LLM&D, PSC
165 Ponce de León Ave.,
Second Floor
San Juan, Puerto Rico
00917-1235

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, 2017

AND

INDEPENDENT AUDITORS' REPORT

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

JUNE 30, 2017

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LLM&D, PSC
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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, 2017, 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, 2017, 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 13 to the financial statements, there is uncertainty due to the current situation of the Commonwealth and the Government Development Bank. Also, approximately $30 million of the Authority's own revenues for fiscal year 2017 were withheld by the Executive Order No. EO-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, 2017 for such debt service. The uncertainty as to the Authority's ability to satisfy its obligations when due, raises 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 under the framework of the Puerto Rico Oversight Management and Economic Stability Act. 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.

April 30, 2018
San Juan, Puerto Rico

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

Stamp No. E268245 of the Puerto Rico Society of Certified Public Accountants was affixed to the original of this report.

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, 2017. 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 (Bahía) to administer and supervise its operations. Effective October 1, 2015, the Authority assumed control of Bahia's operation and management, and outsourced event production to a third-party company. Bahía is presented blended into the Authority's operations.

Financial Highlights

- The Authority's total assets decreased by $ 46.2 million in 2017 or 6.11%
- The Authority's total liabilities decreased by $ 3.5 million in 2017 or .59%
- The Authority's net position decreased by $ 42.8 million in 2017 or 26.65%
- Operating revenues decreased by $ 3.3 million in 2017 or 10.89%
- Direct operating costs and expenses decreased by $ 915 thousand in 2017 or 9.76%
- Other operating expenses decreased by $ 720 thousand in 2017 or 2.10%
- Nonoperating revenues (expenses) — net increased by $ 17.8 million in 2017 or 173.36%
- The Authority's deposits in the Government Development Bank (GDB) carry a custodial credit loss in the amount of $ 2.4 million due to the latter's insolvency.
- Due to Clawback Provisions enacted during December 2015, revenues received from the Puerto Rico Tourism Company (PRTC) decreased by $ 16.2 million. Additionally, investments decreased by $ 29.7 million mainly 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 like 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 like 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, 2017

The following summarizes the Authority's financial position as of June 30, 2017 and 2016 (in thousands):

STATEMENTS OF NET POSITION (in 000's)

	2017	2016	Variance
Assets:			
Current assets	$ 38,630	$ 68,374	$ (29,744)
Capital assets - net	652,199	674,835	(22,636)
Other noncurrent assets	19,825	13,713	6,112
Total assets	$ 710,654	$ 756,922	$ (46,268)

(Continued)

STATEMENTS OF NET POSITION (in 000's)

	2017	2016	Variance
Liabilities:			
Current liabilities	$ 37,168	$ 38,069	$ (901)
Noncurrent liabilities	555,764	558,365	(2,601)
Total liabilities	592,932	596,434	(3,502)
Net position:			
Invested in capital assets	78,113	98,522	(20,409)
Restricted for debts service and construction	9,658	39,939	(30,281)
Restricted for rental and event services	1,325	521	804
Unrestricted	28,626	21,506	7,120
Total net position	117,722	160,488	(42,766)
Total liabilities and net position	$ 710,654	$ 756,922	$ (46,268)

(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 engaged, 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 2017 fiscal year, total assets decreased by $46.2 million or 6.11% when compared to the previous year. The decrease in this category can be attributed mostly to the following:

- Decrease in investments by $30.3 million is mainly 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 6 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 2017.

- Net decrease in capital assets by $22.6 million related to the net effect of the following: $10 million in depreciation expense during the year, additions of $1.3 million and retirements in the amount of $14 million. As a result of the current year retirements, the Authority recognized a loss of $2.5 on the sale of land, and a net loss of $2.6 million in the transfer of land for the District Live related projects.

Analysis of Liabilities

For the 2017 fiscal year, total liabilities decreased by $3.5 million or .59% when compared to the previous year. The decrease in this category can be attributed mainly to the net effect of following:

- Decrease in bonds payable by $12.1 million related to the principal payment of bonds, plus premium amortization on bonds payable (see Note 10 to the financial statements).

