and Fund Financial Statements – (continued)

- Unrestricted net position consists of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, in order to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on use that are imposed by management, but such constraints may be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include charges paid by the tenants for the leasing of commercial facilities, amounts received from those who use or directly benefit from a program, and operating grants and contributions from parties outside the Company. Other items not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements – Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The financial activities of the Company that are reported in the accompanying basic financial statements have been classified into governmental and proprietary funds.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

Measurement Focus, Basis of Accounting, and Financial Statements Presentation

Government-Wide Financial Statement – The government-wide financial statements are reported using the economic resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental Funds Financial Statements – The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Company

Note 2 - Basis of Presentation and Summary of Significant Accounting Policies – (continued)

Measurement Focus, Basis of Accounting, and Financial Statements Presentation – (continued)

considers revenues to be available if they are collected within 60 days after the end of the fiscal year. Other revenues are considered to be measurable and available only when cash is received. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Governmental Funds – The following governmental activities of the Company are classified as minor governmental fund since most of them do not have operations during the year or their operations were not significant when compared to the proprietary fund operations:

- *Administrative Fund* – This fund is used to account for expenditures related to administrative function not accounted for in other funds.

- *Direct Employment for Urban Centers Fund* – This fund is used to account for resources and expenditures related to the grant of salary incentives for the small and medium size entities located in urban centers. This program aids to strengthen and revitalize urban centers.

- *Key for Your Business Fund* – This fund was created with the objective of providing incentives for the creation and strengthening of small and medium businesses.

- *Economic Incentive for Roosevelt Roads Fund* – This fund is used to account for resources and expenditures related to the grant of economic incentives for new business development for persons within the east coast, which were affected by the closing of the naval base of Roosevelt Roads. The objective is to improve the probabilities of success of the new merchant, increasing its working capital providing technical advice to them.

- *Commercial Impact to Urban Centers Fund* – This fund is used to account for resources and expenditures related to activities conducted to revitalize the commerce on the traditional urban centers through the performance of activities designed to attract the flow of clients to urban centers.

- *PYMES and Other Programs* – These funds are used to account for redeployed funds that were reprogrammed to provide economic incentives to small and medium size businesses.

Note 2 - Basis of Presentation and Summary of Significant Accounting Policies – (continued)

Measurement Focus, Basis of Accounting, and Financial Statements Presentation – (continued)

- *World Trade Center Fund* – This fund is used to account for the resources and expenditures related to the development and maintenance of information systems for the service management of the enterprises in Puerto Rico, a sponsorship of a council of exportations among other activities related to the development of services and programs in accordance with the development plan of the Company.

- *Ideal Certification Fund* – This fund was created with the objective of providing businessmen interested in establishing, operating or expanding their business, certifications from the government agencies in order to expedite such process.

- *Merchant's Register Fund* – This fund was created with the objective of preparing a Merchant's Register for the preparation of statistical and economic studies.

- *Businesswomen Fund* – This fund was created to implement an economic incentive program to develop women that are family heads in small businesses.

- *Law of Jobs Now Fund "Ley de Empleos Ahora"*- The law establishes incentive program in collaboration with other governmental agencies to promote sustainable business, create new small and medium business, and increase the labor employment through granting special incentives.

- *Community Microenterprises Economic Incentive Fund* - These funds were created to provide to the communities, institutions and organized groups the necessary tools for a permanent economic and social development of their environment, through promoting productive projects that contribute to the economic livelihoods and that promote social responsibility.

- *Franchises Fund* - This fund provides economic incentive to develop a business plan focus on the creation of franchises of local small and medium enterprises. This program addresses the growth strategies, and the creation of a valuable brand with potential of local and international marketing.

- *Entrepreneurship Camp Fund* - This summer camp offer 80 hours entrepreneurship education to young children between 13 to 18 years. The summer camp provides education through training, site visit to manufacturing and development of business plan.

Note 2 - Basis of Presentation and Summary of Significant Accounting Policies – (continued)

Measurement Focus, Basis of Accounting, and Financial Statements Presentation – (continued)

- *Voluntary Chain Program* – The program of voluntary chain is a tool that gives local businesses the opportunity to compete with big stores since they can share resources and inventory together and get better prices from their suppliers. These voluntary chains have to be endorsed by the Company to benefit from some tax exemptions.

- *Law 120 of Department of Labor, "Incentive Act for the Generation and Retention of Jobs PYMES"* – This fund was created to establish a program of tax and wage incentives for small and medium enterprises for the creation of new jobs and retention of jobs for small and medium companies with economic difficulties.

- *State Trade and Export Promotion Grants (STEP)* – The Program objective is to increase the number of small business that are planning exporting and/or are currently exporting goods and services.

- *Economic Development Administration (EDA)* – The Program objective is to support business technical assistance services and "Business 2 Business" forums for small and mid-sized enterprises (SME's).

- *Federal and State Technology (FAST)* – The Program objective is to promote and develop the creation of start-ups companies, based in technology, sponsor their participation in trade shows where its products and services are promoted and provide technical training for local companies and researchers seeking to obtain federal funds to market their inventions or services, among others.

Proprietary Fund Financial Statements – The financial statements of the proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses are those that result from the Company providing the services that correspond to its principal ongoing operations. Operating revenues are generated from charges paid by the tenants for the leasing of commercial facilities and other related activities. Operating expenses for the proprietary fund include among others, the cost of personnel and contractual services, supplies and depreciation on capital assets. Revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Note 2 - Basis of Presentation and Summary of Significant Accounting Policies – (continued)

Measurement Focus, Basis of Accounting, and Financial Statements Presentation – (continued)

Interfund Balances – Interfund receivables and payables have been eliminated from the statement of net position.

