

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

Financial Statements and Supplementary Information

June 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Puerto Rico 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, 2020, 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.



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To the Board of Directors of
Puerto Rico Trade and Export Company
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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, 2020 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

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.

Effective July 1, 2020, the transition process to consolidate the Company into the Department of Economic Development and Commerce has been completed, however, as of the date the financial statements were available to be issued, the corresponding certification from the Secretary to the Governor and the Legislative Assembly indicating that the process was completed has not been fulfilled.

Our opinion is not modified with respect to this matter.

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



Galíndez LLC

San Juan, Puerto Rico
March 31, 2022
License No. LLC-322
Expires December 1, 2023

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

Management's Discussion and Analysis
(Unaudited)

June 30, 2020

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, 2020 and 2019, and to provide readers with additional financial information for placing the basic financial statements in an appropriate operational, economic, or historical context. We recommend the readers to consider the analysis, narrative and data information presented in this report in conjunction with the financial statements that follow this section.

Financial Highlights

- Net position of the Company decreased from \$14.4 million as of June 30, 2019, to \$10.8 million as of June 30, 2020, \$3.6 million or 25%.
- 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.

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.

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

Management's Discussion and Analysis – (continued)
(Unaudited)

June 30, 2020

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, 2020 and 2019:

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

Management's Discussion and Analysis – (continued)
(Unaudited)

June 30, 2020

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

Statements of Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets:						
Current assets	\$ 6,117,834	\$ 6,146,586	\$ 9,476,598	\$ 12,117,098	\$ 15,594,432	\$ 18,263,684
Capital assets	3,378,259	3,492,559	71,199,631	72,781,522	74,577,890	76,274,081
Total assets	<u>9,496,093</u>	<u>9,639,145</u>	<u>80,676,229</u>	<u>84,898,620</u>	<u>90,172,322</u>	<u>94,537,765</u>
Deferred outflows of resources	-	-	4,659,245	3,367,465	4,659,245	3,367,465
Liabilities:						
Current liabilities	5,536,501	922,361	13,371,348	17,121,298	18,907,849	18,043,659
Long-term liabilities	-	-	61,912,664	62,474,346	61,912,664	62,474,346
Total liabilities	<u>5,536,501</u>	<u>922,361</u>	<u>75,284,012</u>	<u>79,595,644</u>	<u>80,820,513</u>	<u>80,518,005</u>
Deferred inflows of resources	-	-	3,174,575	2,950,985	3,174,575	2,950,985
Net position:						
Net investment in capital assets	3,378,259	3,492,559	60,078,132	60,946,209	63,456,391	64,438,768
Restricted	581,333	5,238,352	-	-	581,333	5,238,352
Unrestricted (deficit)	-	(14,127)	(53,201,245)	(55,226,753)	(53,201,245)	(55,240,880)
Total net position	<u>\$ 3,959,592</u>	<u>\$ 8,716,784</u>	<u>\$ 6,876,887</u>	<u>\$ 5,719,456</u>	<u>\$ 10,836,479</u>	<u>\$ 14,436,240</u>

In overall, the net position of the Company decreased \$3.6 million or 25% from \$14.4 million to \$10.8 million.

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

- Current assets decreased by \$2.7 million of which \$2.8 million are related to the decrease in interest receivable from the investments securities that were cancelled in June 2019. A decrease of \$800 thousand in cash and a decrease of \$100 thousand in interfund receivable, net of an increase in rent receivable of \$1 million in the business-type.
- Current liabilities decreased by approximately \$3.7 million in the business-type activities mainly due to the decrease of approximately \$2.5 million in interest payable because of the cancellation of the collateralized notes and a decrease of \$1 million in payroll related accruals due to the transfer of the employees to the DDEC. In the governmental-type funds there was an increase of \$4.6 million in the accounts payable due to expiration of funds from different programs, which should be returned to the Puerto Rico Treasury Department.

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

Management's Discussion and Analysis – (continued)
(Unaudited)

June 30, 2020

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

Statements of Activities

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Operating grants and contributions	\$ 580,000	\$ 632,000	\$ -	\$ 1,330,000	\$ 580,000	\$ 1,962,000
Charges for services	5,000	42,120	14,501,731	14,372,398	14,506,731	14,414,518
General revenue:						
Interest and investment earnings	-	-	-	12,806,480	-	12,806,480
Other	<u>352,878</u>	<u>391,133</u>	<u>542,978</u>	<u>919,622</u>	<u>895,856</u>	<u>1,310,755</u>
Total revenues	<u>937,878</u>	<u>1,065,253</u>	<u>15,044,709</u>	<u>29,428,500</u>	<u>15,982,587</u>	<u>30,493,753</u>
Program expenses						
Administration	-	125,462	-	-	-	125,462
Employment development incentive	-	775,040	-	-	-	775,040
Economic development incentive	702,733	412,613	-	-	702,733	412,613
Promotion and commercial development	-	304,996	-	-	-	304,996
Rental activities expenses and other	-	-	13,187,953	13,169,653	13,187,953	13,169,653
Interest expense	-	-	-	11,780,710	-	11,780,710
Interest expense on mortgage	-	-	696,858	735,313	696,858	735,313
Interest expense on capital lease	<u>-</u>	<u>-</u>	<u>2,467</u>	<u>6,235</u>	<u>2,467</u>	<u>6,235</u>
Total expenses	<u>702,733</u>	<u>1,618,111</u>	<u>13,887,278</u>	<u>25,691,911</u>	<u>14,590,011</u>	<u>27,310,022</u>
Transfer out	(4,992,337)	-	-	-	(4,992,337)	-
Increase in the pension liability as a result of the implementation of the PayGo system as provided by Act No. 106 of 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,515,839)</u>	<u>-</u>	<u>(8,515,839)</u>
(Decrease) increase in net position	<u>\$ (4,757,192)</u>	<u>\$ (552,858)</u>	<u>\$ 1,157,431</u>	<u>\$ (4,779,250)</u>	<u>\$ (3,599,761)</u>	<u>\$ (5,332,108)</u>

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

Management's Discussion and Analysis – (continued)
(Unaudited)

June 30, 2020

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

During the year ended June 30, 2020, the Company's total revenues decreased by approximately \$14.5 million or 48% from \$30.5 million for the year ended June 30, 2019 to \$16.0 million for the year ended June 30, 2020.

