LLM&D, PSC
165 Ponce de León Ave.,
Second Floor
San Juan, Puerto Rico
00917-1233

Puerto Rico Convention Center District Authority

(A Component Unit of the Commonwealth of Puerto Rico)

BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION AND SUPPLEMENTAL SCHEDULES

JUNE 30, 2016

AND

INDEPENDENT AUDITORS' REPORT

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Puerto Rico Convention Center District Authority
San Juan, Puerto Rico

We have audited the accompanying financial statements of the business-type activities of the Puerto Rico Convention Center District Authority (the Authority), a component unit of the Commonwealth of Puerto Rico (the Commonwealth), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Authority'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 Authority'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 business-type activities of the Authority, as of June 30, 2016, and the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. As discussed in Note 12 to the financial statements, there is uncertainty regarding the availability of Commonwealth's appropriations to repay the Authority's debt to the Government Development Bank. Also, approximately $15 million of the Authority's own revenues for fiscal year 2016 were withheld by the Executive Order No. OE-2015-46, and it will not be available to pay principal and interest on the Authority's Hotel Occupancy Tax Revenue Bonds or to replenish the fund reserves used through June 30, 2016 for such debt service. The uncertainty as to its ability to satisfy its obligations when due, raise substantial doubt about its ability to continue as a going concern. A Commonwealth's restructuring proposal is currently under discussion between the Commonwealth and its components units (including the Authority) and its creditors. The outcome of this restructuring process is currently uncertain. The financial statements do not include any adjustments that might result from the outcome of these uncertainty and challenges. Our opinion is not modified with respect to this matter.

Other Matters

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 14 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, whom 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Authority's basic financial statements. The supplemental schedule of net position information, the supplemental schedule of revenues, expenses and changes in net position information, and the supplemental schedule of operating loss—Puerto Rico Convention Center—(collectively referred as the supplemental schedules) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management, were derived from, and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

February 10, 2017
San Juan, Puerto Rico

License No. 90
Expiration date: December 1st, 2019

Introduction

As management of Puerto Rico Convention Center District Authority (the Authority), we offer readers of the Authority's basic financial statements our discussion and analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2016. Our discussion and analysis provide an assessment of how the Authority's financial position and results of operations have improved or deteriorated and identifies the factors that, in management's view, significantly affected the Authority's overall financial position. It may contain opinions, assumptions, or conclusions by the Authority's management that should not be considered a replacement for, and must be read in conjunction with, the Authority's basic financial statements, which follow this section.

The Authority is a component unit of the Commonwealth of Puerto Rico (the Commonwealth) and is responsible for developing, constructing, and operating the Puerto Rico Convention Center (the Convention Center) and the Puerto Rico Convention District (the District). On August 3, 2004, Act No. 185 transferred the ownership interest of the Puerto Rico Coliseum José Miguel Agrelot (the Coliseum) to the Authority to administer and supervise its operations. On May 15, 2013, the Authority acquired the project called Bahía Urbana to administer and supervise its operations.

Financial Highlights

- The Authority's total assets decreased by \$ 32.2 million in 2016 or 4.08%
- The Authority's total liabilities decreased by \$ 8.9 million in 2016 or 1.48%
- The Authority's net position decreased by \$ 23.2 million in 2016 or 12.65%
- Operating revenues increased by \$ 2.9 million in 2016 or 10.51%
- Direct operating costs and expenses increased by \$ 420 thousand in 2016 or 4.69%
- Other operating expenses decreased by \$ 6.3 million in 2016 or 15.57%
- Nonoperating revenues (expenses) — net decreased by \$ 21.8 million in 2016 or 189.49%
- The Authority's deposits in the Government Development Bank (GDB) were impaired due to the latter's insolvency for an amount of \$ 2.4 million.
- Due to Clawback Provisions enacted during December 2015, revenues received from the Puerto Rico Tourism Company (PRTC) decreased by \$ 15.2 million. Additionally, and due to the same Provisions, investments decreased by \$ 14.9 million as they had to be used for bond payments.

Overview of the Financial Statements

This discussion and analysis section is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements are designed to provide readers with a broad overview of the Authority's basic finances in a manner similar to a private sector business. These basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental entities. Using the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which they are incurred. 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 Authority

Required Financial Statements for Business-Type Activities.

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

Statement of Revenues, Expenses, and Changes in Net Position – The statement of revenues, expenses, and changes in net position presents information showing how the Authority's net assets changed during the most recent fiscal year. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all of its costs through operating revenue and non-operating revenue.

Statement of Cash Flows – The primary purpose of this statement is to provide information about the Authority'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 Authority'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 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.

Financial Analysis of the Fiscal Year Ended June 30, 2016

The following summarizes the Authority's financial position as of June 30, 2016 and 2015 (in thousands):

STATEMENTS OF NET POSITION (in 000's)

	2016	2015	Variance
Assets:			
Current assets	$ 68,374	$ 90,374	$ (22,000)
Capital assets — net	674,835	684,967	(10,132)
Other noncurrent assets	13,713	13,789	(76)
Total assets	$ 756,922	$ 789,130	$ (32,208)

(Continued)

STATEMENTS OF NET POSITION (in 000's)

	2016	2015	Variance
Liabilities:			
Current liabilities	$ 38,069	$ 44,393	$ (6,324)
Noncurrent liabilities	558,365	561,007	(2,642)
Total liabilities	596,434	605,400	(8,966)
Net position:			
Invested in capital assets	117,368	106,962	10,406
Restricted for debts service and construction	39,939	55,068	(15,129)
Unrestricted	3,181	21,700	(18,519)
Total net position	160,488	183,730	(23,242)
Total liabilities and net position	$ 756,922	$ 789,130	$ (32,208)

(Concluded)

Analysis of Assets

The Authority has remained focused on its mission of promoting economic activities by providing outstanding venues and related services to the tourist sector and the general public. The Authority, after completing the construction of the Convention Center, has been dedicated, along with overseeing the operations of the venues, to the development of the surrounding Convention Center District, which accommodates hotels, commercial and residential facilities, and recreational areas.

For the 2016 fiscal year, total assets decreased by $32.2 million or 4.08% when compared to the previous year. The decrease in this category can be attributed to the following:

- Decrease in cash by $6.8 million directly related to two main factors. First, the settlement of tickets sold in advance for events presented in the Coliseum during the subsequent fiscal year decreased by $4.4 million. Second, a $2.4 million impairment of cash was recognized related to the deposits held by the Authority in the Government Development Bank (GDB) (See Note 3 to the financial statements).

- Decrease in investments by $15 million related to the clawback provision implemented by the Governor of Puerto Rico during December 2015. Under such provision, amounts received from the Puerto Rico Tourism Company (PRTC) were redirected to the General Fund to be used in the repayment of the General Obligation Debt (see Note 3 to the financial statements); therefore, the Authority needed to use its investments in the trust reserve accounts to complete the required debt service obligations for 2016.

- Net decrease in capital assets by $10.2 million related to depreciation expense during the year for $10.2 million for assets that became fully depreciated at the beginning of the fiscal year. Additionally, acquisitions of $141 thousands, and dispositions of $25 thousands were lower than during the previous fiscal year.

Analysis of Liabilities

For the 2016 fiscal year, total liabilities decreased by $8.9 million or 1.48% when compared to the previous year. The decrease in this category can be attributed to the net effect of following:

- Net increase in accounts payable and accrued expenses by $9.8 million mainly related to the unavailability of appropriations from the Commonwealth for the full satisfaction of current year interest payments on the Authority's lines of credit (see Note 8 to the financial statements).

- Decrease in customers deposits payable by $5.7 million directly related to the decrease in cash explained above.

- Decrease in bonds payable by $12.1 million related to the principal payment of bonds, plus discount amortization on bonds payable (see Note 9 to the financial statements).

Long-Term Debt

The Authority's long-term debt consists of two lines of credit with GDB and bonds payable, which amounted to approximately $145.2 million and $391.4 million, respectively, as of June 30, 2016. The lines of credit were obtained for the construction of the Coliseum and the bonds were issued to finance the development of the Convention Center.

See Notes 8 and 9 to the basic financial statements for additional information on the Authority's long-term debt.

Analysis of Net Position

For the 2016 fiscal year, net position decreased by $23.2 million or 12.65% when compared to the previous year. The decrease in this category can be attributed to the following:

- Increase in net investment in capital assets by $10.4 million mainly related to the payment of principal on the bond obligation for the amount of $10.8 million during July 2015. Additionally, accrued interests on the lines of credit increased by $10.6 million during 2016. These increases are offset by the depreciation of capital assets of $10.2 million and the increase of the current amount due on the bond principal of $540 thousand.

- Decrease in restricted net position reserved for debt services and construction is due to two factors. Investments restricted for debt services decreased by $14.9 million during the year due to the Clawback Provisions being enacted by the central government. Additionally, the Bahia Urbana account reserved for construction decreased approximately $230 thousand due to the impairment of GDB deposits.