Fund Balances - The Company implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In accordance with GASB 54, fund balance is composed of five classifications designed to disclose the hierarchy of constrains placed on how fund balance can be spent, as follow:

- Non-spendable fund balances- amounts that cannot be spend because they are either: (a) not in spendable or (b) legally or contractually required to be maintained intact.

- Restricted fund balance- amounts that are restricted for specific purposes externally imposed by creditors or imposed by law. The Company's restricted fund balance consist of the Direct Employment for Urban Center fund, Key for Your Business fund, Economic Incentive for Roosevelt Roads fund, Commercial Impact to Urban Center fund, PYMES Programs funds, World Trade Center fund, Ideal Certification fund, Merchant's Register fund, Business Woman fund, Law of Jobs Now fund "Ley de Empleos Ahora", Community Microenterprises Economic Incentive fund, Franchises fund, Entrepreneurship Camp fund, Voluntary Chain funds, Law 120 of Department of labor fund, STEP Program, EDA Program and FAST Program. These fund balances amounts arise from special resolutions of the Government of the Commonwealth of Puerto Rico and private entities or from federal funds and can only be spent in specified activities.

- Committed fund balance- amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Directors (the Board).

  Those committed amounts cannot be used for any other purpose unless that Board removes or changes the specific use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast, the fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process.

Note 2 - Basis of Presentation and Summary of Significant Accounting Policies – (continued)

Measurement Focus, Basis of Accounting, and Financial Statements Presentation – (continued)

- Assigned fund balance- amounts in the assigned fund balance classification are intended to be used by the Company for specific purposes but do not meet the criteria to be classified as restricted or committed. In the Administrative Fund, assigned amounts represent intended uses established by the Board of the Company.

- Unassigned fund balance- the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The Company's unassigned fund balance consists of the fund balance amount in the Administrative Fund. This fund balance is available for any purposes and management may determine how to spend it.

The Company uses the restricted resources first, when expenditures are incurred for purposes for which restricted amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The Company does not have a formal minimum fund balance policy.

Concentration of Credit Risk - The Company maintains cash on deposit with high rated financial institutions. The laws of the Commonwealth of Puerto Rico require public funds deposited in commercial banks to be collateralized by the bank when funds exceed the amount federally insured. The securities pledged by the banks as collateral for those deposits are under the custody of the Secretary of the Treasury in the name of the Commonwealth of Puerto Rico.

Cash and Cash Equivalents - Cash and cash equivalents include petty cash, checking, certificates of deposit and other instruments with original maturities of three months or less.

Restricted Cash and Restricted Time Deposits- Restricted cash and time deposits represent funds that may only be disbursed pursuant to the provisions of the granting law or authority.

Note 2 - Basis of Presentation and Summary of Significant Accounting Policies – (continued)

Measurement Focus, Basis of Accounting, and Financial Statements Presentation – (continued)

Investments – The Company follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This statement establishes accounting and financial reporting standards for all investments held by governmental external investment pools. For most other governmental entities, it requires that most investments be reported at fair value in the statement of net position. The Board established limitations and other guidelines on amounts invested and which investment transactions can be entered into. In addition, the Board may approve, as necessary, other transactions that the Company may enter into.

Allowance for Uncollectible – The allowance for uncollectible receivables is an amount that management believes will be adequate to absorb possible losses on existing receivables that may become uncollectible based on evaluations of the collectability of the receivables and prior credit loss experience. Because of uncertainties inherent in the estimation process, the related allowance may change in the future.

Capital Assets – Capital assets, which include leasehold improvements, information systems, office furniture, equipment and vehicles, are reported in the business-type activities column and in the government-wide financial statements. Capital assets are defined by the Company as assets which have a cost of $500 or more at the date of acquisition and have an expected useful life of three or more years. Purchased capital assets are valued at historical cost. Donated fixed assets are recorded at their fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the asset's value or materially extend the asset's useful life are not capitalized.

Capital assets are depreciated on the straight-line method over the assets' estimated useful lives. Leasehold improvements are amortized over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter. Generally, estimated useful lives are as follows:

Buildings	40-50 years
Leasehold improvements	Lesser of 10 years or lease term
Officer furniture and equipment	3-5 years
Vehicles	5 years

Note 2 - Basis of Presentation and Summary of Significant Accounting Policies – (continued)

Measurement Focus, Basis of Accounting, and Financial Statements Presentation – (continued)

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, 2019, management evaluated its responsibilities for environmental and pollution exposures and no contingency exposure was identified.

Accounting for the Impairment or Disposal of Long-lived Assets – The Company follows GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries. No instances of impairment were identified during the year ended June 30, 2019.

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

Rental Income – The Company leases commercial facilities under the operational method of accounting recognizing the rental income as earned during the term of the lease. The rent receivable is presented as the unpaid balance less the allowance for uncollectible accounts.

Property, Income and Other Taxes – The Company is exempt from the payment of Puerto Rico taxes, except real property taxes and excise taxes on certain purchases.

Risk Financing – The Company carries commercial insurance to cover for casualty, theft, claims and other losses. The Company also pays premiums for workmen's compensation insurance to another component unit of the Commonwealth of Puerto Rico. There has been no settlement in excess of coverage amounts during the last three years.