- Increase in accrued interest by $10.1 million related to the unpaid interests of line of credits (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 $145.3 million and $378.8 million, respectively, as of June 30, 2017. 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 9 and 10 to the basic financial statements for additional information on the Authority's long-term debt.

Analysis of Net Position

For the 2017 fiscal year, net position decreased by $42.8 million or 26.65% when compared to the previous year. The decrease in this category can be attributed mainly to the following:

- Decrease in net investment in capital assets by $20.4 million directly related to the net effect of the following: decrease in capital assets of $22.6, decrease in loan payable by $12.1 million, and an increase in interest expense by $10.1 million.

- Decrease in restricted net position reserved for debt services and construction is due to Investments restricted for debt services decreased by $30.3 million during the year due to the Clawback Provisions being enacted by the central government.

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

	2017	2016	Variance
Operating revenues	$ 27,373	$ 30,717	$ (3,344)
Direct operating costs and expenses	8,459	9,375	(916)
Administrative expenses	33,587	34,307	(720)
Nonoperating revenues (expenses) — net	(28,093)	(10,277)	(17,816)
Change in net position	(42,766)	(23,242)	(19,524)
Net position — beginning of year	160,488	183,730	(23,242)
Net position — end of year	$ 117,722	$ 160,488	$ (42,766)

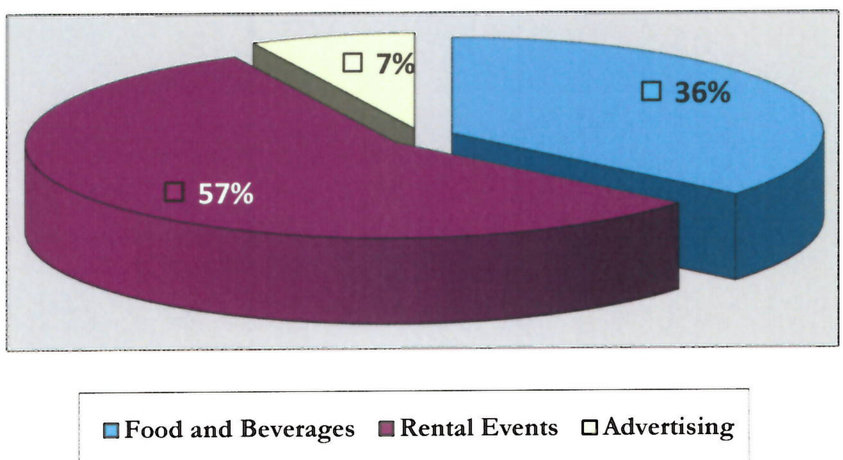
Analysis of Operating Revenues

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.

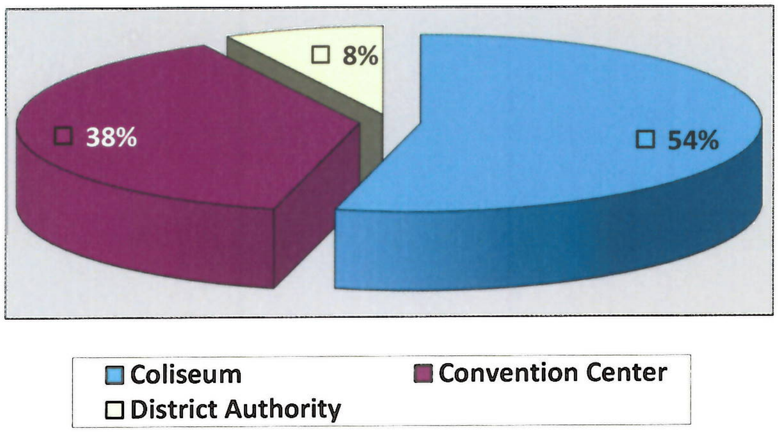
The decrease in the Authority's operating revenues during the year ended June 30, 2017, is substantially related to the volume of events and activity in the venues. The Coliseo de PR experienced a decrease of $1.1 million in its operating revenue. The Convention Center experienced a decrease in operating revenues of $2.2 million when compared to the prior fiscal year. Revenue from rent agreements for the Authority increased by $468 thousands during 2017. Operating revenues decreased by $3.3 million or 10.89%, during the year ended June 30, 2017.

