PUERTO RICO PUBLIC BROADCASTING CORPORATION

(a component unit of the Commonwealth of Puerto Rico)

INDEPENDENT AUDITORS' REPORT
AND
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017 and 2016

PUERTO RICO PUBLIC BROADCASTING CORPORATION
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
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JUNE 30, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Puerto Rico Public Broadcasting Corporaiton
(a Component Unit of the Commonwealth of Puerto Rico):

Report on the Financial Statements

We have audited the accompanying financial statements of the Puerto Rico Public Broadcasting Corporation (the "Corporation"), a component unit of the Commonwealth of Puerto Rico (the "Commonwealth"), which comprise the statements of net position as of and for the years ended June 30, 2017 and 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements, which collectively comprise the Corporation'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 the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Puerto Rico Public Broadcasting Corporation, as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As disclosed in Notes 1 and 10, the Corporation's primary source of income represents appropriations received from the general fund of the Commonwealth. These appropriations are dependent on the availability of funds from the Commonwealth and its legislative approval. There is currently no assurance that such availability of funds will be sustained. Our opinion is not modified with respect to this matter.

As disclosed in Note 11 to the basic financial statements, the Corporation adopted the provisions of GASB 68, *Accounting and Financial Reporting for Pensions an amendment of GASB 27 and* the related GASB Statement No. 71, *Pension Transitions for Contributions Made Subsequent to Measurement Date an amendment to GASB Statement No 68* effective July 1, 2016. The Corporation's net position at the beginning of year has been adjusted for this change. Our report was not modified with respect to that matter.

Other Matters

Required Supplementary Information Omitted

The Corporation's MD&A does not present comparative data discissing the results as of and for the year ended June 30, 2016 as required by GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and clarified by GASB *Implementation Guide No. 2015-1*, when comparative financial statements are presented. Our opinion on the basic financial statements is not affected by this missing information.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 16, schedule of the share of the net pension liability on page 56, schedule of contributions on page 57, and the notes to the required supplementary information on page 58 to 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 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.

Prior Period Financial Statements

The financial statements of Puerto Rico Public Broadcasting Corporation as of June 30, 2016, were audited by other auditors whose opinion dated February 7, 2017, on those statements was qualified because they were unable to obtain sufficient appropriate audit evidence to satisfy themselves about the carrying amount of the Corporation's capital assets as of June 30, 2016 and for not implementing the requirements of the Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB 27*.

BDO Puerto Rico, PSC

San Juan, Puerto Rico

March 18, 2019

Certified Public Accountants
(of Puerto Rico)
License No.53 Expires December 1, 2021
Stamp E370574 of P.R. Society of
Certified Public Accountants has been
affixed to the file copy of this report

Introduction

As management of the Puerto Rico Public Broadcasting Corporation (the "Corporation"), we present the following discussion and analysis to provide an overview of the financial performance of the Corporation for the fiscal year ended June 30, 2017. We recommend the readers to consider the analysis, narrative and data information presented in this report in conjunction with the financial statements that follow this section.

Financial Highlights

- The liabilities of the Corporation exceeded its assets at June 30, 2017 by $42.9 Millions (net position).
- At June 30, 2017, the afore mentioned net position of the Corporation decreased by $6 million or approximately 16% when compared to June 30, 2016.
- Operating revenues for the year ended June 30, 2017 decreased by $1.4 million or about 38% when compared to the year ended June 30, 2016.
- Total non-operating revenues, including contributions from the Commonwealth of Puerto Rico, for the year ended June 30,2017 increased by $150,151 or about 1% when compared to the year ended June 30, 2016.
- Operating expenses for the year ended June 30, 2017 increased by $128,280 or about 0.5% when compared to the year ended June 30, 2016.

Overview of the Financial Statements

This discussion and analysis section is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation operates the radio, television and electronic communications facilities belonging to the Commonwealth of Puerto Rico (the Commonwealth) and presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting. This presentation means that financial information is reported using accounting methods similar to those followed by the private sector companies. These statements offer both short-term and long-term financial information about the activities of the Corporation.

Required Financial Statements for Business-Type Activities

The Corporation's basic financial statements include a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. To provide our users with a contextual frame of reference, comparative information from the financial statements of the previous fiscal year is also provided later in this Management's Discussion and Analysis (MD&A). The financial statements also include notes that are considered essential to a full understanding of the data that is being presented on the face of these statements. The primary purposes of these notes is to provide additional information, enhanced disclosures and tabular presentation of data to further explain the figures presented in the financial statements and to provide more detailed data.

Statement of Net Position – The statement of net position presents information on all of the Corporation's assets and liabilities with the difference between the assets less liabilities reported as net position. The statement of net position provides information about the nature and amounts of investments in resources (assets) and obligations to the Corporation's creditors (liabilities). It also provides the basis for computing rate of returns, evaluating the capital structure of the Corporation, and assessing the liquidity and financial flexibility of the Corporation. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

Statement of Revenues, Expenses and Changes in Net Position – All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position. This statement measures the success of the Corporation's operations over the past year and can be used to determine whether the Corporation has successfully recovered all of its costs through operating revenue and non-operating revenue. It provides the user with basic financial information about the profitability and credit worthiness of the Corporation.

Statement of Cash Flows – The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Corporation's cash receipts and cash payments during the fiscal year. The statement reports cash receipts, cash payments and net changes in cash resulting from operating; noncapital financing; capital and related financing; and investing activities. The purpose of this statement is to inform the user about the sources of the Corporation's cash, what the cash was used for, and by how much the balance of cash changed over the course of the fiscal year.

Notes to the Basic Financial Statements – The notes to the financial statements are an integral part of the basic financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Required Supplementary Information – This MD&A represents financial information required to be presented by GASB 34 as amended, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Such information provides the users of this report with additional data that supplements the basic financial statements.

Adoption of New Accounting Pronouncement

As discussed in Note 6 to the financial statements, the Corporation adopted the provisions of GASB 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB 27* and the related GASB Statement No. 71, *Pension Transitions for Contributions Made Subsequent to Measurement Date - an amendment to GASB Statement No 68* effective June 30, 2016.

As the result, the Corporation has determined that a restatement to the June 30, 2016 beginning net position was required to recognize the change in accounting principle for the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27,* and Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68* through which accounting for pension plans and the related disclosure requirements were modified.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions

This statement was issued to improve accounting and financial reporting by state and local governments for pensions. This statement replaces requirements of statement No. 27, Accounting for Pensions by State and Local Governmental Employers as well as requirements of statement No. 50, Pension Disclosures.

This statement and statement No. 67 (applicable to Pension Plans) establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions and paying benefits to plan members as they come due. This statement was effective for the fiscal year ended June 30, 2015 but it was not until fiscal year 2017 that was implemented by the Corporation.

Financial Analysis of the Fiscal Year Ended June 30, 2017

The statements of net position, shown in tabular format below, represent information on all of the Corporation's assets and liabilities, with the difference between the two reported as net position. The Corporation's net position at June 30, 2017 decreased by $6 million or about 16% when compared with June 30, 2016.

			Change	
	2017	2016	In Dollars	Percentage
Assets:				
Current assets	$ 2,031,935	$ 5,273,080	$ (3,241,145)	-61%
Non-current assets:				
Capital assets, net	4,454,090	5,327,962	873,872	16%
Other	180,215	171,358	(8,857)	-5%
Total assets	$ 6,666,240	$ 10,772,400	$ (2,376,130)	-22%
Deferred outflow of resources				
Pension related	11,699,273	5,302,407	6,396,866	121%
Total assets and deferred outflow of resources	18,365,513	16,074,807	2,290,706	14%
Liabilities:				
Current liabilities	$ 5,013,693	$ 4,664,530	$ 349,163	7%
Non-current liabilities:				
Accrued legal claims	1,680,000	1,680,000	-	0%
Termination benefits	3,223,871	3,620,531	(396,660)	-11%
Compensated absences	1,481,739	1,544,725	(62,986)	-4%
Net pension Liabilities	48,953,387	40,765,654	8,187,733	20%
Defferred inflow of resources	936,932	707,132	229,800	32%
Total liabilities	61,289,622	52,982,572	8,307,050	16%
Net position:				
Net investment in capital assets	4,454,092	5,327,962	(873,870)	-16%
Restricted	895,506	2,237,659	(1,342,153)	-60%
Unrestricted	(48,273,707)	(44,473,386)	(3,800,321)	-9%
Total net position	(42,924,109)	(36,907,765)	(6,016,344)	-16%
Total liabilities and net position	$ 18,365,513	$ 16,074,807	$ 2,290,706	14%

Analysis of Net Position

At June 30, 2017, the net position - net investment in capital assets decreased by $873 thousands or about 16% when compared to June 30, 2016. The amount shown in this category is basically the cost of capital assets minus the related accumulated depreciation. The aforementioned decrease in the net position - net investment in capital assets results from the net effect of the acquisition of $510 thousand in capital assets, mainly in television and radio equipment, and depreciation and amortization expense for the year amounting to approximately $1.3 million. Depreciation and amortization expense for fiscal year 2017 decreased by approximately $1.7 million or about 55% when compared to the previous year. This decrease is mainly related to adjustments recorded during fiscal year 2017 to correct deficiencies noted during the reconciliation of the capital assets subsidiary.

In comparing the balance of restricted net position at June 30, 2017 with the respective balance at June 30, 2016, there was a decrease of $1.3 million or 60%. This contraction in restricted net position is mainly attributed to the fact that the results from restricted revenues and expenses for the year ended June 30, 2017 decreased by approximately $1.3 million when compared with those results for the year ended June 30, 2016. The reason for the reduction in the current year's results is mainly related to a decrease in contributions from the Corporation for Public Broadcasting of $207 thousand, a decrease in restricted contributions from the Commonwealth of Puerto Rico of approximately $1.1 million when compared with fiscal year 2016. It should be noted that, during the year ended June 30, 2016, restricted contributions from the Commonwealth of Puerto Rico included a $1.1 million restricted special contribution associated to the "Taller Dramático" project. During the year ended June 30, 2017, the Corporation received a reimbursement of funds under the "Taller Dramático" special project rather than a restricted special contribution. Consequently, funds reimbursed during the year ended June 30, 2017 under the "Taller Dramático" special project were considered to be unrestricted.