In the business-type activities there was a decrease in operating grants and contributions for \$1.3 million since previous year included a contribution granted by the PR Legislature of \$1.3 million for permanent improvements, an increase in rental income of approximately \$129 thousand or .9% and a decrease in interest and investment earnings for \$12.8 million or 100%, since the investments were cancelled in June 2019. In 2019, other income included \$600,000 of business interruption income from the insurance recovery for Hurricane María damages. In the governmental activities, the contribution granted by the PR Legislature decreased by \$52 thousand and federal funds decreased by \$108 thousand, net by a miscellaneous income of \$70 thousand.

Governmental Fund Results

The Company's governmental activities have one major governmental fund in fiscal year 2020, while there are nineteen non-major governmental funds. Governmental funds received \$580 thousand in appropriations from the Commonwealth of Puerto Rico during the fiscal year ended June 30, 2020. 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 had no significant activity 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.

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

Management's Discussion and Analysis – (continued)
(Unaudited)

June 30, 2020

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 merchants, increasing their 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. Legislative appropriations from the Commonwealth were received for the amount of \$177,000 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.

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

Management's Discussion and Analysis – (continued)
(Unaudited)

June 30, 2020

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 \$356,000 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 \$47,000.

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.

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

Management's Discussion and Analysis – (continued)
(Unaudited)

June 30, 2020

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 \$5,000.

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 2020, the Company received reimbursement of expenditures under the grant award of \$156,221.

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 2020, the Company received reimbursement of expenditures under the grant award of \$126,542.

Federal and State Technology (FAST)

The Company obtained the Federal and State Technology (FAST or the Program) Partnership Program in 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 their 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.

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

Management's Discussion and Analysis – (continued)
(Unaudited)

June 30, 2020

Proprietary Fund Results

Net position of the Company's proprietary fund increased during the year ended June 30, 2020, by \$1.2 million or 20%. Following is an analysis of the financial position and results of operations of the proprietary fund.

The Company's total revenue decreased by \$14.4 million or 49%, mainly due to the cancellation of the investments which caused a decrease of \$12.8 million in interest earnings and in the previous year the Company received an operating grant for \$1.3 million for permanent improvements. Rent income had a slight increase of \$129 thousand. Rental activities expenses remained comparable and interest expense decreased by \$11.8 million due to the cancellation of the investments and related collateralized notes.

Capital Assets

The Company's net investment in capital assets for its business-type activities as of June 30, 2020 amounted to approximately \$60 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 2020 by approximately \$1.6 million or (2.2%) mainly due to the depreciation expense of \$2.1 million offset by approximately \$0.5 million on capital additions. Capital assets for governmental activities remained comparable. See Note 5 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.

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

Statement of Net Position

June 30, 2020

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash	\$ 507	\$ 7,774,764	\$ 7,775,271
Rent receivable, net	-	1,667,903	1,667,903
Account receivable-other, net of allowance for uncollectibles	148,818	-	148,818
Prepaid expenses	-	178,468	178,468
Internal balances	144,537	(144,537)	-
Cash - restricted	5,823,972	-	5,823,972
Capital assets:			
Non-depreciable assets	578,720	39,469,174	40,047,894
Depreciable assets, net	<u>2,799,539</u>	<u>31,730,457</u>	<u>34,529,996</u>
Total assets	<u>9,496,093</u>	<u>80,676,229</u>	<u>90,172,322</u>
Deferred outflows of resources:			
Pension related	-	4,559,545	4,559,545
Other post employment benefits related	-	99,700	99,700
Total deferred outflows of resources	<u>-</u>	<u>4,659,245</u>	<u>4,659,245</u>
Liabilities:			
Accounts payable	432,699	34,843	467,542
Due to governmental entities	5,095,124	8,655,995	13,751,119
Accrued liabilities	8,678	669,814	678,492
Liabilities payable within one year:			
Termination benefit obligation	-	81,849	81,849
Voluntary termination benefits	-	421,073	421,073
Compensated absences	-	203,015	203,015
Obligations under capital leases	-	60,544	60,544
Mortgage note	-	728,365	728,365
Total pension liability	-	2,416,150	2,416,150
Total other postemployment benefit liability	-	99,700	99,700
Liabilities payable after one year:			
Termination benefit obligation	-	486,707	486,707
Voluntary termination benefit	-	1,325,657	1,325,657
Compensated absences	-	277,963	277,963
Obligations under capital leases	-	11,130	11,130
Mortgage note	-	10,321,460	10,321,460
Total pension liability	-	44,655,434	44,655,434
Total other postemployment benefit liability	-	1,169,836	1,169,836
Deposits from tenants	-	2,602,484	2,602,484
Accrual for legal claims	-	1,061,993	1,061,993
Total liabilities	<u>5,536,501</u>	<u>75,284,012</u>	<u>80,820,513</u>
Deferred inflows of resources - pension related	<u>-</u>	<u>3,174,575</u>	<u>3,174,575</u>
Net position:			
Net investment in capital assets	3,378,259	60,078,132	63,456,391
Restricted	581,333	-	581,333
Unrestricted (deficit)	<u>-</u>	<u>(53,201,245)</u>	<u>(53,201,245)</u>
Total net position	<u>\$ 3,959,592</u>	<u>\$ 6,876,887</u>	<u>\$ 10,836,479</u>