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

2017 Revenues



2017 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 2017 fiscal year, direct operating costs and expenses decreased by $915 thousands or 9.76% when compared to the previous year, mostly in line with the decrease in operating revenues.

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. For the 2017 fiscal year, administrative expense decreased by $720 thousand or 2.10% when compared to the previous year.

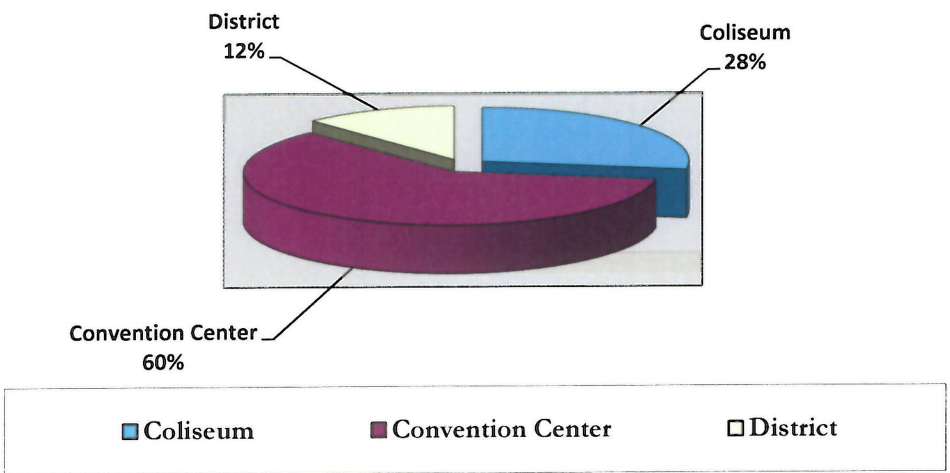
Analysis of Non-Operating Revenues, net

The Authority's non-operating 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 2017 fiscal year, non-operating revenues, net decreased by $17.8 million or 173.36% when compared to the previous year. The decrease in this category is attributed to the decrease in contributions from PR Tourism Company by $16.2 million used to cover Bond Payments. The remaining amount of net changes in operating revenues (expenses) is due to the following line items: interest expense increased by approximately $496 thousand, and other income increased by approximately $694 thousand when compared to fiscal year 2016.

Capital Assets

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

2017Capital Assets



SCHEDULE OF CAPITAL ASSETS (IN 000'S)

Asset Classification	2017	2016	Variance
Capital assets not being depreciated:			
Land	$ 163,085	$ 176,923	$ (13,838)
Land improvements	109,288	109,288	0
Construction in progress	5,064	3,932	1,132
Total capital assets not being depreciated	277,437	290,143	(12,706)
			0
Capital assets being depreciated:			
Building	473,925	473,925	0
Improvements — other than land	14,394	14,394	0
Furniture and fixture	22,036	22,036	0
Equipment	240	240	0
Vehicles	60	60	0
Total capital assets being depreciated	510,655	510,655	
Less accumulated amortization and depreciation	(135,893)	(125,963)	(9,930)
Capital assets being depreciated — net	374,762	384,692	(9,930)
Capital assets — net	$ 652,199	$ 674,835	$ (22,636)

See Note 8 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 during fiscal year 2017 approximately $30.3 million that were destined to the Authority from the Puerto Rico Tourism Company (PRTC) 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 subsequent payment deadlines.

On July 3, 2017, of the approximately $21.1 million debt service ($11.8 million in principal and $9.3 million in interest) due on the Authority's Bond Series 2006A, only interest of $8.7 million was paid, with the entire principal amount due of $11.8 million remaining unpaid. On January 2, 2018, the approximately $9 million debt service payment in interest of such bond series that was due was not made.