Note 2 - Basis of Presentation and Summary of Significant Accounting Policies – (continued)

Measurement Focus, Basis of Accounting, and Financial Statements Presentation – (continued)

Pension benefits – The Company is a participant in the Puerto Rico Government Employee's Retirement System (the Pension Plan), a multiemployer retirement plan. Until June 30, 2018, the Company accounted for its participation in the Pension Plan in accordance with the provisions of GASB 68, *Accounting and Financial Reporting for Pensions*, however, because of the implementation of the pay-as-you-go (PayGo) system, as provided by Act No. 106 of 2017 (Act 106), the Pension Plan no longer met the criteria to be considered a plan that is administered through a trust or equivalent arrangement under GASB 68 and, therefore, it was required to apply the guidance in GASB 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, effective July 1, 2018. The adoption of GASB 73 resulted in a net decrease in the Pension Plan liability and related deferred outflows and inflows of resources of $8.5 million as of July 1, 2018, which is presented as a separate component of non-operating expenses in the accompanying statement of revenues, expenses, and changes in net position for the year ended June 30, 2019.

Pursuant to the provisions of GASB 73, the Company 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 Company's allocation percentage is based on the ratio of the Company'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 Company accounts for other postemployment benefits in accordance with the provisions of GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement 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. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

Note 2 - Basis of Presentation and Summary of Significant Accounting Policies – (continued)

Measurement Focus, Basis of Accounting, and Financial Statements Presentation – (continued)

Termination Benefits - The Company accounts for termination benefits in accordance with the provisions of GASB No. 47, *Accounting for Termination Benefits*, which indicates that employers should recognized a liability and expenses 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 recognize 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.

Deferred outflows and inflows of resources - The Company adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which requires that, in addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources, which represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Also, in addition to liabilities, the statement of net position will sometimes report a separate section of deferred inflows of resources, which represents an acquisition of net position and resources that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. As of June 30, 2019, deferred outflows of resources are pension and other post-employment benefits related and all deferred inflows of resources of the Company are pension related items.

Accounting Pronouncements Issued but not yet Effective

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

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

Note 2 - Basis of Presentation and Summary of Significant Accounting Policies – (continued)

Accounting Pronouncements Issued but not yet Effective – (continued)

Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. The requirements of this statement are effective for reporting periods beginning after June 15, 2019, as amended by GASB 95.

- GASB 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a Business-type activity that normally expects to hold custodial assets for three months or less. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this statement are effective for reporting periods beginning after December 15, 2019, as amended by GASB 95.

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

Note 2 - Basis of Presentation and Summary of Significant Accounting Policies – (continued)

Accounting Pronouncements Issued but not yet Effective – (continued)

- GASB 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance related consequences, and significant subjective acceleration clauses.

  For the notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2019, as amended by GASB 95.

- GASB 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5- 22 of GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this statement.

  This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement are effective for reporting periods beginning after December 15, 2020, as amended by GASB 95.

Note 2 - Basis of Presentation and Summary of Significant Accounting Policies – (continued)

Accounting Pronouncements Issued but not yet Effective – (continued)

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

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

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

Note 2 - Basis of Presentation and Summary of Significant Accounting Policies – (continued)

Accounting Pronouncements Issued but not yet Effective – (continued)

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

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

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

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

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

Note 2 - Basis of Presentation and Summary of Significant Accounting Policies – (continued)

Accounting Pronouncements Issued but not yet Effective – (continued)

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

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

Note 3 - Going Concern

Management's evaluation of the Company's going concern has identified the financial condition of the Commonwealth of Puerto Rico (Commonwealth) as an external matter that may affect the ability of the Company to continue as a going concern.

The Commonwealth is undergoing a severe fiscal, economic and liquidity crisis, as a result of years of large governmental deficits, economic recession, high unemployment, population decline, and high levels of debt and pension obligations. Further stressing the Commonwealth's liquidity is the vulnerability of revenue streams during times of economic downturns and significant health care, pension and debt service costs. As the Commonwealth's tax base has decreased and its revenues affected by prevailing economic conditions, health care, pension and debt service costs have become an increasing portion of the Commonwealth's General Fund budget, which has resulted in reduced funding available for other services. The Commonwealth's high level of debt and unfunded pension liabilities, and the resulting allocation of revenues to service debt and pension obligations contributed to significant budget deficits for several years that were covered by the issuance of additional debt.

Note 3 - Going concern – (continued)

These matters and the Commonwealth's liquidity constraints, among other factors, adversely affected its credit ratings and its ability to obtain financing at reasonable interest rates, if at all. Furthermore, the principal rating agencies have lowered their rating on the general obligation bonds of the Commonwealth to a default rating. These agencies have also lowered to a default grade their ratings on the bonds of certain of the Commonwealth's instrumentalities, while other debt ratings have been lowered multiple notches to noninvestment grade levels.

As of June 30, 2018, the date of the most recent audited financial statements of the Commonwealth, the Primary Government of the Commonwealth reflects a net deficit of approximately $72.8 billion.

These conditions raise substantial doubts about the Commonwealth's, and therefore the Company's, ability to continue as a going concern for a reasonable period of time.

On June 30, 2016, the Puerto Rico Oversight, Management, and Economic Stability Act, Pub. Law 114-187 (PROMESA) was enacted into law. PROMESA establishes 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. A critical component of PROMESA is the requirement for the Commonwealth to develop and maintain a fiscal plan. Such fiscal plan must contain numerous provisions governing the territory or instrumentality, including plans to pay debts, eliminate deficits, maintain essential public services and impose internal controls for fiscal governance and accountability.

