

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

(A Component Unit of the
Commonwealth of Puerto Rico)

Audited Financial Statements
and Single Audit Reports

For the Year Ended June 30, 2024

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ZAYAS, MORAZZANI & CO.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Corporación del Conservatorio de Música de Puerto Rico (a component unit of the Commonwealth of Puerto Rico) (the Corporation), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units of the Corporación del Conservatorio de Música de Puerto Rico, as of June 30, 2024, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporación del Conservatorio de Música de Puerto Rico and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporación del Conservatorio de Música de Puerto Rico's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporación del Conservatorio de Música de Puerto Rico's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporación del Conservatorio de Música de Puerto Rico's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-15 and 50-53 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporación del Conservatorio de Música de Puerto Rico's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Emphasis of Matter on Supplementary Information

As explained in Note 11 to the Schedule of Expenditures of Federal Awards, certain expenditures of a particular pass-through program, incurred and reported in the financial statements for the years 2023 and 2022 were included in the Schedule of Expenditures of Federal Awards for 2024, together with the expenditures of the current year. Our opinion is not modified with respect to this matter.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2025, on our consideration of the Corporación del Conservatorio de Música de Puerto Rico's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporación del Conservatorio de Música de Puerto Rico's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporación del Conservatorio de Música de Puerto Rico's internal control over financial reporting and compliance.

San Juan, Puerto Rico
March 28, 2025

Zayas, Morazzani & Co.



D0P95-114

Corporación del Conservatorio de Música de
Puerto Rico

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

(A Component Unit of the Commonwealth of Puerto Rico)

Management Discussion and Analysis
For the Year Ended June 30, 2024

Introduction

The following discussion presents an overview of the financial position and financial activities of **Corporación del Conservatorio de Música de Puerto Rico** and its blended component unit **Corporación del Programa de Música 100x35: Sistema de Orquestas y Coros Juveniles e Infantiles de Puerto Rico** (“the Corporation” or “Conservatory”) for the year ended June 30, 2024. This discussion and analysis were prepared by the Corporation's management and should be read in conjunction with the financial statements and notes thereto, which follows this section.

Mission

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

Vision

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

Organizational Structure

The Corporation is governed by a nine (9) member board. Except for one (1) faculty and one (1) student representative (both appointed by the Corporation), the Governor of the Commonwealth of Puerto Rico appoints and establishes the time limit of the remaining seven (7) members of the Board. The president is appointed by the Governor of Puerto Rico, with the consent of the Senate of Puerto Rico. The Directors select the positions of Vice-President, and Secretary among their members. They also appoint the Chancellor after consultation with faculty, students, non-educational personnel, and the Academic Senate. The Chancellor is the principal executive and the maximum administrative and academic authority of the Corporation.

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Programmatic Structure

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

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

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Objectives:

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

Statistical Data

The Conservatory of Music is committed to providing outstanding public education to its students: a rigorous, assessed, and structured education that develops and prepares students to successfully meet the demands of a professional career in the field of music. The general index of retention of the Corporation is approximately 100%.

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Concerts and activities	172	208	214
Overall activity attendance	11,958	11,047	9,559
Non-degree students enrolled	967	881	785
Degree students enrolled (undergraduate, graduate, and continuing education)	343	335	281

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Students

Approximately, 63% of the students are high school graduates and 37% are transfers from other universities. The Corporation has students from twenty-six (26) towns or municipalities, representing 33% of the municipalities of Puerto Rico. The Degree Program has an enrollment of 343 students as of June 30, 2024. The Preparatory School, a non-degree program for the community had an enrollment of 967 students. The Corporation also offered a variety of institutional concerts during the year, with over 172 presentations and a public attendance of approximately 11,958 people.

Using the Financial Statements

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

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

Overview of the Basic Financial Statements

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

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

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Management Discussion and Analysis
For the Year Ended June 30, 2024

Overview of the Basic Financial Statements, Continued

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

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

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

Financial Highlights and Analysis of Significant Variances

As of June 30, 2024, the Corporation has total assets and deferred outflows of approximately \$71.3 million, total liabilities and deferred inflows of approximately \$11.9 million and a net position of approximately \$59.4 million. The Corporation net position decreased by approximately \$213 thousand, during the year ended June 30, 2024, when compared with year ended June 30, 2023. Net investment in capital assets decreased by approximately \$1.4 million, while unrestricted net position increased by approximately \$597 thousand. Unrestricted net position represents the portion of assets, net of the corresponding liabilities that can be used to meet ongoing obligations and new initiatives.

The schedule below presents condensed financial statements for the Corporation as of and for the years ended June 30, 2024 and 2023.

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Management Discussion and Analysis
For the Year Ended June 30, 2024

Financial Highlights and Analysis of Significant Variances, Continued

CONDENSED STATEMENTS OF NET POSITION

	<u>2024</u>	<u>2023</u>
Assets:		
Current assets	\$ 4,118,302	5,824,421
Capital assets	61,143,509	62,559,212
Other assets	<u>4,934,128</u>	<u>4,410,940</u>
Total Assets	70,195,939	72,794,573
Deferred outflows of resources	<u>1,122,668</u>	<u>3,203,028</u>
Total Assets and Deferred Outflows of Resources	<u>71,318,607</u>	<u>75,997,601</u>
Liabilities:		
Current liabilities	2,424,026	4,446,144
Non-current liabilities	<u>9,234,491</u>	<u>10,372,705</u>
Total Liabilities	11,658,517	14,818,849
Deferred inflows of resources	243,314	1,549,367
Net position:		
Net investment in capital assets	61,143,509	62,559,212
Restricted	6,424,682	5,827,600
Unrestricted	<u>(8,151,415)</u>	<u>(8,757,427)</u>
Total Net Position	<u>59,416,776</u>	<u>59,629,385</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ <u>71,318,607</u>	<u>75,997,601</u>

Assets - As of June 30, 2024, total assets and deferred outflows of resources amounted to approximately \$71.3 million. The largest asset class was capital assets (net of depreciation) which amounted to approximately \$61.1 million, or 87% of total assets and deferred outflows of resources.

Liabilities - As of June 30, 2024, total liabilities and deferred inflows of resources amounted to approximately \$11.9 million from which noncurrent liabilities, including compensated absences, other postemployment benefit pension liability and total pension liability represent approximately 78% of total liabilities and deferred inflows of resources.