In comparing the balance of unrestricted net position at June 30, 2017 with the respective balance at June 30, 2016, there was a decrease of $3.8 million or 9%. This decrease is mainly attributed to a net effect of the following:

- The net decrease in production services of approximately $1.5 million.
- The recognition of additional allowance for doubtful accounts amounting to $93,862 thousand.
- An increase in the net pension expenses of approximately $509 thousand when compared to 2016 fiscal year.

Net pension liability recorded following the provisions of GASB 68 increased by approximately $8.1 million during the year. This liability is determined based on the amount allocated by Employee Retirement System of the Commonwealth of Puerto Rico based on independent actuarial and other evaluations.

During the year ended June 30, 2017 the Corporation implemented the requirement of GASB Statement No. 68 and as the result recorded deferred inflows of resources related to pensions amounting to $936 thousand and a deferred outflow of resources related to pensions of 11.7 million during the year.

Analysis of Current Assets

Current assets represent the sum of the cash (restricted and unrestricted), accounts receivable trade, accounts receivable other, and due from governmental entities, balance sheet line items that could be converted into cash in less than one year. Current assets are important in any financial analysis because it is from current assets that a business funds its ongoing day-to-day operations. A comparison of the June 30, 2017 and 2016 balances by asset classification is shown in the table below:

			Change	
Current Asset Classification	**2017**	**2016**	**In Dollars**	**Percentage**
Unrestricted:				
Cash	$ 968,716	$ 944,285	$ 24,431	3%
Accounts receivable, net	70,918	294,550	(223,632)	76%
Other receivables	22,944	41,691	(18,747)	45%
Due from government entities, net	172,672	1,548,146	(1,375,474)	89%
Total unrestricted	$ 1,235,250	$ 2,828,672	$ (1,593,422)	56%
Restricted:				
Cash	796,685	2,444,408	(1,647,723)	67%
Total current assets	$ 2,031,935	$ 5,273,080	$ (3,241,145)	-61%

Unrestricted cash at June 30, 2017 increased by 24 thousand or about 3% when compared with the respective balance at June 30, 2016. This increase is mainly a result of the reclassification of approximately $242 thousand in cash associated with "Taller Cien" from restricted to unrestricted. Accounts receivable decrease is mainly related to collections of approximately $223 thousand

Due from government entities, net at June 30, 2017 decreased by $1.4 million or about 89% when compared with the respective balance at June 30, 2016. This decrease is mainly related to collections from the Treasury and Education Departments of the Commonwealth of Puerto Rico amounting approximately 1.3 million.

Restricted cash at June 30, 2017 decreased by $1.6 million when compared to June 30, 2016. This decrease is mainly due to funds associated with special project "Taller Dramático" that, as explained in the Analysis of Net Position section above, were based on reimbursement and not considered to be restricted during the year ended June 30, 2017. Meanwhile, at June 30, 2016, restricted cash included $1.7 million in restricted funds received as a special contribution from the Office of Management and Budget of the Commonwealth of Puerto Rico to provide services to eligible students under the "Taller Dramático" program.

Analysis of Non-current Assets

Non-current assets represent assets that are not reasonably expected to be realized in cash or sold or consumed during the next fiscal year. When making a distinction between whether an asset should be considered current or non-current, liquidity or nearness to cash are not the only considerations for determining the classification; restrictions on the use of the asset must also be considered. Thus, cash investments intended for liquidation of liabilities due beyond a one-year period are non-current assets, as are assets segregated or restricted for the liquidation of long-term debts (including amounts due within the next operating cycle). Certain assets designated to be used to acquire, construct, or improve capital assets would also be considered non-current.

The following table present the non-current assets of the Corporation at June 30, 2017 and 2016 compared by major classification:

			Change	
Non-current Asset Classification	**2017**	**2016**	**In Dollars**	**Percentage**
Licensed program righst and costs incurred for programs not yet broadcasted	$ 167,215	$ 163,358	$ 3,857	2%
Other	13,000	8,000	5,000	63%
Capital assets, net	4,454,090	5,327,962	(873,872)	-16%
Total	$ 4,634,305	$ 5,499,320	$ (865,015)	-16%

As indicated by the tabular information above, total non-current assets at June 30, 2017 decreased by $865 thousand or approximately 16% when compared with June 30, 2016. This decrease is directly related to the net decrease experienced by capital assets, as previously explained in our Analysis of Net Position section above.

Analysis of Liabilities

In financial accounting, the term liability is defined as an obligation of an entity arising from past transactions or events, the settlement of which may result in the transfer or use of assets, provision of services or other yielding of economic benefits in the future. In essence, this section analyzes the various claims that creditors have against the Corporation's assets.

Liablities	2017	2016	Change Dollars	Change Percentage
Accounts payable	$ 1,653,027	$ 2,151,482	$ (498,455)	-23%
Accrued expense, payroll taxes and withholdings	2,031,648	1,057,690	973,958	92%
Accrued legal claims	1,680,000	1,680,000	-	0%
Termination benefits	3,660,395	4,071,417	(411,022)	-10%
Compensated absences	2,374,233	2,549,197	(174,964)	-7%
Net Pension Liability	48,953,387	40,765,654	8,187,733	20%
Deferred inflows of resources	936,932	707,132	229,800	32%
Total liabilties	$ 61,289,622	$ 52,982,572	$ 8,307,050	16%

Termination benefits at June 30, 2017 decreased by $411 thousand or about 10% when compared with June 30, 2016. Net decrease in this account is related to: (a) current year payments of annuity and employer contributions of the 4b option under Law 70 benefits in the amount of $478 thousand, and (b) the effect of the amortization/adjustments in the amount of $66 thousand that result from the passage of time and changes in the assumptions used to estimate the related liability. Please refer to Note 7 to the Financial Statements for additional information.

Accrued expenses, payroll taxes and withholdings increased by approximately $974 thousand is mainly related to the accrual of the Pension and Uniform Additional contribution for the fiscal year 2017.

Compensated absences accrual decreased by approximately $174 thousand when compared to year 2016. Decrease is mainly related to changes in compensated absences policies approved by the Commonwealth that limit the amount of vacation and sick days that employees accrue during the fiscal year.

Statements of Revenues, Expenses and Change in Net Position

The change in net position is an indicator of whether the overall fiscal condition of a government component unit has improved or worsened during the year. Following is a summary of the statements of revenues, expenses and change in net position for the years ended June 30, 2017 and 2016:

			Change	
	2017	2016	In Dollars	Percentage
Operating revenues:				
Sponsoring services	$ 583,667	$ 603,583	$ (19,916)	-3%
Production services	1,382,580	2,928,719	(1,546,139)	-53%
Other	299,104	272,713	26,391	10%
Total operating revenues	2,265,351	3,805,015	(1,539,664)	-40%
Non-operating revenues:				
Contributions from Corporation for Public Broadcasting	$ 2,340,908	$ 2,213,755	$ 127,153	6%
Interest and other income	107,669	77,194	30,475	39%
Contributions from Commonwealth of Puerto Rico	11,837,758	11,819,000	18,758	0%
Federal financial assistance	9,348	35,583	(26,235)	-74%
Total non-operating revenues	14,295,683	14,145,532	150,151	1%
Operating expenses:				
Broadcasting and technical	$ 3,027,250	$ 2,845,680	$ 181,570	6%
Programming and production	11,853,197	11,018,763	834,434	8%
General administration	6,313,267	7,126,278	(813,011)	-11%
Depreciation and amortization	1,383,664	3,066,988	(1,683,324)	-55%
Total operating expenses	22,577,378	24,057,709	(1,480,331)	-6%
(Decrease)/increase in net position	$ (6,016,344)	$ (6,107,162)	$ 90,818	-1%
Net position, at beginning of year	(36,907,765)	(30,800,603)	(6,107,162)	20%
Net position, at end of year	$ (42,924,109)	$ (36,907,765)	$ (6,016,344)	16%

Analysis of Revenues

During the year ended June 30, 2017, production services decreased by $1.5 million or 53% when compared with the year ended June 30, 2016. This decreased is mainly related to the effect of a decrease in the Corporation's revenues from special projects of approximately $1.4 million. This decrease is mainly due to the funds earned by special project "Taller Cien". As explained in the Analysis of Net Position section above, during fiscal year 2015, most of the funds received from special project "Taller Cien" were presented as Contributions from the Commonwealth of Puerto Rico, since a substantial amount of such funds were received in the form of a special restricted contribution as opposed to the reimbursement of funds received during fiscal year 2017.

Contributions from the Corporation for Public Broadcasting ("CPB") are generally divided into two categories: (1) funds for use in television productions (usually representing the higher volume); and (2) funds for use in radio productions. These funds are discretional. The increase of $127 thousand, when comparing the years ended June 30, 2017 and 2016, is mainly related to an increase of $197 thousand in the funds received for television productions as a result of the reduction in television productions during fiscal year 2017. However, contributions for Radio productions decrease by $70 thousand for the fiscal year 2017.

Analysis of Expenses

The total operating expenses for the year ended June 30, 2017 were approximately $23 million. This amount represents a decrease of $1.5 million when compared to the year ended June 30, 2016.

Broadcasting and technical expenses for the year ended June 30, 2017 increased by $181 thousand or 6% when compared with the year ended June 30, 2016. Programing and production expenses for the year ended June 30, 2017 increased by $834 thousand or 8% when compared to the year ended June 30, 2016. Increase is mainly related to an increase in local production costs amounting to approximately $183k and increase in the pension related uniform additional contribution amounting to approximately $1,040,000.

Comparative data for the general administration expense category shows that annual expenses for the year ended June 30, 2017 amounted to $6.3 million. This amount represents an increase of approximately $698 thousand or approximately 12% when compared with the year ended June 30, 2016. This increase is mainly related to the increase in the fiscal year 2017 pension expense of approximately $509 thousand.