On April 23, 2021, the Oversight Board certified its most recent fiscal plan for the Commonwealth that included the following categories of structural reforms and fiscal measures:

a. Human Capital and Welfare Reform
b. K12 Education Reform
c. Ease of Doing Business Reform
d. Power Sector Regulatory Reform
e. Infrastructure and Capital Investment Reform
f. Establishment of the Office of the CFO
g. Agency Efficiency Measures
h. Medicaid Reform
i. Enhanced Tax Compliance and Optimized Taxes and Fees
j. Reduction in UPR and Municipality Appropriations
k. Comprehensive Pension Reform

Note 3 - Going concern – (continued)

Also, the Oversight Board, on behalf of the Commonwealth and certain instrumentalities, has filed voluntary petitions for relief under Title III of PROMESA in the United States District Court for Puerto Rico (the Court). Title III of PROMESA provides for similar procedures to Chapters 9 and 11 of the Federal Bankruptcy Code seeking an orderly restructuring of the local public finances, which includes a debt adjustment process under the supervision of the Court.

There are no assurances that these plans and other relief measures to be adopted or proposed by the Oversight Board and the Commonwealth will be fully implemented or if implemented will ultimately provide the intended results. The successful implementation of these plans depends on a number of factors and risks, some of which are not within the Company's and/or the Commonwealth's control.

Note 4 - Cash and Interest-Bearing Deposits

The information presented below discloses the level of custodial credit risk assumed by the Company at June 30, 2019. Custodial credit risk is the risk that in the event of a financial institution's failure, the Company's deposits may not be returned to it. The Commonwealth requires that public funds deposited in commercial banks in Puerto Rico must be fully collateralized for the amount deposited in excess of federal depository insurance. All securities pledged as collateral are held by the Secretary of the Treasury of the Commonwealth.

The Company maintains cash balances at a local bank. Accounts maintained in this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Total uninsured balance as of June 30, 2019, amounted to approximately $10,287,991. Uninsured balances as of June 30, 2019, were collateralized with securities pledged by the financial institutions and held by the Treasury Department.

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Note 5 - Receivables and Allowances for Uncollectible Accounts

As of June 30, 2019, receivables were as follows:

	Business-type activities Rent and other	Governmental activities Other
Rent and land leases	$ 5,679,898	$ -
Rent under repayment plan and other	7,799,328	-
Federal grant	-	381,596
Other	115,226	10,252
	13,594,452	391,848
Less: Allowance for uncollectible accounts	12,948,047	-
	$ 646,405	$ 391,848

Changes in the allowances for uncollectible accounts during the fiscal year ended June 30, 2019, are as follow:

	Business-type activities Rent and Other
Allowances for uncollectible accounts, beginning of year	$ 10,264,486
Provision for doubtful accounts	2,683,561
Write off	-
Allowances for uncollectible accounts, end of year	$ 12,948,047

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Note 6 - Capital Assets

Capital assets activity for the year ended June 30, 2019, consists of the following:

	Balance July 1,2018	Additions	Retirements	Balance June 30,2019
Governmental Activities:				
Properties not being depreciated				
Land	$ 578,720	$ -	$ -	$ 578,720
Total capital assets, not being depreciated	578,720	-	-	578,720
Properties being depreciated				
Building and building improvements	4,304,456		-	4,304,456
Furniture and equipment	737,720	85,680	-	823,400
Less accumulated depreciation	(2,088,555)	(125,462)	-	(2,214,017)
Total capital assets, being depreciated	2,953,621	(39,782)	-	2,913,839
Total governmental activities capital assets, net	$ 3,532,341	$ (39,782)	$ -	$ 3,492,559
Business-type Activities:				
Rental Properties not being depreciated				
Land and land improvements	$ 39,469,174	$ -	$ -	$ 39,469,174
Total capital assets, not being depreciated	39,469,174	-	-	39,469,174
Rental Properties being depreciated				
Building and building improvements	80,373,612	1,453,305	-	81,826,917
Furniture and equipment	2,890,683	1,242	-	2,891,925
Sub-total	83,264,295	1,454,547	-	84,718,842
Other Properties Not For Rent being depreciated				
Furniture and equipment	5,097,707	-	-	5,097,707
Capital leases	628,631	-	-	628,631
Vehicles	372,112	-	-	372,112
Sub-total	6,098,450	-	-	6,098,450
Total cost of depreciable assets	89,362,745	1,454,547	-	90,817,292
Less accumulated depreciation				
Rental properties	(49,512,357)	(1,990,830)	-	(51,503,187)
Other properties not for rent	(5,900,862)	(100,895)	-	(6,001,757)
Total accumulated depreciation	(55,413,219)	(2,091,725)	-	(57,504,944)
Total capital assets, being depreciated	33,949,526	(637,178)	-	33,312,348
Total business-type capital assets, net	$ 73,418,700	$ (637,178)	$ -	$ 72,781,522

Note 6 - Capital Assets – (continued)

The Company's principal leasing activities consist of building space rentals under non-cancellable operating leases. Lease terms expire at various future dates. Minimum future rentals to be received on non-cancelable leases for each of the next four years are approximately as follows:

Year Ending June 30,	Amount
2020	$ 12,738,605
2021	9,448,543
2022	6,094,406
2023	4,286,313
Total	$ 32,567,867

Note 7 - Restricted Assets

The Company's restricted assets as of June 30, 2019, consist of cash and interest-bearing deposits related to the operations of the governmental programs granted by the Commonwealth and restricted investment securities that are pledged to secure collateralized notes, as follows:

Restricted Assets as of June 30, 2019

Type of Asset	Program Description	Amount
Governmental Activities:		
Restricted cash	Economic development	$ 4,388,493
	Direct Employment for Urban Center fund	1,139,320
	Business Women fund	206,744
	Total restricted cash	$ 5,734,557

Restricted assets for economic development were granted through funds assigned in prior years by executive orders and Commonwealth of Puerto Rico contributions. Those grants have time restrictions as to the use of the funds which elapsed, during the fiscal year 2012. On December 18, 2013, the Legislature of Puerto Rico approved the Joint Resolution number 113-2013 allowing the re-assignment of such funds to programs related to employment and economic development.