* * * * *

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF NET POSITION

June 30, 2017

ASSETS	
CURRENT ASSETS:	
Cash — net	$ 9,502,837
Accounts receivable — net	5,399,197
Due from Puerto Rico Tourism Company	8,321,862
Prepaid expenses	229,122
Other assets	247,805
Restricted assets:	
Cash — net	5,271,114
Investments	9,658,205
Total current assets	38,630,142
NONCURRENT ASSETS:	
Prepaid insurance	8,206,400
Long-term accounts receivable, net	2,424,617
Notes receivable	1,295,514
Investments in commercial entities	7,898,468
Capital assets:	
Nondepreciable:	
Land	163,085,214
Land improvements	109,288,493
Construction in progress	5,063,011
Depreciable:	
Building	473,924,993
Improvements — other than land	14,394,334
Furniture and fixtures	22,036,365
Equipment	239,957
Vehicles	59,537
Accumulated depreciation	(135,893,180)
Total noncurrent assets	672,023,723
TOTAL ASSETS	$ 710,653,865

(Continued)

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF NET POSITION

June 30, 2017

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:	
Accounts payable and accrued expenses	$ 8,462,642
Unearned revenues	3,701,277
Current liabilities payable from restricted assets:	
Current portion of bonds payable	11,780,000
Interest payable on bonds	9,278,157
Customer deposits payable	3,946,071
Total current liabilities	37,168,147
NONCURRENT LIABILITIES:	
Unearned revenues	2,736,093
Accrued interests — line of credit	28,970,142
Borrowings under line of credit	145,284,916
Bonds payable	378,772,426
Total noncurrent liabilities	555,763,577
Total liabilities	592,931,724
NET POSITION:	
Net investment in capital assets	78,113,083
Restricted for debt service	8,745,461
Restricted for construction	912,744
Restricted for rental and event services	1,325,043
Unrestricted	28,625,810
Total net position	117,722,141
TOTAL LIABILITIES AND NET POSITION	$ 710,653,865

(Concluded)

See notes to basic financial statements.

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, 2017

OPERATING REVENUES:	
Food and beverage	$ 9,906,440
Rental and event services	15,497,453
Advertising	1,969,582
Total operating revenues	27,373,475
DIRECT OPERATING COSTS AND EXPENSES:	
Food and beverage	5,136,734
Rental and event services	3,071,163
Advertising	251,619
Total direct operating costs and expenses	8,459,516
GROSS OPERATING PROFIT	18,913,959
OTHER OPERATING EXPENSES:	
Salaries and related benefits	835,130
Professional and contract services	5,894,711
Depreciation and amortization	9,929,828
Insurance	2,580,919
Utilities	7,166,422
Advertising	251,964
Repairs and maintenance	3,970,159
Legal contingencies	66,588
Bad debt expense	1,835,537
Other	1,055,657
Total other operating expenses	33,586,915
OPERATING LOSS	(14,672,956)
NON-OPERATING REVENUES (EXPENSES):	
Interest expense	(27,879,122)
Contributions from Puerto Rico Tourism Company	3,602,954
Custodial credit loss	(14,627)
Loss on transfer of land	(2,647,866)
Loss on sale of land	(2,532,917)
Equity in net loss of commercial entities	(1,532)
Interest income	318,336
Other income, net	1,061,919
Total non-operating expenses — net	(28,092,855)
CHANGE IN NET POSITION	(42,765,811)
NET POSITION — Beginning of year	160,487,952
NET POSITION — End of year	$ 117,722,141