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Management Discussion and Analysis
For the Year Ended June 30, 2024

Financial Highlights and Analysis of Significant Variances, Continued

Net Position - The equity of the Corporation, which amounted to approximately \$59.4 million as of June 30, 2024, is reported on the Statement of Net Position in three (3) categories: net investment in capital assets of approximately \$61.1 million; restricted net position totaling approximately \$6.4 million; and unrestricted net position of approximately (\$8.1 million).

Restricted net position is subject to externally imposed restrictions governing their use. Although unrestricted net position is not subject to externally imposed stipulations, most of the unrestricted net position has been internally designated for support of academic programs and initiatives, capital projects, and working capital requirements. Scholarship restricted endowment for 2024 and 2023 amounted to \$2,442,321 and \$2,392,975, respectively. These represent resources that are subject to external restrictions on how they may be used.

Total net position decreased by approximately \$213 million during the year ended June 30, 2024. Net investment in capital assets decreased by approximately \$1.4 million, primarily due to the recognition of the depreciation expense during the fiscal year. Restricted net position increased by approximately \$597 thousand as a result of donations received. Unrestricted net position represents the portion of assets, net of the corresponding liabilities that can be used to meet ongoing obligations and new initiatives. This year it increased by \$606 thousand. The table below presents summary-level information on revenues, expenses, and other changes in the Corporation's net position for the years ended June 30, 2024 and 2023.

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Management Discussion and Analysis
For the Year Ended June 30, 2024

Financial Highlights and Analysis of Significant Variances, Continued

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

	<u>2024</u>	<u>2023</u>
Operating revenues	\$ 2,562,065	2,933,416
Operating expenses	<u>12,040,620</u>	<u>12,111,497</u>
Net operating loss	(9,478,555)	(9,178,081)
Non-operating revenues	<u>9,158,789</u>	<u>6,964,429</u>
Loss before other revenues	(319,766)	(2,213,652)
Other revenues	<u>107,157</u>	<u>55,609</u>
Change in net position	(212,609)	(2,158,043)
Net position at beginning of year, as previously reported	<u>59,629,385</u>	<u>61,787,428</u>
Net position at end of year	\$ <u><u>59,416,776</u></u>	<u><u>59,629,385</u></u>

Operating revenues - For the year ended June 30, 2024, operating revenues totaled approximately \$2.5 million. The primary components of operating revenues were student tuition and fees of \$2.2 million; grants and contracts of \$137 thousand; rent of \$129 thousand and other income of \$91 thousand.

Non-Operating Revenues - The non-operating revenues increased by approximately \$2.2 thousand or 32%, compared to prior fiscal year. The Corporation received more governmental grants and appropriations in 2024 than in 2023. Most of the Corporation's revenues during 2024 are from non-operating revenues, which represent approximately 78% of the total revenues.

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Management Discussion and Analysis
For the Year Ended June 30, 2024

Financial Highlights and Analysis of Significant Variances, Continued

Operating expenses - For the year ended June 30, 2024, operating expenses totaled approximately \$12 million which decreased by approximately \$15 thousand or 0% compared with prior year. Of this amount, approximately \$6.4 million was expended for educational and general programs, including salaries and benefits, as well as professional consulting services. Such line items increased by approximately \$299 thousand in the fiscal year ended June 30, 2024. Depreciation expense for the year amounted to approximately \$2.4 million. Other significant expenses are utilities of \$803 thousand, repairs and maintenance of approximately \$709 thousand and general and administrative expenses of approximately \$1.4 million. During the year 2024, the operating expenses remained consistent with prior year operating expenses, with some minor fluctuations.

Request for Information

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

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA
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Statement of Net Position
As of June 30, 2024

ASSETS

Current assets:	
Cash and cash equivalents	\$ 1,784,994
Restricted cash and cash equivalents	46,594
Restricted investments in marketable securities at fair value	1,443,960
Accounts receivable, net	474,894
Prepaid expenses and deferred credits	<u>367,860</u>
Total Current assets	<u>4,118,302</u>
Non-current assets:	
Restricted cash and cash equivalents	4,934,128
Capital assets, net of accumulated depreciation	<u>61,143,509</u>
Total Non-current assets	<u>66,077,637</u>
Total Assets	70,195,939
Deferred outflows of resources:	
Pension related	<u>1,122,668</u>
Total Assets and Deferred outflows of resources	\$ <u><u>71,318,607</u></u>

(Continued)

The accompanying notes are an integral part of the financial statements.

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA
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Statement of Net Position, Continued
As of June 30, 2024

LIABILITIES AND NET POSITION

Current liabilities:	
Accounts payable	\$ 268,336
Accrued expenses	169,059
Unearned tuition and fees	211,840
Advances under contracts and grants	1,194,428
Compensated absences	62,581
Other postemployment benefit liability	12,500
Pension liability	<u>505,282</u>
Total Current liabilities	<u>2,424,026</u>
Non-current liabilities:	
Compensated absences	92,287
Other postemployment benefit liability	127,735
Pension liability	<u>9,014,469</u>
Total Non-current Liabilities	<u>9,234,491</u>
Total Liabilities	<u>11,658,517</u>
Deferred inflows of resources:	
Pension related	<u>243,314</u>
Net position:	
Invested in capital assets	61,143,509
Restricted for:	
Scholarship restricted endowment fund	2,446,761
Other restricted funds	3,977,921
Unrestricted	<u>(8,151,415)</u>
Total Net position	<u>59,416,776</u>
Total Liabilities, Deferred inflows of resources and Net position	<u>\$ 71,318,607</u>

The accompanying notes are an integral part of the financial statements.

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

(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2024

Operating Revenues:	
Tuition and fees (net of scholarship allowance of \$92,584)	\$ 2,204,038
Grants and contracts	137,470
Rent	129,220
Other	<u>91,337</u>
Total Operating Revenues	<u>2,562,065</u>
Operating Expenses:	
Salaries and fringe benefits	3,623,391
Faculty professional and consulting services	2,700,455
Professional and consulting services	120,287
Depreciation	2,452,666
Rent	32,404
Utilities	803,129
Repairs and maintenance	709,361
Scholarships	107,273
Bad debts	32,127
General and administrative	<u>1,459,527</u>
Total Operating Expenses	<u>12,040,620</u>
Net Operating Loss	\$ <u>(9,478,555)</u>

(Continued)

The accompanying notes are an integral part of the financial statements.