- Decrease in unrestricted net position by $18.5 million mainly related to the net decrease in cash of $9.2 million discussed in the analysis of assets above. Additionally, a $9.8 increase in current liabilities will decrease the working capital of the Authority and the amount of unrestricted net position as discussed in the analysis of liabilities above. Prepaid expenses decreased by $650 thousand as explained in the analysis of assets above. The amounts due from the PRTC used to fund the operations of the Convention Center increased by $1.3 million

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (in 000's)

	2016	2015	Variance
Operating revenues	$ 30,717	$ 27,796	$ 2,921
Direct operating costs and expenses	9,375	8,955	420
Administrative expenses	34,307	40,634	(6,327)
Nonoperating revenues (expenses) — net	(10,277)	11,484	(21,761)
Change in net position	(23,242)	(10,309)	(12,933)
Net position — beginning of year	183,730	194,039	(10,309)
Net position — end of year	$ 160,488	$ 183,730	$ (23,242)

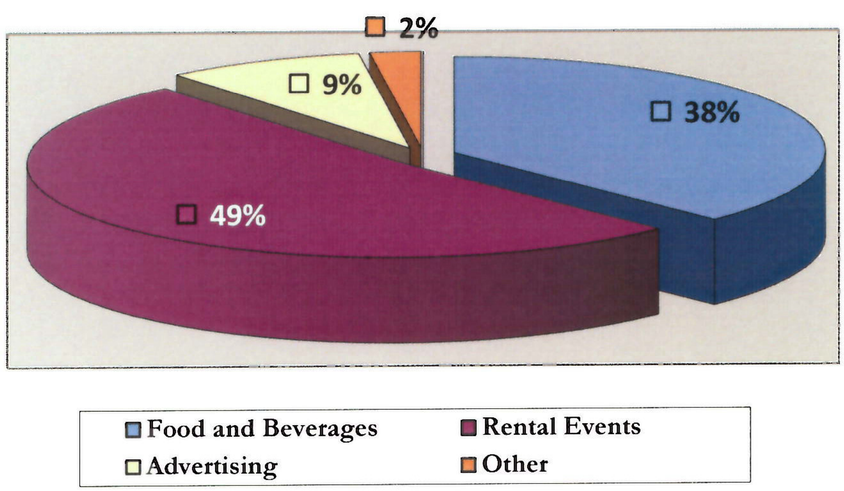
Analysis of Operating Revenues

Operating revenues are earned from rental of facilities and related support services, sale of food and beverages, suites and club seat rental, sponsorships, and ticket incentive rebates, among others.

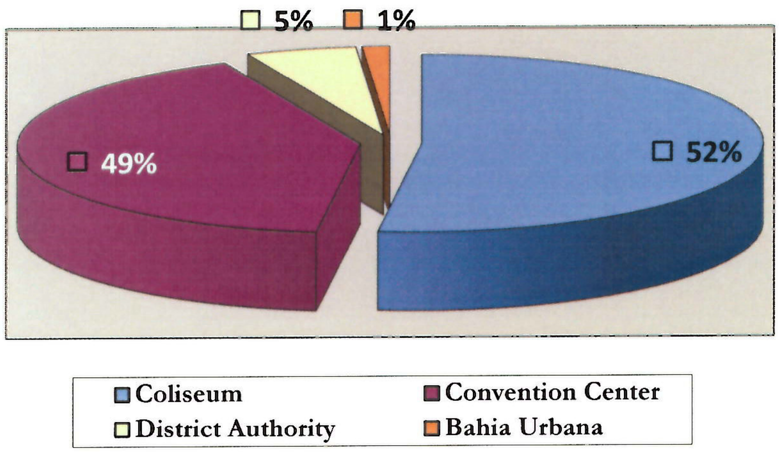
The increase in the Authority's operating revenues during the year ended June 30, 2016, is substantially related to the hosting of 40 more events in the Coliseum. This increase brought in an additional $3.2 million in rental, event service, and food and beverage revenues. Bahia Urbana experienced a decrease of $860 thousand in its operating revenue due to the change in nature of operations. During the fiscal year, Bahia Urbana is being managed by a third-party company and the Authority receives a percentage of the revenues generated, not the full amount. The Convention Center experienced an increase in operating revenues of $450 thousand when compared to the prior fiscal year. This was driven by a convention held by the Puerto Rico Department of Education, which generated $496 thousand in revenues associated with rental fees and food and beverage consumption. Additionally, revenue from rent agreements for the Authority increased by $150 thousand during 2016. Operating revenues increased by $2.9 million or 10.51%, during the year ended June 30, 2016.

The following graph presents the sources of the revenues generated by the Authority during the year:

2016 Revenues



2016 Revenues (segregated by venue)



Analysis of Direct Operating Costs and Expenses

Direct operating costs and expenses did not experience a significant net fluctuation from the previous fiscal year. For the 2016 fiscal year, direct operating costs and expenses increased by $420 thousands or 4.69% when compared to the previous year. However, the ratio of direct operating costs and expenses to total operating revenues decreased from 34% to 32.2% when compared to the prior fiscal year due to the mayor increase in operating revenues being generated from rental and event services. These services do not require as much operating costs as other sources of revenue since they are generated from the payments received from customers for the use of the venues.

Analysis of Administrative Expenses

The decrease in administrative services expenses compared to the previous year is in line with the implementation of Act 66 provisions and the reduction measures that have been followed. Under such law, government units needed to reduce their administrative expenses directly related to salaries and compensated absences by 10%, but since the Authority remained at an operating loss, these savings were not remitted to the General Fund as required by the Act. Between salaries, related benefits and payments for professional services (which are all under the provisions of Act 66), the Authority's expenses decreased approximately by $770 thousand, which represents a 10% reduction. For the 2016 fiscal year, depreciation expense decreased by $570 thousand or 5.22% when compared to the prior fiscal year as explained in the analysis of capital assets below. Bad debt expense decreased for an approximate amount of $3.7 million and can be explained by the fact that during fiscal year 2015, the allowance for the Thermal Energy Production Facitlity (TEP) receivable was increased by nearly $3.6 million along with provisions for doubtful accounts on trade receivables of the venues. Utilities experienced a decrease of $2.7 million due to the decrease in the cost of energy consumption, water services, and fuel prices that directly affect the total cost of the utilities used by the Authority. Finally, the other expenses category experienced a increase of $1.5 million, mainly driven by the accrual of a contingency loss related to legal claims.

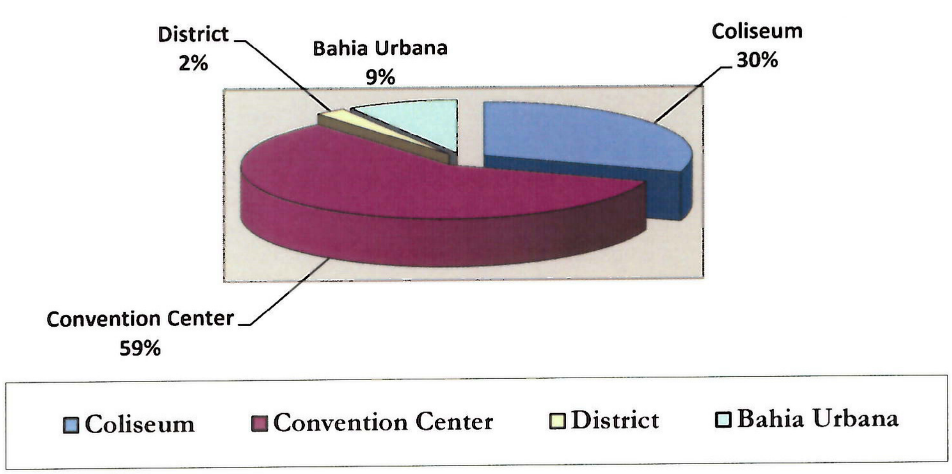
Analysis of Non-Operating Revenues, net

The Authority's nonoperating revenues are substantially comprised of funds allocated from the room tax law enacted by the Commonwealth of Puerto Rico and levied by the Puerto Rico Tourism Company and appropriations of the Legislature. The room tax revenues provide, among other things, for the debt service payment of the bonds issued for the financing of the Convention Center and to cover the Convention Center's administrative funds. The appropriations of the Legislature provide for the debt service payment of the line of credit used to finance the Coliseum. For the 2016 fiscal year, non-operating revenues, net decreased by $21.8 million or 189.49% when compared to the previous year. The decrease in this category is attributed to the decrease in contributions from PR Tourism Company by $15.2 million used to cover Bond Payments; and contributions from the Commonwealth – General Fund by $4.5 million, among others, for the payment of interest payable on lines of credit during the current year. Additionally, this year, non-operating expenses in the amount of $2.4 million were recognized due to the cash impairment on GDB deposits described above in the analysis of assets. The remaining amount of net changes in operating revenues (expenses) is due to the following line items: interest expense decreased by approximately $350 thousand, increasing net revenues, other income (net) experienced an increase of approximately of $250 thousand, and interest income decreased by approximately $130 thousand when compared to fiscal year 2015.

Capital Assets

The following graph segregates the capital assets among land, land improvement, and property subject to depreciation, pertaining to the Coliseum, Bahia Urbana, and the Convention Center and surrounding district, at cost before depreciation:

2016 Capital Assets



SCHEDULE OF CAPITAL ASSETS (IN 000'S)

Asset Classification	2016	2015	Variance
Capital assets not being depreciated:			
Land	$ 176,923	$ 176,923	$ 0
Land improvements	109,288	109,288	0
Construction in progress	3,932	3,826	106
Total capital assets not being depreciated	290,143	290,037	106
			0
Capital assets being depreciated:			
Building	473,925	473,925	0
Improvements — other than land	14,394	14,363	31
Furniture and fixture	22,036	22,057	(21)
Equipment	240	240	0
Vehicles	60	60	0
Total capital assets being depreciated	510,655	510,645	10
Less accumulated amortization and depreciation	(125,963)	(115,715)	(10,248)
Capital assets being depreciated — net	384,692	394,930	(10,238)
Capital assets — net	$ 674,835	$ 684,967	$ (10,132)

See Note 7 to the basic financial statements for additional information on the Authority's capital assets.

Contacting the Authority's Financial Management

This financial report is designed to provide to the public with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the monies it receives. If you have questions about this report or need additional financial information, contact the Puerto Rico Convention Center District Authority at 100 Convention Boulevard, San Juan, PR 00907.

CURRENTLY KNOWS FACTS

Uncertainty on Receipts of Revenues from Puerto Rico Tourism Company:

As discussed above, the Treasury Department withheld approximately $15.2 million that were destined to the Authority from the Puerto Rico Tourism Company (PRTC) during the current fiscal year due to the Clawback Provisions. Currently, the Authority does not know when such distributions will be received. Without such distributions, the Authority has been paying its debt obligations with the bond payment and debt service reserves established in the original Agreements. It has been communicated to management by GDB that once distributions start being received, the amounts would be increased from what the original law established, in order to compensate for the monies previously withheld. This will allow the Authority to keep meeting its debt obligation payment deadlines and re-establishing the reserves being currently used. Should these receipts not be received by May 2017, the Authority will not be able to meet the July 2017 payment deadline.