Depreciation and amortization expense for the year ended June 30, 2017 decreased by $1.6 million when compared with the year ended June 30, 2016 due to the reasons explained in our Analysis of Net Position section above.

Capital Assets

At June 30, 2017, the Corporation had an investment of approximately $4.5 million in capital assets, net of depreciation and amortization. This amount represents a net decrease (including additions and dispositions) of approximately $874 thousand or 16% when compared with June 30, 2016. A comparative schedule of capital assets by major classification for the two most recent fiscal years is shown in the following table. To assist in analyzing the information, the amount of the annual increase or decrease for each class has also been provided.

Asset Classification	2017	2016	Increase/ (Decrease)
Land	$ 82,600	$ 82,600	$ -
Television, radio and other equipment	3,520,471	4,428,361	(907,890)
Building and building improvements	579,656	497,104	82,552
Motor vehicles	41,097	58,506	(17,409)
Furniture and fixtures	183,948	243,641	(59,693)
Computers	46,318	17,750	28,568
Total capital assets,net	$ 4,454,090	$ 5,327,962	$ (873,872)

Television, radio and other equipment, net at June 30, 2017 decreased by $907 thousand when compared with June 30, 2016 mainly due to the following events:

- Additions of equipment such as cameras and related production equipment amounting to approximately $261 thousand.

- Current year's depreciation expense of approximately $1.2 million.

Request for Information

This financial report is designed to provide a general overview of the Corporation's finances for all those individuals having an interest in the Corporation's operations and financial condition. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Corporation's Finance Office at 570 Hostos Avenue, Baldrich, San Juan, PR or call at (787) 764-2036.

PUERTO RICO PUBLIC BROADCASTING CORPORATION
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

	2017	Restated 2016
ASSETS		
CURRENT ASSETS:		
Cash	$ 968,716	$ 944,285
Restricted cash	796,685	2,444,408
Accounts receivable:		
Trade, net of allowance for doubtful accounts of $174,925 and $200,377 in 2017 and 2016, respectively	70,918	294,550
Other	22,944	41,691
Due from governmental entities, net	172,672	1,548,146
Total current assets	2,031,935	5,273,080
NON-CURRENT ASSETS:		
Licensed program rights and costs incurred for programs not yet broadcasted	167,215	163,358
Other assets	13,000	8,000
Capital assets, net of accumulated depreciation and amortization	4,454,090	5,327,962
Total assets	6,666,240	10,772,400
DEFERRED OUTFLOWS OF RESOURCES	11,699,273	5,302,407
Total assets and deferred outflows of resources	$ 18,365,513	$ 16,074,807
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	$ 1,653,027	$ 2,151,482
Termination benefits accrual, current portion	436,524	450,884
Accrued expenses, payroll taxes and withholdings	2,031,648	1,057,690
Compensated absences, currrent portion	892,494	1,004,474
Total current liabilities	5,013,693	4,664,530
NON-CURRENT LIABILITIES:		
Accrued legal claims, long term portion	1,680,000	1,680,000
		3,620,531
Termination benefits accrual, long-term portion	3,223,871	
Compensated absences, long-term portion	1,481,739	1,544,725
Net Pension Liability	48,953,387	40,765,654
Total non-current liabilities	55,338,997	47,610,910
Total liabilities	60,352,690	52,275,440
DEFERRED INFLOWS OF RESOURCES	936,932	707,132
Total liabilities and deferred inflows of resources	61,289,622	52,982,572
NET POSITION		
Net investment in capital assets	4,454,092	5,327,962
Restricted	895,506	2,237,659
Unrestricted	(48,273,707)	(44,473,386)
Total net position	(42,924,109)	(36,907,765)
Total liabilities and net position	$ 18,365,513	$ 16,074,807

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

PUERTO RICO PUBLIC BROADCASTING CORPORATION
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	Restated 2016
Operating revenues:		
Sponsoring services	$ 583,667	$ 603,583
Production services	1,382,580	2,928,719
Other	299,104	272,713
Total operating revenues	2,265,351	3,805,015
Operating expenses:		
Broadcasting and technical	3,027,250	2,845,680
Programming and production	11,853,197	11,018,763
General administration	6,313,267	7,126,278
Depreciation and amortization	1,383,664	3,066,988
Total operating expenses	22,577,378	24,057,709
Loss from operations	(20,312,027)	(20,252,694)
Non-operating revenues:		
Contributions from Corporation for Public Broadcasting and others	2,340,908	2,213,755
Federal financial assistance	9,348	35,583
Interest and other income	107,669	77,194
Total non-operating revenues	2,457,925	2,326,532
Loss before contributions from government	(17,854,102)	(17,926,162)
Contributions from Commonwealth of Puerto Rico	11,837,758	11,819,000
Decrease in net position	(6,016,344)	(6,107,162)
NET POSITION, beginning of year, 2016 as restated	(36,907,765)	(30,800,603)
NET POSITION, end of year	$ (42,924,109)	$ (36,907,765)

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

PUERTO RICO PUBLIC BROADCASTING CORPORATION
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 3,985,712	$ 3,884,119
Payments to suppliers and contractors	(13,304,293)	(7,222,848)
Payments to employees	(4,574,638)	(9,331,873)
Net cash used in operating activities	(13,893,219)	(12,670,602)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Contributions from the Commonwealth of Puerto Rico	11,982,761	12,172,012
Contributions from Corporation for Public Broadcasting	2,340,908	2,213,755
Net cash provided by non-capital financing activities	14,323,669	14,385,767
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(509,792)	(630,185)
Acquisition of licensed programs rights and costs incurred for programs not yet broadcasted	(1,651,619)	(1,444,960)
Net cash used in capital and related financing activities	(2,161,411)	(2,075,145)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES - Interest and other income received	107,669	77,194
NET DECREASE IN CASH AND RESTRICTED CASH	(1,623,292)	(282,786)
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	3,388,693	3,671,479
CASH AND RESTRICTED CASH, END OF YEAR	$ 1,765,401	$ 3,388,693

Continues

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

PUERTO RICO PUBLIC BROADCASTING CORPORATION
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

Continued

	2017	2016
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED IN OPERATING ACTIVITIES:		
Loss from operations	$ (20,312,027)	$ (18,740,886)
Adjustments to reconcile loss from operations to net cash used in operating activities		
Depreciation and amortization	1,383,664	3,066,988
Deferred outflows of resources related to pension	(6,396,866)	-
Deferred inflows of resources related to pension	229,800	-
Amortization of licensed programs rights and cost incurred for programs not yet broadcasted	1,647,758	1,448,815
(Increase)/decrease in assets:		
Accounts receivable	87,979	87,104
Due from governmental entities	1,375,474	-
Other non-current assets	13,747	(8,000)
Increase/(decrease) in liabilities:		
Accounts payable	(498,455)	(5,150)
Accrued expenses, payroll taxes and withholdings	973,958	97,627
Accrued legal claims	-	1,680,000
Net pension liability	8,187,733	-
Termination benefits accrual	(411,020)	(314,602)
Compensated absences	(174,964)	17,502
Total adjustments	6,418,808	6,070,284
Net cash used in operating activities	$ (13,893,219)	$ (12,670,602)
RECONCILIATION OF CASH AND RESTRICTED CASH TO THE STATEMENTS OF NET POSITION:		
Cash	$ 968,716	$ 944,285
Restricted cash	796,685	2,444,408
Total cash and restricted cash	$ 1,765,401	$ 3,388,693
NON-CASH TRANSACTIONS:		
Trade and barter transactions	$ 416,377	$ 199,994
Federal financial assistance accounts receivable	$ 9,348	$ 35,583

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

1. NATURE OF THE CORPORATION

The Puerto Rico Public Broadcasting Corporation (the "Corporation") was created on January 21, 1987 by Act No. 7, with the purpose of integrating, developing and operating the radio, television and electronic communication facilities belonging to the Commonwealth of Puerto Rico (the "Commonwealth"). The Corporation is a Component Unit of the Commonwealth as it complies with Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity* and GASB 39, *Determining Whether Certain Organizations Are Components Units,* as amended by GASB 61. On September 12, 1996, the Legislative Assembly of the Commonwealth approved Act No. 216. This Act created and transferred all existing assets and broadcasting facilities from a subsidiary of the Puerto Rico Telephone Authority to the Puerto Rico Public Broadcasting Corporation (the Corporation or PRPBC). On December 13, 1996, the Federal Communications Commission ("FCC") approved the transfer.

The Corporation is governed by an eleven-member Board of Directors ("BOD"), which is comprised of the Secretary of the Department of Education of the Commonwealth, the President of the University of Puerto Rico, the Executive Director of Institute for Puerto Rican Culture, and eight private citizens, appointed by the Governor of Puerto Rico, with the advice and consent of the Senate. At least three of these private citizens must have proven interest, knowledge, and experience in education, culture, art, science, or radio and television.

The Corporation is obligated under existing laws to use its broadcasting facilities exclusively for educational, cultural and public interest purposes, and not for private purposes, partisan politics or sectarian propaganda.

The Corporation operates with funding sources through appropriations from the Commonwealth, grants from the Corporation for Public Broadcasting ("CPB"), and funds internally generated. It is the public policy of the Commonwealth to annually appropriate financial resources to cover the operations of the Corporation. These appropriations are dependent on the availability of funds from the Commonwealth's annual budget and its legislative approval.

The Act creating the Corporation exempts it from all taxes levied on its properties or revenues by the Laws of the Commonwealth of Puerto Rico and its Municipalities.

The Corporation operates television and radio stations in the following areas:

San Juan (WIPR)	Mayagüez (WIPM)
WIPR (6.1)	WIPM (3.1)
Kids TV (6.3)	Kids TV (3.3)
FM Allegro (91.3)	
AM (940)	

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting and Financial Statement Presentation - The Corporation has established its financial activities as business-type. "Measurement Focus" is an accounting term used to describe which transactions and types of balances are recorded within the various financial statements. The expression "Basis of Accounting" refers to when transactions or events are recorded regardless of the measurement focus applied.