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA
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Statement of Activities and Changes in Net Position, Continued
For the Year Ended June 30, 2024

Non-operating Revenues:	
Contribution from Commonwealth of Puerto Rico	\$ 6,373,967
Federal Financial Assistance	1,973,342
Interest income	126,375
Gift and grants	594,207
Other	<u>90,898</u>
Total Non-operating Revenue	9,158,789
Interest earned on endowment funds	<u>107,157</u>
Decrease in net position	(212,609)
Net position at beginning of year	<u>59,629,385</u>
Net position at end of year	\$ <u><u>59,416,776</u></u>

The accompanying notes are an integral part of the financial statements.

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

(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Cash Flows
For the Year Ended June 30, 2024

Cash Flows from Operating Activities

Tuition and fees	\$ 409,324
Grants and contracts	311,769
Payments to employees and related fringe benefits	(6,719,182)
Payments to suppliers	(3,201,671)
Other receipts, including rent	<u>227,866</u>
Net cash used in operating activities	<u>(8,971,894)</u>

Cash Flows from Non-Capital Financing Activities

Contribution from Commonwealth of Puerto Rico	6,371,630
Federal Financial Assistance	1,973,342
Other income	96,771
Gift and grant	<u>590,671</u>
Net cash provided by non-capital financing activities	<u>9,032,414</u>

Cash Flows from Capital and Related Financing Activities

Addition to term endowment	<u>107,157</u>
Net cash provided by capital and related financing activities	<u>107,157</u>

Cash Flows from Investing Activities

Interest income	126,375
Acquisition of capital assets	(1,036,963)
Acquisition of restricted investments in marketable securities at fair value	<u>(389,591)</u>
Net cash used in investing activities	<u>(1,300,179)</u>
Net change in cash and cash equivalents	(1,132,502)
Cash and cash equivalents at beginning of year	<u>7,898,218</u>
Cash and cash equivalents at end of year	\$ <u>6,765,716</u>

(Continued)

The accompanying notes are an integral part of the financial statements.

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

(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Cash Flows, Continued
For the Year Ended June 30, 2024

As Presented in the Statement of Net Position

Cash	\$ 1,784,994
Restricted cash and cash equivalents	
Current	46,594
Non-current	<u>4,934,128</u>
Total cash and cash equivalents	<u><u>6,765,716</u></u>

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Net Operating Loss	<u>(9,478,555)</u>
Adjustment to reconcile net operating loss to net cash used in operating activities:	
Depreciation	2,452,666
Bad debts	32,127
Pension and OPEB expenses	(389,667)
(Increase)/decrease in assets:	
Accounts receivable	153,164
Prepaid expenses	254,729
Increase/(decrease) in liabilities:	
Accounts payable	(187,040)
Accrued expenses	(39,093)
Compensated absences	28,173
Deferred inflows of resources	<u>(1,798,398)</u>
Total adjustments	<u>506,661</u>
Net cash used in operating activities	<u>\$ (8,971,894)</u>

The accompanying notes are an integral part of the financial statements.

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

(A Component Unit of the Commonwealth of Puerto Rico)

Notes to Financial Statements
June 30, 2024

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

Financial Reporting

The accompanying basic financial statements of the Corporation are presented in conformity with U.S. Generally Accepted Accounting Principles (US GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying basic financial statements present the financial position of the Corporation, the results of operations, and its cash flows of the business-type activities. The basic financial statements are presented as of June 30, 2023, and for the year then ended.

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

(Continued)

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

(A Component Unit of the Commonwealth of Puerto Rico)

Notes to Financial Statements
June 30, 2024

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

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

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

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

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

Measurement Focus and Basis of Accounting

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

(Continued)

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

(A Component Unit of the Commonwealth of Puerto Rico)

Notes to Financial Statements
June 30, 2024

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

Application of Accounting Standards

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

The Corporation's pension costs accounting transitioned from GASB Statement No. 68 to the requirements of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within The Scope of GASB No. 68*. Accordingly, pension costs are reported based on the employer total pension liability, pension expense and deferred outflows/inflows of resources reported by the Employees' Retirement System Administration (ERS) (refer to note 2).

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

(Continued)

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

Notes to Financial Statements
June 30, 2024

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

Classification of Revenues and Expenses

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

Designation of Management

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

Capacity to Manage Operations

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

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures at the date of the basic financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Corporation considers all unrestricted highly liquid investments with an initial maturity of three (3) months or less to be cash equivalents.

(Continued)

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

(A Component Unit of the Commonwealth of Puerto Rico)

Notes to Financial Statements

June 30, 2024

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

Restricted investments at fair value

The Corporation follows the provisions of GASB Statement No. 72, *Fair Value Measurement and Application* for its investments in marketable securities. This statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The hierarchy gives the highest priority to observable quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels are described as follows:

Level 1 - inputs are quoted prices in active markets for identical assets.

Level 2 - inputs are significant other observable inputs.

Level 3 - inputs are significant unobservable inputs.

Concentration of Credit Risk

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

Allowance for Credit Losses

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

(Continued)

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA
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Notes to Financial Statements

June 30, 2024

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

Capital Assets

Property, plant, equipment, and books and materials are stated at historical cost when purchased or at estimated fair value when donated. Costs of normal maintenance and repairs that do not add value to the asset nor extend assets lives are not capitalized. Improvements to building and other assets that significantly increase the value or extend the useful life of the assets are capitalized. Depreciation is computed on a straight-line basis over the following estimated useful lives:

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

Impairment of Long-Lived Assets

The Corporation follows the provision of GASB No. 42, *Accounting and Financial Reporting for Impairments of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also establishes accounting requirements for insurance recoveries. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. During the year ended June 30, 2024, the Company evaluated its capital assets for impairment amount, if any, would not have a material impact in the Corporation's financial statements.

(Continued)

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

(A Component Unit of the Commonwealth of Puerto Rico)

Notes to Financial Statements
June 30, 2024

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

Net Position Classifications

Net Position is classified and displayed in the following three (3) categories:

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

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

Compensated Absences

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

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

(Continued)

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

(A Component Unit of the Commonwealth of Puerto Rico)

Notes to Financial Statements

June 30, 2024

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

Compensated Absences, Continued

During the year 2024, the Corporation's employees were granted vacations and sick leave as follows.

Vacations

Vacations were accrued as follows:

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

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

Sick leave

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

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

(Continued)

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

Notes to Financial Statements
June 30, 2024

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

Compensated Absences, Continued

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

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

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

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

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

In accordance with the above criteria and requirements as established by GASB No. 16; the Corporation has accrued a liability for compensated absences, which has been earned but not taken by Corporation's employees. For the financial statements, the current portion is the amount estimated to be used in the following years. Accrued compensated absences for the fiscal year ended June 30, 2024, for vacation days only, amounted to \$154,868.

