



Corporación Congreso Internacional
De La Lengua Española – CILE Puerto Rico 2016
(A Component Unit of the Puerto Rico Tourism Company)

Basic Financial Statements and
Required Supplementary Information
Fiscal Year Ended June 30, 2016



**CONGRESO INTERNACIONAL DE LA LENGUA ESPAÑOLA
CILE PUERTO RICO 2016**

(A Component Unit of the Puerto Rico Tourism Company)

Basic Financial Statements and Required Supplementary Information
Fiscal Year Ended June 30, 2016

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INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
Corporación Congreso Internacional De La Lengua Española
CILE Puerto Rico 2016:

We have audited the accompanying financial statements of the governmental activities of Corporación Congreso Internacional De La Lengua Española – CILE Puerto Rico 2016, a Component Unit of the Puerto Rico Tourism Company, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Corporación Congreso Internacional De La Lengua Española – CILE Puerto Rico 2016's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the "Corporación Congreso Internacional De La Lengua Española- CILE Puerto Rico 2016 as of June 30, 2016, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of 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 supplemental 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.

San Juan, Puerto Rico
December 12, 2016.



Stamp No. E259406 of the Puerto Rico
Society of Certified Public Accountants
was affixed to the record copy of this report.

CILE PUERTO RICO 2016 CORPORATION
(A Component Unit of the Puerto Rico Tourism Company)
Management Discussion and Analysis (Unaudited)
Fiscal year ended June 30, 2016

As management of the Corporación Congreso Internacional de la Lengua Española (CILE) Puerto Rico 2016 (the Corporation), a Special Revenue Fund and blended Component Unit of the Puerto Rico Tourism Company (the Company), we offer readers of these basic financial statements, our discussion and analysis of the Corporation's financial performance for the fiscal year ended June 30, 2016. Please read the information presented in this section together with the Corporation's basic financial statements, including the notes thereto, which follow this section.

The discussion and analysis is intended to serve as an introduction to the Company's basic financial statements, which comprise the following components: (1) Government-Wide Financial Statements, composed of (i) statement of net position and (ii) statement of activities; and (2) Governmental Fund Financial Statements, including (i) balance sheet, (ii) reconciliation of the balance sheet to the statement of net position, (iii) statement of revenues, expenditures, and changes in fund balances, and (iv) reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities.

Financial Highlights

- The Corporation continues to be impacted by the actual fiscal deterioration of the economic condition of the Commonwealth of Puerto Rico (the Commonwealth). As publicly disclosed, the Commonwealth is facing recurring deficits, negative financial position, further deterioration of its economic condition, and inability to access the credit market. There has been a prolonged economic recession since year 2006, high unemployment, population decline and high level of debt and pension obligations.
- The Corporation was created during 2015 for the purpose of producing and coordinating the Spanish Language International Congress for 2016.
- The direct economic impact of this event was approximately \$1.4 million on the tourism industry and approximately \$900 thousand on the food industry and \$269 thousand on other related expenses.
- During the year ended June 30, 2016, the Corporation received contributions from the Company for \$2.3 million.
- The Corporation's net position at June 30, 2016 was approximately \$493 thousand.

Overview of the Financial Statements

The basic financial statements of the Corporation are prepared in conformity with accounting principles generally accepted in the United States of America, as applicable to governmental entities. Accordingly, the basic financial statements include two kinds of statements that present different views of the Corporation.

The first two statements are government-wide financial statements that provide both short and long-term information about the Corporation's overall financial position and results of operations. These statements are presented on the accrual basis of accounting and comprise a statement of net position and a statement of activities.

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Management Discussion and Analysis (Unaudited)

Fiscal year ended June 30, 2016

The remaining statements are fund financial statements that focus on the Special Revenue Fund, thus, reporting the Corporation's operations in more detail than the government-wide financial statements. The government funds statements show how services, such as promotional activities and tourism development, were financed in the short-term as well as what remains for future spending, while the proprietary funds statements offer short and long-term financial information about the activities in which the government operates, similar to private sector companies.

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes are an integral part of the basic financial statements.