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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Collections of operating revenues	$ 26,602,067
Payments to suppliers for operating expenses	(29,064,490)
Payments to employees	(835,130)
Net cash used in operating activities	(3,297,553)
CASH FLOWS PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES -	
Contributions from Puerto Rico Tourism Company	2,520,717
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Payments of bonds payable	(11,325,000)
Capital expenditures	(1,353,711)
Proceeds from sale of land	757,000
Custodial credit loss	(14,627)
Payment of interest - bonds payable	(17,980,576)
Net cash used in capital and related financing activities	(29,916,914)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturity of investments	30,282,813
Reinvestment earnings	(2,010)
Equity in net loss of commercial entities	1,532
Collection from notes receivable	331,648
Advances to notes receivable	(899,418)
Collection of interest income	318,336
Other income	1,282,603
Net cash provided by investing activities	31,315,504
NET INCREASE IN CASH	621,754
CASH — Beginning of year	14,152,197
CASH — End of year	$ 14,773,951
RECONCILIATION TO STATEMENT OF NET ASSETS:	
Cash — unrestricted	$ 9,502,837
Cash — restricted	5,271,114
TOTAL CASH — End of year	$ 14,773,951

(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, 2017

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	$ (14,672,956)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	9,929,828
Provision for doubtful accounts	1,835,537
Amortization of prepaid insurance	437,626
Amortization of discounts on bonds	(800,255)
Changes in operating assets and liabilities:	
Decrease (increase) in assets:	
Accounts receivable	(289,061)
Prepaid expenses and other assets	1,537,081
(Decrease) increase in liabilities:	
Accounts payable and accrued expenses	139,264
Customer deposits payable	(932,270)
Unearned revenues	(482,347)
Total adjustments	11,375,403
NET CASH USED IN OPERATING ACTIVITIES	$ (3,297,553)

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 (Bahía) 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 engage SMG Puerto Rico (SMG) and AEG Facilities (AEG) to administer the Coliseum and Convention Center facilities, respectively, and comply with certain provisions under the Authority's management agreement. Effective October 1, 2015, the Authority assumed control of Bahía's operation and management, and outsourced event production to a third-party company. Bahía is presented blended into the Authority's operations.

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

Measurement focus is an accounting term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the "economic resources measurement focus," and the "accrual basis of accounting." Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items resources are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. 76, *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.

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.

b) *Operating Revenues and Expenses*

Operating revenues and direct operating expenses generally result from the venue rental, sale of food and beverage, related event services, 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 has received contributions from the Commonwealth's general fund, which have been recorded in the year in which the funds were available to the Authority and also received contributions from the Puerto Rico Tourism Company (PRTC), as disclosed in Note 6. 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.

c) *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.

d) 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, 2017. The Authority's cash composition as of June 30, 2017 is disclosed in Note 3.

e) 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.

The Authority measures and records its investments using fair value measurement guidelines established by GAAP. 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.

f) Investments in Commercial Entities

Investments in commercial entities are accounted for by the equity method. As stated in GASB Statement No. 14, *The Financial Reporting Entity,* investment in entities representing at least 20% ownership is generally accounted for by the equity method when such ownership provides the entity with the ability to exercise significant influence. The Authority's investments in commercial entities consist of 30% of ownership on District Live, LLC and 30% of ownership in District Live Hotel Ventures, LLC. The Authority and the referred commercial entities entered into an agreement for the development of an urban entertainment mixed-use facility known as District Live, as further disclosed in Note 8. The Authority reports its share of such earnings (loss) in the statement of revenues, expenses, and changes in net position as non-operating revenues (expenses). The carrying value of the investments is reported in the statements of net position as investments in commercial entities.

g) 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.

h) *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, 2017.

i) *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.

j) *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.

k) *Deferred Outflows/Inflows of Resources*

Deferred outflows of resources represent 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. Similarly, deferred inflows of resources represent 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.

l) *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 position 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.

m) 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.

n) 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.

o) *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.

p) *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. See subsequent events Note 14 for further information.

q) *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 12 for a description of the Authority's material legal proceedings.

r) *Future Adoption of Accounting Principles*

The GASB has issued the following accounting pronouncements that have effective date after June 30, 2017:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* 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. This statement is not expected to have material impact on the Authority's 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. Management is evaluating the impact that this Statement will have on the Authority's basic financial statements.

GASB Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.
- Reporting amounts previously reported as goodwill and "negative" goodwill.
- Classifying real estate held by insurance entities.
- Measuring certain money market investments and participating interest earning investment contracts at amortized cost.
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.

- Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
- Classifying employer-paid member contributions for OPEB.
- Simplifying certain aspects of the alternative measurement method for OPEB.
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This statement is not expected to have a material impact on the Authority's financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues.* This Statement improves the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeated in substance. The requirements of this Statement are effective for fiscal years beginning 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. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. Management is evaluating the impact that this Statement will have on the Authority's basic financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. Management is evaluating the impact that this Statement will have on the Authority's basic financial statements.

3. CASH AND INVESTMENTS

Cash and Deposits

As of June 30, 2017, the Authority has interest-bearing demand deposits as follows:

Financial Institution	Carrying Amount	Interest	Depository Bank Balance
GDB	$ -	0.10 %	$ 2,418,320
Nongovernment banks	14,719,380	0.88% - 1.00%	16,348,754
	$ 14,719,380		$ 18,767,074

As of June 30, 2017, reconciliation to the statement of net position is as follows:

Current assets — cash:	
Unrestricted, including cash on-hand of $54,571	$ 9,502,837
Restricted	5,271,114
Total current assets — cash	$ 14,773,951

Custodial Credit Risk and Related 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 $2,418,320 in deposits subject to credit risk as of June 30, 2017, 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 Puerto Rico Emergency Moratorium and Rehabilitation Act (Act No 21) was signed into law. 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 lasted until January 31, 2017, which was later extended as further described below. Shortly after the enactment of Act No. 21, GDB also lost its capability of being a bank when it lost its routing number; therefore, lost its ability to carry out banking transactions.

On April 8, 2016, Executive Order 2016-010 (EO 2016-010) was signed, which declared an economic emergency in GDB. EO 2016-010, in accordance with the emergency powers provided for in Act No. 21 (as amended by Act No. 5 of 2017 and related Executive Orders described below) 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 2016-010 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 2016-010 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 13, 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.

On January 29, 2017, Act No. 5, *Puerto Rico Fiscal Responsibility and Financial Emergency Act* (Act 05-17) was signed, amending and repealing certain provisions of Act No. 21 referred to above. 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. The emergency period under Act 05-17, which lasted until May 1, 2017, was extended for an additional period of three months through the signing by Governor of EO-2017-31. On July 19, 2017, the emergency period that prevailed under the Act No. 05-17 referred to above, was extended until December 31, 2017 with the enactment into law (Act No. 46-2017) of House Bill 1133. This new legislation allows the Governor to sign executive orders to extend the emergency period for successive periods of six months while the Oversight Board maintains its oversight and operations in Puerto Rico.

Furthermore, as part of its fiscal plan, GDB presented on March 13, 2017 to the Oversight Board its outlook and expectations for its future. As a result of all the reasons and circumstances previously discussed affecting GDB, it has found itself immersed in a fiscal and viability crisis. The loss of its investment grade in 2014 and resulting loss of market access left GDB with significant non-performing assets, limited available liquidity and the inability to repay its debt as they come due. Faced with these fiscal challenges affecting GDB, the Fiscal Agency and Financial Advisory Authority (FAFAA) was created to assume the roles of fiscal agent, financial advisor, and disclosure agent of the Commonwealth; thus, leaving GDB's current role solely as an agent in (i) collecting on its loan portfolio and (ii) disbursing funds pursuant to strict priority guidelines. Under this scenario and given the reduced services that GDB is currently providing, GDB leadership has concluded that an orderly wind down of its operations would mitigate the impact to its stakeholders (municipalities, depositors, and other creditors, etc.). On April 28, 2017, on its seventh Public Meeting, the Oversight Board approved the fiscal plan for GDB and also noted separately from the fiscal plan that FAFAA should provide a certification regarding the anticipated impact that reduced GDB distributions to depositors and other potential exposures might have on other government entities with fiscal plans/and or budgets. However, due to the substantial impact of Hurricane María on the financial assumptions underlying the GDB's fiscal plan, the Oversight Board requested the Governor to submit a new fiscal plan to amend and replace the GDB fiscal plan. On March 23, 2018, GDB submitted to the Oversight Board a revised fiscal plan, which was subsequently certified by the Oversight Board on April 20, 2018, as further described in Note 14.