Contributions from Commonwealth of Puerto Rico

The Corporation receives annually legislative appropriations from the Government of the Commonwealth of Puerto Rico. These appropriations are for the operations of the Corporation and are recognized when granted.

(Continued)

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

(A Component Unit of the Commonwealth of Puerto Rico)

Notes to Financial Statements
June 30, 2024

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

Scholarship Allowances and Student Financial Aid

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

Gifts and Pledges

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

Risk Financing

The Corporation carries commercial insurance to cover casualty, theft, claims and other losses. During the year ended June 30, 2021, the Corporation decided to self-insure the Property area. Nonetheless, the current insurance policies have not been cancelled or terminated. The Corporation has not settled any claims in excess of its insurance coverage for the year ended June 30, 2024.

Accounting for Pension Costs

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

(Continued)

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA
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Notes to Financial Statements

June 30, 2024

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

Other Postemployment Benefits

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

Reclassification

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

New Accounting Pronouncements

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

GASB Statement No.	Description	Adoption Required in Fiscal Year
		July 1 st to June 30 th
101	Compensated Absences	2025
102	Certain Risk Disclosures	2025
103	Financial Reporting Model Improvements	2026
104	Disclosure of Certain Capital Assets	2026

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

(Continued)

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

Notes to Financial Statements
June 30, 2024

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

Effects of New Accounting Standards

GASB Statement No. 100, *Accounting Changes and Error Corrections* —an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity. This Statement also addresses corrections of errors in previously issued financial statements. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. This statement had no impact on the accompanying financial statements.

2. DEPOSITS AND INVESTMENTS

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

	Book Balance			Bank Balance
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>	
Deposits in Commercial				
Institutions	\$ 1,784,313	4,980,722	6,765,035	6,765,035
Petty Cash	<u>681</u>	<u>-</u>	<u>681</u>	<u>-</u>
Total	\$ <u>1,784,994</u>	<u>4,980,722</u>	<u>6,765,716</u>	<u>6,765,035</u>

The restricted investments at fair value are part of the endowment funds of the Corporation. as of June 30, 2024, the portfolio consists of:

- Mutual Fund, open-ended mutual funds composed mainly of debt securities from the US Treasury, which conform to the investment policy of the Endowment Fund. All securities have maturity dates between 1 and 5 years.

(Continued)

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA
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Notes to Financial Statements
June 30, 2024

2. DEPOSITS AND INVESTMENTS, Continued

- Exchange Traded Fund (ETF), a pooled investment security that can be bought and sold much like an individual stock. The two (2) categories of ETF held by the Corporation consist of a portfolio of fixed income instruments, namely preferred stocks and senior debt. These categories of investments conform to the investment policy of the Endowment Fund.

The portfolio's credit quality distribution and hierarchy valuation for securities as of June 30, 2024 is as follows:

Investment Type	Fair Value	Quality Rating					
		AAA	AA	BBB	BB	B	Not Rated
Level 1							
<i>Exchange-Traded Funds</i>							
FTSL	107,432	-	-	-	-	107,432	-
FPE	114,558	-	-	114,558	-	-	-
<i>Mutual Funds</i>							
MAWIX	51,415	-	51,415	-	-	-	-
MFBIX	585,252	-	585,252	-	-	-	-
JTSXX	284,607	284,607	-	-	-	-	-
PXHIX	108,052	-	-	-	108,052	-	-
Level 3							
<i>Mutual Funds</i>							
Parliament SBIC Growth Fund	192,644	-	-	-	-	-	192,644
Total restricted investments	\$ 1,443,960	284,607	636,667	114,558	108,052	107,432	192,644

As required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment of *GASB Statement No. 3*, the following is essential information about credit risk, interest rate risk, custodial credit risk, and foreign exchange exposure of deposits and investments of the Corporation for the year ended June 30, 2024:

- Credit Risk – This is the risk that in the event of bank failure, the Corporation's deposit might not be recovered. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The Commonwealth of Puerto Rico requires that public funds deposited in commercial banks be fully collateralized for the amount deposited in excess of the limit insured by the FDIC. All securities pledged as collateral are held by the Secretary of the Treasury of the Commonwealth of Puerto Rico. Thus, the credit risk is low.

(Continued)

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

Notes to Financial Statements
June 30, 2024

2. DEPOSITS AND INVESTMENTS, Continued

- *Custodial Credit Risk* – This is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits, the value of investments or collateral securities that are in the possession of an outside party. The Corporation's bank balances are insured by the FDIC up to the applicable statutory limits. Authorized depositories collateralize the amount deposited in excess of the federal depository insurance of \$250,000 with securities that are pledged with the Department of the Treasury.
- *Foreign Exchange Risk* – This is the risk that changes in exchange rates will adversely affect the value of an investment or a deposit. The Corporation is prevented from investing in foreign securities or any other types of investments for which foreign exchange risk exposure may be significant. Accordingly, management has concluded that the foreign exchange risk related to the Corporation's deposits is considered low.
- *Interest Rate Risk* – This is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Corporation manages its exposure to declines in fair values by: (1) constantly monitoring debt and equity investments in its portfolio, (2) limiting the weighted average maturity of its investments in certificates of deposit to periods of three months or less, and (3) keeping most of its banks' deposits and certificates of deposit in interest bearing accounts generating interest at prevailing market rates. The interest rate risk associated with the Corporation's cash and cash equivalents are considered low since the majority of the investment portfolio is in mutual funds.