Governmental Activities

Condensed financial information of governmental activities in the statement of net position as of June 30, 2016 and 2015 is as follows:

	As of June 30,		Increase (Decrease)	Variance Percentage
	2016	2015		
Assets:				
Current assets	\$ 520,181	\$ 115,618	\$ 404,563	350%
Other noncurrent assets	-	273,628	(273,628)	-100%
Total assets	<u>520,181</u>	<u>389,246</u>	<u>130,935</u>	<u>34%</u>
Liabilities:				
Current liabilities	<u>27,154</u>	<u>7,834</u>	<u>19,320</u>	<u>247%</u>
Total liabilities	<u>27,154</u>	<u>7,834</u>	<u>19,320</u>	<u>247%</u>
Net position - Unrestricted	<u>\$ 493,027</u>	<u>\$ 381,412</u>	<u>\$ 111,615</u>	<u>29%</u>

The total assets increased by approximately \$130 thousands from approximately \$389 thousand as of June 30, 2015 to approximately \$520 thousand as of June 30, 2016. The increase is mainly due to the increase of cash by approximately \$404 thousand and the decrease of the prepaid expenses by approximately \$273 thousand.

The total liabilities increase by approximately \$19 thousand. The increase is mainly by accumulated invoices of transportation and professional services by approximately \$16 thousand as of June 30, 2016.

CILE PUERTO RICO 2016 CORPORATION
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Management Discussion and Analysis (Unaudited)

Fiscal year ended June 30, 2016

Condensed financial information of governmental activities in the statement of activities for the years ended June 30, 2016 and 2015 is shown below:

	<u>Year ended June 30</u>		<u>Increase (Decrease)</u>	<u>Variance Percentage</u>
	<u>2016</u>	<u>2015</u>		
Program revenues:				
Operating grants and contributions	\$ 2,300,000	\$ 400,000	\$ 1,900,000	475%
General revenues:				
Other	<u>406,558</u>	<u>80</u>	<u>406,478</u>	<u>508098%</u>
	<u>2,706,558</u>	<u>400,080</u>	<u>2,306,478</u>	<u>577%</u>
Functions/Programs:				
General government	2,358,992	18,668	2,340,324	12537%
Advertising and promotion	<u>235,951</u>	<u>-</u>	<u>235,951</u>	<u>100%</u>
	<u>2,594,943</u>	<u>18,668</u>	<u>2,576,275</u>	<u>13800%</u>
Change in net position	111,615	381,412	(269,797)	-71%
Net position – beginning of year	<u>381,412</u>	<u>-</u>	<u>381,412</u>	<u>100%</u>
Net position – end of year	<u>\$ 493,027</u>	<u>\$ 381,412</u>	<u>\$ 111,615</u>	<u>29%</u>

Total revenues increase by approximately \$2.3 million during the year ended June 30, 2016. This increase is mainly due to the increase in contributions from PRTC to CILE by approximately \$2.3.

Total expenses increase by approximately \$2.5 million. The increase is mainly due to music activities, lodging, professional services, transportation, office rent, advertising and promotion, and public relations by approximately \$98 thousand, \$597 thousand, \$899 thousand, \$447 thousand, \$228 thousand, \$158 thousand and \$78 thousand.

The governmental fund financial statements reflect the same figures as the government-wide financial statements since there were no reconciling items among the two accounting bases.

Economic Factors

During fiscal year ended June 30, 2016, the number of persons registered in lodgings endorsed by the Company, including residents of Puerto Rico and outer tourists, was approximately 2.64 million, an increase of 1.9% over the number of persons registered during the same period of fiscal year ended June 30, 2015. The average occupancy rate in these lodgings during fiscal year ended June 30, 2016 was 70.4%, a minimal increase of 0.6% from the prior fiscal year. Also, during fiscal year ended June 30, 2016, the average number of rooms available in lodgings endorsed by the Company increased by approximately 1.4% to 14,844 rooms compared to the same period of fiscal year ended June 30, 2015.

CILE PUERTO RICO 2016 CORPORATION
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Management Discussion and Analysis (Unaudited)

Fiscal year ended June 30, 2016

According to a payroll survey, employment in the leisure and hospitality sector was approximately 82,300 for fiscal year ended June 30, 2016, an increase of 1.2% over employment for fiscal year ended June 30, 2015 that its final employment numbers was 81,300. These figures imply stabilization on the labor productivity of this sector during fiscal year ended June 30, 2016.