* * * * *

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF NET POSITION

June 30, 2016

ASSETS	
CURRENT ASSETS:	
Cash — net	$ 8,836,324
Certificate of deposit — net	-
Accounts receivable — net	5,029,165
Due from Puerto Rico Tourism Company	7,239,625
Prepaid expenses	1,700,996
Other assets	313,012
Restricted assets:	
Cash — net	5,315,873
Investments	39,939,008
Total current assets	68,374,003
NON-CURRENT ASSETS:	
Prepaid insurance	8,644,026
Long-term accounts receivable	2,579,002
Notes receivable	2,489,867
Capital assets:	
Non-depreciable	290,143,006
Depreciable — net	384,691,834
Total noncurrent assets	688,547,735
TOTAL ASSETS	$ 756,921,738

(Continued)

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF NET POSITION

June 30, 2016

LIABILITIES AND NET POSITION	
CURRENT LIABILITIES:	
Current liabilities payable from unrestricted assets:	
Accounts payable and accrued expenses	$ 8,323,378
Customer deposits payable	4,878,341
Unearned revenues	4,037,658
Total current liabilities payable from unrestricted assets	17,239,377
Current liabilities payable from restricted assets:	
Current portion of bonds payable	11,325,000
Interest payable on bonds	9,504,656
Total current liabilities payable from restricted assets	20,829,656
Total current liabilities	38,069,033
NON-CURRENT LIABILITIES:	
Unearned revenues	2,882,059
Accrued interests — lines of credit	18,845,097
Borrowings under lines of credit	145,284,916
Bonds payable	391,352,681
Total non-current liabilities	558,364,753
Total liabilities	596,433,786
NET POSITION:	
Net investment in capital assets	117,367,587
Restricted for debt services	39,028,273
Restricted for construction	910,735
Unrestricted	3,181,357
Total net position	160,487,952
TOTAL LIABILITIES AND NET POSITION	$ 756,921,738

See notes to basic financial statements. (Concluded)

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For The Year Ended June 30, 2016

OPERATING REVENUES:	
Food and beverage	$ 11,570,904
Rental and event services	15,819,634
Advertising	2,648,265
Other	678,830
Total operating revenues	30,717,633
DIRECT OPERATING COSTS AND EXPENSES:	
Food and beverage	5,514,255
Rental and event services	3,327,464
Advertising	532,741
Total direct operating costs and expenses	9,374,460
GROSS OPERATING PROFIT	21,343,173
ADMINISTRATIVE EXPENSES:	
Salaries and related benefits	846,667
Professional and contract services	5,932,471
Depreciation and amortization	10,273,634
Insurance	2,986,524
Utilities	6,107,785
Advertising	208,320
Repairs and maintenance	4,418,848
Bad debt expense	420,475
Legal contingencies	2,000,000
Other — net	1,112,530
Total other operating expenses	34,307,254
OPERATING LOSS	(12,964,081)
NON-OPERATING REVENUES (EXPENSES):	
Interest expense	(28,375,742)
Contributions from Puerto Rico Tourism Company	19,891,864
Loss on cash impairment	(2,403,600)
Interest income	308,520
Other income	301,474
Total non-operating expenses — net	(10,277,484)
CHANGES IN NET POSITION	(23,241,565)
NET POSITION — Beginning of year	183,729,517
NET POSITION — End of year	$ 160,487,952

See notes to basic financial statements.

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Collections of operating revenues	$ 30,273,821
Payments to suppliers for operating expenses	(27,684,128)
Payments to employees	(846,667)
Net cash provided by operating activities	1,743,026
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Contributions from Puerto Rico Tourism Company	18,532,298
Net cash provided by non-capital financing activities	18,532,298
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Payments of bonds payable	(10,790,000)
Capital expenditures	(141,129)
Loss on cash impairment	(2,403,600)
Payment of interest:	
Bonds payable	(19,279,062)
Lines of credit	(9,366,430)
Net cash used in capital and related financing activities	(41,980,221)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Bond payment investment reserve used	14,901,830
Collections from notes receivable	234,214
Advances to notes receivable	(899,418)
Collection of interest income	308,520
Other income	301,474
Net cash provided by investing activities	14,846,620
NET DECREASE IN CASH	(6,858,277)
CASH — Beginning of year	21,010,474
CASH — End of year	$ 14,152,197
RECONCILIATION TO STATEMENT OF NET ASSETS:	
Cash — unrestricted	$ 8,836,324
Cash — restricted	5,315,873
TOTAL CASH — End of year	$ 14,152,197

(Continued)

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF CASH FLOWS

For The year Ended June 30, 2016

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	$ (12,964,081)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	10,273,634
Provision for doubtful accounts	420,475
Amortization of prepaid insurance	437,627
Amortization of premium on bonds	(758,615)
Changes in operating assets and liabilities:	
Decrease in assets:	
Accounts receivable	865,067
Prepaid expenses and other assets	617,258
(Decrease) increase in liabilities:	
Accounts payable and accrued expenses	(745,254)
Customer deposits payable	(5,689,952)
Accrued interests — lines of credit	10,595,746
Unearned revenues	(1,308,879)
Total adjustments	14,707,107
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,743,026

See notes to basic financial statements. (Concluded)

1. REPORTING ENTITY

The Puerto Rico Convention Center District Authority (the Authority) is a component unit of the Commonwealth of Puerto Rico (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. The Authority was created by Act No. 351 of September 2, 2000, as amended (Act 351), to be responsible, for improving, developing, managing and operating the property and improvements within the Puerto Rico Convention Center District (the District) geographical area. The Authority has the ability to finance all of the improvements to be developed through the issuance of bonds and the imposition of assessments against the owners or lessees of land within the District who benefit from the Convention Center and other improvements. The Authority also promotes the development, construction, expansion and improvement of the Puerto Rico Convention Center (Convention Center), and the Jose Miguel Agrelot Coliseum (the Coliseum) which was appropriated and transferred to the Authority under Act 351. On May 15, 2013, the Authority acquired the project called Bahía Urbana to administer and supervise its operations. The Authority also manages the operation of "Antiguo Casino" which is blended into the Convention Center. Under the management contract, the Authority agreed to hire SMG Puerto Rico (SMG) to administer these facilities and comply with certain provisions under the Authority's management agreement. Effective October 1, 2015, the Authority assumed control of Bahia's operation and management, and outsourced event production to a third-party company. Effective August 1, 2016, the Authority entered into an agreement with AEG Facilities, a wholly owned subsidiary of the Anschutz Company, to manage the Convention Center.

The Authority is governed by a nine-member Board of Directors (BOD), which is comprised of three members from the public sector and six members from the private sector. The three public officials are the Secretary of the Department of Economic Development and Commerce, the Executive Director of the Puerto Rico Tourism Company, the President of the Government Development Bank. From the private sector, the members are individuals with expertise in areas such as engineering, planning, real estate, law, corporate finance, artistic, cultural, sports, marketing, tourism, hospitality and/or convention center management. All board members shall be appointed by the Governor of Puerto Rico with the advice and consent of the Senate.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The Authority has established its financial activities as business-type activities. "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 Authority's business-type activities in conformity with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the GASB. The Authority follows GASB pronouncements under the hierarchy established by GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, in the preparation of its financial statements. The financial statements of the business-type activities are also often referred to as enterprise fund financial statements.

Because of the "business-like" characteristics of the Authority'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 Authority 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 BOD has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management's accountability.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and direct operating expenses generally result from the sale of food and beverage, venue rental and related event services, and sponsoring and advertising in connection with the Authority's principal on-going operations. Non-direct operating expenses include salaries and related benefits, professional and contracted services, depreciation and amortization, insurance, utilities, advertising; and repair and maintenance. 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, and revenues and expenses that result from financing and investing activities.

The Authority also receives contributions from the Commonwealth's general fund, which are recorded in the year in which the funds are available to the Authority and from the Puerto Rico Tourism Company (PRTC), as disclosed in Note 5. Contributions are recorded as part of non-operating revenues in the accompanying statement of revenues, expenses, and changes in net position. PRTC and Commonwealth contributions represent two of the primary sources of income of the Authority.

b) *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.

c) *Cash and Cash Equivalents*

The Authority considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. There are no cash equivalents outstanding at June 30, 2016. The Authority's cash composition as of June 30, 2016 is disclosed in Note 3.

d) *Investments*

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

e) *Accounts Receivables*

Accounts receivables are stated at their net realizable value. The allowance for doubtful accounts receivable is an amount that management believes will be adequate to absorb possible losses on existing receivables that may become uncollectible based on evaluations of the collectability of the receivables. Because of uncertainties inherent in the estimation process, the related allowance may change in the future.

f) *Capital Assets*

Capital assets are reported as a component of non-current assets in the basic financial statements. Capital assets, other than construction costs or land, are defined by the Authority as assets that, have a cost of $1,000 or more at the date of acquisition and have an expected useful life of three or more years. Such assets are recorded at historical cost or estimated historical cost.

Depreciable capital assets of the Authority use the straight-line depreciation method over the following estimated useful lives in years:

Capital assets	Years
Building and building improvements	50
Equipment	3 - 10
Furniture and fixtures	3 - 10
Vehicles	5

The capital assets under construction are depreciated once they are placed in operations. At the time capital assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from books and the resulting gain or loss, if any, is credited or charged to operations. 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 received as transfer from other governmental entities within the same financial reporting entity is accounted for under the provisions of GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.* GASB Statement No. 48 states that these type of transfers need to be recorded at the carrying value of the transferor. Capital assets donated by unrelated third parties are recorded at fair value at the time of donation.

The Authority accounts for asset impairment under the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.* This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its services utility has declined significantly and unexpectedly. This statement also establishes accounting requirements for insurance recoveries. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the government should be reported at the lower of carrying value or fair value.