Note 8 - Internal Balances

Internal balances as of June 30, 2019, are comprised of amounts due to and from the business-type fund and governmental funds, as shown below:

	Assets	Liabilities	Total
Business-type activities	$ 189,743	$ (208,386)	$ (18,643)
Governmental activities	208,386	(189,743)	18,643
	$ 398,129	$ (398,129)	$ -

The transactions resulting in the balances shown in the table above are mainly due to payments made to (by) a fund(s) on behalf other fund(s) as result of cash shortage in such funds. Such transactions are non-interest bearing and short term in nature.

Note 9 - Due to governmental entities

The balance due to governmental entities as of June 30, 2019, consist of the following:

Employee's Retirement System	$ 4,493,248
Puerto Rico Ports Authority	1,399,183
Puerto Rico Treasury Department	1,248,680
Puerto Rico Aqueduct and Sewer Authority	541,096
Department of Economic Development and Commerce	518,938
State Insurance Fund Corporation	81,945
Puerto Rico Power Authority	43,664
Puerto Rico Land Administration	28,501
Puerto Rico Industrial Development Company	7,685
Due to governmental entities	$ 8,362,940

The Department of Economic Development and Commerce (DEDC) provides certain services to the Company and charges a management and administrative fee under a management contract. During the year ended June 30, 2019, the Company was changed by the DEDC the amount of $464,000.

Note 10 - Mortgage Loan

On June 23, 2016, the Company and a financial institution entered into a Credit Agreement. The proceeds from the term loan were used to refinance the outstanding balance of the mortgage loan used for the construction of two warehouse facilities at the International Trade Center. The term loan was for the principal amount of $13,557,473, payable in fifty-nine (59) consecutive monthly installments of principal and interest in the amount of $115,045, commencing on July 23, 2016, and a final 60th balloon installment on June 30, 2021. Applicable interest rate is fixed at 6%.

On June 30, 2021, the Company and the financial institution signed an Allonge to Term Loan agreement to extend the loan maturity date to September 23, 2021.

Pursuant to the provisions under the credit agreement, the Company must comply with some specific financial ratios and covenants which, in the event of non-compliance, provide the bank with the right to declare the outstanding balance as due and payable and to terminate the loan agreement. As of June 30, 2019, the Company was in compliance with the financial covenant in the Credit Agreement.

The following summarizes the activity related to the mortgage note for the fiscal year ended June 30, 2019.

	Beginning Balance	Additions	Payments	Ending Balance	Current Portion
Mortgage loan	$ 12,378,740	$ -	$ (645,230)	$ 11,733,510	$ 683,685

At June 30, 2019, the future minimum principal payments on the mortgage notes payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 683,685	$ 696,858	$ 1,380,543
2021	728,365	652,178	1,380,543
2022	10,321,460	160,934	10,482,394
	$ 11,733,510	$ 1,509,970	$ 13,243,480

Note 11 - Capital Leases

The Company has non-cancelable capital leases obligations for office equipment. The terms of the leases were for four years, beginning 2015 through 2022. The future principal commitments under these leases are as follows:

Year Ending June 30,	Amount
2020	$ 68,397
2021	22,275
2022	11,131
Total	$ 101,803

Note 12 - Fund Balances

Fund Balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Company is bound to observe constraints imposed upon the use of the resources in the government funds. Funds received by the Company from the Commonwealth prior year's appropriations were not used by the Company and thus the programs expired. Funds not used by the Company are presented as restricted fund balance in the governmental funds.

Note 13 - Retirement plan

The Employees' Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities (ERS) was created pursuant to Act No. 447 on May 15, 1951, as amended. ERS sponsors the Pension Plan, which is a cost-sharing multiemployer defined benefit pension plan, as amended by Act 106. Act 106 provides for a substantial pension reform for all of the Commonwealth's retirement systems, which include ERS, the Retirement System for the Judiciary of the Commonwealth, and the Puerto Rico System of Annuities and Pensions for Teachers (collectively referred to as the Retirement Systems). This reform modified most of the Retirement System's activities, eliminated all employer contributions and created the legal framework to implement the PayGo system. Act 106 required ERS to liquidate its assets and to transfer the proceeds from such liquidation to the Commonwealth for the payment of pension benefits. Under the PayGo system, the Commonwealth's General Fund makes direct pension payments to the pensioners and then gets reimbursed for those payments by the participating employers. Charges under the PayGo program for the year ended June 30, 2019, amounted to $2,493,624, which have been included as part of deferred outflows of resources for the year ended June 30, 2019.

Note 13 - Retirement plan – (continued)

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

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

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

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

The benefits provided to members of ERS were statutorily established by the Commonwealth and may be amended only by the Legislature with the Governor's approval. Act No. 3 of 2013, in conjunction with other recent funding and design changes, provided for a comprehensive reform of ERS. This summary details the provisions under Act No. 3- of 013, which were in effect prior to August 23, 2017.

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

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

Note 13 - Retirement plan – (continued)

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

Pension Plan Benefits

(i) Service retirements

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

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

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

Note 13 - Retirement plan – (continued)

Pension Plan Benefits – (continued)

(i) Service retirements – (continued)

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

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

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

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

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

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

Note 13 - Retirement plan – (continued)

Pension Plan Benefits – (continued)

(i) Service retirements – (continued)

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

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

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

(ii) Compulsory retirement

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

(iii) Service retirement annuity benefits

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

Note 13 - Retirement plan – (continued)

Pension Plan Benefits – (continued)

(iii) Service retirement annuity benefits – (continued)

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

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

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

Note 13 - Retirement plan – (continued)

Pension Plan Benefits – (continued)

(iii) Service retirement annuity benefits – (continued)

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

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

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

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

Note 13 - Retirement plan – (continued)

Pension Plan Benefits – (continued)

(iii) Service retirement annuity benefits – (continued)

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

(iv) Termination benefits

a) Lump sum withdrawal

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

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

b) Deferred retirement

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

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

Note 13 - Retirement plan – (continued)

Pension Plan Benefits – (continued)

(v) Death benefits

a) Pre-retirement - death benefit

Eligibility - Any current nonretired member was eligible.