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts of student tuition and fees, contract and grant reimbursements due from third parties, reported net of allowances. Allowances for uncollectible accounts, are reported based on management's best estimate as of fiscal year-end considering type, collection history, and other factors considered appropriate. As of June 30, 2024, the Corporation reported the following amounts as accounts receivable:

Students Tuition and Fees	\$ 112,777
Contracts and Grants	363,881
Other	66,983
	<hr/> 543,641
Less: Allowance for Doubtful Accounts	<hr/> (68,747)
	<hr/>
Accounts Receivable, Net	\$ <u><u>474,894</u></u>

(Continued)

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

Notes to Financial Statements

June 30, 2024

4. CAPITAL ASSETS

The capital assets at the Corporation as of June 30, 2024 are as follows:

	<u>6/30/2023</u>	<u>Increase</u>	<u>6/30/2024</u>
Capital Assets Not Being Depreciated:			
Land	\$ 5,156,500	-	5,156,500
Capital Assets Being Depreciated:			
Building	81,534,780	-	81,534,780
Library	375,670	-	375,670
Furniture and equipment	4,378,012	171,862	4,549,874
Leasehold improvements	1,330,579	827,100	2,157,679
Musical instruments	3,202,078	27,663	3,229,741
Software	444,622	10,338	454,960
Motor vehicles	17,500	-	17,500
Total Capital Assets Being Depreciated	<u>91,283,241</u>	<u>1,036,963</u>	<u>92,320,204</u>
Less Accumulated Depreciation:			
Building	(25,804,261)	(2,038,369)	(27,842,630)
Library	(296,886)	(9,392)	(306,278)
Furniture and equipment	(3,411,964)	(175,824)	(3,587,788)
Leasehold improvements	(1,330,579)	(59,079)	(1,389,658)
Musical instruments	(2,594,250)	(161,692)	(2,755,942)
Software	(425,089)	(8,310)	(433,399)
Motor vehicles	(17,500)	-	(17,500)
Total Accumulated Depreciation	<u>(33,880,529)</u>	<u>(2,452,666)</u>	<u>(36,333,195)</u>
Net Capital Assets	<u>\$ 62,559,212</u>	<u>(1,415,703)</u>	<u>61,143,509</u>

5. UNEARNED REVENUES AND ADVANCES UNDER CONTRACTS AND GRANTS

Unearned revenues include student tuition and fees paid in advance for the next academic semester. Amounts received under contracts and grants for specific restricted use are reported as advances. As of June 30, 2024, the Corporation reported the following amounts related with tuition and contracts:

Unearned tuition and fees	\$ 211,840
Advances under contracts and grants	<u>1,194,428</u>
Total	<u>\$ 1,406,268</u>

(Continued)

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

Notes to Financial Statements
June 30, 2024

6. RETIREMENT SYSTEM

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

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

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

The PayGo charge is determined by actual benefit amounts paid to retirees and beneficiaries per each covered entity, as established by article 2.1 of law 106-2017. The PayGo charge requirement in the future years will increase in accordance with the law 106, as liquid retirement funds become depleted. The total amount paid by the Corporation under the PayGo charge for the year ended June 30, 2024, amounted to \$516,607. This amount represents 100% of the required payments for the corresponding year for pension and other postemployment benefit plans.

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

The Corporation implemented the Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and amendments to certain provision of GASB Statement 67 and 68*, in the fiscal year ended June 30, 2018. The implementation of the Statement required the Corporation to allocate its proportionate share of the local Government Employees' Retirement System Total Pension Liability, deferred outflows of resources, deferred inflows of resources, pension expense and the effects on the net position of benefits paid by the Corporation during the measurement period. Adjustments were made to reflect said effects on the accompanying financial statements.

(Continued)

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Notes to Financial Statements
June 30, 2024

6. RETIREMENT SYSTEM, Continued

At June 30, 2024, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,634	59,372
Changes of assumptions	363,500	-
Changes in proportion	247,252	183,942
Benefits paid after measurement date	<u>505,282</u>	<u>-</u>
	\$ <u>1,122,668</u>	<u>243,314</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions at June 30, 2023 will be recognized in pension expense/(benefit) in future years as follows:

<u>Year Ending June 30,</u>	<u>Collective Data</u>	<u>Proportionate Share</u>
2024	\$ <u>678,039,222</u>	<u>374,072</u>

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

(Continued)

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Notes to Financial Statements
June 30, 2024

6. RETIREMENT SYSTEM, Continued

Actuarial Methods and Assumptions

The total pension liability as of June 30, 2023 (the measurement date) was determined by an actuarial valuation as of July 1, 2022, respectively, that was rolled forward to June 30, 2023, for reporting periods ending June 30, 2023 and June 30, 2024. This actuarial valuation used the following actuarial methods and assumptions, applied to all periods in the measurement:

Actuarial cost method	Entry age normal
Inflation rate	Not applicable
Salary increases	3.00% per year. No compensation increases are assumed until July 1, 2022, as a result of Act No. 3-2017, four-year extension of Act No. 66-2014, and the current general economy.

Discount rate

The discount rate for June 30, 2023 was 3.65%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality

The mortality tables used in the 2023 actuarial valuations were as follows:

- Pre-retirement Mortality – For general employees not covered under Act No. 127-1958, PubG-2010 employee rates, adjusted by 100% for males and 110% for females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. For members covered under Act No. 127, the PubS-2010 Employee Mortality Rates are assumed for males and females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date. 100% of deaths while in active service are assumed to be occupational for members covered under Act 127-1958.

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Notes to Financial Statements
June 30, 2024

6. RETIREMENT SYSTEM, Continued

- Post-retirement Retiree Mortality – Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Plan’s experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date. This assumption is also used for beneficiaries prior to the member's death.
- Post-retirement Disabled Mortality – Rates which vary by gender are assumed for disabled retirees based on a study of the Plan’s experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.
- Post-retirement Beneficiary Mortality – Prior to retiree’s death, beneficiary mortality is assumed to be the same as the post-retirement retiree mortality. For periods after the retiree’s death, the PubG-2010(B) contingent survivor rates, adjusted by 110% for males and 120% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

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

The proportionate share of the Corporation of total Pension Liability is 0.04583%. The following presents the total OPEB liability of the Plan at June 30, 2023 calculated using the discount rate of 3.65%, as well as the Plan's total OPEB liability if it were calculated using the discount rate of 1-percentage point lower (2.65%) or 1-percentage point higher (4.65%) than the current rate, and the Corporation’s proportionate share:

		At 1 Percent Decrease (2.65%)	At Current Discount Rate (3.65%)	At 1 Percent Increase (4.65%)
Total Pension Liability	\$	<u>23,158,494,056</u>	<u>20,770,773,432</u>	<u>18,777,068,629</u>
Proportionate Share	\$	<u>10,614,101</u>	<u>9,519,751</u>	<u>8,605,988</u>

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Notes to Financial Statements
June 30, 2024

7. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico (“the Commonwealth”) for Retired Participants of the Employees' Retirement System (“the Plan”) is an unfunded, defined benefit other postemployment healthcare benefit plan (“OPEB”). The Plan is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (“GASB Statement No. 75”). Under the guidance of GASB Statement No. 75, the Commonwealth and its component units are considered to be one employer and are classified for financial reporting purposes as a single employer defined benefit OPEB plan. Therefore, the accompanying schedule of employer allocations and the schedule of OPEB amounts by employer (collectively, “the Schedules”) present the OPEB amounts attributable to the Commonwealth reporting entity.