The Authority evaluated its capital assets as required by GASB Statement No. 42, and no impairment was identified during the year ended June 30, 2016.

g) *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 represents a consumption of net position that applies to a future period(s), thus will not be recognized as an outflow of resources (expense) until then. The Authority has no items that qualify for reporting in this category.

h) *Compensated Absences*

The employees of the Authority are granted 30 days of vacation and 18 days of sick leave annually. 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 excess of those limits, which were normally paid, cease to be paid to employees. Employee should take the vacations days in excess of 60 days of accrued vacations, subject to the provisions of the law, and in extraordinary circumstances, the Authority should pay for days the employee was unable to enjoy. Excess of sick leave days (over 90 days) was eliminated, subject to the provision of the law. The Authority records vacations leave as a liability as the benefits are earned by the employees when the employees' rights to receive compensation are attributable to services already rendered and the employees will be compensated for the benefits through paid time off or some other means, such as cash payments at termination or retirement. The Authority records sick leave as a liability as the benefits are earned by the employees only to the extent it is probable that the benefits will result in termination payments up to the maximum allowed as a termination payment.

i) Bonds Payable

Bonds payable are presented net of the applicable debt premium. Debt premium is deferred and amortized as a component of interest expense over the life of the debt using the effective interest method.

j) 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 represents an acquisition of net position that applies to a future period(s), thus will not be recognized as an inflow of resource (revenue) until then. The Authority has no items that qualify for reporting in this category.

k) Net Position

The Authority's financial statements are being presented in conformity with provisions of GASB Statement No. 63, *Financial Reporting Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* As required by GASB Statement No. 63, the Authority has classified net position into three components: net investment in capital assets, restricted, and unrestricted. These components of net position are defined as follows:

- *Net Investment in Capital Assets* – 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 in 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* – results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted* – consists of net positon not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified. Generally, this represents those financial resources that are available to the Authority to meet any future obligations.

l) Restricted Assets

Restricted assets consist of the amounts deposited by the Authority to provide for the amortization of bonds payable and related interest costs and cash available in the related construction fund.

m) Non-Exchange Transactions

Contributions – GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, establishes accounting and financial reporting standards for nonexchange transactions involving financial or capital resources (for example, most taxes, grants, and private donations). In a nonexchange transaction, a government gives (or receives) value without directly receiving (or giving) equal value in return. This is different from an exchange transaction, in which each party receives and gives up essentially equal values. Under the provisions of the GASB Statement No. 33, the provider and the recipient should recognize the nonexchange transaction as an expense and revenue when all eligibility requirements are satisfied. The Authority accounts for contributions from other governmental entities under the provisions of GASB Statement No. 33.

Sponsorship – GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance* – establishes accounting and financial reporting standards for nonexchange transactions involving trade and barter transactions (e.g., sponsorship). The Authority recognizes sponsorship 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 Authority 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. The Authority records sponsorships as part of advertising revenues and advertising operating expenses in the accompanying statement of revenues, expenses and changes in net position.

n) Statement of Cash Flows

The accompanying statement of cash flows is presented in accordance with the provisions of GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. The provisions of GASB Statement No. 9 require that the direct method be used to present the cash inflows and outflows of the Authority.

o) *Risk Management*

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

p) *Legal Contingencies*

The Authority is currently involved in various legal proceedings and claims. Periodically, the Authority reviews the status of each significant matter and assesses the potential financial exposure. If the potential loss from any legal proceeding or claim is considered probable and the amount can be reasonably estimated, an accrual is recorded for the amount of the estimated loss. Significant judgement is required in both the determination of the probability of a loss and the determination as to whether the amount of loss is reasonably estimable. Due to the uncertainties related to these matters, the decision to record an accrual and the amount of accruals recorded are based only on the information available at the time. As additional information becomes available, the Authority reassesses the potential liability related to any pending litigation and claims, and may revise such estimates. Any revision could have a material effect on the results of operations. Refer to Note 11 for a description of the Authority's material legal proceedings.

q) *Future Adoption of Accounting Principles*

The GASB has issued the following accounting pronouncements that have effective date after June 30, 2016:

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. Management is evaluating the impact that this Statement will have on the Authority's basic financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a non-employer entity provides financial support for OPEB of employees of another entity. The provisions of this statement are effective for fiscal years beginning after June 15, 2017. Management is evaluating the impact that this Statement will have on the Authority's basic financial statements.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Plans.* This Statement addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions.* This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.. This statement is not expected to have material impact on the Authority's financial statements.

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 not effective until fiscal year 2017, which are not expected to have material impact on the Authority's financial statements.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14.* The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. Management is evaluating the impact that this Statement will have on the Authority's basic financial statements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016. Earlier application is encouraged. Management is evaluating the impact that this Statement will have on the Authority's basic financial statements.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged. Management is evaluating the impact that this Statement will have on the Authority's basic financial statements.

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. Management is evaluating the impact that this Statement will have on the Authority's basic financial statements.

GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. This statement is not expected to have material impact on the Authority's financial statements.

3. CASH AND INVESTMENTS

Cash and Deposits

As of June 30, 2016, the Authority has interest-bearing demand deposits as follows:

Financial Institution	Carrying Amount	Interest	Depository Bank Balance
GDB	$ -	0.10 %	$ 2,403,600
Nongovernment banks	14,027,947	0.88% - 1.00%	14,027,947
	$ 14,027,947		$ 16,431,547

As of June 30, 2016, reconciliation to the statement of net position is as follows:

Current assets — cash:	
Unrestricted, including cash on-hand of $124,250	$ 8,836,324
Restricted	5,315,873
Total current assets — cash	$ 14,152,197

Custodial Credit Risk and Impairment Loss on Deposits with Government Development Bank

Custodial credit risk is the risk that, in an event of a bank failure, the Authority's deposit might not be recovered. The Authority is authorized to deposit funds in Government Development Bank (GDB), a component unit of the Commonwealth, and/or in the custody of financial institutions approved by the Commonwealth. 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 of Puerto Rico (the Treasury Department). GDB is exempt from the collateral requirements established by the Commonwealth.

As a result, the Authority has $2,403,600 in deposits subject to credit risk as of June 30, 2016, which is the bank balance of cash within GDB. GDB faces significant risks and uncertainties and it currently does not have sufficient liquid financial resources to meet obligations when they come due, as further described below. Pursuant to recently enacted legislation, the Governor of the Commonwealth has ordered the suspension of loan disbursements by GDB and imposed restrictions on the withdrawal and transfer of deposits from GDB, among other measures.

On April 6, 2016, the Governor signed into law the Puerto Rico Emergency Moratorium and Rehabilitation Act (Act No 21). Among other objectives, Act No. 21 allows the Governor to declare a moratorium on debt service payments and to stay related creditor remedies for a temporary period for the Commonwealth, the GDB, and certain additional government instrumentalities in Puerto Rico. The temporary period set forth in Act No. 21 lasts until January 31, 2017, with a possible two-month extension in the Governor's discretion. This Act was recently superseded by Act No. 5 of January 29, 2017, which among other provisions, maintained the aforementioned moratorium and litigation stay until May 1, 2017, with a possible extension of an additional period of three months. See further details about Act No. 5 on note 13.

On April 8, 2016, the Governor signed Executive Order 2016-010 (EO 10), which declares an economic emergency in GDB. EO 10, in accordance with the emergency powers provided for in Act No. 21 (as amended by Act No. 5 of 2017 and related Executive Orders) implemented a regulatory framework governing GDB's operations and liquidity, including prohibiting loan disbursements by GDB and establishing a procedure with respect to governmental withdrawals, payments, and transfer requests with respect to funds held on deposit at GDB to that effect. EO 10 restricts the withdrawal, payment and transfer of funds held on deposit at GDB to those reasonable and necessary to ensure the provision of essential services and authorizes GDB to establish weekly limits on the aggregate amount of such disbursements. Moreover, EO 10 prohibits GDB's depositors from printing or writing checks creditable against their accounts at GDB, unless they obtain a temporary waiver from GDB.

In addition, as further described in Note 12, on October 18, 2016, the Secretary of the Treasury issued Circular Letter 1300-08-17 (CC 1300-08-17) alerting all agencies and public corporations of the Commonwealth about the conditions affecting GDB as previously described and that as a result of such conditions, management of GDB believes there is significant doubt about GDB's ability to continue as a going concern. Accordingly, CC 1300-08-17 advises all such agencies and public corporations with deposits held at GDB to perform the necessary impairment analysis on the realizability of these deposits as it is probable that GDB will not be able to honor them and all its other remaining debt obligations beyond a reasonable period of time.

As GDB serves as the depositary of some of the Authority's funds, the Authority's cash and time deposits with GDB, pursuant EO 10, will be subject to strict restrictions and limitations, as described herein; therefore, an impairment loss on these deposits has been recorded on the Authority's financial statements as follows:

	Deposits Held with GDB at June 30, 2016		
Type of Deposit	Deposit Balance	Impairment Loss	Book Balance
Unrestricted:			
Cash	$ 1,128,330	(1,128,330)	$ -
Certificate of Deposit	1,048,637	(1,048,637)	-
Total unrestricted	$ 2,176,967	(2,176,967)	$ -
Restricted:			
Cash restricted for construction	$ 226,633	(226,633)	$ -
Total restricted	$ 226,633	(226,633)	$ -
Total deposits	$ 2,403,600	(2,403,600)	$ -

Investments

Certain proceeds from the bonds issued on March 15, 2006 (see Note 9) were set aside for the repayment of the bonds, for capitalized interest, construction, and were classified as restricted assets in the accompanying statement of net position. Separate trust accounts were opened with the Bank of New York (BNY or the Trustee), under a trust agreement (the Trust Agreement), and Citigroup Financial (CITG), the latter, under an investment agreement (the Investment Agreement). The use of such balances is limited by applicable bonds covenants.