The City of San Juan, Puerto Rico is the largest homeport for cruise ships in the Caribbean and one of the largest homeports for cruise ships in the world. The following tables present a summary of tourism data segregated by number of visitors and their expenditures during the last five years:

Tourism Data⁽¹⁾				
Number of Visitors				
	Tourist Hotels⁽²⁾	Excursionists⁽³⁾	Other⁽⁴⁾	Total
Fiscal year ended June 30:				
2011	1,408,536	1,165,758	1,539,931	4,114,225
2012	1,507,984	1,127,842	1,561,103	4,196,929
2013	1,586,100	1,038,000	1,613,600	4,237,700
2014	1,634,800	1,209,700	1,611,200	4,455,700
2015	1,737,200	1,509,300	1,804,500	5,051,000
Total Visitors' Expenditures (In millions)				
	Tourist Hotels⁽²⁾	Excursionists⁽³⁾	Other⁽⁴⁾	Total
Fiscal year ended June 30:				
2011	\$ 1,618.9	\$ 169.3	\$ 1,354.6	\$ 3,142.8
2012	\$ 1,706.9	\$ 167.7	\$ 1,318.3	\$ 3,192.9
2013	\$ 1,811.8	\$ 156.0	\$ 1,365.8	\$ 3,333.6
2014	\$ 1,874.0	\$ 182.3	\$ 1,382.3	\$ 3,438.6
2015	\$ 2,048.0	\$ 227.8	\$ 1,549.5	\$ 3,825.3

(1) Only includes information about non-resident tourists registering in tourist hotels. They are counted once even if registered in more than one hotel.

(2) Includes visitors in guesthouses

(3) Includes cruise ship visitors and transient military personnel

(4) Includes visitors in homes of relatives, friends, and in hotel apartments

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Management Discussion and Analysis (Unaudited)
Fiscal year ended June 30, 2016

Subsequent event

Refer to Note 5 of the accompanying financial statements for a description of subsequent events.

Request for Information

This financial report is designed to provide a general overview of the Corporation for all those with an interest in the Corporation's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Finance Director of the Puerto Rico Tourism Company, Tanca Street #500, Ochoa Building 3rd Floor, Old San Juan, San Juan, PR, 00902-3960.

**CORPORACION CONGRESO INTERNACIONAL DE LA LENGUA ESPAÑOLA
CILE PUERTO RICO 2016**

(A Component Unit of the Puerto Rico Tourism Company)

Statement of Net Position

June 30, 2016



	<u>Governmental Activities</u>
ASSETS:	
Cash	\$ 520,181
LIABILITIES:	
Accounts payable	<u>27,154</u>
NET POSITION - Unrestricted	<u>\$ 493,027</u>

See accompanying notes to basic financial statements.



**CORPORACION CONGRESO INTERNACIONAL DE LA LENGUA ESPAÑOLA
CILE PUERTO RICO 2016**

(A Component Unit of the Puerto Rico Tourism Company)

Statement of Activities

Fiscal Year Ended June 30, 2016

Functions/programs	Expenses	Program Revenues Operating grants and contributions	Net revenues and changes in net position Governmental activities
General government activities	\$ 2,594,943	\$ 2,300,000	\$ (294,943)
General revenues: Other			406,558
Total general revenues			111,615
CHANGE IN NET POSITION			111,615
NET POSITION - Beginning of Year			381,412
NET POSITION - End of Year			\$ 493,027

See accompanying notes to basic financial statements.

**CORPORACION CONGRESO INTERNACIONAL DE LA LENGUA ESPAÑOLA
CILE PUERTO RICO 2016**

(A Component Unit of the Puerto Rico Tourism Company)

Governmental Funds
Balance Sheet

June 30, 2016



ASSETS:

Cash	\$ 520,181
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LIABILITIES AND FUND BALANCE:

Liabilities:

Accounts payable	27,154
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Fund balance	<u>493,027</u>
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	<u>\$ 520,181</u>
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RECONCILIATION OF BALANCE SHEET TO STATEMENT OF NET POSITION:

Total fund balances - governmental funds	<u>\$ 493,027</u>
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Net position of governmental activities	<u>\$ 493,027</u>
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See accompanying notes to basic financial statements.

**CORPORACION CONGRESO INTERNACIONAL DE LA LENGUA ESPAÑOLA-
CILE PUERTO RICO 2016**

(A Component Unit of the Puerto Rico Tourism Company)

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

Fiscal Year Ended June 30, 2016



REVENUES:

Contributions from Puerto Rico Tourism Company	\$	2,300,000
Other		<u>406,558</u>
		2,706,558

EXPENDITURES:

Current:		
General government		<u>2,594,943</u>

EXCESS OF REVENUES OVER EXPENDITURES 111,615

FUND BALANCE - Beginning of Year 381,412

FUND BALANCE - End of Year \$ 493,027

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES:**

Net change in fund balance governmental funds and change in net position of governmental activities	\$	<u>111,615</u>
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See accompanying notes to basic financial statements.