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, 2020

Functions/Programs	Expenses	Program Revenue		Net Revenue (Expense) and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
Administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Economic development incentive	702,733	5,000	932,878	235,145	-	235,145
Employment development incentive	-	-	-	-	-	-
Promotion and commercial development	-	-	-	-	-	-
Total governmental activities	<u>702,733</u>	<u>5,000</u>	<u>932,878</u>	<u>235,145</u>	<u>-</u>	<u>235,145</u>
Business-type activities-						
Rental activities	<u>13,187,953</u>	<u>14,501,731</u>	<u>-</u>	<u>-</u>	<u>1,313,778</u>	<u>1,313,778</u>
Total	<u>13,890,686</u>	<u>14,506,731</u>	<u>932,878</u>	<u>235,145</u>	<u>1,313,778</u>	<u>1,548,923</u>
General revenue (expenses):						
Interest income				-	74,409	74,409
Interest on mortgage notes				-	(696,858)	(696,858)
Interest on capital leases				-	(2,467)	(2,467)
Other income				-	468,569	468,569
Transfers				(4,992,337)	-	(4,992,337)
Total general revenue (expenses)				<u>(4,992,337)</u>	<u>(156,347)</u>	<u>(5,148,684)</u>
Change in net position				(4,757,192)	1,157,431	(3,599,761)
Net position - beginning of year				<u>8,716,784</u>	<u>5,719,456</u>	<u>14,436,240</u>
Net position - end of year				<u>\$ 3,959,592</u>	<u>\$ 6,876,887</u>	<u>\$ 10,836,479</u>

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, 2020

	Assets		
	Direct Employment for Urban Center Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Cash	\$ 994,464	\$ 4,830,015	\$ 5,824,479
Other receivables - net	5,483	143,335	148,818
Due from other funds - net	<u>31,770</u>	<u>112,767</u>	<u>144,537</u>
 Total	 <u>\$ 1,031,717</u>	 <u>\$ 5,086,117</u>	 <u>\$ 6,117,834</u>
 Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 21,323	\$ 411,376	\$ 432,699
Due to governmental entities	984,454	4,110,670	5,095,124
Accrued liabilities	<u>2,240</u>	<u>6,438</u>	<u>8,678</u>
 Total liabilities	 <u>1,008,017</u>	 <u>4,528,484</u>	 <u>5,536,501</u>
Fund Balances:			
Restricted for:			
Economic development incentive	<u>23,700</u>	<u>557,633</u>	<u>581,333</u>
Total	<u>\$ 1,031,717</u>	<u>\$ 5,086,117</u>	<u>\$ 6,117,834</u>

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, 2020

Amounts reported for governmental activities in the statement of net position
are different because:

Total fund balances of governmental funds	\$ 581,333
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds, net accumulated depreciation of \$2,361,985	<u>3,378,259</u>
Net position of governmental activities	<u>\$ 3,959,592</u>

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, 2020

	<u>Direct Employment for Urban Centers Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Contributions from Commonwealth	\$ 223,000	\$ 357,000	\$ 580,000
Charges for services	-	5,000	5,000
Others	<u>1,243</u>	<u>351,635</u>	<u>352,878</u>
Total revenues	<u>224,243</u>	<u>713,635</u>	<u>937,878</u>
Expenditures:			
Economic development incentive	<u>106,384</u>	<u>482,049</u>	<u>588,433</u>
Total expenditures	<u>106,384</u>	<u>482,049</u>	<u>588,433</u>
Transfer out	<u>984,454</u>	<u>4,007,883</u>	<u>4,992,337</u>
Expenditures in excess of revenues	(866,595)	(3,776,297)	(4,642,892)
Fund balances - beginning of year	<u>890,295</u>	<u>4,333,930</u>	<u>5,224,225</u>
Fund balances - end of year	<u>\$ 23,700</u>	<u>\$ 557,633</u>	<u>\$ 581,333</u>

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, 2020

Expenditures in excess of revenues of governmental funds	\$ (4,642,892)
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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.

(114,300)

Change in net position of governmental activities	<u>\$ (4,757,192)</u>
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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, 2020

Assets	
Current Assets:	
Cash	\$ 7,774,764
Rent receivable, net of allowance for uncollectibles	1,667,903
Prepaid expenses	178,468
Total current assets	9,621,135
Noncurrent Assets:	
Capital assets:	
Non-depreciable assets	39,469,174
Depreciable assets, net	31,730,457
Total capital assets, net	71,199,631
Total assets	80,820,766
Deferred outflows of resources:	
Pension related	4,559,545
Other post employment benefits related	99,700
Total deferred outflows of resources	4,659,245
Total assets and deferred outflows of revenues	\$ 85,480,011
Liabilities and Net Position	
Current Liabilities:	
Accounts payable	\$ 34,843
Due to governmental entities	8,655,995
Accrued liabilities	669,814
Termination benefit obligation	81,849
Voluntary termination benefits	421,073
Compensated absences	203,015
Obligations under capital leases	60,544
Mortgage loan	728,365
Total pension liability	2,416,150
Total other postemployment benefit liability	99,700
Due to other funds	144,537
Total current liabilities	13,515,885
Noncurrent Liabilities:	
Termination benefit obligation	486,707
Voluntary termination benefits	1,325,657
Compensated absences	277,963
Obligations under capital leases	11,130
Mortgage loan	10,321,460
Total pension liability	44,655,434
Total other postemployment benefit liability	1,169,836
Deposits from tenants	2,602,484
Accrual for legal claims	1,061,993
Total noncurrent liabilities	61,912,664
Total liabilities	75,428,549
Deferred inflows of resources - pension related	3,174,575
Net Position:	
Net investment in capital assets	60,078,132
Unrestricted (deficit)	(53,201,245)
Total net position	6,876,887
Total liabilities, deferred inflows of revenues and net position	\$ 85,480,011