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

The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the Commonwealth to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates. The Corporation has been provided the actuarial information report as of June 30, 2023 (measurement date).

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Notes to Financial Statements
June 30, 2024

7. OTHER POST-EMPLOYMENT BENEFITS, Continued

Allocation Methodology

GASB Statement No. 75 requires that the primary government and its component units that provide OPEB benefits through the same defined benefit OPEB plan, recognize their proportionate share of the total OPEB liability, deferred outflows and inflows of resources, and OPEB expense/(benefit). The employer allocation percentages presented in the schedule of employer allocations and applied to amounts presented in the schedule of OPEB amounts by employer are based on the ratio of Corporation to the total actual benefit payments paid during the year ending on the measurement date. Employer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer may result in immaterial differences.

Total OPEB Liability and Actuarial Information

The total OPEB liability as of June 30, 2023 (the measurement date) was determined by an actuarial valuation as of July 1, 2022, respectively, that was rolled forward to June 30, 2023, for reporting periods ending June 30, 2023 and June 30, 2024. The actuarial valuation used the following actuarial assumptions applied to all periods in the measurement period.

Actuarial assumptions

Mortality

Post-retirement Mortality

Rates, which vary by gender, are assumed for healthy retirees and beneficiaries based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2021 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 Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

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Notes to Financial Statements
June 30, 2024

7. OTHER POST-EMPLOYMENT BENEFITS, Continued

Discount rate

The discount rate for June 30, 2023 was 3.65%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The proportionate share of the Corporation of total OPEB Liability is 0.02169%. The following presents the total OPEB liability of the Plan at June 30, 2023 calculated using the discount rate of 3.65%, as well as the Plan's total OPEB liability if it were calculated using the discount rate of 1-percentage point lower (2.65%) or 1-percentage point higher (4.65%) than the current rate, and the Corporation's proportionate share:

		At 1 Percent Decrease (2.65%)	At Current Discount Rate (3.65%)	At 1 Percent Increase (4.65%)
Total OPEB Liability	\$	702,008,265	646,564,186	598,730,535
Proportionate Share	\$	152,260	140,235	129,860

8. NON-CURRENT LIABILITIES

Changes in non-current liabilities for the year ended June 30, 2024, are as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Current
Compensated Absences	\$ 126,695	71,615	43,442	154,868	62,581
Total Pension Liability	10,661,384	-	1,141,633	9,519,751	505,282
Total OPEB Liability	162,576	-	22,341	140,235	12,500
Total	\$ 10,950,655	71,615	1,207,416	9,814,854	580,363

(Continued)

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA
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Notes to Financial Statements
June 30, 2024

9. RESTRICTED ASSETS

a. Scholarship Restricted Endowment Fund

The scholarship restricted endowment fund, to be invested for twenty (20) years, was established in 2002. The awards made by private foundations were matched dollar by dollar by an equal amount provided by the Puerto Rico Department of Education, Title V. The Corporation may use only 50% of the endowment funds income. After twenty (20) years, it may use all of the endowment fund income for whatever educational purposes it defines.

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

Fundación Angel Ramos	\$ 200,000
Fundación Banco Popular	300,000
Donations Made by Individuals	<u>13,495</u>
	513,495
Transfer approved by Board of Directors	1,214,248
Matching Federal Funds, Title V	363,495
Accumulated Interest from Endowment Investment	727,304
Scholarships awarded	(317,996)
Scholarships to be awarded next year	<u>(53,785)</u>
Total endowment fund	\$ <u>2,446,761</u>

b. Other Restricted Fund

State funds	\$ 75,643
Federal funds	636,220
Donations	3,033,484
Other restricted funds (100x35)	<u>232,574</u>
Total other restricted fund	\$ <u>3,977,921</u>
Grand Total	\$ <u>6,424,682</u>

(Continued)

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA
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Notes to Financial Statements
June 30, 2024

10. COMMITMENTS AND CONTINGENCIES

Federal Financial Assistance Program

The Corporation participates in various federal financial assistance programs. These programs are subject to audits in accordance with the provisions of Title 2 CFR part 200, subpart F.

Institutional accreditation

The Corporation maintains institutional accreditation by the Middle States Commission on Higher Education (MSCHE), the regional accreditation entity, as its leading credential to validate and strengthen the quality and integrity of its endeavors in the framework of internationally recognized standards. The accreditation was ratified as of June 30, 2023. Next reevaluation will be for the academic year 2027-2028.

11. LITIGATION

The Corporation may be subject to claims and legal proceedings covering matters that arise from the ordinary course of business. As of June 30, 2024, it is Management understands, based on legal counsels' analysis, there are no matters that could have a material effect on the financial statements taken as a whole.

12. SUBSEQUENT EVENTS

Subsequent events were evaluated through March 28, 2025, which is the date the financial statements were available to be issued. No material subsequent events requiring further disclosure have been identified.

REQUIRED SUPPLEMENTARY INFORMATION

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA
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**REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF TOTAL PENSION LIABILITY
AS OF JUNE 30, 2024**

Total Pension Liability (Reporting Date)	2024	2023	2022	2021	2020	2019
Proportion of the total pension liability	0.04583%	0.04813%	0.03859%	0.03472%	0.03833%	0.04057%
Proportionate share of the total pension liability	\$ 9,519,751	10,661,384	10,489,342	9,746,666	9,524,093	9,934,677
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Proportionate share of the total pension liability as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

GASB Statement No. 73 requires information for 10 years. Nonetheless, 2019 was the first year of implementation in the Corporation, therefore only 6 years are shown. Until a full 10-year trend is compiled, the Corporation will only present information for the years for which information is available. The Corporation's total Pension liability as of June 30, 2024, 2023, 2022, 2021, 2020 and 2019 were measured on June 30, 2023, 2023, 2022, 2021, 2020, and 2019, respectively.

There are no assets accumulated in a trust that meets the criteria in GASBS No. 73, paragraph 4, to pay related benefits.

Covered payroll is no longer applicable since contributions are no longer based on payroll and were eliminated pursuant to Act No. 106-2017.