CORPORACION CONGRESO INTERNACIONAL DE LA LENGUA ESPAÑOLA
CILE PUERTO RICO 2016

(A Component Unit of the Puerto Rico Tourism Company)

Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016

(1) Reporting Entity

The "Corporación Congreso Internacional De La Lengua Española – CILE Puerto Rico 2016" (CILE), a Component Unit of the Puerto Rico Tourism Company (the Company), that in turn is a Component Unit of the Commonwealth of Puerto Rico (the Commonwealth), was created by Resolution No. 15-021 of the Company. It was organized in November 7, 2014 as a not-for-profit corporation under the laws of the Commonwealth. CILE is reported as a blended component unit and special revenue fund. CILE was created for the sole purpose to organize, plan, and coordinate the "VII Congreso Internacional de la Lengua Española (CILE 2016)" scheduled to be held during March 2016. CILE began operations during December 2014. CILE is reported as a Special Revenue Fund.

CILE is exempt from taxation in Puerto Rico in accordance with the provisions of Act No. 10 of 1970 and with Section 101(15) of the Puerto Rico Income Tax Act of 1954, as amended.

(2) Basis of Presentation and Summary of Significant Accounting Policies

The accounting and reporting policies of CILE conform to generally accepted accounting principles in the United States of America (US GAAP), for governments as prescribed by the Governmental Accounting Standards Board (GASB).

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

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements – The statement of net position and the statement of activities report information on all activities of CILE.

The statement of net position presents CILE's assets and liabilities, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- *Net Investment in Capital Assets* – This component of net position consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets, if any. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at year end, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of this component of net position. Rather, that portion of the debt or deferred inflows of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.
- *Restricted* – This component of net position consists of restricted assets and deferred outflows of resources reduced by related liabilities and deferred inflows of resources. Generally, a liability relates to restricted assets if the assets results from a resource flow that also results in the recognition of a liability or if a liability will be liquidated with the restricted assets reported.



**CORPORACION CONGRESO INTERNACIONAL DE LA LENGUA ESPAÑOLA
CILE PUERTO RICO 2016**

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Fiscal Year Ended June 30, 2016

- *Unrestricted* – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. When both restricted and unrestricted resources are available for use, it is the Company's policy to use restricted resources first and the unrestricted resources when they are needed.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not meeting the definition of program revenues are instead reported as general revenues.

Governmental Fund Financial Statements

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. CILE is considered a Special Revenue Fund, which is used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for special purposes other than debt service of capital projects.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental Fund Financial Statements – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter to pay the liabilities of the current period. For this purpose, CILE considers revenues to be available if they are collected within 90 days of the end of the fiscal year.

Principal revenue sources considered susceptible to accrual include contributions from Puerto Rico Tourism.

Prepaid Expenses

Prepaid items should be accounted for using the purchases method. In the government-wide, proprietary funds and fiduciary funds financial statements prepaid items should be reported as assets and allocated to the period benefited.

Fund Balance

The Corporation reports fund balance amounts that are considered nonspendable, such as fund balances associated with prepaid amounts. Other fund balances have been reported as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent, as described below:

- *Nonspendable* – Represents resources that cannot be spent readily with cash or are legally or contractually required not to be spent. For CILE, the amount presented herein is composed of prepaid amounts and a note receivable. There was no nonspendable fund balance as of June 30, 2016.



**CORPORACION CONGRESO INTERNACIONAL DE LA LENGUA ESPAÑOLA
CILE PUERTO RICO 2016**

(A Component Unit of the Puerto Rico Tourism Company)

Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016

- *Restricted* – Represents resources that can be spent only for the specific purposes stipulated by constitutional provisions, external resource providers (externally imposed by the Commonwealth, creditors, or grantors), or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers. There was no restricted fund balance as of June 30, 2016.
- *Committed* – Represents resources used for specific purposes, imposed by formal action of CILE's highest level of decision-making authority (the board of directors) and can only be charged by a similar action, no later than the end of a fiscal year. For the year ended June 30, 2016, the committed balance was of approximately \$493 thousand.
- *Assigned* – Represents resources intended to be used by CILE for specific purposes, but do not meet the criteria to be classified as restricted or committed (generally executive orders approved by CILE's Executive Director). There was no assigned fund balance at June 30, 2016.
- *Unassigned* – Represents the residual classification for CILE's general fund and includes all spendable amounts not contained in the other classifications.

In situations where expenditures are made for a purpose for which amounts are available in multiple fund balance classifications, CILE uses restricted resources first, and then unrestricted resources. Within unrestricted resources, CILE generally spends committed resources first, followed by assigned resources, and then unassigned resources.