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

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

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

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

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

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

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

The cost of these benefits was paid by the Commonwealth.

Note 13 - Retirement plan – (continued)

Pension Plan Benefits – (continued)

(v) Death benefits – (continued)

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

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

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

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

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

Note 13 - Retirement plan – (continued)

Pension Plan Benefits – (continued)

(v) Death Benefits – (continued)

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

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

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

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

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

(vi) Disability benefits

a) Disability

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

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

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

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

Note 13 - Retirement plan – (continued)

Pension Plan Benefits – (continued)

(vi) Disability benefits – (continued)

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

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

(vii) Special benefits

a) Minimum benefits

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

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

Note 13 - Retirement plan – (continued)

Pension Plan Benefits – (continued)

(vii) Special benefits – (continued)

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

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

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

c) Special bonus benefits

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

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

Note 13 - Retirement plan – (continued)

Pension Plan Benefits – (continued)

(vii) Special benefits – (continued)

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

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

(viii) Contributions

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

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

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

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

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

Note 13 - Retirement plan – (continued)

Pension Plan Benefits – (continued)

(viii) Contributions – (continued)

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

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

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

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

Note 13 - Retirement plan – (continued)

Pension Plan Benefits – (continued)

(viii) Contributions – (continued)

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

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

(ix) Early retirement programs

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

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

In addition, the public corporations will also be required to continue making the required employee and employer contributions to ERS. The General Fund will be required to continue making its required employer contributions. ERS will be responsible for benefit payments afterward.

Note 13 - Retirement plan – (continued)

Pension Plan Benefits – (continued)

(ix) Early retirement programs – (continued)

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

Total Pension Liability and Actuarial Information

The total Pension Plan liability recorded by the Company as of June 30, 2019 (measurement date June 30, 2018) amounted to $46,813,347 representing its proportionate share of the total pension liability of the Pension Plan as of such date. The total pension liability as of June 30, 2019 (measurement date June 30, 2018) was determined by an actuarial valuation as of July 1, 2017, that was rolled forward to June 30, 2018 (measurement date).

The Corporation's proportion of the total pension liability was actuarially determined based on the ratio of the Company’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, 2018 (measurement date), the Corporation's proportionate share was 0.119116%.

(a) Actuarial methods and assumptions

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

Discount rate

The discount rate for June 30, 2018 (measurement date) was 3.87%. 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 13 - Retirement plan – (continued)

Total Pension Liability and Actuarial Information – (continued)

(a) Actuarial methods and assumptions – (continued)

Mortality

The mortality tables used in the June 30, 2018 (measurement date) actuarial valuation were as follows:

- Pre-Retirement Mortality - For general employees not covered under Act No. 127 of 1958, RP-2014 Employee Mortality Rates for males and females adjusted to reflect Mortality Improvement Scale MP-2018 on a generational basis.

For members covered under Act No. 127 of 1958, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for males and adjusted to reflect Mortality Improvement Scale MP-2018 from the 2006 base year and projected forward using MP-2018 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.

100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127 of 1958.

- Post-Retirement Healthy Mortality - Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Pension Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from the UP-1994 Mortality Table for Males and 95% of the rates from the UP-1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. The base rates are projected using Mortality Improvement Scale MP-2018 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

- Post-Retirement Disabled Mortality - Rates, which vary by gender are assumed for disabled retirees based on a study of the Pension Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvements. The 2010 base rates are equal to 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP-2018 on a generational basis. As a generational table, it reflects mortality improvements before and after the measurement date.

Note 13 - Retirement plan – (continued)

Total Pension Liability and Actuarial Information – (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 3 of 2017, four-year extension of Act No. 66 of 2014 and the current general economy.

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

The following presents the Company's Pension Plan liability calculated using the discount rate of 3.87%, as well as what the Corporation's proportionate share of the total Pension Plan liability would be if it were calculated using a discount rate of 1% point lower (2.87%) or 1% point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total pension liability	$ 53,270,896	$ 46,813,347	$ 41,574,489

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Note 13 - Retirement plan – (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2019 (measurement date June 30, 2018), 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	$ -	$ 1,415,877
Changes of assumptions	-	1,535,108
Changes in proportion	768,580	-
Pension benefits paid subsequent to the measurement date	2,493,624	-
Total	$ 3,262,204	$ 2,950,985

Pension benefits paid subsequent to the measurement date of $2,493,624 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, 2018 (measurement date) will be recognized as adjustment to pension expense in the Company's financial statements as follows:

Years Ending June 30	Amount
2019	$ (436,481)
2020	(436,481)
2021	(436,481)
2022	(436,481)
2023	(436,481)
Total	$ (2,182,405)

Note 13 - Retirement plan – (continued)

Pension Expense (Benefit)

The composition of the Company's proportional share of the Pension Plan's expense (benefit) for the year ended June 30, 2019 (measurement date June 30, 2018) are as follows:

Service cost	$ 139,034
Interest on total pension liability	1,779,841
Effect of plan changes	(2,930,371)
Recognition (amortization) of deferred inflows/outflows of resources:	
Difference between expected and actual experience	(283,180)
Changes in assumptions	(307,027)
Pension benefit	(1,601,703)
Net amortization from changes in proportion	153,716
Net pension benefit	$ (1,447,987)

Additional Information

Additional information on the Pension Plan is provided on the stand-alone financial statements of ERS, a copy of which can be obtained from the Employees' Retirement System of the Commonwealth of Puerto Rico, P.O. Box 42004, San Juan, P.R. 00940-2004.