The Trust Agreement between the Authority and BNY, and the Investment Agreement between the Authority and CITG, both dated March 24, 2006, provide general and specific guidance for the allowed investment alternatives and provide collateralization requirements based on the specified credit rating by nationally recognized credit agencies. The objective of these provisions is to maximize the yield, while having adequate liquidity to pay the obligation as they become due.

The Authority permits BNY and CITG to purchase and/or acquire the following investments:

- Governmental obligations
- General state obligation bonds rated within the three highest credit categories
- Collateralized banker's acceptance or certificates of deposits

- Obligations of the Commonwealth or any state of the United States of America, their agencies, municipalities, or instrumentalities rated within the three highest credit categories

- Shares of stock in corporations with the highest rating category, as defined

- Commercial paper rated P-1 or A-1 of U.S. banking institutions

- Money market accounts, with the highest credit categories

The description, credit rating, and balance of investments as of June 30, 2016 are shown in the table below:

Description	Rating	Amount
Money market fund (J.P. Morgan 100% U.S. Treasury Securities Money Market Fund)	AAAm	$ 39,028,273
Money market fund (Dreyfuss Cash Management — Investor Shares)	AAAm	910,735
		$ 39,939,008

Reconciliation to the statement of net position as of June 30, 2016, is as follows:

Restricted investments — current	$ 39,939,008
Restricted investments — noncurrent	-
	$ 39,939,008

Fair Value of Investments

The Authority measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles in the United States of America. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1*: Quoted prices for identical investments in active markets;

- *Level 2*: Observable inputs other than quoted market prices; and,

- *Level 3*: Unobservable inputs.

At June 30, 2016, the Authority had the following recurring fair value measurements:

Investments by fair value level	June 30, 2016	Fair Value Measurements Using Level 1	Level 2	Level 3
Debt securities:				
U.S. Treasuries Money Market Fund	$ 39,028,273	$ 39,028,273	$ -	$ -
Money Market Mutual Funds	910,735	910,735	-	-
Total investments by fair value level	$ 39,939,008	$ 39,939,008	$ -	$ -

4. ACCOUNTS RECEIVABLE

As of June 30, 2016, the Authority has accounts receivable as follows:

	Current	Noncurrent
Trade receivables, net	$ 1,552,806	$ -
Deferred billing	3,476,359	2,579,002
	$ 5,029,165	$ 2,579,002

Trade Receivable

Trade receivables comprise amounts due on event services, food, beverages, rental, and advertising billed to promoters, facility members, sponsors, and the general public. Trade receivables as of June 30, 2016, consist of:

Description	Total
Trade receivables	$ 2,785,774
Less: allowance for doubtful accounts	(1,232,968)
Trade receivables — net	$ 1,552,806

Deferred Billing and Unearned Revenues

The Authority enters in long-term multiservice agreements for advertising and corporate sponsorship, which provides, among others, deferred billing arrangements and nonmonetary consideration related to the sponsor's trade or business. The agreements can extend from one to five years and include a blend of advertising space and assignment of exclusive use of luxury corporate suites in the facilities, with event attendance, as defined. The revenues associated with the long-term agreements are deferred and recognized using the straight-line method over the term of the agreement. The non-monetary consideration is measured at fair value based on the current rates applicable to the Authority.

As of June 30, 2016, the deferred billing and non-monetary consideration related to the long-term agreements were as follows:

	Current	Noncurrent
Deferred billing:		
Billable	$ 3,295,757	$ 2,570,452
Non-monetary consideration	180,602	8,550
	$ 3,476,359	$ 2,579,002

Deferred billing and non-monetary consideration under these agreements are as follows:

Year Ending	Billable	Non-monetary Consideration	Total
2017	$ 3,295,756	$ 180,603	$ 3,476,359
2018	1,723,578	5,804	1,729,382
2019	846,875	2,745	849,620
	$ 5,866,209	$ 189,152	$ 6,055,361

As of June 30, 2016, the unearned revenues were as follows:

	Current	Noncurrent
Unearned revenues:		
Unearned billing related to long-term agreements	$ 3,612,908	$ 2,882,059
Other	424,750	-
	$ 4,037,658	$ 2,882,059

The unearned revenues will be earned in the following years:

Year Ending	Total
2017	$ 4,037,657
2018	1,871,352
2019	935,708
2020	75,000
2021	-
	$ 6,919,717

5. DUE FROM PUERTO RICO TOURISM COMPANY

On September 9, 2003, the Legislature of the Commonwealth enacted Act No. 272, as amended, which transferred the responsibility of imposing, collecting, and administering the hotel room tax to the Puerto Rico Tourism Company. Act No. 272 also redefined the formula for distributing the hotel room taxes collected.

Based on the provisions of Act No. 272, the Puerto Rico Tourism Company (PRTC) must contribute to the Authority specific amounts and percentages from the collection of the hotel room taxes for the following purposes:

- To provide the funding for the debt service related to Authority's bonds payable described in Note 9.

- To cover the operating deficit, if any, of the Convention Center up to $2.5 million during the first 10 years of the Convention Center's operations. On July 1st, 2015, Act No. 98 was created to extend contributions for an additional five years, changing the frequency of payments to a quarterly basis, effective with fiscal year 2016, to cover operating costs of the Authority.

- To cover the operating deficit of the Convention Center, if any, in excess of $2.5 million for a period of 10 years, PRTC will contribute five percent of collections of the hotel room taxes.

During the year ended June 30, 2016, the Authority's revenues related to the contribution from PRTC related to the collection of hotel room taxes amounted to $19,891,864. This contribution has been included as part of non-operating revenues in the accompanying statement of revenues, expenses, and changes in net position.

Due from PRTC represents the amount of contributions pending to be received from hotel room taxes collected by PRTC. As of June 30, 2016, due from PRTC amounted to $7,239,625.

Clawback Provisions

On December 1, 2015, the Governor of Puerto Rico signed Executive Order No. OE-2015-046 (the Executive Order), which provides that the Commonwealth will begin to redirect certain revenues in light of recently revised revenue estimates and its deteriorating liquidity situation. Pursuant to the Executive Order, certain available revenues that have been budgeted to pay debt service on the debt of certain public corporations may be redirected, pursuant to constitutional requirements (the clawback provisions), to pay debt issued or guaranteed by the Commonwealth. Pursuant to the Executive Order, the Secretary of the Treasury of the Commonwealth (the Secretary) may retain, for the application to payments due on the Commonwealth's public debt, certain revenues assigned to particular public corporations (including the Authority) which, by law, constitute "*available resources*" subject to the Commonwealth's priority provisions set forth in the Constitution.

The Authority now faces its own challenges to meet its future debt service obligations upon having its own sources of revenues being redirected to the Commonwealth General Obligations Bonds pursuant to the Executive Order. The Authority had previously issued its Hotel Occupancy Tax Revenue Bonds, Series A (the Hotel Occupancy Bonds) pursuant to the Trust Agreement, as disclosed above and in Note 9. The proceeds from a hotel occupancy tax collected by the Puerto Rico Tourism Company pursuant to Article 24 of Act 272 of the Legislature of Puerto Rico, approved September 9, 2003, as amended, are available resources of the Commonwealth under the Puerto Rico Constitution. Accordingly, as authorized by the Executive Order, the Secretary withheld $15,167,028 of these revenues during fiscal year 2016. As of June 30, 2016, the Authority had $39,028,273 available to meet its future bond payment obligations. Refer to Note 12 for further details on how the Authority will be affected by the amounts due on such bonds for subsequent fiscal years.

One of the provisions of Article 31 of Act No. 272 states that if any distributions of the hotel occupancy tax destined to the Authority from the PRTC is withheld to cover debt service of the Commonwealth general obligation debt, any such funds used to cover the general obligation debt should be reimbursed to the Authority from the first hotel room tax distributions made in subsequent fiscal years. Therefore, the aforementioned amounts withheld and/or any future amounts withheld by the Treasury Department should be reimbursed to the Authority from future hotel room tax distributions from the PRTC. However, as of the date of these financial statements, although the PRTC has continued to make such distributions, the Treasury Department has not released them yet to the Authority. It is uncertain if, when or by which amount the Treasury Department will be releasing the amounts due to the Authority, if any at all, under the provisions of Article 31. Therefore, as a result of this uncertainty, management decided not to recognize a receivable for these amounts withheld until the date moneys are finally released or the Treasury Department confirms its commitment and ability to do such.

6. NOTE RECEIVABLE

Subordinated Credit Agreement:

On January 21, 2011, the Authority and CCHPR Hospitality LLC (the Borrower) entered into a Subordinated Credit Agreement to finance the direct costs of certain improvements on the premises at the Sheraton Puerto Rico Convention Center Hotel and Casino, which included the construction of Texas de Brazil and China Club restaurants. Through this agreement, the Authority agreed to make available to the Borrower a non-revolving term loan in an aggregate principal amount not to exceed $2,500,000. This agreement shall be collected in full on or before January 21, 2019. The outstanding and unpaid principal amount of each advance under the non-revolving term loan shall accrue interest in arrears on a monthly basis, from the date of each such advance until paid in full at a rate of 8% per annum. As of June 30, 2016, the outstanding principal of the note receivable amounted to $727,744.

Thermal Energy Service Agreement:

On April 27, 2009, the Authority and CCHPR Hospitality LLC (CCHPR) entered into a Thermal Energy Service Agreement for the supply of chilled water to the Sheraton Puerto Rico Convention Center Hotel and Casino facilities (the Hotel Facilities). Commencing on November 16, 2009 and through a 15-year period, CCHPR agreed to pay to the Authority a monthly fixed charge of $57,339, not to exceed $6,000,000 (amount invested by the Authority for the design and construction of the thermal energy production facility, known as the TEP Facility). The outstanding and unpaid balance shall accrue interest monthly at a rate of 8% per annum. As of June 30, 2016, the outstanding principal of the note receivable amounted to $1,762,123, net of allowance for doubtful accounts in the amount of $3,351,819.