The basic financial statements provide information about the Corporation's business-type activities in conformity with accounting principles generally accepted in the United States of America ("GAAP"), as prescribed by the GASB. The financial statements of the business-type activities are also often referred to as enterprise fund financial statements.

Because of the "businesslike" characteristics of the Corporation's operations, the accompanying financial statements for business-type activities reflect the economic resources measurement focus and the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or non-current) associated with their activities and deferred outflows/inflows of resources are reported. Proprietary fund equity is classified as net position.

Under full accrual accounting, revenue is recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of related cash flows. Grants and similar items resources are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Corporation utilizes enterprise funds to record its financial operating activities. In the practice of governmental accounting, the enterprise fund is used to account for operations that are financed or operated in a manner similar to private business or where the Board of Directors has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management's accountability.

The Corporation distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods and/or services in connection with the Corporation's principal on-going operations. The principal operating revenues are charges to customers for sponsoring services provided to them and public broadcasting and production of program material for distribution. Operating expenses include cost of services, administrative expenses, depreciation and amortization on capital assets and bad debt expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, such as revenues associated with, or restricted by donors to use for, capital improvements grants, and revenues and expenses that result from financing and investing activities.

The Corporation receives annual distributions from the Corporation for Public Broadcasting ("CPB"), which are reported as non-operating revenues in the statements of revenues, expenses and changes in net position. CPB is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants ("CSGs") to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization. According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Certain General Provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet certain requirements. These General Provisions pertain to the use of grants funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

The Corporation also receives contributions from the Commonwealth, which are recorded in the year in which the funds are available to the Corporation. When their use is restricted for the acquisition or construction of capital assets and related studies, they are recorded as capital contributions. Funds not used at the end of the year are reported as restricted net position and restricted cash. Governmental contributions represent the primary source of income of the Corporation.

In accordance with GASB standards, the Corporations revenues has been netted with bad debt expense.

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

Cash and Cash Equivalents - Cash and cash equivalents includes all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. There are no cash equivalents outstanding at June 30, 2017 and 2016.

Accounts Receivables - Accounts receivables are stated at their net realizable value. The Corporation provides for estimated losses on accounts receivables, upon an evaluation of the risk characteristics, loss experience, economic conditions and other pertinent factors. Accounts receivables deemed to be uncollectible are charged off against the allowance for doubtful accounts and recoveries are taken into income.

Licensed Program Rights and Costs Incurred for Programs not yet Broadcasted - Costs incurred in the acquisition or development of licensed program rights related to programs or program series that will be aired during subsequent periods are stated at cost. Amortization is computed based on the estimated number of future showings, except that licenses providing for unlimited showings of cartoons and programs with similar characteristics may be amortized over the period of the agreement because the estimated number of future showings may not be determinable. Amortization expense associated with the licensed programs rights and costs incurred for programs not yet broadcasted amounted to $1,647,758 and $1,448,815, for the years ended June 30, 2017 and 2016, respectively, and are included as part of programming and production expenses in the accompanying statement of revenues, expenses, and changes in net position.

Capital Assets - Capital assets are reported as a component of noncurrent assets in the basic financial statements. Capital assets are generally defined by the Corporation as being those assets with an individual cost of more than $200 and an estimated useful life in excess of 12 months. Such assets are recorded at historical cost or estimated historical cost, when constructed. Certain capital assets were valued at estimated historical costs with the assistance provided by independent outside appraisers. Donated capital assets are recorded at estimated fair market value at the date of donation.

The reported value excludes the costs of normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

Capital assets of the Corporation are depreciated using the straight-line method over the following estimated useful lives in years:

Capital assets	Years
Building and building improvements	3-20
Television and other equipment	3-10
Furniture and fixtures	5-10
Motor vehicles	5-10

GASB 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* addresses accounting and financial reporting principles for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the statement excludes pollution prevention or control obligations with respect to current obligations, and future pollution activities that are required upon retirement of an asset, such as post-closure care. As of June 30, 2017 and 2016, management evaluated its responsibilities for environmental and pollution exposures and no contingency exposure was identified.

Deferred Outflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then.

Compensated Absences - Employees earn vacations benefits at a rate of 30 days per year and accumulate sick leave at a rate of 18 days per year, which are the maximum permissible accumulation. On June 17, 2014, with the approval of Act No. 66, *Fiscal Operation and Sustainability Act (Act 66),* maximum permissible accumulation subject to liquidation, in case of separation of employment, is 60 days for vacation benefits earned and 90 days for sick leave benefits accumulated. Act 66 states that the excess of those limits, which were normally paid, would cease to be paid to employees. Employees should enjoy the vacations days in excess of 60 days of accrued vacations, subject to the provisions of the law, and in extraordinary circumstances the Corporation should pay for days the employee was unable to enjoy. Excess of sick leave days (over 90 days) will be eliminated, subject to the provisions of the law. The Corporation records a liability for compensated absences associated with vacations leave when benefits are earned by the employees. Benefits are earned by the employees when their right to receive compensation is attributable to services already rendered. Employees will be compensated for these benefits through paid time off or cash payments at termination or retirement. The Corporation records a liability for compensated absences associated with sick leave when benefits are earned by the employees (in the same manner as those associated with vacation leave as described above), but only if it is probable that the benefits will result in termination payments and up to the maximum amount allowed by law as a termination payment.

Termination Benefits - The Corporation accounts for termination benefits in accordance with the provisions of GASB 47, *Accounting for Termination Benefits,* which states that employers should recognize a liability and expense for *voluntary* termination benefits when the offer is accepted and the amount can be estimated. A liability and expense for *involuntary* termination benefits should be recognized when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees, and the amount can be estimated.

Deferred Inflows of Resources - In addition to liabilities, the statement of net position will sometimes report a separate section of deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until then.

Net Position - The Corporation's financial statements are being presented in conformity with provisions of the GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* As required by GASB 63, the Corporation has classified net position into three components: net investment in capital assets, restricted, and unrestricted.

These classifications of net position are defined as follows:

- *Net Investment in Capital Assets* — This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, the portion of the debt is included in the same net position component as the unspent proceeds.

- *Restricted* — This component of net position consists of constraints placed on net position through external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments. This component would also include constraints imposed by law through constitutional provisions or enabling legislation.

A description of the restrictions and related balances as of June 30, 2017 and 2016 are shown in the following table:

Type of Restriction	2017	2016
TV Dramatic Project	$ 619,543	$ 1,716,733
Banda de Conciertos de Puerto Rico	22,164	-
Corporation for Public Broadcasting television grant	8,250	293,138
Corporation for Public Broadcasting radio grant	245,549	227,788
Total restricted net position	$ 895,506	$ 2,237,659

- Unrestricted — This component of net position consists of net positon that does not meet the definition of restricted or net investment in capital assets. Generally, this represents those financial resources that are available to the Corporation to meet any future obligations that might arise.

Non-Exchange Transactions — Trade and Barter - In accordance with the provisions of GASB 62, *Codification of Accounting and Financial Reporting Guidance* — the Corporation recognizes trade and barter transactions as revenue and expense based on the estimated fair value of goods and services received or the recorded amount of the nonmonetary asset transferred from the Corporation if neither the fair value of the nonmonetary asset transferred nor the fair value of the nonmonetary asset received in exchange is determinable within reasonable limits. During the years ended June 30, 2017 and 2016, the Corporation recorded trade and barter transactions in the amount of $368,158 and $199,994, respectively, which are included as part of sponsorship services revenues and as part of programming and production and general administration expenses in the accompanying statements of revenues, expenses and changes in net position.

Advertising Costs - Advertising costs are expensed in the period in which they are incurred. During the fiscal years ended June 30, 2014 and 2016, the Corporation incurred in advertising costs of $388,821 and $115,303, respectively, which are included as part of broadcasting and technical, programming and production, and general administration expenses in the accompanying statements of revenues, expenses, and changes in net position.

Effects of New Accounting Standards

During the fiscal year ended June 30,2017, WIPR implemented the following GASB pronouncement:

Accounting for Pension Costs - **GASB 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, ("GASB 68") became effective for the year ended June 30, 2015.** This statement replaces the requirements of GASB 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of GASB 50, Pension Disclosures, as they related to pensions that are provided though pension plans administered as trusts or equivalent arrangements that meet certain criteria as is the case of the Employee Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities ("ERS"). Under GASB 68, the Commonwealth's agencies, as well as the component units and municipalities are considered "cost-sharing" employers of the ERS. Therefore, the Corporation would report its allocated share of the Commonwealth's resulting net pension liability based on (1) the Corporation's individual proportion to the collective net pension liability of all the governments participating; and (2) the proportion should be consistent with the method used to assess contributions (percentage of payroll). Refer to note 6 for additional information about the implementation of this Statement.

GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date an amendment to GASB Statement No. 68. This statement addresses an issue regarding the application of the transition provisions of GASB Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

The statement requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. GASB Statement No. 71 was effective for the fiscal year ended June 30, 2015, but was not implemented by the Corporation until fiscal year 2017. Refer to Note 6 additional information about the implementation of this Statement.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* It also includes requirements for defined-contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* as amended, Statement 43, and Statement No. 50, *Pension Disclosures.* The scope of this Statement includes OPEB plans-defined benefit and defined contribution-administered through trusts that meet the following criteria:

Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

- OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined-benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria. The provisions of this statement are effective for fiscal years beginning after June 15, 2016.

GASB Statement No. *77, Tax Abatement Disclosures*. This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenue. The provisions of this Statement should be applied to all state and local governments subject to such tax abatement agreements. For financial reporting purposes, a tax abatement is defined as a reduction in tax revenue that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenue to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. A transaction's substance, not its form or title, is a key factor in determining whether the transaction meets the definition of a tax abatement for the purpose of this Statement. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. This Statement is not effective until fiscal year 2016, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for fiscal year 2017.