As GDB serves as the depositary of some of the Authority's funds, the Authority's cash and time deposits with GDB, pursuant EO 2016-010, will be subject to strict restrictions and limitations, as described herein; therefore, a custodial credit loss on these deposits has been recorded on the Authority's financial statements as follows:

	Deposits Held with GDB at June 30, 2017		
Type of Deposit	**Deposit Balance**	**Custodial Credit Loss**	**Book Balance**
Unrestricted:			
Cash	$ 1,129,457	(1,129,457)	$ -
Certificate of Deposit	1,062,004	(1,062,004)	-
Total unrestricted	$ 2,191,461	(2,191,461)	$ -
Restricted:			
Cash restricted for construction	$ 226,859	(226,859)	$ -
Total restricted	$ 226,859	(226,859)	$ -
Total deposits	$ 2,418,320	(2,418,320)	$ -

Investments

Certain proceeds from the bonds issued on March 15, 2006 (see Note 10) 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, 2017 are shown in the table below:

Description	Rating	Amount
Money market fund (J.P. Morgan 100% U.S. Treasury Securities Money Market Fund)	AAAm	$ 8,745,461
Money market fund (Dreyfuss Cash Management — Investor Shares)	AAAm	912,744
		$ 9,658,205

Reconciliation to the statement of net position as of June 30, 2017, is as follows:

Restricted investments — current	$ 9,658,205
Restricted investments — noncurrent	-
	$ 9,658,205

Fair Value of Investments

At June 30, 2017, the Authority had the following recurring fair value measurements:

		Fair Value Measurements Using		
Investments by fair value level	June 30, 2017	Level 1	Level 2	Level 3
Debt securities:				
U.S. Treasuries Money Market Fund	$ 8,745,461	$ 8,745,461	$ -	$ -
Money Market Mutual Funds	912,744	912,744	-	-
Total investments by fair value level	$ 9,658,205	$ 9,658,205	$ -	$ -

4. INVESTMENTS IN COMMERCIAL ENTITIES

The Authority's carrying values and share of earnings / (losses) of investments in commercial entities that are accounted for using the equity method are as follows:

District Live, LLC	$	3,950,000
District Live Hotel Ventures, LLC		3,948,468
Equity in net assets	$	7,898,468

District Live, LLC	$	-
District Live Hotel Ventures, LLC		(1,532)
Equity in losses	$	(1,532)

District Live, LLC

Effective September 15, 2016, the Authority and District Live Managers, LLC (DLM) entered into a limited liability company agreement as members of the commercial entity District Live, LLC (DL). The Authority's initial investment in exchange for 30% ownership was land valued at approximately $3,950,000, as further disclosed in Note 8.

The carrying value of the Authority's investment at June 30, 2017 approximates its share of underlying equity in the net assets of DL. As of June 30, 2017, DL's assets and liabilities totaled $18,598,398 and $4,573,029, respectively. DL had no revenues or profit /(losses) for the year ended June 30, 2017.

District Live Hotel Ventures, LLC

Effective September 15, 2016, Authority and District Live Hotel Company Manager, LLC (DLHM) entered into a limited liability company agreement as members of the commercial entity District Live Hotel Ventures, LLC (DLH). The Authority's initial investment in exchange for 30% ownership was land valued at approximately $3,950,000, as further disclosed in Note 8.

The carrying value of the Authority's investment at June 30, 2017, approximates its share of underlying equity in the net assets of DLH. As of June 30, 2017, DLH's assets and liabilities totaled $13,856,494 and $245,010, respectively. DLH's has no revenues for the year ended June 30, 2017. Net loss for the year ended June 30, 2017 amounted to $5,106.