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**REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF TOTAL OPEB LIABILITY
AS OF JUNE 30, 2024**

Total OPEB liability (Reporting Date)	2024	2023	2022	2021	2020	2019	2018
Proportion of the total OPEB liability	0.02169%	0.02337%	0.02128%	0.02215%	0.02065%	0.02377%	0.02486%
Proportionate share of the total OPEB liability	\$ 140,235	162,576	169,879	193,712	171,867	200,149	228,832
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Proportionate share of the total OPEB liability as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

GASB Statement No. 75 requires information for 10 years. Nonetheless, 2018 was the first year of implementation in the Corporation, therefore only 7 years are shown. Until a full 10-year trend is compiled, the Corporation will present information for only those years for which information is available.

The Corporation's total OPEB liability as of June 30, 2024, 2023, 2022, 2021, 2020, 2019 and 2018 were measured on June 30, 2023, 2023, 2022, 2021, 2020, 2019, and 2018, respectively.

There are no assets accumulated in a trust that meets the criteria in GASBS No. 75, paragraph 4, to pay related benefits.

Covered payroll is no longer applicable since contributions are no longer based on payroll and were eliminated pursuant to Act No. 106-2017.

SUPPLEMENTARY INFORMATION

**CORPORACIÓN DEL CONSERVATORIO DE MÚSICA
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Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Passthrough ID Number	Passthrough Entity	Direct Federal Award Expenditures	Indirect Federal Award Expenditures
U.S. Department of Education:					
Student Financial Assistance Cluster Program					
Federal Pell Grant Program	84.063			\$ 1,078,455	\$ -
William D. Ford Federal Direct Loan Program	84.268			252,296	-
Federal Work-Study Program	84.033			19,783	-
Federal Supplemental Educational Opportunity Grants	84.007			17,292	-
Total U.S. Department of Education Cluster Award				1,367,826	-
U.S. Department of Homeland Security					
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	PA-02-PR-4339-PW-05896	Central Office of Recovery, Reconstruction, and Resiliency	-	388,918
Total U.S. Department of Homeland Security Program				-	388,918
U.S. Department of Justice:					
Victims of Crime Assistance (VOCA)	16.575	2021-VA-CDMTS-01	PR Department of Justice	-	6,940
Total U.S. Department of Justice Program				-	6,940
U.S. Department of Treasury					
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	PR Fiscal Agency and Financial Advisory Authority	-	2,343,563
Total U.S. Department of Treasury Program				-	2,343,563
Total Expenditures of Federal Awards				\$ 1,367,826	\$ 2,739,421

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

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Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

1. BASIS PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (“the Schedule” or “SEFA”) includes the federal grant activity of the Corporation under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures included in the Schedule, except for the “Disaster Grants – Public Assistance” (ALN 97.036), are reported on the accrual basis of accounting, which is further explained in Note 1 to the accompanying financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, where in certain types of expenditures are not allowable or limited as to reimbursements. The related amounts in the Schedule agree with the amounts reported in the accompanying financial statements.

Expenditures for the “Disaster Grants – Public Assistance” are recognized in the period when: (1) the Federal Emergency Management Agency (FEMA) has approved the Project Worksheet (PW), and (2) eligible expenditures are incurred. This results in presenting eligible expenditures incurred in prior years in the current year SEFA because the PW was approved in subsequent years, except as explained in Note 11.

3. RELATION TO FEDERAL FINANCIAL REPORTS

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

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

(Continued)

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Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

4. RELATION TO FINANCIAL STATEMENTS

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

5. CLUSTER PROGRAMS

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

6. LOAN PROGRAM

William D. Ford Federal Direct Loan - The Corporation is responsible only for the performance of certain administrative duties with respect to the William D. Ford Federal Direct Loan. Accordingly, balances and transactions relating to this program are not included in the Corporation's basic financial statements. Therefore, it is not practical to determine the balance of Loans outstanding to students and former students of the Corporation at June 30, 2024.

Federally guaranteed loans issued to students of the Corporation during the year ended June 30, 2024, are summarized as follows:

	Federal Assistance Listing Number		2024
William D. Ford Federal Direct Loan Program	84.268	\$	<u>252,296</u>

7. DISTINCTION BETWEEN TYPE A AND TYPE B PROGRAMS

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

(Continued)

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Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

8. MATCHING COSTS

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

9. INDIRECT COST

The Corporation has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

10. PASS-THROUGH

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

11. CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

During the fiscal year ended June 30, 2021, the governor of Puerto Rico assigned to the Corporation an allocation of the Coronavirus State and Local Fiscal Recovery Fund (“SLFRF”), from the Section 9901 of the American Rescue Plan Act (“ARPA”). The Corporation was granted funds of this award by a local government pass-through entity. The amounts received and used were recorded in the corresponding financial statements for 2022, 2023 and 2024. The expenditures during each fiscal year were as follows:

<u>As of June 30,</u>	<u>Amount</u>
2022	\$ 277,315
2023	484,233
2024	<u>1,582,015</u>
Total	\$ <u>2,343,563</u>

The expenditures under this pass-through grant for 2022 and 2023 were not reported in the corresponding SEFA. The cause of the omission was an oversight by the Corporation in realizing the source of the funds and the reporting impact. Notwithstanding, the local pass-through entity exercised monitoring activities on the Corporation by establishing reporting and other requirements between them for the use and report of the funds. Such requirements were satisfied at the corresponding time.

This condition was the subject of a consultation with an officer at the U.S. Department of the Treasury, the federal grantor agency. The recommendation received was to include and properly disclose the expenditures of 2022 and 2023 in the SEFA for 2024.

ZAYAS, MORAZZANI & CO.
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 366225
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Corporación del Conservatorio de Música de Puerto Rico** (the Corporation), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 28, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

San Juan, Puerto Rico
March 28, 2025

Zayas, Morazzani & Co.



D0P95-115

Corporación del Conservatorio de Música de
Puerto Rico

ZAYAS, MORAZZANI & CO.
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited **Corporación del Conservatorio de Música de Puerto Rico** (the Corporation)'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended June 30, 2024. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Corporation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

San Juan, Puerto Rico
March 28, 2025

Zayas, Morazzani & Co.