Future Adoption of Accounting Principles - The GASB has issued the following accounting pronouncements that have effective date after June 30, 2017:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other* Than Pensions
- GASB No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Plans
- GASB Statement No. 80, *Blending Requirements for Certain Component Units*
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*
- GASB Statement No. 82, *Pension Issues- an Amendment of GASB Statements No 67, No. 68 and No.* 73
- GASB Statement No. 83, *Certain Asset Retirement Obligations*
- GASB Statement No. 84, *Fiduciary Activities*
- GASB Statement No. 85, *Omnibus 2017*
- GASB Statement No. 87, *Leases*

Management is evaluating the impact that these Statements will have on the Corporation's basic financial statements.

3. CASH DEPOSITS

The carrying amount of the Corporation's cash deposits at June 30, 2017 and 2016 is presented in the tabular information as follows:

	June 30, 2017			
	Carrying Amount			
	Deposits	Cash on Hand	Total	Bank Balance
Unrestricted	$ 968,316	$ 400	$ 968,716	$ 1,095,408
Restricted:				
Special dramatic project - Lucy Boscana	621,660	-	621,660	627,890
CPB CSG TV and Radio restricted	65,999	-	65,999	65,999
CPB CSG TV Radio Unrestricted	62,824	-	62,824	62,823
Banda de Conciertos	46,202	-	46,202	78,384
	$ 1,765,001	$ 400	$ 1,765,401	$ 1,930,504

	June 30, 2016			
	Carrying Amount			
	Deposits	Cash on Hand	Total	Bank Balance
Unrestricted	$ 943,885	$ 400	$ 944,285	$ 1,062,631
Restricted:				
Special dramatic project - Lucy Boscana	1,731,620	-	1,731,620	1,757,471
CPB CSG TV	400,849	-	400,849	400,849
CPB CSG TV Radio Restricted	168,844	-	168,844	168,844
CPB CSG TV Radio Unrestricted	66,095	-	66,095	66,095
Tony Croato Documental	77,000	-	77,000	77,000
	$ 3,388,293	$ 400	$ 3,388,693	$ 3,532,890

Custodial credit risk is the risk that, in an event of a bank failure, the Corporation's deposit might not be recovered. Commonwealth's regulations require domestic commercial banks to maintain collateral securities pledged for the security of public deposits at an amount not less than 100% of the amounts in excess of federal insurance coverage. All securities pledged as collateral are held by the Secretary of the Treasury of the Commonwealth (the "Treasury Department").

As of June 30, 2017 and 2016, the Corporation's carrying amount of bank demand deposits was $1,765,001 and $3,388,293, respectively. The bank balances for all of the demand deposit accounts amounted to $1,930,504 and $3,532,890, as of June 30, 2017 and 2016, respectively. Of the bank balances, $250,000 were covered by federal depository insurance by each financial institution. The Corporation maintained all its funds in two private or non-governmental financial institutions. Uninsured balances in the amount of \$1,430,505 and \$3,032,890, as of June 30, 2017 and 2016, respectively, were collateralized with securities pledged by the financial institution and held by the Treasury Department, as described above.

4. DUE FROM GOVERNMENTAL ENTITIES

Due from governmental entities consists of:

	June 30, 2017	June 30, 2016
Office of Management and Budget ("OMB")	\$ -	\$ 479,436
Commonwealth of Puerto Rico - Treasury Department	-	800,000
Puerto Rico Department of Education	-	548,193
Other governmental entities	581,169	487,171
Total due from governmental entities	581,169	2,314,800
Less: allowance for doubtful accounts	(408,497)	(766,654)
Due from governmental entities, net	\$ 172,672	\$ 1,548,146

Office of Management and Budget ("OMB") – Balance due from the OMB as of June 30, 2016 related to the reimbursement of funds paid by the Corporation to the eligible employees under the early retirement incentives program, known as Act No. 70 of July 2, 2010. As of June 30, 2016, due from OMB has been presented as part of due from governmental entities in the accompanying statements of net position, net of allowance for doubtful accounts in the amount of \$ 479,436. There is no balance due from the OMB as of June 30, 2017.

Commonwealth of Puerto Rico – Treasury Department – Balance due from the Commonwealth as of June 30, 2016 related to a remaining balance from the special fund granted under Law No. 146 of July 26, 2011, "Ley del Fondo Especial del Taller Dramático de Radio AM de las Emisoras de la Corporación de Puerto Rico para la Difusión Pública". There is no balance due from Commonwealth of Puerto Rico - Treasury Department as of June 30, 2017.

Puerto Rico Department of Education – Balance due from the Puerto Rico Department of Education as of June 30, 2016 related to uncollected amounts due under the special project "Taller Cien" granted under the Executive Order 2014-002.

Other Governmental Entities – Includes balances due from municipalities and other governmental instrumentalities. As of June 30, 2017 and 2016, due from other governmental entities has been presented as part of due from governmental entities in the accompanying statements of net position, net of allowance for doubtful accounts in the amount of \$408,497 and \$287,218, respectively.

5. CAPITAL ASSETS

The activity of each of the major classes of capital assets and accumulated depreciation for the fiscal years ended June 30, 2017 and 2016 is summarized as follows:

		June 30, 2017		
	June 30, 2016	Increases	Decreases	June 30, 2017
Capital assets not being depreciated -				
Land	$ 82,600	$ -	$ -	$ 82,600
Capital assets being depreciated:				
Televesion, radio and other equipment	50,061,235	260,813	-	50,322,048
Building and building improvements	12,632,409	191,835	-	12,824,244
Motor vehicles	1,308,501	1,404	-	1,309,905
Furniture and fixtures	2,917,908	11,142	-	2,929,050
Computers	688,810	44,598	-	733,408
Total capital assets being depreciated	67,608,863	509,792	-	68,118,655
Less: accumulated depreciation and amortization for:				
Television, radio and other equipment	45,632,874	1,168,703	-	46,801,577
Building and building improvements	12,135,305	109,283	-	12,244,588
Motor vehicles	1,249,995	18,813	-	1,268,808
Furniture and fixtures	2,674,267	70,835	-	2,745,102
Computers	671,060	16,030	-	687,090
Total accumulated depreciation and amortization	62,363,501	1,383,664	-	63,747,165
Total capital assets, net	$ 5,327,962	$ (873,872)	$ -	$ 4,454,090

		June 30, 2016		
	June 30, 2015	Increases	Decreases	June 30, 2016
Capital assets not being depreciated -				
Land	$ 82,600	$ -	$ -	$ 82,600
Capital assets being depreciated:				
Televesion, radio and other equipment	49,490,366	570,869	-	50,061,235
Building and building improvements	12,616,929	15,480	-	12,632,409
Motor vehicles	1,575,626	1,404	(268,529)	1,308,501
Furniture and fixtures	2,879,973	37,935	-	2,917,908
Computers	684,313	4,497	-	688,810
Total capital assets being depreciated	67,247,207	630,185	(268,529)	67,608,863
Less: accumulated depreciation and amortization for:				
Television, radio and other equipment	42,845,733	2,787,141	-	45,632,874
Building and building improvements	12,006,297	129,008	-	12,135,305
				1,249,995
Motor vehicles	1,461,331	57,193	(268,529)	
Furniture and fixtures	2,594,422	79,845	-	2,674,267
Computers	657,259	13,801	-	671,060
Total accumulated depreciation and amortization	59,565,042	3,066,988	(268,529)	62,363,501
Total capital assets, net	$ 7,764,765	$ (2,436,803)	$ -	$ 5,327,962

6. RETIREMENT PLAN

The Employees' Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities (previously defined as ERS) was created pursuant to Act No. 447 in May 15, 1951, as amended. It is a cost-sharing multiple-employer defined benefit pension plan sponsored by and reported as a fiduciary component unit of the Commonwealth.

Members who had entered the ERS before January 1, 2000 participated in a defined benefit program. Members who began to participate prior to April 1, 1990 were entitled to the highest benefits structure, while those who began to participate on or after April 1, 1990 were subject to a longer vesting period and a reduced level of benefits, as provided by Act No. 1 of February 16, 1990. In 1999, an act was approved to amend the plan and close the defined benefit plan for new participants and prospectively established a new defined contribution plan, referred to as System 2000 Program (see Note 6.b below). In 2013, another act was approved to amend the plan and follow the same defined contribution program established with the System 2000 Program to be administered by the ERS. As a result of those amendments, the ERS consists of different benefit structures, including a cost-sharing, multi-employer, defined benefit program; a defined contribution program and a defined contribution hybrid program that is explained in further detail below.

a. Cost-Sharing, Multi-Employer, Defined Benefit Program

Pursuant to Act No. 447 of May 15, 1951, as amended, ("Act 447"), all regular employees of the Corporation hired before January 1, 2000 and less than 55 years of age at the date of employment became members of the ERS, under a Defined Benefit Program (the "Benefit Program"), as a condition of their employment.

The Benefit Program provides retirement, death, and disability benefits pursuant to legislation enacted by the Legislature of Puerto Rico (the "Legislature"). Members who have attained 55 years of age and have completed at least 25 years of creditable service, or members who have attained at least 58 years of age and have completed at least 10 years of creditable service are entitled to an annual benefit, payable monthly for life. The amount of the annuity shall be 1.5% of the average salary, as defined, multiplied by the number of years of creditable service up to 20 years, plus 2% of the average salary, as defined, multiplied by the number of years of creditable service in excess of 20 years. The annuity, for which the participant is eligible, is limited to a minimum of $500 per month and a maximum of 75% of the average compensation, as defined.

Participants who have completed at least 30 years of creditable service are entitled to receive the Merit Annuity up to February 16, 1990, as discussed later. Participants who have not attained 55 years of age will receive up to a maximum 65% of the average salary, as defined, or if they have attained 55 years of age will receive up to a maximum of 75% of the average salary, as defined. Disability retirement benefits are available to members for occupational and non-occupational disability up to a maximum benefit of 50% of the average salary, as defined. However, for non-occupational disability, a member must have at least 10 years of creditable service.

Commonwealth's legislation requires employees to contribute 10% of their monthly gross salary.