7. CAPITAL ASSETS

Capital assets consist mainly of the cost incurred in the development of the Convention Center District, which entails land positioned near the center of the San Juan metropolitan area, the Coliseum of Puerto Rico and Bahía Urbana. Since its inception, the BOD has adopted a master plan that calls for developments of the Convention Center and surrounding infrastructure. This development has brought to the District: residential and office buildings, hotels and a casino, a complex for retail and entertainment, restaurants and walkways, and others. The development strategy is a combined effort from public and private investment, but ownership of the land will remain with the Authority.

Capital asset activity for the year ended June 30, 2016, is as follows:

Description	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Capital assets not being depreciated:				
Land	$ 176,922,997	-	-	$ 176,922,997
Land improvements	109,288,493	-	-	109,288,493
Construction in progress	3,826,227	105,289	-	3,931,516
Total capital assets not being depreciated	290,037,717	105,289	-	290,143,006
Capital assets being depreciated:				
Building	473,924,993	-	-	473,924,993
Improvements — other than land	14,362,995	31,339	-	14,394,334
Furniture and fixture	22,056,856	4,501	(24,992)	22,036,365
Equipment	239,957	-	-	239,957
Vehicles	59,537	-	-	59,537
Total capital assets being depreciated	510,644,338	35,840	(24,992)	510,655,186
Less accumulated amortization and depreciation	(115,714,710)	(10,273,634)	24,992	(125,963,352)
Capital assets being depreciated — net	394,929,628	(10,237,794)	-	384,691,834
Capital assets — net	$ 684,967,345	$ (10,132,505)	$	$ 674,834,840

Ground Leases

On August 31, 2005, the Authority, as lessor, entered into a development ground lease agreement with a third party as a lessee. The agreement involved the construction of a hotel with a minimum of 500 guest rooms, a casino, meeting facilities, and business and fitness center, among others. The original term of the lease is for eighty-five years and the minimum rent is $100 thousands per year to be adjusted every year in proportion to the average CPI escalation. The additional rent is ten percent, multiplied by the Adjusted Net Operating Income of such year in excess of the minimum rate of return (Hurdle Rate).

On October 22, 2012, the Authority, as a lessor, entered into another development ground lease agreement with District Hotel Co., LLC, as a lessee. This agreement involves the construction of a minimum of 126-room hotel under the Hyatt House brand at Parcel D of the Authority. The lease agreement has a fifty years term which shall expire on the fiftieth anniversary of the commencement of operations (October 2014) and could be extended for two terms of ten additional years. The lessee will pay rent during the first year prior to commencement of operations in the amount of $50 thousands, then after commencement of operations, the first year rent will be $50 thousands, during the second year $75 thousands, during the third year $100 thousands, during the fourth year $125 thousands, during the fifth year through the ninth year $150 thousands and from the tenth year and every five years thereafter the minimum rent shall increase 15% or the CPI over the five previous years, and the additional rent of two percent of gross receipts beginning with the commencement of operations.

Effective on January 24, 2014, but commencing on February 1, 2016 (date that the project opens to the public), the Authority, as a lessor, entered into a development ground lease agreement with District Hotel Co., LLC, as a lessee. This agreement involves the construction of a minimum of 137-room hotel under the Hyatt Place brand at Parcel D of the Authority. The lease agreement has a fifty years term, which shall expire on the fiftieth anniversary of the commencement of operations and could be extended for two terms of ten additional years. The lessee will pay rent during the first year prior to commencement of operations in the amount of $50 thousands, then after commencement of operations, the first year rent will be $50 thousands, during the second year $75 thousands, during the third year $100 thousands, during the fourth year $125 thousands, during the fifth year through the ninth year $150 thousands and from the tenth year and every five years thereafter the minimum rent shall increase 15% or the CPI over the previous five years, and the additional rent of two percent of gross receipts beginning with the commencement of operations.

Construction in Progress

On July 15, 2012, the Authority entered into a development Agreement with Lighthouse Group, LLC for the development of a mixed-use urban project named the "Trocadero Diverplex Complex" (Trocadero). This agreement includes the development and operation of a food, beverage, entertainment venue, and the construction of a hotel in the final phase. The amount in construction in progress related to Trocadero as of June 30, 2016 is $99,016. This project is currently held pending the outcome of an investigation by the Federal Transit Administration (FTA) on the continuing control for the funding of the Acuaexpreso Terminal construction. The investigation is directed to the contractor and not the Authority and would not represent a liability for it. As of the date of issuance of these financial statements, the FTA has not concluded nor informed the Authority of any development on their investigation.

The Authority has also been making improvements to the Coliseum for several construction defects and deficiencies identified as a result of a series of inspections carried out by the Comptroller Office of the Commonwealth of Puerto Rico to assess the structural soundness and condition of the Coliseum. As of June 30, 2016, construction in progress related to Coliseum amounted to $3,832,500. The Authority has assessed the assets with defects for impairment, deciding such recognition would not be necessary as the defects are not permanent and have been certified by an independent assessment group as remediable once improvements are done. The Authority has not capitalized the amounts included as construction in progress as a new contractor has taken over the projects related to the capital improvements needed to redeem such defects. Upon completion of these projects, the new contractor will certify that the construction defects have been corrected in their entirety. An estimated date of completion is not available as of the date these financial statements have been issued because the current contractor is assessing the labor performed by the previous contractor, who failed to certify the work performed as of the date of change. The Authority is currently involved in a legal case where it demands the previous contractor to certify the job performed and evaluate the proper treatment of these additions. These amounts will not represent a liability to the Authority.

8. BORROWINGS UNDER LINES OF CREDIT

The Authority had two interim non-revolving lines of credit with GDB that were used for the construction of the Coliseum. The maximum credit limit on these facilities amounted to $157,847,302. The non-revolving lines of credit expire on June 30, 2027 and bear interest at a fixed rate of 7%. As of June 30, 2016, the accrued interest on the lines of credit amounted to $18,104,995 and has been included as part of accounts payable and accrued expenses in the accompanying statement of net position.

On October 1, 2013, the Authority entered into a line of credit with GDB for payments to expropriate a structure existing in Parcel C. The source of income for the payment of the line of credit will be the proceeds from the sale or the rental revenue received from Parcel C. The maximum credit limit on this facility amounted to $6,675,000 and expired on September 30, 2014. During 2016, the Authority accrued interest on this line of credit amounting to $740,102 and has been included as part of accounts payable and accrued expenses in the accompanying statement of net positon.

The activity of the lines of credit for the year ended June 30, 2016, is as follows:

Description	Beginning Balance 2015	Additions/ Transfer Borrowings	Payments Repayments	Ending Balance 2016
Borrowings under lines of credit — Coliseum	$ 140,794,916	$ -	$ -	$ 140,794,916
Borrowings under line of credit — Parcel C	4,490,000	-	-	4,490,000
	$ 145,284,916	$ -	$ -	$ 145,284,916

During the fiscal year 2015, the Commonwealth and GDB renegotiated the terms on public sector loans from GDB and the Commonwealth appropriated and paid the renegotiated debt service on the public sector loan portfolio of GDB. The appropriation for the payment of debts of the Commonwealth and its instrumentalities with GDB in fiscal year 2016 was reduced from approximately $261.6 million, the amount included in the budget submitted by OMB to the Legislative Assembly, to approximately $17.5 million. The debt service of such loan portfolio for subsequent fiscal years depends on future appropriations by the Legislative Assembly and the availability of funds to meet such appropriations. These factors have adversely impacted GDB's financial performance and financial position, including its cash flows, its exposures to credit risk and liquidity risk, its capacity to timely service its outstanding debt, and its ability to provide liquidity to the Commonwealth. As a result of the uncertainty regarding budgetary appropriations and availability of Commonwealth funds to repay loans to GDB, the Authority may not be able to cover the debt service of their loans from GDB.

On October 26, 2015, the Authority requested an extension to GDB subject to the compliance of the provision of the Article 1.3 of the Loan Agreement, since Parcel C has not been sold or rented. As of the date of issuance of these financial statements, the Authority's line of credit has not been renewed.

9. BONDS PAYABLE

On March 15, 2006, the Authority, with approval from the Governmental Board, issued bonds amounting to $468,800,000 to refinance any outstanding loans, or fund any construction project associated with the Convention Center. The revenue bonds are direct obligations of the Authority and are secured by a pledge of a specific percentage of the hotel room tax levied by PRTC to be received by the Authority until all bonds payments have been paid in full. These bonds were issued with a maturity of 20 years for serial bonds and 30 years for the term bonds, with different amounts of principal maturing each year. Certain bonds may be subject to optional redemption, with the first possible date of redemption being July 1, 2016. Interest on the bonds is payable semiannually on January 1 and July 1, and is calculated based on a 360-days year.

Serial bonds maturing through 2025, with interest rates ranging from 4% to 5%	$ 178,245,000
Term bonds maturing through 2036, with interest rates ranging from 4-1/2% to 5%	219,495,000
Total bonds outstanding	397,740,000
Add bonds premiums — net	4,937,681
Total bonds payable	$ 402,677,681

Revenue bonds' debt service annual requirements to maturity (excluding discounts and premiums) are as follows:

Year Ending	Principal	Interest
2017	$ 11,325,000	$ 18,782,813
2018	11,780,000	18,261,813
2019	12,370,000	17,658,063
2020	12,985,000	17,024,188
2021	13,635,000	16,358,688
2022-2026	78,880,000	70,867,476
2027-2031	100,405,000	48,781,551
2032- 2036	127,335,000	21,428,131
2037 - 2038	29,025,000	653,063
	$ 397,740,000	$ 229,815,786

The activity of bonds payable for the year ended June 30, 2016, is as follows:

Description	2015	Issuances	Payments/ Amortization	2016	Current Portion
Serial Bonds	$189,035,000	$ -	$ (10,790,000)	$178,245,000	$ 11,325,000
Term Bonds	219,495,000	-	-	219,495,000	-
Total bonds outstanding	408,530,000	-	(10,790,000)	397,740,000	11,325,000
Premium, net	5,696,296	-	(758,615)	4,937,681	-
Total bonds-Component Units	$414,226,296	$ -	$ (11,548,615)	$402,677,681	$ 11,325,000

10. DEFINED CONTRIBUTION RETIREMENT PLAN

During the fiscal year ended June 30, 2004, the Authority approved and established the Puerto Rico Convention Center Retirement Money Purchase Plan (the Plan), a contributory deferred money purchase plan covering all the employees of the Authority, with benefits for the employees effective January 1, 2003. All employees become vested, once they entered into the Plan, in accordance with the eligibility requirements. The Authority acts as the Plan administrator and, subject to certain limitations, can amend the Plan. Contributions to the Plan have been determined to be equivalent to 9% of the employees' normal annual salary, as defined. Total contributions made by the Authority for the year ended June 30, 2016, amounted to $54,288 included within administrative expenses (salaries and related benefits line item) in statement of revenues, expenses, and changes in net position.