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, 2020

Operating revenue:	
Rent revenue	\$ 14,501,731
Other	542,978
Total operating revenue	<u>15,044,709</u>
Operating expenses:	
Salaries and employees' benefits	5,634,565
Pension cost	1,618,032
Provision for uncollectible accounts	1,182,189
Depreciation and amortization	2,053,930
Occupancy and related expenses	2,169,362
Insurance	197,775
Administrative and management services	53,936
Professional services	44,461
Advertising	26,612
Office supplies	23,038
Travel expenses	5,696
Commercial development	48,730
Other	129,627
Total operating expenses	<u>13,187,953</u>
Operating income	<u>1,856,756</u>
Non operating revenue (expenses):	
Interest expense on capital leases	(2,467)
Interest expense on mortgage loan	<u>(696,858)</u>
Total non operating (expenses), net	<u>(699,325)</u>
Change in net assets	1,157,431
Net position - beginning of year	<u>5,719,456</u>
Net position - end of year	<u>\$ 6,876,887</u>

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, 2020

Cash flows from operating activities:	
Collection of rent	\$ 12,233,129
Payments to employees	(8,409,637)
Payments to suppliers	(3,369,362)
Other operating revenues	<u>322,919</u>
Net cash provided by operating activities	<u>777,049</u>
Cash flows from non-capital financing activities-	
Interest paid on collateralized notes	<u>(2,515,743)</u>
Cash flows from capital and related financing activities:	
Acquisitions of capital assets	(472,039)
Payments on capital leases interest	(2,467)
Payments of obligations under capital leases	<u>(30,129)</u>
Net cash used in capital and related financing activities	<u>(504,635)</u>
Cash flows from investing activities:	
Interest collected on interest-bearing deposits and restricted investments	2,768,079
Payment on mortgage loan	(683,685)
Payment on mortgage notes interest	<u>(696,858)</u>
Net cash provided by investing activities	<u>1,387,536</u>
Net change in cash and cash equivalents	(855,793)
Cash, beginning of year	<u>8,630,557</u>
Cash, end of year	<u>\$ 7,774,764</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 1,856,756</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	2,053,930
Provision for uncollectible accounts receivable	1,182,189
Changes in assets and liabilities:	
Increase in rent receivable and other receivable	(2,203,687)
Increase in prepaid expenses	(87,768)
Increase in deferred outflows of resources	(1,291,780)
Increase in accounts payable and due to governmental entities	156,274
Decrease voluntary termination benefits	(387,021)
Decrease in accrued expenses	(956,929)
Decrease in compensated absences	(14,019)
Decrease in termination benefits accrual	(96,096)
Decrease in deposits from tenants	(64,915)
Increase in total pension liability	258,237
Increase in other post employment benefits obligation	22,394
Increase in due to other fund	125,894
Increase in deferred inflows of resources	<u>223,590</u>
Total adjustments	<u>(1,079,707)</u>
Net cash provided by operating activities	<u>\$ 777,049</u>

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)

Notes to Basic Financial Statements

June 30, 2020

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 remain a public corporation 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.

Effective July 1, 2020, the transition process to consolidate the Company into the Department of Economic Development and Commerce has been fulfilled, however, as of the date the financial statements were available to be issued, the corresponding certification from the Secretary to the Governor and the Legislative Assembly indicating that the process was completed 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

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

Notes to Basic Financial Statements – (continued)

June 30, 2020

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

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 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.

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

Notes to Basic Financial Statements – (continued)

June 30, 2020

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

Government-Wide and Fund Financial Statements – (continued)

- 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.
- 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

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

Notes to Basic Financial Statements – (continued)

June 30, 2020

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

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

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 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 major governmental fund:

- *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.

Other governmental funds were considered minor funds since most of them do not have operations during the year or their operations were not significant when compared to the proprietary fund operations. The following are accounted for in the other governmental funds:

- *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.

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

Notes to Basic Financial Statements – (continued)

June 30, 2020

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

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

- *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.
- *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.

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

Notes to Basic Financial Statements – (continued)

June 30, 2020

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

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

- *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.
- *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.

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

Notes to Basic Financial Statements – (continued)

June 30, 2020

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

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

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.

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

Fund Balances - In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance is composed of five classifications designed to disclose the hierarchy of constraints 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 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 the 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.

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

Notes to Basic Financial Statements – (continued)

June 30, 2020

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 highly 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.

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.

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

Notes to Basic Financial Statements – (continued)

June 30, 2020

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

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

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

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

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, 2020.

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

Notes to Basic Financial Statements – (continued)

June 30, 2020

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

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

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

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.

Pension benefits – The Company accounts for pension costs under the provision of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, an amendment to Certain Provisions of GASB Statements No. 67 and 68* (GASB Statement No. 73). Statement No. 73 maintains the “accrual basis” model under Statement 68, where the Total Pension Liability is actuarially determined. GASB Statement No. 73 requires a liability for pension obligations, known as the Total Pension Liability, to be recognized on the balance sheets of participating employers. Changes in Total Pension Liability are immediately recognized as pension expenses. As Act 106-2017 eliminated all contribution requirements for the pension plan and converted it into a PayGo system, the corresponding actuarial calculation of the total pension liability and related accounts changed to one based on benefit payments rather than contributions. As a result, the Company recognized a Total Pension Liability and pension expenses, accordingly. As the change to the PayGo system was caused by the impact of legislation not under the Company’s management control and the actuarial calculation changed from one based on contributions to a new one based on benefits payments under the new PayGo system, the impact on all corresponding pension related accounts was accounted for prospectively. For the

Puerto Rico Trade and Export Company
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Notes to Basic Financial Statements – (continued)

June 30, 2020

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

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

Pension benefits – (continued)

Company it 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 condensed statement of activities for the year ended June 30, 2019 included in the accompanying management discussion and analysis.

Pursuant to the provisions of GASB No. 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.

Puerto Rico Trade and Export Company
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Notes to Basic Financial Statements – (continued)

June 30, 2020

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 recognize 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 recognized when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees, and the amount can be estimated.

Deferred outflows and inflows of resources - The Company follows 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, 2020, 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.