Note 14 - Other Postemployment Benefits

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

OPEB Plan Description

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

Note 14 - Other Postemployment Benefits – (continued)

OPEB Plan Description – (continued)

There is no contribution requirement from the plan members during active employment. The retirees contribute the amount of the healthcare insurance premium not covered by the Commonwealth contribution.

GASB 75 requires participating employers to recognize their proportionate share of the collective total OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense.

Total OPEB Liability and Actuarial Information

The total OPEB liability recorded by the Company as of June 30, 2019 (measurement date June 30, 2018) amounted to $1,247,142 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, 2019 (measurement date June 30, 2018) was determined by an actuarial valuation as of July 1, 2017, that was rolled forward to June 30, 2018 (measurement date).

The Company's proportion of the OPEB Plan liability was actuarially determined based on the ratio of the Company’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, 2018 (measurement date), the Company's proportionate share of the OPEB Plan liability was 0.14809%.

(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, 2018 (measurement date) was 3.87%. 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 14 - Other Postemployment Benefits – (continued)

Total OPEB Liability and Actuarial Information – (continued)

(a) Actuarial assumptions – (continued)

Mortality

The mortality tables used in the June 30, 2018 (measurement date) actuarial valuation were as follows:

- Pre-Retirement Mortality - For general employees not covered under Act No. 127 of 1958, RP-2014 Employee Mortality Rates for males and females adjusted to reflect Mortality Improvement Scale MP-2018 on a generational basis. For members covered under Act No. 127 of 1958, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for males and adjusted to reflect Mortality Improvement Scale MP-2018 from the 2006 base year and projected forward using MP-2018 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.

  100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127 of 1958.

- Post-Retirement Healthy Mortality - Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the OPEB Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from the UP-1994 Mortality Table for Males and 95% of the rates from the UP-1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. The base rates are projected using Mortality Improvement Scale MP-2018 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

- Post-Retirement Disabled Mortality - Rates, which vary by gender, are assumed for disabled retirees based on a study of the OPEB Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvements. The 2010 base rates are equal to 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP-2018 on a generational basis. As a generational table, it reflects mortality improvements before and after the measurement date.

Note 14 - Other Postemployment Benefits – (continued)

Total OPEB Liability and Actuarial Information – (continued)

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

The following presents the Company's OPEB Plan liability calculated using the discount rate of 3.87%, as well as what the Company's proportionate share of the OPEB Plan liability would be if it were calculated using a discount rate of 1% point lower (2.87%) or 1% point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	$ 1,367,859	$ 1,247,142	$ 1,144,645

Deferred Outflows of Resources Related to the OPEB Plan

At June 30, 2019 (measurement date June 30, 2018), the reported deferred outflows of resources related to the OPEB Plan of $105,261 consist of OPEB benefits paid subsequent to the measurement date.

The composition of the Company's proportional share of the OPEB Plan's expense (benefit) for the year ended June 30, 2019 (measurement date June 30, 2018) are as follows:

Interest on total OPEB liability	$ 46,964
Effect of economic/demographics gains and losses	(22,891)
Effect of assumptions changes or inputs	(36,538)
OPEB benefit	(12,465)
Net amortization from changes in proportion	54,360
Net OPEB expense	$ 41,895

Additional Information

Additional information on the OPEB Plan is provided on the stand-alone financial statements of ERS, a copy of which can be obtained from the Employees' Retirement System of the Commonwealth of Puerto Rico, P.O. Box 42004, San Juan PR 00940-2004.

Note 15 - Termination Benefits (Act No. 70-2010)

The Legislature of the Commonwealth of Puerto Rico approved a one-time retirement incentive plan for all regular employees of Central Government Agencies and certain public Corporations whose budget is fully or partially funded by the General Fund, known as Law No. 70 of July 2, 2010 and certain other retirement windows approved thereafter. The program included early retirement incentives for certain eligible employees. Under the plan, employees could select one of the three options as follows:

Article 4(a) provides 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 up to 3 years	3 months of salary
From 3 years and 1 day and up	6 months of salary

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 that they would otherwise be entitled to receive based on their current years of service, but such pension rate is lower what they would have been entitled to if they had waited to meet the full vesting requirements. Annuity pension payment under the plan is based on the following parameters:

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

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

Note 15 - Termination Benefits – (Act No. 70-2010) (continued)

Employees selecting options 4(a) or (b) will be 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.

Article 4(c) provides eligible employees that have 30 years of credited services contributing to the Commonwealth of Puerto Rico Retirement System and request to start receiving their pension benefits would be entitled to receive the economic incentive dispose on article 4(a) but not entitled to the incentive provided on article 4(b). Employees that have the required retirement age but have not achieved the year of credited service contributing to the Commonwealth of Puerto Rico Retirement System will be entitled to an economic incentive of up to 6 months of salary to cover the years of service not credited.