11. COMMITMENTS AND CONTINGENCIES

Consulting and Management

The Authority has entered into various consulting services and management agreements with third parties for the administration, operation and management of the Convention Center, Coliseum and Bahía Urbana. The agreements covered the daily operations that include scheduling of activities, pricing of rental and advertising, and food and beverages, among others. The contracts have several provisions that, at the option of the Authority, could extend the management period. During the year ended June 30, 2016, consulting and management services amounted to $845,483 included within administrative expenses (professional and contract services line item) in statement of revenues, expenses, and changes in net position.

Litigation

The nature of the business of the Authority generates certain litigation against the Authority arising in the ordinary course of business. The Authority is a defendant in various labor-related claims and legal actions. In the opinion of the Authority's counsel, the resolution of these labor related claims, in the aggregate, will not have a material adverse effect on the financial position of the Authority.

Additionally, on December 23, 2015, the Authority received a notification of arbitration to the extent of claiming the sum of approximately $5,700,000 in a supplier's claim of payment for additional jobsite and main office general conditions, increases in costs of materials, extended overhead, expenses, and additional benefits. The Authority has presented a counterclaim in the amount of $6,950,000 claiming the plaintiff's claims do not proceed. The case is currently in the discovery stages. However, management of the Authority, with the advice of their legal counsel, understands that the ultimate disposition of this matter more likely than not will have a material adverse effect on the Authority's financial positions and/or results of operations. Therefore, a reserve amounting to $2,000,000, has been recorded by the Authority as of June 30, 2016 within current account payables and accrued expenses in the accompanying statement of net position.

12. LIQUIDITY RISK AND UNCERTAINTIES

GDB Liquidity and Cash Impairment

On October 18, 2016, the Secretary of the Treasury issued Circular Letter No. 1300-08-17 (CC 1300-08-17) alerting the Commonwealth's agencies and component units with funds deposited with GDB, about such deposits' exposure to credit risk as a result of GDB's liquidity shortage and corresponding insolvency situation. The CC 1300-08-17 also reminded that with the passage of Act No. 21 and EO 10 (discussed in Note 3), GDB believes there is substantial doubt about its ability to continue as a going concern. For all these reasons, CC 1300-08-17 urged all Commonwealth's agencies and component units with funds deposited with GDB to conduct an impairment analysis on such deposits at June 30, 2016 and 2015.Pursuant such analysis, the Authority established an impairment reserve of $2,403,600 for its deposits held at GDB.

Uncertainties

The discussion in the following paragraphs regarding uncertainties of the Authority due to the current situation of the Commonwealth, provides the necessary background and support for management's evaluation as to whether there is substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond date of the financial statements or for an extended period if there is currently known information that may raise substantial doubt shortly thereafter. GASB Statement No. 56, establishes that the continuance of a legally separate governmental entity as a going concern is assumed in financial reporting in the absence of significant information to the contrary. Information that may significantly contradict the going concern assumption would relate to a governmental entity's inability to continue to meet its obligations as they become due without substantial disposition of assets outside the ordinary course of governmental operations, restructuring of debt, submission to the oversight of a separate fiscal assistance authority or financial review board, or similar actions. Indicators such as negative trends in operating losses and negative cash flows, possible financial difficulties such as nonpayment or default of debt and/or restructurings or noncompliance with capital or reserve requirements, and internal or external matters impacting the governmental entity's ability to meet its obligations as they become due, are factors that are considered in this evaluation.

As discussed in Note 5 above, the Authority will now face its own challenges to meet its future debt service obligations upon having its own sources of revenues being redirected to the Commonwealth General Obligations Bonds pursuant to the Executive Order and its clawback provisions. As a result, these clawback revenues will not be available to pay interest on the PRCC Construction Bonds due on July 1, 2016. The Authority paid such interest due on July 1, 2016 under the Trust Agreement from funds on deposit in the debt service reserve funds established under such Agreement. As of June 30, 2016, such reserves amounted to $39,028,273. The Authority used $20,829,669 from its Debt Service Reserves in order to meet such payment. These reserves were also used to meet the payment that was due on January 1, 2017 of $9,278,156, leaving the Debt Service Reserve at $8,920,551. These amounts will not be sufficient to pay principal or interest on the debt service due on July 1, 2017, which amounts to $21,058,156.

Under the provisions of PROMESA (see note 13), the Commonwealth and its component units with tax supported debt obligations, such as the Authority, will undergo a series of meetings and efforts with the corresponding bondholder groups in order to contemplate various voluntary restructuring proposals. If these efforts do not result in a voluntary agreement, PROMESA allows for a court directed process in order to reach a final restructuring agreement among all parties involved. The final outcome of this process is currently uncertain.

Based on the aforementioned events and considerations, management believes there is substantial doubt that the Authority can continue operating as a going concern pursuant the provisions of GASB No. 56.

13. SUBSEQUENT EVENTS

Puerto Rico Oversight, Management, and Economic Stability Act

On June 30, 2016, the U.S. President signed the Puerto Rico Oversight, Management and Economic Stability Act (PROMESA), which grants the Commonwealth and its component units access to an orderly mechanism to restructure their debts in exchange for significant federal oversight over the Commonwealth's finances. On August 31, 2016, the U.S. President announced the appointment of seven members to the Oversight Board. On its first meeting held on September 30, 2016, the Oversight Board designated the Authority as one of the initial covered entities to be subject to the PROMESA Act. The Oversight Board expects to establish deadlines for the Authority and other covered entities that will require individual fiscal plans to be submitted.

District Live and District Live Hotel

On September 15, 2016, the Authority entered into a Development Agreement (the Agreement) with District Live, LLC (the Company) for the development of a parcel of land of approximately 3.34 acres. The parties have agreed for the development of an urban entertainment, mixed-used project to be developed and include leasable space for restaurants, bars, and other entertainment facilities. The project also includes the construction of a high end, state of the art, eight-screen movie theater with a maximum capacity of 6,000 patrons.

Additionally, and as part of this Agreement, a hotel project of an approximate area of 1.46 acres will be developed within the parcel mentioned above. This project shall include a hotel of approximately 170 rooms, back house areas, offices, hotel bars and restaurants, a nightclub and an outdoor pool with deck areas that are ancillary to the hotel operations, which are to be operated under a Marriott brand pursuant to a management agreement with an affiliate of Marriott International, Inc. The hotel will also include a casino, also ancillary to the hotel operations under a lease agreement.

On the closing date of the Agreement, the Authority conveyed land to the Company free and clear of title of liens and encumbrances at a value of approximately $3,950,000, subject to an appraisal that as of the of date these financial statements had not been performed. For its contribution, the Authority holds a participation interest of 30% in the Company. The Company holds the remaining 70% of participation interest. As of this date, the project is under construction.

Loss on Sale of Land

On October 24, 2016, the Authority sold, with the approval of the BOD, three parcels located adjacently to each other on Bahia Urbana to Morgan Reed PR, LLC at a purchase price of $620,000. This purchase price equaled the appraised value at the purchase date. This sale represented a loss of approximately $2,400,000 to the Authority.

Future Rental Income

On November 4, 2016, the Puerto Rico Convention Center District Authority entered into a Ground Lease and Development Agreement with 3rd Millennium Surgery Center, LLC. (3MS), for the development and construction of a comprehensive medical services center which contemplates and may include the following ancillary components: an imaging center, clinic laboratory, ambulatory surgical center, physical rehabilitation facility, wellness center and commercial retail operations such as a pharmacy general store, restaurant and other food stores.

On December 23, 2016, the Puerto Rico Convention Center District Authority entered into a ground lease agreement with RKA Studios, LLC (RKA) for the design, development, construction, and operation of a film studio and digital soundstage complex in the Authority's premises.

Upon completion of both projects, the Authority will generate approximately $530,000 in additional rental revenue. As of this date, both projects are still in pre-development stages.

Puerto Rico Financial Emergency and Fiscal Responsibility Act

On January 29, 2017, the Governor of Puerto Rico signed Act No. 5, *Puerto Rico Financial Emergency and Fiscal Responsibility Act* (Act 05-17), amending and repealing certain provisions of Act No. 21 previously disclosed. Act 05-17 maintains the moratorium on debt payment existing under Act No. 21; however, at the same time allows the Commonwealth to segregate funds that will eventually be destined to the public debt's payment. Sections 201 and 203 of the legislation state that the Governor will pay as long as essential services can be ensured, such as health, safety and the population's well-being, which includes education and assistance to residents. The new legislation also maintains most of the prohibitions existing under Act No. 21 regarding loan disbursements by GDB and most of the procedures with respect to governmental withdrawals, payments, and transfer requests in respect of funds held on deposit at GDB. Act 05-17 continues to declare the Commonwealth to be in a state of emergency and increases the Governor's powers to manage the Commonwealth's finances. Some of these additional powers include:

- Receivership powers to rectify the financial emergency declared by this Act, which may include, among other actions, limiting expenditures of appropriated funds, issuance of executive orders regarding disbursement or disposition of funds held by GDB, approval or disapproval of any executory contracts, approval or disapproval/amendment or revisions of any debt obligation plans, review and approval of payrolls or other claims against the Commonwealth before payment and the appointment or removal of heads of Commonwealth entities within the Executive Branch that are employees of trust and confidence.