New accounting standards adopted

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

Puerto Rico Trade and Export Company
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Notes to Basic Financial Statements – (continued)

June 30, 2020

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

New accounting standards adopted – (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 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.

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

GASB pronouncements 84 to 98 that are effective after year end are not expected to have an impact on the Company due to its consolidation into the Department of Economic Development and Commerce effective July 1, 2020.

Note 3 - Cash and Interest-Bearing Deposits

Custodial credit risk is the risk that in the event of a financial institution's failure, the Company's deposits might not be recovered. However, 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.

Puerto Rico Trade and Export Company
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Notes to Basic Financial Statements – (continued)

June 30, 2020

Note 3 - Cash and Interest-Bearing Deposits – (continued)

As of June 30, 2020, the Company's cash and cash equivalent is as follows:

Description	Governmental Activities <u>Carrying Amount</u>	Business-type Activities <u>Carrying amount</u>	Bank Balance
Cash - unrestricted in commercial banks	\$ 507	\$ 7,774,764	\$ 183,125
Cash-restricted in commercial banks	<u>5,823,972</u>	<u>-</u>	<u>14,219,350</u>
Total cash	<u>\$ 5,824,479</u>	<u>\$ 7,774,764</u>	<u>\$ 14,402,475</u>

Note 4 - Receivables and Allowances for Uncollectible Accounts

As of June 30, 2020, receivables were as follows:

	Business-type activities <u>Rent and other</u>	Governmental activities <u>Other</u>
Rent and land leases	\$ 3,339,063	\$ -
Rent under repayment plan and other	12,297,096	-
Federal grant	-	148,818
Other	<u>161,980</u>	<u>-</u>
	15,798,139	148,818
Less: Allowance for uncollectible accounts	<u>14,130,236</u>	<u>-</u>
	<u>\$ 1,667,903</u>	<u>\$ 148,818</u>

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Puerto Rico Trade and Export Company
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Notes to Basic Financial Statements – (continued)

June 30, 2020

Note 4 - Receivables and Allowances for Uncollectible Accounts – (continued)

Changes in the allowances for uncollectible accounts during the fiscal year ended June 30, 2020, are as follow:

	Business-type activities <u>Rent and Other</u>
Allowances for uncollectible accounts, beginning of year	\$ 12,948,047
Provision for doubtful accounts	1,182,189
Write off	<u>-</u>
Allowances for uncollectible accounts, end of year	<u>\$ 14,130,236</u>

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

Notes to Basic Financial Statements – (continued)

June 30, 2020

Note 5 - Capital Assets

Capital assets activity for the year ended June 30, 2020, consists of the following:

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020
Governmental Activities:				
Properties not being depreciated				
Land	\$ 578,720	\$ -	\$ -	\$ 578,720
Total capital assets, not being depreciated	<u>578,720</u>	<u>-</u>	<u>-</u>	<u>578,720</u>
Properties being depreciated				
Building and building improvements	4,304,456		-	4,304,456
Furniture and equipment	823,400	33,668	-	857,068
Less accumulated depreciation	<u>(2,214,017)</u>	<u>(147,968)</u>	<u>-</u>	<u>(2,361,985)</u>
Total capital assets, being depreciated	<u>2,913,839</u>	<u>(114,300)</u>	<u>-</u>	<u>2,799,539</u>
Total governmental activities capital assets, net	<u>\$ 3,492,559</u>	<u>\$ (114,300)</u>	<u>\$ -</u>	<u>\$ 3,378,259</u>
Business-type Activities:				
Rental Properties not being depreciated				
Land and land improvements	\$ 39,469,174	\$ -	\$ -	\$ 39,469,174
Total capital assets, not being depreciated	<u>39,469,174</u>	<u>-</u>	<u>-</u>	<u>39,469,174</u>
Rental Properties being depreciated				
Building and building improvements	81,826,917	469,107	-	82,296,024
Furniture and equipment	<u>2,891,925</u>	<u>2,932</u>	<u>-</u>	<u>2,894,857</u>
Sub-total	<u>84,718,842</u>	<u>472,039</u>	<u>-</u>	<u>85,190,881</u>
Other Properties Not For Rent being depreciated				
Furniture and equipment	5,097,707	-	-	5,097,707
Capital leases	628,631	-	-	628,631
Vehicles	<u>372,112</u>	<u>-</u>	<u>-</u>	<u>372,112</u>
Sub-total	<u>6,098,450</u>	<u>-</u>	<u>-</u>	<u>6,098,450</u>
Total cost of depreciable assets	<u>90,817,292</u>	<u>472,039</u>	<u>-</u>	<u>91,289,331</u>
Less accumulated depreciation				
Rental properties	(51,503,187)	(1,994,489)	-	(53,497,676)
Other properties not for rent	<u>(6,001,757)</u>	<u>(59,441)</u>	<u>-</u>	<u>(6,061,198)</u>
Total accumulated depreciation	<u>(57,504,944)</u>	<u>(2,053,930)</u>	<u>-</u>	<u>(59,558,874)</u>
Total capital assets, being depreciated	<u>33,312,348</u>	<u>(1,581,891)</u>	<u>-</u>	<u>31,730,457</u>
Total business-type capital assets, net	<u>\$ 72,781,522</u>	<u>\$ (1,581,891)</u>	<u>\$ -</u>	<u>\$ 71,199,631</u>

Puerto Rico Trade and Export Company
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Notes to Basic Financial Statements – (continued)

June 30, 2020

Note 5 - 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 five years and thereafter are approximately as follows:

Year Ending June 30,	Amount
2021	\$ 9,448,543
2022	6,094,406
2023	4,286,313
2024	2,357,885
2025	901,129
Thereafter	455,767
Total	\$ 23,544,043

Note 6 - Restricted Assets

The Company's restricted assets as of June 30, 2020, consist of cash and interest-bearing deposits related to the operations of the governmental programs granted by the Commonwealth, as follows:

Restricted Assets as of June 30, 2020		
Type of Asset	Description	Amount
Governmental Activities:		
Restricted cash	Economic development	\$ 831,635
	Puerto Rico Department of Treasury	4,992,337
	Total restricted cash	\$ 5,823,972

Restricted assets for economic development were granted through funds assigned in current and in prior years by executive orders and Commonwealth of Puerto Rico contributions. Those grants have time restrictions as to the use of the funds. The unused funds which time elapsed, must be return to the Puerto Rico Department of Treasury.