Act No. 1 of February 16, 1990 ("Act 1"), made certain amendments applicable to new participating employees joining the ERS effective April 1, 1990. These changes consist principally of an increase in the retirement age from 55 to 65, a decrease in the benefit percentage of the average compensation in the occupational disability and occupational death benefits annuities from 50% to 40%, and the elimination of the Merit Annuity for participating employees who have completed 30 years of creditable service.

b. Defined Contribution Program – System 2000 Program

On September 24, 1999, the Legislature enacted Act No. 305 ("Act 305"), which amended Act 447 to establish a new retirement program. Act 305, among other things, creates the System 2000 Program, a new benefit structure similar to a defined contribution plan. All regular employees hired for the first time on or after January 1, 2000, and former employees who participated in the Benefit Program, and were rehired on or after January 1, 2000, became members of the System 2000 Program as a condition to their employment. In addition, employees who at December 31, 1999 were participants of the Benefit Program had the option, up to March 31, 2000, to irrevocably transfer their prior contributions to the Benefit Program plus interest thereon to the System 2000 Program.

Commonwealth legislation requires employees to contribute 10% of their monthly gross salary to the System 2000 Program. Employee contributions are credited to individual accounts established under the System 2000 Program. Participants have three options to invest their contributions and investment income is credited to the participant's account semiannually.

Under System 2000 Program, contributions received from participants are pooled and invested by the ERS, together with the assets corresponding to the Benefit Program. Future benefit payments under the Benefit Program and the System 2000 Program will be paid from the same pool of assets. As a different benefit structure, the System 2000 Program is not a separate plan and the Commonwealth does not guarantee benefits at retirement age.

Corresponding employers' contributions will be used by the ERS to reduce the unfunded status of the Plan.

The System 2000 Program reduced the retirement age from 65 years to 60 years for those employees who joined this plan on or after January 1, 2000.

Upon retirement, the balance in each participant's account will be used to purchase an annuity contract, which will provide for a monthly benefit during the participant's life and 50% of such benefit to the participant's spouse in case of the participant's death. Participants with a balance of $10,000 or less at retirement will receive a lump-sum payment. In case of death, the balance in each participant's account will be paid in a lump-sum to the participant's beneficiaries. Participants have the option of receive a lump-sum or purchasing an annuity contract in case of permanent disability.

c. Defined Contribution Hybrid Program

On April 4, 2013, the Legislature enacted Act No. 3 ("Act 3"), which amended Act 447, Act 1, and Act 305 to establish, among other things, a defined contribution program similar to the System 2000 Program to be administered by the ERS (the "Hybrid Program"). All active regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the Benefit Program and the System 2000 Program, and were rehired on or after July 1, 2013, became members of the Hybrid Program as a condition of their employment.

In addition, employees who at June 30, 2013, were participants of previous programs will become part of the Hybrid Program. Act 3 froze all retirement benefits accrued through June 30, 2013 under the Benefit Program, and thereafter, all future benefits will accrue under the defined contribution formula used for the 2000 System Program participants.

Participants in the Benefit Program who, as of June 30, 2013, were entitled to retire and receive some type of pension, may retire on any later date and will receive the annuity corresponding to their retirement plan under the Benefit Program, as well as the annuity accrued under the Hybrid Program. Participants who, as of June 30, 2013, have not reach the retirement age and years of service can retire depending on the new age limits defined by the Hybrid Program and will receive the annuity corresponding to their retirement plan under the Benefit Program, as well as the annuity accrued under the Hybrid Program.

Participants in the System 2000 Program who, as of June 30, 2013, were entitled to retire because they were 60 years of age may retire on any later date and will receive the annuity corresponding to their retirement plan under the Benefit Program, as well as the annuity accrued under the Hybrid Program. Participants in the System 2000 Program who, as of June 30, 2013, have not reached the age of 60 can retire depending on the new age limits defined by the Hybrid Program and will receive the annuity corresponding to their retirement plan under the Benefit Program, as well as the annuity accrued under the Hybrid Program. In addition, Act 3 amended the provisions of the different benefit structures under the ERS including, but not limited to, the following:

- Increased the minimum pension for current retirees from $400 to $500 per month.
- The retirement age for the Act No. 447 participants will be gradually increased from age 58 to age 61.
- The retirement age for the active System 2000 Program participants will be gradually increased from age 60 to age 65.

- Eliminated the "merit annuity" available to participants who joined the ERS prior to April 1, 1990.

- The retirement age for new employees was increased to age 67.

- The employee contribution rate was increased from 8.275% to 10%.

- For the System 2000 Program participants, the retirement benefits will no longer be paid as a lump sum distribution, instead, they will be paid through a lifetime annuity.

- Eliminated or reduced various retirement benefits previously granted by special laws, including Christmas and summer bonuses. The Christmas bonus payable to current retirees was reduced from $600 to $200 and was eliminated for future retirees. The summer bonus was eliminated. Resulting employer contribution savings will be contributed to the ERS.

- Disability benefits were eliminated and substituted for a mandatory disability insurance policy.

- Survivor benefits were modified.

Employee contributions are credited to individual accounts established under the Hybrid Program. In addition, a mandatory contribution equal to or less than point twenty five percent (0.25%) is required for the purchase of disability insurance.

Upon retirement, the balance in each participant's account will be used to purchase an annuity contract, which will provide for a monthly benefit during the participant's life. In case of the pensioner's death, the designated beneficiaries will continue receiving the monthly benefit until the contributions of the participant are completely consumed. In case of the participants in active service, a death benefit will be paid in one lump sum in cash to the participant's beneficiaries. Participants with a balance of less than $10,000 or less than five years of computed services at retirement will receive a lump-sum payment. In case of permanent disability, the participants have the option of receiving a lump-sum or purchasing an annuity contract.

For the years ended June 30, 2017 and 2016, the Corporation was required to contribute 15.525% and 14.275%, respectively, of each participant's gross salary under the different benefit structures. The ERS will use these contributions to increase its level of assets and to reduce the actuarial deficit. Beginning on July 1, 2013, and up until June 30, 2016, the employer's contribution rate shall be annually increased by one percent (1%). Beginning July 1, 2016, and up until June 30, 2021, the employer's contribution rate that is in effect on June 30 of every year shall be annually increased on every successive July 1 by one point twenty-five percent (1.25%).

Additional Uniform Contribution:

The Commonwealth enacted Act No.32 of June 25, 2013, which provides for incremental annual contributions (Additional Uniform Contribution or AUC) of $120 million from the Commonwealth General Fund, public corporations and municipalities beginning in fiscal year 2014 and from all employers $352.0 million annually up to the fiscal year 2032. This additional contribution will be determined annually based on actual studies to be performed by the ERS's actuaries. The 2014 budgetary appropriation for such additional contribution of approximately $120 million was included in the Commonwealth, public corporations and municipalities for the fiscal year 2014. The AUC for the fiscal year 2015 was $27 million paid by the Commonwealth and $27 million paid by public corporations and municipalities. The AUC for fiscal year 2015 and subsequent years has increased to approximately $352 million, of which approximately $216 million correspond to the Commonwealth's central government, to be funded from the general fund and the remaining portion corresponds to the participating public corporations and municipalities. As of June 30, 2017 and 2016, the Corporation has accrued $1,667,087 and $626,568, respectively, and has been included as part of accrued expenses, payroll taxes and withholdings in the accompanying statements of net position.

System Administered Pension Benefits:

The ERS also administers benefits granted under various special laws that have provided additional benefits for the retirees and beneficiaries, referred to as System Administered Pension Benefits. The System Administered Pension Benefits include, among others, additional minimum pension, death and disability benefits, ad-hoc cost-of-living adjustments and summer and Christmas bonuses. Act 3 and Act 160 amended various laws providing some of these System Administered Pension Benefits to reduce some of the amounts payable to existing retirees while eliminating the benefits for all future retirees (those retiring after June 30, 2013 and July 31, 2014).

The System Administered Pension Benefits are funded on a pay-as-you-go basis by the participating employers, including the Corporation. The System Administered Pension Benefits corresponding to former employees of the Corporation are obligations of the Corporation. Most of the funds used to cover the System Administered Pension Benefits for other covered employees are required to be paid by the Commonwealth.

Total employee contributions for the Benefit Program, the System 2000 Program and Hybrid Program during the year ended June 30, 2017, amounted to approximately $383,099, $117,810 and $48,788, respectively; and during the year ended June 30, 2016, amounted to approximately $380,699, $124,171 and $56,327, respectively.

The Corporation's contributions (either paid or accrued) for the Benefit Program, the System 2000 Program and Hybrid Program during the year June 30, 2017, amounted to approximately $713,951, $182,901 and $48,788, respectively; and during the year ended June 30, 2016, amounted to approximately $665,532, $177,253 and $80,407, respectively. These amounts represented 100% of the required contribution for the corresponding year, based on the information provided by the ERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At June 30, 2017 and 2016 as restated, the Corporation reported a liability of $48,953,387 and $40,765,654 million, respectively, for its proportionate share of the net pension liability.

The June 30, 2017 net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 01, 2015, rolled forward to the measurement date of June 30, 2016. The Corporation's proportion of the net pension liability was based on a projection of the Corporation's longterm share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017 and 2016, the Corporation's proportionate share was 0.1299% and 0.1223%, respectively.

For the year ended June 30, 2017 and 2016 as restated, the Corporation recognized pension expense related to the implementation of the GASB 68 amounting to $2,020,667 and $1,511,808, respectively.

At June 30, 2017, the reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 264,879
Difference between expected and actual experience	40,023	672,053
Changes of assumptions	7,466,902	-
Change in proportion and difference between the employer's contributions and proportionate share of contributions	2,152,529	-
Institution contributions subsequent to measurement date	2,039,819	-
Total	$ 11,699,273	$ 936,932

The deferred outflows of resources related to pensions resulting from the Corporation's contributions subsequent to measurement date amounting to $2,039,819 at June 30, 2017 will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as adjustment to pension expense as follows:

Year ending June 30,	Amount
2018	$ 437,671
2019	437,671
2020	437,671
2021	401,846
Thereafter	-
Total	$ 1,714,859

Actuarial Assumptions and Methods

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

Actuarial cost method	Entry age normal
Asset valuation method	Market value of assets
Inflation rate	2.5%
Salary increases	3% per year. No compensation increases are assumed until July 1, 2021 as a result of Act no 66 and the current general economy.