D0P95-116

Corporación del Conservatorio de Música de
Puerto Rico

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

(A Component Unit of the Commonwealth of Puerto Rico)

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unmodified
---------------------------------	------------

Internal Control over financial reporting:

- | | |
|--|----|
| 1. Material weakness identified? | No |
| 2. Significant deficiencies that are not to be considered material weakness? | No |
| 3. Non-compliance material to financial statement noted? | No |

Financial Awards

Internal control over major programs:

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

The programs tested as major programs are the following:

Federal grantor/Name of Federal Program or Cluster	Federal Assistance Listing Number
Student Financial Assistance Cluster Program:	
Federal Pell Grant Program	84.063
William D. Ford Federal Direct Loan Program	84.268
Federal Work-Study Program	84.033
Federal Supplemental Educational Opportunity Grants	84.007
Coronavirus State and Local Fiscal Recovery Funds	21.027
Dollar threshold used to distinguish between Types A and B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

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

(A Component Unit of the Commonwealth of Puerto Rico)

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

SECTION II – FINDING – FINANCIAL STATEMENTS AUDIT

- None Reported.

SECTION III - FEDERAL AWARDS FINDINGS

Finding Number: 2024-001

Federal Program:

(ALN 21.027) Coronavirus State and Local Fiscal Recovery Funds

Category:

Internal Control over Reporting

Compliance Requirement:

Reporting

Condition:

During the audit procedures over the Schedule of Expenditures of Federal Awards (SEFA) prepared by the Corporation for 2024, it was identified that the expenditures of this program received through a local state entity were not included in the SEFA. Also, it was determined that the expenditures for 2022 and 2023 were excluded from the corresponding SEFA. See related information on Note 11 to the SEFA.

Criteria:

2 CFR §200.510 Financial Statements (b), states that the auditee must prepare a Schedule of Expenditures of Federal Awards for the period covered by the auditee's financial statements which must include the total Federal awards expended. At a minimum, the schedule must: (1) list individual Federal Programs by Federal agency, (2) for Federal awards received as a subrecipient, the name of the Pass-Through Entity and identifying number assigned by the Pass-Through Entity must be included, (3) provide total Federal awards expended for each individual Federal program and the Assistance Listing number (ALN), (4) include the total amount provided to subrecipients from each Federal program, (5) for loan or loan guarantee programs identify in the notes to the schedule the balances outstanding at the end of the audit period, and (6) include notes describing the significant accounting policies used in preparing the schedule.

Cause:

The cause was an oversight in realizing the source of the funds received through a local government entity. Consequently, the expenditures of the federal award were not included in the SEFA.

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

(A Component Unit of the Commonwealth of Puerto Rico)

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

Effect:

The SEFA for 2024 was corrected before issuance. However, as stated in Note 11 to the SEFA, the expenditures for 2023 and 2022 were added to the 2024 reporting period, following the advice, upon consultation, of an officer of the U.S. Department of the Treasury, the federal grantor agency. Notwithstanding, the Corporation complies with the requirements for the expenditure of the federal award, as established by the Uniform Guidance and as required and monitored by the local pass-through entity.

Questioned Cost:

None.

Recommendation:

We recommend management to include additional procedures to identify the source of funds received from pass-through entities and to consider it on each preparation of the SEFA.

Management Response:

Management acknowledges that expenditures related to the Coronavirus State and Local Fiscal Recovery Funds (ALN 21.027), received through a local governmental entity, were initially omitted from the Schedule of Expenditures of Federal Awards (SEFA) in fiscal years 2022 and 2023. These expenditures were subsequently reported in the 2024 SEFA following consultation with an officer of the U.S. Department of the Treasury.

We emphasize that this matter pertains solely to the classification and reporting timeline of the expenditures in the SEFA and does not reflect any noncompliance with the underlying federal requirements for the use or management of the funds. At all times, the Corporation has maintained appropriate internal controls over federal program expenditures and adhered to the eligibility and documentation standards required by the Uniform Guidance and the respective pass-through entity.

The root cause of the observation, as correctly noted, was a reporting oversight stemming from the indirect receipt of federal funds. In response, management is implementing enhanced controls and formal procedures to ensure that all funding sources, particularly those received through intermediary or pass-through entities, are correctly identified and appropriately classified for reporting. These measures include:

- Expanding documentation requests to verify funding sources.
- Maintaining ongoing dialogue with pass-through entities to confirm federal assistance classifications.

The Corporation remains fully committed to robust financial stewardship, regulatory compliance, and transparent federal award reporting.

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

(A Component Unit of the Commonwealth of Puerto Rico)

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2024

SECTION IV – SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

- None Reported.

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

(A Component Unit of the Commonwealth of Puerto Rico)

Audit Engagement Profile
For the Year Ended June 30, 2024

<u>AUDITORS</u>	:	Zayas, Morazzani & Co.
<u>CONTACT PERSON</u>	:	Mr. Luis A. Martínez-Renta, CPA, Partner l.martinez@zmcompany.com
<u>FEDERAL EMPLOYER ID NUMBER</u>	:	66-0365844
<u>ADDRESS</u>	:	Belisa Development 1538 Bori Street San Juan, Puerto Rico 00927
<u>LICENSE NUMBER</u>	:	95
<u>TELEPHONE NUMBER</u>	:	(787) 753-7025; 753-7038
<u>FAX NUMBER</u>	:	(787) 759-7122

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

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

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

**CORRECTIVE ACTION PLAN
PROVIDED BY
CORPORACION DEL
CONSERVATORIO DE MUSICA DE
PUERTO RICO**



CONSERVATORIO DE MÚSICA DE PUERTO RICO

FINDING NUMBER	2024-001
AUDITOR'S TYPE OF FINDING	Internal Control over Reporting
CONDITION	During the audit procedures over the Schedule of Expenditures of Federal Awards (SEFA) prepared by the Corporation for 2024, it was identified that the expenditures of this program received through a local state entity were not included in the SEFA. Also, it was determined that the expenditures for 2022 and 2023 were excluded from the corresponding SEFA. See related information on Note 11 to the SEFA.
AUDITORS' RECOMMENDATION	Include additional procedures to identify the source of funds received from pass-through entities and to consider it on each preparation of the SEFA.
CORRECTIVE ACTION PLAN	Management is implementing enhanced controls and formal procedures to ensure that all funding sources, particularly those received through intermediary or passthroughentities, are correctly identified and appropriately classified for reporting. These measures include: <input type="checkbox"/> Expanding documentation requests to verify funding sources. <input type="checkbox"/> Maintaining ongoing dialogue with pass-through entities to confirm federal assistance classifications.
LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION	Gloryber Laboy Espinell, Dean of Administration and Finance
TARGET COMPLETION DATE	Already implemented

Certifying Official:

Name and Position: Gloryber Laboy Espinell, Dean of Administration and Finance

Date: March 31, 2025