Puerto Rico Trade and Export Company
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Notes to Basic Financial Statements – (continued)

June 30, 2020

Note 7 - Internal Balances

Internal balances as of June 30, 2020, are comprised of amounts due to and from the business-type fund and governmental funds, as shown below:

	Assets	Liabilities	Total
Business-type activities	\$ 161,827	\$ (306,364)	\$ (144,537)
Governmental activities	314,384	(169,847)	144,537
	\$ 476,211	\$ (476,211)	\$ -

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 a result of cash shortages in such funds. Such transactions are non-interest bearing and short term in nature.

Note 8 - Due to governmental entities

The balance due to governmental entities as of June 30, 2020, consist of the following:

	Governmental Activities	Business-type Activities
Employee's Retirement System	\$ -	\$ 4,705,174
Puerto Rico Ports Authority	-	1,399,183
Puerto Rico Treasury Department	4,968,939	1,243,325
Puerto Rico Aqueduct and Sewer Authority	-	495,933
Department of Economic Development and Commerce	-	463,388
State Insurance Fund Corporation	-	81,945
Puerto Rico Power Authority	-	203,925
Puerto Rico Department of Labor and Human Resources	109,364	22
Puerto Rico Land Administration	-	28,501
Other	16,821	34,599
Due to governmental entities	\$ 5,095,124	\$ 8,655,995

Puerto Rico Trade and Export Company
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Notes to Basic Financial Statements – (continued)

June 30, 2020

Note 9 - 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, 2020, 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, 2020.

	Beginning Balance	Additions	Payments	Ending Balance	Current Portion
Mortgage loan	<u>\$ 11,733,510</u>	<u>\$ -</u>	<u>\$ (683,685)</u>	<u>\$ 11,049,825</u>	<u>\$ 728,365</u>

At June 30, 2020, the future minimum principal payments on the mortgage notes payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 728,365	\$ 652,178	\$ 1,380,543
2022	<u>10,321,460</u>	<u>160,934</u>	<u>10,482,394</u>
	<u>\$ 11,049,825</u>	<u>\$ 813,112</u>	<u>\$ 11,862,937</u>

Puerto Rico Trade and Export Company
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Notes to Basic Financial Statements – (continued)

June 30, 2020

Note 10 - Capital Leases

The Company has non-cancelable capital leases obligations for office equipment. The terms of the leases were for various years, beginning 2016 through 2022. The future principal commitments under these leases are as follows:

Year Ending June 30,	Amount
2021	\$ 60,544
2022	11,130
Total	<u>\$ 71,674</u>

Note 11 - Fund Balances

Fund Balances are 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 that were not used by the Company and thus the programs expired were recorded as transfer out and will be returned to the Puerto Rico Treasury Department. During the year ended June 30, 2020, the Company recorded a transfer for \$4,992,337 due to the Puerto Rico Treasury Department.

Note 12 - Retirement plan

The Employees' Retirement System of the Government of the Commonwealth of Puerto Rico and its Instrumentalities (ERS) was created pursuant to Act No. 447 on May 15, 1951, as amended to provide pension and other benefits to retired employees of the Commonwealth, its public corporation and municipalities.

However, on September 30, 2016, ERS was designated by the Oversight Board as a Covered Territorial Instrumentality under PROMESA. On May 21, 2017, the Oversight Board filed a petition for relief under Title III of PROMESA for ERS in the United States District Court of the District of Puerto Rico, commencing a Title III case for ERS. On June 15, 2017, the United States Trustee appointed an Official Committee of Retired Employees in the Commonwealth's Title III cases.

On August 23, 2017, the Governor signed into a law the Act No. 106 of 2017, known as the *Act of Guarantee the Payment to Our Pensioners and Establish a New Plan for Defined Contributions for Public Servants* (Act 106-2017), which provides the legal framework for the Commonwealth to implement the PayGo system effective as of July 1, 2017. Under the PayGo system, the Commonwealth's

Puerto Rico Trade and Export Company
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Notes to Basic Financial Statements – (continued)

June 30, 2020

Note 12 - Retirement plan – (continued)

General Fund makes direct pension payments to the pensioners and then gets reimbursed for those payments by the applicable participant employers, including the Administration. The Commonwealth allocation percentages are based on the ratio of each participating entity's actual benefit payments relative to the total aggregate benefit payments made by all participating entities for the year ending on the measurement date.

Act 106-2017, among other things, amended Act No. 447 with respect to ERS's governance, funding and benefits for active members of the actual program and new hired members. Under Act 106-2017, the ERS's Board of Trustees was eliminated, and a new retirement board was created (the Retirement Board), which is currently responsible for governing all Commonwealth Retirement Systems.

Act 106-2017 terminated the previously existing pension programs for ERS participants as of June 30, 2017 and created a new defined contribution plan (the New Defined Contribution Plan) for existing active members and new employees hired on or after July 1, 2017. Under the New Defined Contribution Plan, members of the prior programs and new government employees hired on or after July 1, 2017, will be enrolled in the New Defined Contributions Program.

Act 106-207 also ordered a suspension of the ERS's loan programs and ordered a merger of the administrative structures of the Commonwealth's retirement systems. At the Retirement Board's discretion, the administration of benefits under the New Defined Contribution Plan may be managed by a third-party service provider. In addition, Act 106-2017 repealed the Voluntary Early Retirement Law, Act No. 211 of 2015, while creating incentives, opportunities, and retraining programs for public workers.