Risk Management

CILE purchases commercial insurance to cover for casualty, theft, tort claims and other losses through the Puerto Rico Department of Treasury negotiated under a blanket agreement and then charged to CILE. The current insurance policies have not been canceled or terminated. There have been no settlements of insurance claims that exceed coverage under such policies in any of the past three years.

Future Accounting Pronouncements

The GASB has issued the following accounting pronouncements that may have a future impact on the accounting and financial reporting of CILE:

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB No. 67 and 68, which is effective for periods beginning after June 15, 2016.

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which is effective for periods beginning after June 15, 2016.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Other Than Pensions, which is effective for periods beginning after June 15, 2017.

GASB Statement No. 77, Tax Abatement Disclosures, which is effective for periods beginning after December 15, 2015.

GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, which is effective for periods beginning after December 15, 2015.



**CORPORACION CONGRESO INTERNACIONAL DE LA LENGUA ESPAÑOLA
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Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016

GASB Statement No. 79, Certain External Investment Pool Participants, which was effective for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk and shadow pricing that are effective for periods beginning after December 15, 2015.

GASB Statement No. 80, Blending Requirements for Certain Components Units – An Amendment of GASB Statement No. 14, which is effective for periods beginning after June 15, 2016.

GASB Statement No. 81, Irrevocable Split Interest Agreements, which is effective for periods beginning after December 15, 2016.

GASB Statement No. 82, Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73, which is effective for periods beginning after June 15, 2016, except for certain dispositions related to the selection of assumptions that are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

GASB Statement No. 83, Certain Assets Retirement Obligations, which is effective for periods beginning after June 15, 2018.

Management is evaluating the impact that these statements will have, if any, on CILE's basic financial statements.

(3) Custodial credit risk

The Corporation is authorized to deposit funds in financial institutions approved by the Commonwealth. Commonwealth's regulations require domestic commercial banks to maintain collateral securities pledged for the security of public deposits in excess of federal insurance coverage. Deposits, either insured or collateralized, are not considered to be subject to custodial credit risk. Custodial credit risk is the risk that, in the event of a failure of the counterparty to the transaction, the Corporation may not be able to recover the value of the investment or collateral securities that are in possession of an outside party. As of June 30, 2016, the Corporation has \$286,000 subject to custodial credit risk.

(4) Uncertainties Impacting CILE's Operations

Organic Act of the Fiscal Oversight and Economic Recovery Board – On December 8, 2015, Act No. 208-2015, was approved to create a five-member fiscal and economic oversight board, to be known as the "Puerto Rico Fiscal Oversight and Economic Recovery Board" (the Board). The Board will have fiscal oversight authority over each public entity of the Commonwealth, including the Company. The Board will be charged with (a) reviewing and approving the Fiscal Economic Growth Plan (FEGP), (b) reviewing the annual budgets of the public entities subject to its fiscal oversight authority, and (c) monitoring compliance with such budgets.

Puerto Rico Emergency Moratorium and Financial Rehabilitation Act – On April 6, 2016, the Governor of the Commonwealth signed into law the Puerto Rico Emergency Moratorium and Rehabilitation Act (Act No. 21). Among other objectives, Act No. 21 allows the Governor of the Commonwealth of Puerto Rico to declare a moratorium on debt service payments and to stay related creditor remedies for a temporary period for the Commonwealth and its component units. The temporary period set forth in Act No. 21 lasts until January 2017, with a possible two-month extension at the Governor's discretion. The moratorium and stay provisions of Act No. 21 require executive actions of the Governor to become effective.



**CORPORACION CONGRESO INTERNACIONAL DE LA LENGUA ESPAÑOLA
CILE PUERTO RICO 2016**

(A Component Unit of the Puerto Rico Tourism Company)

Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2016

Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) – On June 30, 2016, the President of the United States signed the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), which grants the Commonwealth of Puerto Rico and its component units' access to an orderly mechanism to restructure their debts in exchange for significant federal oversight over the Commonwealth of Puerto Rico's Finances. PROMESA seeks to provide Puerto Rico with fiscal and economic discipline through the creation of a control board, relief from creditor lawsuits through the enactment of a temporary stay on litigation, and two alternative methods to adjust unsustainable debt.

(5) Subsequent Events

On December 9, 2016, the Corporation adopted a resolution to authorize the transfer of \$450,000 to the Puerto Rico Convention Bureau to provide financial support to potential groups considering Puerto Rico for their event or convention.

Management has evaluated subsequent events through December 12, 2016, the date on which financial statements were available to be issued.