The mortality tables used in the June 30, 2016 valuation were as follows:

PreRetirement Mortality: For general employees not covered by Act No. 127, RP2014 Employee Mortality Rates for males and females adjusted to reflect Mortality Improvement Scale MP2016 from 2006 base year and projected forward using MP2016 on generational basis. For members covered under Act No. 127, RP2014 Employee Mortality Rates are assumed with blue collar adjustments for males and females adjusted to reflect Mortality Improvement Scale MP2016 from 2006 base year and projected forward using MP2016 on 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 occupied only for members covered under Act No. 127.

PostRetirement Healthy Mortality: Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of a Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rated from the UP1994 Mortality Table for Males and 95% of the rates from the UP1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. The base rates are projected using Mortality Improvement Scale MP2016 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

PostRetirement Disabled Mortality: Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are 105% of the rates from the UP1994 Mortality Table for Males and 115% of the rates from the UP1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP2016 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

The longterm expected rate of return on pension benefits investments was determined in accordance with the asset allocation of the portfolio that was adopted by the Retirement System's Board during December 2013 and the actuary's capital market assumptions as of June 30, 2016. In addition, the assumption reflects that loans to members comprise approximately 50% of the portfolio and, have an approximate return of 9.1% with no volatility. The longterm expected rate of return on pension benefits investments of 6.55% at June 30, 2016 is equal to the highest debt service of the senior pension funding bonds payable which range from 5.85% to 6.55% per annum.

The Retirement System's policy in regards to allocation of invested assets is established and may be amended by the Retirement System's Board. Plan assets are managed on a total return basis with a longterm objective of achieving and maintaining a positive impact on the System's financial condition for the benefits provided through the pension programs.

The following was the Retirement System's Board adopted asset allocation policy at June 30, 2016:

	Target Allocation	LongTerm Expected Real Rate of Return
Asset Class:		
Domestic equity	25%	6.4%
International equity	10%	6.7%
Fixed income	64%	6.3%
Cash	1%	3.0%

The longterm rates of return on pension plan investments were determined using a building block method in which best estimates ranges of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the longterm expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation.

The asset basis for the date of depletion is the Retirement System's fiduciary net position (gross assets plus deferred outflows of resources less gross liabilities, including senior pension funding bonds payable, less deferred outflows of resources). On this basis, the Retirement System's net position became negative in fiscal year 2015 and accordingly no projection of date of depletion is needed.

The date of depletion projection of the actuarial report does not include any amounts from the additional uniform contribution required by Act No. 32 because of actual fiscal and budgetary financial difficulties, continued budget deficits and liquidity risks of the Commonwealth and the municipalities, and in the event that their financial condition does not improve in the near term.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Therefore, actuarial determined amounts are subject to change in the near term.

Discount Rate

The Retirement System's net position was not projected to be available to make all projected future benefit payments on current and active and inactive employees. Therefore, the tax free municipal bond index (Bond Buyer Obligation 20Bond Municipal Bond Index) was applied to all periods of projected benefits payments to determine total pension liability. The discount rate was 2.85% at June 30, 2016.

Sensitivity of the Corporation's proportionate share of net pension liability to change in the discount rate

The following table presents the Authority's proportionate share of the net pension liability calculated using the using the current discount rate of 2.85% as well what the Corporation's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease	At Current Discount Rate	1% Increase
	1.85%	2.85%	3.85%
Net pension liability	$ 56,147,600	$ 48,953,387	$ 43,095,839

Additional information on the Retirement System is provided on its stand-alone financial statements for the year ended June 30, 2017, a copy of which can be obtained from the Employees' Retirement System of the Commonwealth of Puerto Rico, P.O. Box 42004, San Juan PR 00940-2004.

7. TERMINATION BENEFITS

During the fiscal year ended June 30, 2011, the Legislature approved a one-time retirement incentive plan for all regular employees of the Central Government Agencies and certain Public Corporations, known as Act No. 70 of July 2, 2010 ("Act 70"). The plan included early retirement incentives for certain eligible employees. Under the plan, employees could select one of three options as follows:

a. Option A - Article 4(a) provides a one-time economic incentive based on the following parameters:

Years of Service in Public Sector	Incentive Gross Amount
Up to 1 year	1 month of salary
From 1 year and 1 day and less than 3 years	3 months of salary
More than 3 years	6 months of salary

b. Option B - Article 4(b) provides, employees meeting certain years of service criteria (between 15 and 29 years) and opting for early retirement, to receive a higher pension benefit rate than they would otherwise be entitled to receive based on their current years of service, but such pension rate is lower than what they would have been entitled to if they had waited to meet the full vesting requirements.

Annuity pension payments are based on the following parameter:

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

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

Employees selecting options A or B were be entitled to receive full payment of healthcare plan benefits for a period of up to 12 months or the date that the employee is eligible for a healthcare plan benefit offered by another employer, whichever occurs first.

The voluntary termination benefits liability movement for the employees selecting option B as of June 30, 2017 and 2016, was as follows:

June 30, 2017				
Beginning Balance	Amortization/ Adjustements (net)	Payments	Ending Balance	Due within one year
$ 4,071,415	$ 66,491	$ (477,511)	$ 3,660,395	$ 436,524

June 30, 2016				
Beginning Balance	Amortization/ Adjustements (net)	Payments	Ending Balance	Due within one year
$ 4,386,017	$ 126,892	$ (441,494)	$ 4,071,415	$ 450,884

c. Option C - Article - 4(c) provides eligible employees that have 30 years of credited services contributing to the ERS and request to start receiving their pension benefits will be entitled to receive the economic incentive disposed on article 4(a) but not entitled to the incentives provided on article 4(b). Employees that have the required retirement age but have not achieved the years of credited services contributing to the ERS will be entitled to an economic incentive of up to 6 months of salary to cover for the years of service not credited.

The Corporation funds the program with appropriations assigned from the Annual Budget of the Commonwealth of Puerto Rico. Since the inception of the program 32 employees have elected to retire, 7 in 2013, 10 in 2012 and 15 in 2011.

8. COMMITMENTS

The Corporation, as lessee, leases transmission tower space for certain repeater stations from third parties under lease agreements. The leases are accounted for as operating leases and are for various terms up to five years, with additional renewal options. However, certain agreements are maintained by the Corporation on a month by month basis.

The Corporation, as lessor, leases space on certain towers that it owns, to various third parties using five to ten year lease agreements with renewal options. Revenues generated from these agreements are recorded as other operating revenue in the accompanying statement of revenues, expenses and changes in net position.

Some of these agreements (both, the Corporation as lessee and as lessor) have terminated and the Corporation has renewed them on a month by month basis.

Future commitments under existing operating lease and other agreements as of June 30, 2017, are as follows:

Year ending June 30,	As Lessee Minimum Lease Payments	As Lessor Minimum Lease Payments
2018	$ 56,557	$ 305,933
2019	54,139	318,917
2020	34,139	326,826
2021	34,139	334,989
2022	11,380	343,416
Thereafter	-	351,812
	$ 190,354	$ 1,981,893

Total rental expense under operating leases amounted to $154,364 and $233,765 for the years ended June 30, 2017 and 2016, respectively. Of such amount, $109,946 and $209,640 are included as part of broadcasting and technical expenses, respectively, and $44,418 and $47,557 as programming and production expenses, respectively, in the accompanying statements of revenues, expenses, and changes in net position.

9. CONTINGENCIES AND COMMITMENTS

a. Contingent Liabilities

The Corporation is a defendant in a legal case in which five plaintiffs claim reinstatement in employment with back pay and compensatory damages for unjust dismissal. During the year ended June 30, 2016, the Court issued a partial judgement in favor of the plaintiffs ordering the Corporation to reinstate them in their previous employment posts with the Corporation. The plaintiffs' claim for back pay was estimated in approximately $1,300,000. This determination is under review of the Puerto Rico Supreme Court. During the year ended June 30, 2016, the Court of First Instance issued a final judgement granting these plaintiffs compensatory damages in the amount of $380,000. The Corporation has included within accrued legal claims in the accompanying 2017 statements of net position, 1,680,000 in relation to these cases.

The Corporation is a defendant or co-defendant in various other lawsuits in the normal course of operations. Some claims have been brought against the Corporation by employees and others. Legal counsel and management are contesting the cases vigorously. Management has not accrued a contingency reserve in relation to these cases.

b. Risk Management

The Corporation is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets, extra expense, errors and omissions, employee injuries and illnesses, natural disasters, and other losses. Commercial insurance coverage is obtained for claims arising from such matters.

The commercial insurance coverage and premium are negotiated by the Corporation and the Treasury Department. The cost is paid by the Treasury Department, and reimbursed by the Corporation.

c. Concentration of Credit Risk

Financial instruments that potentially subjects the Corporation to concentration of credit risk consists of accounts receivable and due from government entities. These accounts receivable and due from governmental entities are from customers, municipalities and governmental instrumentalities mainly located in Puerto Rico. The Corporation generally does not require collateral and credit losses are provided for periodically through an allowance for doubtful accounts. Management believes it is not exposed to any significant credit risk on the accounts receivable and due from government entities that were not subject to an allowance for doubtful accounts.

d. Commissions

The Corporation has agreements with independent consultants to solicit and acquire funds for program underwriting and other activities related to public broadcasting. The agreements provide for a payment of commissions to the consultants based on varying percentages of funds received.

10. GOING CONCERN AND UNCERTAINTIES

The discussion in the following paragraphs regarding the Corporation's financial and credit risks provides the necessary background and support for management's evaluation as to whether there is substantial doubt about the Corporation's ability to continue as a going concern.

As discussed in Note 1 to the basic financial statements, the Corporation's principal source of revenue is from legislative appropriations from the Commonwealth of Puerto Rico (the Commonwealth). More than seventy percent of the Corporation's total revenues are derived from legislative appropriations of the Commonwealth which amounted to $11,837,758 and $11,819,000 for the years ended June 20, 2017 and 2016, respectively.