Plan Description Prior to July 1, 2017

This summary of ERS' pension plan provisions is intended to describe the essential features of the plan before the enactment of Act 106-2017. It should be noted that all eligibility requirements and benefit amounts shall be determined in strict accordance with the applicable law and regulations, and these benefits were not changed or amended with the enactment of Act 106-2017.

For employees who became ERS members prior to July 1, 2013, ERS operated under the following three benefit structures:

- Act No. 447 of May 15, 1951 (Act No. 447), effective on January 1, 1952 for members hired up to March 31, 1990;

Puerto Rico Trade and Export Company
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Notes to Basic Financial Statements – (continued)

June 30, 2020

Note 12 - Retirement plan – (continued)

- Act No. 1 of February 16, 1990 (Act No. I), for members hired on or after April 1, 1990, and ending on or before December 31, 1999;
- Act No. 305 of September 24, 1999, (Act No. 305), which amended Act No. 447 and Act No. 1, for members hired from January 1, 2000, up to June 3, 2013.

Employees under Act No. 447 and Act No. 1 were participants in a cost-sharing multiple employers defined benefit plan (the Defined Benefit Program). Act No. 305 members were participants under a pension program known as the System 2000 Program, a hybrid defined contribution plan. Under the System 2000 Program, benefits at retirement age were not guaranteed by the Commonwealth and were subjected to the total accumulated balance in the participant's account.

Thereafter, under Act No. 3 of 2013, effective July 1, 2013, the Commonwealth created a hybrid plan where the employee no longer accrued employee benefits, and upon retirement would receive an annuity from the accumulated defined benefits until that date, plus the employee contributions made thereafter, adjusted by investment yields and market fluctuations. Other charges were also made to the Plan. Upon the enactment of Act. No. 3, the Commonwealth discontinued contributing a proportionate share on behalf of the employee, instead employer contributions were redirected to pay accrued pensions. Act No. 3 of 2013 (Act No. 3) amended the provisions of the different benefits structures under the ERS. Act No. 3 moved all participants (employees) under the Defined Benefit Program and System 2000 Program to a new defined contribution hybrid plan (the Contributory Hybrid Program). All regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the Defined Benefit Program and the System 2000 Program, and were rehired on or after July 1, 2013, become members of the Contributory Hybrid Program as a condition to their employment. Act No. 3 benefits were terminated with the enactment of Act. No. 106-2017.

Total Pension Liability and Actuarial Information

The total Pension Plan liability recorded by the Company as of June 30, 2020 (measurement date June 30, 2019) amounted to \$47,071,584 representing its proportionate share of the total pension liability of the Pension Plan as of such date. The total pension liability as of June 30, 2020 (measurement date June 30, 2019) was determined by an actuarial valuation as of July 1, 2018, that was rolled forward to June 30, 2019 (measurement date).

Puerto Rico Trade and Export Company
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Notes to Basic Financial Statements – (continued)

June 30, 2020

Note 12 - Retirement plan – (continued)

Total Pension Liability and Actuarial Information – (continued)

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, 2019 (measurement date), the Corporation's proportionate share was 0.18942%.

(a) Actuarial methods and assumptions

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

Discount rate

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

Mortality

The mortality tables used in the June 30, 2019 (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-2019 from the 2006 base year and projected forward using MP-2019 on a generational basis. For members covered under Act No. 127 of 1958, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for males and adjusted to reflect Mortality Improvement Scale MP-2019 from the 2006 base year and projected forward using MP-2019 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.

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Notes to Basic Financial Statements – (continued)

June 30, 2020

Note 12 - Retirement plan – (continued)

Total Pension Liability and Actuarial Information – (continued)

Mortality – (continued)

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

- Post-Retirement Healthy Mortality - Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Pension Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from the UP-1994 Mortality Table for Males and 95% of the rates from the UP-1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. The base rates are projected using Mortality Improvement Scale MP-2019 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.
- Post-Retirement Disabled Mortality - Rates, which vary by gender are assumed for disabled retirees based on a study of the Pension Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvements. The 2010 base rates are equal to 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP-2019 on a generational basis. As a generational table, it reflects mortality improvements before and after the measurement date.

Other assumptions as of June 30, 2019

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.

Puerto Rico Trade and Export Company
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Notes to Basic Financial Statements – (continued)

June 30, 2020

Note 12 - Retirement plan – (continued)

Total Pension Liability and Actuarial Information – (continued)

Mortality – (continued)

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

	<u>1% Decrease (2.50%)</u>	<u>Current Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
Total pension liability	\$ 53,527,989	\$ 47,071,584	\$ 41,826,585

Deferred Outflows of Resources and Deferred Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 1,595,864
Changes of assumptions	1,528,531	1,216,926
Changes in proportion	614,864	361,785
Pension benefits paid subsequent to the measurement date	<u>2,416,150</u>	<u>-</u>
Total	<u>\$ 4,559,545</u>	<u>\$ 3,174,575</u>

Puerto Rico Trade and Export Company
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Notes to Basic Financial Statements – (continued)

June 30, 2020

Note 12 - Retirement plan – (continued)

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

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

Years Ending June 30	Amount
2020	\$ 346,243
2021	346,243
2022	346,243
2023	346,243
Total	\$ 1,384,970

The components of allocable pension expense for the year ended June 30, 2019 (measurement date) are as follows:

Service cost	\$ 123,945
Interest on total pension liability	1,751,887
Recognition (amortization) of deferred inflows/outflows of resources:	-
Difference between expected and actual experience	(398,967)
Changes of assumptions	77,897
Net amortization from changes in proportion	63,270
Net OPEB expense	\$ 1,618,032

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.

Puerto Rico Trade and Export Company
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Notes to Basic Financial Statements – (continued)

June 30, 2020

Note 13 - Other Postemployment Benefits

The Company participates in the Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico for retired participants of ERS, which is an unfunded, defined benefit other postemployment healthcare benefit plan (OPEB). 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. There is no contribution requirement from the plan members during active employment. The retirees contribute the amount of the healthcare insurance premium not covered by the Commonwealth contribution. Plan members were eligible for benefits upon reaching the applicable retirement age. Act. No. 3 of 2013 eliminated this healthcare benefit to the Plan members that retired after June 30, 2013.