At June 30, 2019, the present value of future incentive payments reported as a liability in the statement of net position was $664,652. The Company's termination benefit liability as of June 30, 2019, calculated using the discounted present value of expected future benefit payments with a discount rate of 2.20%, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due in One Year
Termination benefits	$ 801,609	$ -	$ (136,957)	$ 664,652	$ 139,250

Note 16 - Voluntary Pre-retirement Program (Act No. 211-2015)

On December 8, 2015, Act. No. 2011 was approved to create a Voluntary Preretirement Program. Effective June 30, 2017, the Company entered into the voluntary preretirement program as part of management plans to restructure the Company. The program consisted of, for each eligible employee applicant, 60% of the average salary at December 31, 2015 until the age of 61, liquidation of the vacation and sick leave licenses up to the limit permitted by law, exempt from income taxes, the Company will make the individual contribution to the Defined Contribution Hybrid Program, the Company will continue to make the employer contributions for the Social Security and Medicare for the 60% of the salary, the Company will pay the medical plan that the employee had up to two years. These payments will be made until the employee becomes eligible to receive payments from the Retirement System. The Company's voluntary pre-retirement program liability as of June 30, 2019, calculated using the discounted present value of expected future benefit payments with a discount rate of 2.20%, was as follows:

Note 16 - Voluntary Pre-retirement Program (Act No. 211-2015) – (continued)

	Beginning Balance	Increases	Decreases	Ending Balance	Due in One Year
Voluntary termination benefits	$ 2,385,076	$ -	$ (251,325)	$ 2,133,751	$ 486,469

Note 17 - Commitments and Contingencies

Commitments

The Company leases equipment and internet services under operating leases expiring in 2019. Rental expense for the operating leases for the year ended June 30, 2019 amounted to approximately $55,000. Minimum future rental payments under non-cancelable operating leases as of June 30, 2019, for the next year is approximately nil.

As of June 30, 2019, the Company had construction commitments amounting to approximately $420,000.

Contingency

At June 30, 2019, the Company is a defendant in various lawsuits, claims, legal proceedings and investigations resulting from the normal course of business covering a wide range of matters including but not limited to labor and breach of contracts. Management, after consultation with legal counsel has established an accrual, which amounts to approximately $1,061,993 as of June 30, 2019, to cover its estimate of the ultimate liability that may result from such legal claims.

Note 18 - Significant Group Concentrations of Credit Risk

The Company's rental activities are directed for the most part to private enterprises, usually chain stores, small businesses and farmers, craftsmen and the like, with the purpose to initiate and keep in operation all types of agricultural and business activities.

Note 19 - Hurricanes Irma and María

During September 2017, hurricanes Irma and María impacted Puerto Rico causing widespread infrastructure and other property damage, and the complete collapse of the electrical grid across the island. As a result of these hurricanes, the Company incurred in damages and extra expenses and submitted claims under its casualty insurance policies and to the Federal Emergency Management Agency (FEMA) under the applicable disaster aid programs. FEMA related claims were settled during 2018.

During the year ended June 30, 2019, the Company received the final settlement under its casualty insurance policies amounting to $600,000 for business interruption, which is included as part of revenues in the accompanying statement of revenues, expenses, and changes in net position.

Note 20 - Subsequent Events

The Company evaluated subsequent events through September 8, 2021, which is the date the financial statements were available to be issued. Except as disclosed in Note 3, and the following paragraphs, no events have occurred subsequent to the statement of net position date and through the date the financial statements were available to be issued, that would require additional adjustment to, or disclosure in the financial statement.

COVID-19

In March 2020, the World Health Organization declared the coronavirus disease COVID-19 a global pandemic. This highly contagious disease has spread across the world and into Puerto Rico and has resulted in local government enforced business lockdowns and curfews on non-essential services, as well as other restrictions on social, government and business activities involving large numbers of individuals and/or participants.

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

Sale of Assets

On March 21, 2021, the Company sold a property located at the Distribution Center in Ponce to a third party for $3,660,000 with the right of withdrawal for a period of 10 years if such property is not used for the promotion of industries and commerce.

Puerto Rico Trade and Export Company
(A Component Unit of the Commonwealth of Puerto Rico)

Schedule of Proportionate Share of the Collective Total Pension Liability

June 30, 2019

	GASB 73	GASB 68			
	2019	2018	2017	2016	2015
Proportion (percentage) of the net collective total pension liability	0.19116%	0.13303%	0.13852%	0.14289%	0.13638%
Proportion (amount) of the net collective total pension liability	$ 46,813,347	$ 45,520,772	$ 52,221,613	$ 47,636,058	$ 41,101,952

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 no longer met the criteria to be considered a plan that is administered through a trust or equivalent arrangement under GASB 68 and, therefore, was required to apply the guidance in GASB 73 effective July 1, 2018. 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 Company's proportion of the total pension liability was actuarially determined based on the ratio of the Company's benefit payments to the total benefit payments made by all participating employers under the Pension Plan for the year ending on the measurement date.

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

4. The amounts presented were determined by an actuarial valuation as of July 1, 2017 that was rolled forward to June 30, 2018, the measurement date.

5. There are no assets accumulated in a trust to pay related benefits.

Puerto Rico Trade and Export Company
(A Component Unit of the Commonwealth of Puerto Rico)

Required Supplemental Information
Schedule of Proportionate Shares of the Collective Total OPEB Liability

For the Year Ended June 30, 2019

	2019	2018	2017
Proportion of the collective total OPEB liability	0.14809%	0.14218%	0.12950%
Proportionate share of the collective total OPEB liability	$ 1,242,142	$ 1,308,831	$ 1,534,680
Covered employee payroll	N/A	N/A	N/A
Proportionate share of the collective total OPEB liability as a percentage of the covered employee payroll	N/A	N/A	N/A
Plan's fiduciary net position as a percentage of the total OPEB liability	N/A	N/A	N/A

Notes to required supplementary information

1. The Company's proportion of the total OPEB liability was actuarially determined based on the ratio of the Company'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.

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

3. The amounts presented were determined by an actuarial valuation as of July 1, 2017 that was rolled forward to June 30, 2018, the measurement date.

4. There are no assets accumulated in a trust to pay related benefits.