- The exercise of general supervisory control over the functions and activities of all government entities within the Executive Branch.

- Initiation of court proceedings in the name of the Commonwealth to enforce compliance with any constitutional mandate or requirement of this Act.

- The issuance of Executive Orders to implement and enforce compliance with this Act.

- Hiring or contracting of government workers or professional persons not to be subject to certain laws, as defined.

The emergency period under Act 05-17 will last until May 1, 2017, but may be extended for an additional period of three months. While the automatic stay under PROMESA is in effect, any action that would be enjoined by PROMESA in a federal state of Puerto Rico Court, is also enjoined under this Act; and any similar action arising out of, or related to this Act, is similarly enjoined while the automatic stay under PROMESA is in effect.

The Authority has evaluated subsequent events from the balance sheet date through February 10, 2017, the date at which the financial statements were available to be issued, and determined there are no other material items to disclose.

* * * * * *

SUPPLEMENTAL SCHEDULES

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF NET POSITION INFORMATION

June 30, 2016

	Convention Center District Authority	Convention Center	Coliseum	Bahía Urbana	Total
ASSETS					
CURRENT ASSETS:					
Cash — net	$ 3,820,174	$ 2,749,869	$ 2,125,384	$ 140,897	$ 8,836,324
Certificate of Deposit — net	-	-	-	-	-
Accounts receivable — net	123,159	794,946	4,101,810	9,250	5,029,165
Due from Puerto Rico Tourism Company	-	7,239,625	-	-	7,239,625
Prepaid expenses	10,500	844,726	845,770	-	1,700,996
Other assets	-	176,430	136,582	-	313,012
Restricted assets:					-
Cash — net	-	-	5,315,873	-	5,315,873
Investments	-	39,939,008	-	-	39,939,008
Total current assets	3,953,833	51,744,604	12,525,419	150,147	68,374,003
NONCURRENT ASSETS:					
Prepaid insurance	-	8,644,026	-	-	8,644,026
Long-term accounts receivable	-	85,000	2,494,002	-	2,579,002
Notes receivable	2,489,867	-	-	-	2,489,867
Capital assets:					-
Nondepreciable:					
Land	4,490,000	115,710,572	28,556,461	28,165,964	176,922,997
Land improvements	-	101,666,019	-	7,622,474	109,288,493
Construction in progress	99,016	-	3,832,500	-	3,931,516
Depreciable:					-
Building	-	243,758,582	197,879,524	32,286,887	473,924,993
Improvements — other than land	13,482,219	912,115	-	-	14,394,334
Furniture and fixtures	385,134	8,421,806	13,087,832	141,593	22,036,365
Equipment	239,957	-	-	-	239,957
Vehicles	43,790	-	15,747	-	59,537
Accumulated depreciation	(3,023,416)	(60,313,406)	(60,563,907)	(2,062,623)	(125,963,352)
Total noncurrent assets	18,206,567	418,884,714	185,302,159	66,154,295	688,547,735
TOTAL ASSETS	$ 22,160,400	$ 470,629,318	$ 197,827,578	$ 66,304,442	$ 756,921,738

(Continued)

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF NET POSITION INFORMATION

June 30, 2016

	Convention Center District Authority	Convention Center	Coliseum	Bahía Urbana	Total
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES:					
Accounts payable and accrued expenses	$ 4,803,607	$ 1,158,438	$ 1,047,833	$ 1,313,500	$ 8,323,378
Customer deposits payable	83,302	793,977	4,001,062	-	4,878,341
Unearned revenues	-	182,500	3,835,200	19,958	4,037,658
Current liabilities payable from restricted assets:					
Current portion of bonds payable	-	11,325,000	-	-	11,325,000
Interest payable on bonds	-	9,504,656	-	-	9,504,656
Total current liabilities	4,886,909	22,964,571	8,884,095	1,333,458	38,069,033
NON-CURRENT LIABILITIES:					
Unearned revenues	-	118,333	2,763,726	-	2,882,059
Accrued interests — lines of credit	740,102	-	18,104,995	-	18,845,097
Borrowings under lines of credit	4,490,000	-	140,794,916	-	145,284,916
Bonds payable	-	391,352,681	-	-	391,352,681
Total non-current liabilities	5,230,102	391,471,014	161,663,637	-	558,364,753
Total liabilities	10,117,011	414,435,585	170,547,732	1,333,458	596,433,786
NET POSITION:					
Net investment in capital assets	11,226,700	(2,026,649)	42,013,241	66,154,295	117,367,587
Restricted for debt service	-	39,028,273	-	-	39,028,273
Restricted for construction	-	910,735	-	-	910,735
Unrestricted	816,689	18,281,374	(14,733,395)	(1,183,311)	3,181,357
Total net position	12,043,389	56,193,733	27,279,846	64,970,984	160,487,952
TOTAL LIABILITIES AND NET POSITION	$ 22,160,400	$ 470,629,318	$ 197,827,578	$ 66,304,442	$ 756,921,738

(Concluded)

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION INFORMATION

For The Year Ended June 30, 2016

	Convention Center District Authority	Convention Center	Coliseum	Bahía Urbana	Total
OPERATING REVENUES:					
Food and beverage	$ -	$ 7,169,942	$ 4,304,250	$ 96,712	$ 11,570,904
Rental and event services	1,595,771	4,943,052	9,250,212	30,599	15,819,634
Advertising	-	349,959	2,027,598	270,708	2,648,265
Other	-	276,737	402,093	-	678,830
Total operating revenues	1,595,771	12,739,690	15,984,153	398,019	30,717,633
DIRECT OPERATING COSTS AND EXPENSES:					
Food and beverage	-	3,645,988	1,829,305	38,962	5,514,255
Rental and event services	-	1,136,052	2,164,907	26,505	3,327,464
Advertising	-	151,793	380,948	-	532,741
Total direct operating costs and expenses	-	4,933,833	4,375,160	65,467	9,374,460
GROSS OPERATING PROFIT	1,595,771	7,805,857	11,608,993	332,552	21,343,173
OTHER OPERATING EXPENSES:					
Salaries and related benefits	846,667	-	-	-	846,667
Professional and contract services	458,732	2,890,807	2,477,161	105,771	5,932,471
Depreciation and amortization	305,239	5,298,610	4,011,098	658,687	10,273,634
Insurance	222,093	1,597,828	1,166,603	-	2,986,524
Utilities	1,049,524	2,858,089	1,970,414	229,758	6,107,785
Advertising	477	139,707	68,136	-	208,320
Repairs and maintenance	1,127,211	2,151,381	1,069,443	70,813	4,418,848
Bad debt expense	86,374	40,699	139,902	153,500	420,475
Legal contingencies	2,000,000	-	-	-	2,000,000
Other	107,619	511,774	460,325	32,812	1,112,530
Allocation of administrative expenses	(4,909,428)	1,087,140	3,822,288	-	-
Total other operating expenses	1,294,508	16,576,035	15,185,370	1,251,341	34,307,254
OPERATING INCOME (LOSS)	301,263	(8,770,178)	(3,576,377)	(918,789)	(12,964,081)
NON-OPERATING REVENUES (EXPENSES):					
Interest expense	(269,400)	(18,250,698)	(9,855,644)	-	(28,375,742)
Contributions from Puerto Rico Tourism Company	-	19,891,864	-	-	19,891,864
Loss on cash impairment	(1,048,637)	(563,107)	(565,223)	(226,633)	(2,403,600)
Interest income	295,295	1,550	1,010	10,665	308,520
Other income, net	4,000	93,870	-	203,604	301,474
Total non-operating revenues (expenses) — net	(1,018,742)	1,173,479	(10,419,857)	(12,364)	(10,277,484)
LOSS BEFORE TRANSFERS	(717,479)	(7,596,699)	(13,996,234)	(931,153)	(23,241,565)
TRANSFERS IN (OUT)	(218,498)	(487,122)	(250,597)	956,217	-
CHANGE IN NET POSITION	(935,977)	(8,083,821)	(14,246,831)	25,064	(23,241,565)
NET POSITION — Beginning of year	12,979,366	64,277,554	41,526,677	64,945,920	183,729,517
NET POSITION — End of year	$ 12,043,389	$ 56,193,733	$ 27,279,846	$ 64,970,984	$ 160,487,952

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF OPERATING LOSS - PUERTO RICO CONVENTION CENTER

FOR THE YEAR ENDED JUNE 30, 2016

OPERATING REVENUES:		
Food and beverage	$	7,169,942
Rental and event services		4,943,052
Advertising		349,959
Other		276,737
Total operating revenues		12,739,690
DIRECT OPERATING COSTS AND EXPENSES:		
Food and beverage		3,645,988
Rental and event services		1,136,052
Advertising		151,793
Total direct operating costs and expenses		4,933,833
GROSS OPERATING PROFIT		7,805,857
OTHER OPERATING EXPENSES:		
Professional and contract services		2,890,807
Utilities and insurance, (excluding bond insurance expense)		4,018,291
Advertising		139,707
Repairs and maintenance		1,520,981
Bad debt expense		40,699
Other		1,142,174
Allocation of administrative expenses		1,087,140
Total other operating expenses		10,839,799
OTHER NON-OPERATING INCOME:		
Interest income		1,550
Other income		93,870
		95,420
LOSS	$	(2,938,522)

RECONCILIATION OPERATING LOSS TO INCOME (LOSS) BEFORE TRANSFERS

LOSS	$	(2,938,522)
ADJUSTMENTS TO RECONCILE TO INCOME (LOSS) BEFORE TRANSFERS		
Depreciation and amortization expense		(5,298,610)
Bond insurance expense		(437,626)
Loss on cash impairment		(563,107)
Interest expense		(18,250,698)
Contributions from Puerto Rico Tourism Company		19,891,864
Total adjustments		(4,658,177)
LOSS BEFORE TRANSFERS	$	(7,596,699)