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, 2020 (measurement date June 30, 2019) amounted to \$1,269,536 representing its proportionate share of the total OPEB liability of the OPEB Plan as of such date. The total OPEB liability as of June 30, 2020 (measurement date June 30, 2019) was determined by an actuarial valuation as of July 1, 2018, that was rolled forward to June 30, 2019 (measurement date).

The 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, 2019 (measurement date), the Company's proportionate share of the OPEB Plan liability was 0.15255%.

(a) Actuarial assumptions

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

Puerto Rico Trade and Export Company
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Notes to Basic Financial Statements – (continued)

June 30, 2020

Note 13 - Other Postemployment Benefits – (continued)

Total OPEB Liability and Actuarial Information – (continued)

(a) Actuarial assumptions – (continued)

Discount rate

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

Mortality

The mortality tables used in the June 30, 2019 (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-2019 from the 2006 base year and projected forward using MP-2019 on a generational basis. For members covered under Act No. 127 of 1958, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for males and adjusted to reflect Mortality Improvement Scale MP-2019 from the 2006 base year and projected forward using MP-2019 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.

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

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

Puerto Rico Trade and Export Company
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Notes to Basic Financial Statements – (continued)

June 30, 2020

Note 13 - Other Postemployment Benefits – (continued)

Total OPEB Liability and Actuarial Information – (continued)

(a) Actuarial assumptions – (continued)

Mortality - (continued)

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

(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 3.50%, 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 (2.50%) or 1% point higher (4.50%) than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
	<u> </u>	<u> </u>	<u> </u>
Total OPEB liability	\$ 1,392,472	\$ 1,269,536	\$ 1,165,179

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Puerto Rico Trade and Export Company
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Notes to Basic Financial Statements – (continued)

June 30, 2020

Note 13 - Other Postemployment Benefits – (continued)

Deferred Outflows of Resources Related to the OPEB Plan

At June 30, 2020 (measurement date June 30, 2019), the reported deferred outflows of resources related to the OPEB Plan of \$99,700 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, 2020 (measurement date June 30, 2019) are as follows:

Interest on total OPEB liability	\$ 47,700
Effect of economic/demographics gains and losses	7,347
Effect of assumptions changes or inputs	<u>35,079</u>
OPEB benefit	90,126
Net amortization from changes in proportion	<u>37,529</u>
Net OPEB expense	<u>\$ 127,655</u>

Additional Information

Additional information on the OPEB can be obtained from the Retirement Board of the Government of Puerto Rico Employees' Retirement System of the Government of the Commonwealth of Puerto Rico, P.O. Box 42004, San Juan PR 00940-2004.

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Puerto Rico Trade and Export Company
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Notes to Basic Financial Statements – (continued)

June 30, 2020

Note 14 - 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 than 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.

Puerto Rico Trade and Export Company
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Notes to Basic Financial Statements – (continued)

June 30, 2020

Note 14 - 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, 2020, the present value of future incentive payments reported as a liability in the statement of net position was \$568,556. The Company’s termination benefit liability as of June 30, 2020, calculated using the discounted present value of expected future benefit payments with a discount rate of .95%, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due in One Year
Termination benefits	\$ 664,652	\$ -	\$ (96,096)	\$ 568,556	\$ 81,849

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Puerto Rico Trade and Export Company
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Notes to Basic Financial Statements – (continued)

June 30, 2020

Note 15 - 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, 2020, calculated using the discounted present value of expected future benefit payments with a discount rate of .95%, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due in One Year
Voluntary termination benefits	\$ 2,133,751	\$ -	\$ (387,021)	\$ 1,746,730	\$ 421,073

Note 16 - Commitments and Contingencies

Commitments

The Company leases equipment and internet services under operating leases which expired in 2020. Rental expense for the operating leases for the year ended June 30, 2020, amounted to approximately \$47,000.

As of June 30, 2020, the Company had construction commitments amounting to approximately \$1.3 million.

Contingencies

On June 30, 2020, 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 \$1,061,993 as of June 30, 2020, to cover its estimate of the ultimate liability that may result from such legal claims.

Puerto Rico Trade and Export Company
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Notes to Basic Financial Statements – (continued)

June 30, 2020

Note 16 - Commitments and Contingencies – (continued)

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 for future periods, if any, cannot be reasonably estimated at this time.

Note 17 - 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 18 - Subsequent Events

The Company evaluated subsequent events through March 31, 2022, which is the date the financial statements were available to be issued. Except as disclosed in Notes 1 and 9, and the following paragraphs, no other 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.

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.

Mortgage Loan

On September 30, 2021, the Company paid in full the mortgage loan due to a financial institution for approximately \$11 million.

Puerto Rico Trade and Export Company
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Schedule of Proportionate Share of
the Collective Total Pension Liability

For the Year Ended June 30, 2020

	GASB 73	
	2020	2019
Proportion (percentage) of the net collective total pension liability	0.18942%	0.19116%
Proportion (amount) of the net collective total pension liability	\$ 47,071,584	\$ 46,813,347

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

Puerto Rico Trade and Export Company
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Required Supplemental Information
Schedule of Proportionate Shares of the Collective Total OPEB Liability

For the Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Proportion of the collective total OPEB liability	<u>0.15255%</u>	<u>0.14809%</u>	<u>0.14218%</u>	<u>0.12950%</u>
Proportionate share of the collective total OPEB liability	<u>\$ 1,269,536</u>	<u>\$ 1,242,142</u>	<u>\$ 1,308,831</u>	<u>\$ 1,534,680</u>
Covered employee payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Proportionate share of the collective total OPEB liability as a percentage of the covered employee payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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