The Commonwealth currently faces a severe fiscal, economic and liquidity crisis, the culmination of many years of significant government deficits, a prolonged economic recession, high unemployment, population decline, and high levels of debt and pension obligations.

The Puerto Rico Oversight, Management, and Economic Stability Act, Pub. Law 114-187 ("PROMESA"), was enacted into federal law on June 30, 2016, one day before the Commonwealth of Puerto Rico was expected to, and did, default on substantial payment obligations. PROMESA includes a variety of provisions applicable to Puerto Rico, its instrumentalities and their liabilities and operations, including the establishment of an oversight board, the requirements of fiscal plans and budgets to the Commonwealth, the establishment of an automatic stay, and debt adjustments, among others.

PROMESA establishes a seven-member Oversight Board, the members of which have been designated by Congress and the President. The Oversight Board is provided with broad authority over Puerto Rico and instrumentalities of Puerto Rico which the Oversight Board designates as "covered" instrumentalities. The Oversight Board is an autonomous body that has broad authority and discretion over Puerto Rico, including the ability to place Puerto Rico itself and a "covered" instrumentality into a debt restructuring proceeding established under PROMESA, require and approve a fiscal plan, require and approve a budget, oversee operations and implement changes that are necessary to comply with an approved fiscal plan or budget, approve the issuance of debt, hold hearings and issue subpoenas in furtherance of its functions, enter into its own contracts, analyze a territory's pensions and pension liability, approve voluntary settlements with creditors, and become a direct party in litigation against Puerto Rico or an instrumentality. The Oversight Board is, in effect, considered a division of the territory and can hire officers, professionals and legal counsel.

A critical component of PROMESA is the requirement of Puerto Rico and covered instrumentalities to develop and maintain a fiscal plan. A fiscal plan for the territory, or any instrumentality designated by the Oversight Board generally must contain numerous provisions governing the operation of the territory or instrumentality, as the case may be, including plans to pay debts, eliminate deficits, maintain essential public services and impose internal controls for fiscal governance and accountability.

Each fiscal plan is also required to set forth methods for the territory or instrumentality to access the capital markets. The fiscal plan must be developed by the PR Governor, with oversight by the Oversight Board, and submitted to the Oversight Board for approval (the Oversight Board can submit its own fiscal plan if the Governor's fiscal plan is not acceptable in the sole discretion of the Oversight Board).

A fiscal plan is also required to comply with Puerto Rico law and to maintain valid liens. PROMESA further specifies that no budget can be submitted by the territory's Governor to its Legislature unless the Oversight Board has approved a fiscal plan and the budget is consistent with the fiscal plan (and, similar to fiscal plans, the Oversight Board can submit its own budget if the Governor's budget is not acceptable in the sole discretion of the Oversight Board).

On March 13, 2017, the Oversight Board approved and certified the fiscal plan submitted by the Commonwealth of Puerto Rico.

11. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

The Corporation has determined that a restatement to the July 1, 2016 beginning net position was required to recognize the change in accounting principle for the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, and Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68, through which accounting for pension plans and the related disclosure requirements were modified.

On July 1, 2015, the Corporation restated its net position to adopt the GASB 68 and recognize pension related amounts. The effect of the restatement is as follows:

	Statement of Net Position
Net position as of July 1, 2016, as previously reported	$ (737,384)
Restatement to correct pension related account balances:	
Net pension liability (measurment date June 30, 2015)	(36,170,381)
Net position as of July 01, 2016, as restated	$ (36,907,765)

12. SUBSEQUENT EVENTS

The System has evaluated all events subsequent to the financial statement date of June 30, 2017 through March 18, 2019, which is the date these financial statements were available to be issued. The subsequent events disclosed are those which management believes are of sufficient public interest for disclosure.

a. PayGo Pension Reform

Effective July 1, 2017, a new pay-as-you-go ("PayGo") mechanism for the Commonwealth Retirement Systems was implemented by the Treasury Department. With the start of fiscal year 2018, employers' contributions, contributions ordered by special laws, and the additional uniform contribution were all eliminated. ERS will determine and administer the payment amount per retiree that will be charged to each agency, public corporation and municipality.

In addition to the establishment of the PayGo mechanism, on August 23, 2017, the Governor signed into law the Act to Guarantee the Payment to Our Pensioners and Establish a New Plan for Defined Contributions for Public Servants ("Act No. 106"), which reformed the Commonwealth Retirement Systems so that their active participants would deposit their individual contributions in a new Defined Contributions Plan, that will be managed by a private entity. Act No. 106 created the legal framework so that the Commonwealth can make payments to pensioners through the PayGo system.

Act No. 106, among other things, amended Act No. 12 with respect to the ERS's governance, funding and benefits for active members of the actual program and new hired members. Under Act No. 106, the ERS's Board of Trustees was substituted with a new retirement board (the Retirement Board), which is currently responsible for governing all Commonwealth Retirement Systems.

Act No. 106 terminated the previously existing pension programs for ERS participants as of June 30, 2017. The members of the prior programs and new system members hired on and after July 1, 2017 will be enrolled in a new defined contributions program that will be selected by the Retirement Board. The accumulated balance on the accounts of the prior program will be transferred to the members account in the new defined contributions program. ERS's active members in the defined contributions program will retain their benefits as stated under Act 91 of March 29, 2003.

Act No. 106 also ordered a suspension of ERS's loan programs and ordered a merger of the administrative structures of the Commonwealth Retirement Systems. At the Retirement Board's discretion, the administration of ERS benefits may be externalized. The employees of ERS that are not retained under the new administrative structure will be transferred to other public agencies in conformity with Act 8 of February 8, 2017.

b. Hurricanes Irma and Maria

During September 2017, hurricanes Irma and Maria struck the island of Puerto Rico causing widespread damages throughout the island.

The hurricanes made landfall in the islands as a Category 4 hurricane on the SaffirSimpson scale, causing catastrophic winds and water damages to the islands' infrastructure, homes and businesses. Most business establishments, including retailers and wholesalers, financial institutions, manufacturing facilities and hotels, were closed for several days. The damages caused by the hurricanes are substantial and have had a material adverse impact on economic activity in the island, thus, affecting the Corporation. As of the date this report, management is evaluating the final impact to the Corporation.

c. Oversight Board

On January 11, 2019 the Oversight Board recommended to the Commonwealth take the necessary steps to transfer the rights and ownership of the Corporation to a private non-profit entity in order to provide increased growth opportunities, enhance the programming offering, and save the money to the Commonwealth. As of the report's date the Corporation has not officially responded to the Oversight Board's recommendation.

REQUIRED SUPPLEMENTARY INFORMATION

PUERTO RICO PUBLIC BROADCASTING CORPORATION
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
SCHEDULE OF THE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2017 AND 2016

	2017	2016	2015
Corporation's proportion of the net pension liability	0.12985 %	0.12228 %	0.11571 %
Corporation's proportionate share of the net pension liability	$ 48,953,386	$ 40,765,654	$ 34,872,846
Corporation's covered-employee payroll	$ 4,342,680	$ 4,058,816	$ 4,037,233
Corporation's proportionate share of the net pension liability as a percentage of its covered-employee payroll	1,127.26 %	1,004.37 %	863.78 %
Plan fiduciary net position as percentage of the total pension liability	(3.47)%	(2.05)%	(0.27)%

**The amounts presented for each fiscal year are as of the measurement date June 30, 2016, 2015 and 2014. This schedule is intended to show a 10 year trend. Information for years before June 30, 2014, are not available. Additional years will be reported as they become available.*

PUERTO RICO PUBLIC BROADCASTING CORPORATION
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
SCHEDULE OF CONTRIBUTIONS
JUNE 30, 2017 AND 2016

	2017	2016	2015
Actuarially required contributions	$ 1,195,560	$ 1,097,123	$ 984,780
Contributions in relation to the actuarially required contributions	1,195,560	908,662	825,490
Contribution deficiency/(excess)	-	188,461	159,290
Covered-employee payroll	4,342,680	4,058,816	4,037,233
Contributions as a percentage of covered-employee payroll	27.53 %	22.39 %	20.45 %

**The amounts presented for the fiscal year noted. This schedule is intended to show a 10 year trend. Information for years before 2014, is not available.*

Valuation Date:	July 1, 2015
Measurement Date:	June 30, 2016

Actuarially determined contribution rates are calculated as of June 30,2016, one year prior to the end of the fiscal year in which contributions are reported, and applied to all periods included in the measurement.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Asset valuation method	Market value of assets
Inflation rate	2.50%
Salary increases	3.00% per year. No compensation increases are assumed until July 1,2021 as a result of Act 66 and the current general economy.
PreRetirement Mortality:	*For* general employees not covered by Act No. 127, RP2014 Employee Mortality Rates for males and females adjusted to reflect Mortality Improvement Scale MP2016 from 2006 base year and projected forward using MP2016 on generational basis. For members covered under Act No. 127, RP2014 Employee Mortality Rates are assumed with blue collar adjustments for males and females adjusted to reflect Mortality Improvement Scale MP2016 from 2006 base year and projected forward using MP2016 on 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 occupied only for members covered under Act No. 127.

PostRetirement Healthy Mortality:	Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of a Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rated from the UP1994 Mortality Table for Males and 95% of the rates from the UP1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. The base rates are projected using Mortality Improvement Scale MP2016 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.
PostRetirement Disabled Mortality:	Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are 105% of the rates from the UP1994 Mortality Table for Males and 115% of the rates from the UP1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP2016 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.
	The longterm expected rate of return on pension benefits investments was determined in accordance with the asset allocation of the portfolio that was adopted by the Retirement System's Board during December 2013 and the actuary's capital market assumptions as of June 30, 2016. In addition, the assumption reflects that loans to members comprise approximately 50% of the portfolio and, have an approximate return of 9.1% with no volatility. The longterm expected rate of return on pension benefits investments of 6.55% at June 30, 2016 is equal to the highest debt service of the senior pension funding bonds payable which range from 5.85% to 6.55% per annum.