5. ACCOUNTS RECEIVABLE

As of June 30, 2017, the Authority has accounts receivable as follows:

	Current	Noncurrent
Trade receivables, net	$ 1,903,818	$ -
Deferred billing	3,406,980	2,424,617
Other	88,399	-
	$ 5,399,197	$ 2,424,617

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, 2017, consist of:

Description	Total
Trade receivables	$ 2,916,927
Less: allowance for doubtful accounts	(1,013,109)
Trade receivables — net	$ 1,903,818

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, 2017, the deferred billing and non-monetary consideration related to the long-term agreements were as follows:

	Current	Noncurrent	Total
Deferred billing:			
Billable	$ 3,332,480	$ 2,341,283	$ 5,673,763
Non-monetary consideration	74,500	83,334	157,834
	$ 3,406,980	$ 2,424,617	$ 5,831,597

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

Year Ending	Billable	Non-monetary Consideration	Total
2018	$ 3,332,480	$ 74,500	$ 3,406,980
2019	1,875,731	62,500	1,938,231
2020	309,302	20,834	330,136
2021	125,000	-	125,000
2022	31,250	-	31,250
	$ 5,673,763	$ 157,834	$ 5,831,597

As of June 30, 2017, the unearned revenues were as follows:

	Current	Noncurrent	Total
Unearned revenues:			
Unearned billing related to long-term agreements	$ 3,595,445	$ 2,736,093	$ 6,331,538
Other	105,832	-	105,832
	$ 3,701,277	$ 2,736,093	$ 6,437,370

The unearned revenues will be earned in the following years:

Year Ending	Total
2018	$ 3,701,277
2019	2,089,913
2020	479,513
2021	125,000
2022	41,667
	$ 6,437,370

6. 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 10.

- 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, 2017, the Authority's revenues related to the contribution from PRTC related to the collection of hotel room taxes amounted to $3,602,954. 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, 2017, due from PRTC amounted to $8,321,862.

Clawback Provisions

On December 1, 2015, the Governor of Puerto Rico signed Executive Order No. OE-2015-046 (EO 2015-046), 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 EO 2015-046, 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 EO 2015-046, 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 EO 2015-046. 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 10. 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 EO 2015-046, the Secretary withheld $30.3 million of these revenues during fiscal year 2017. As of June 30, 2017, the Authority had $8,745,461 available to meet its future bond payment obligations. Refer to Note 13 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.

7. 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, 2017, the outstanding principal of the note receivable amounted to $360,562.

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, 2017, the outstanding principal of the note receivable amounted to $934,952, net of allowance for doubtful accounts in the amount of $5,113,942.

8. 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, 2017, is as follows:

Description	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Capital assets not being depreciated:				
Land	$ 176,922,997	-	(13,837,783)	$ 163,085,214
Land improvements	109,288,493	-	-	109,288,493
Construction in progress	3,931,516	1,230,511	(99,016)	5,063,011
Total capital assets not being depreciated	290,143,006	1,230,511	(13,936,799)	277,436,718
Capital assets being depreciated:				
Building	473,924,993	-	-	473,924,993
Improvements — other than land	14,394,334	-	-	14,394,334
Furniture and fixture	22,036,365	-	-	22,036,365
Equipment	239,957	-	-	239,957
Vehicles	59,537	-	-	59,537
Total capital assets being depreciated	510,655,186		-	510,655,186
Less accumulated amortization and depreciation	(125,963,352)	(9,929,828)	-	(135,893,180)
Capital assets being depreciated — net	384,691,834	(9,929,828)	-	374,762,006
Capital assets — net	$ 674,834,840	$ (8,699,317)	$ (13,936,799)	$ 652,198,724

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.

On November 4, 2016, the 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. The lease agreement has a forty years term, which shall expire on the fortieth anniversary of the commencement of operations and could be extended for two terms of ten additional years. The lessee will pay rent, following the commencement of operations and throughout the first five lease years, $240,000 per annum payable in twelve (12) equal monthly installments of $20,000. Beginning on the sixth lease year and thereafter on the first day of each five-year interval, the rent shall be adjusted upwards at a rate of 5.50% calculated on the then prevailing rent. Upon such adjustment, the rent shall be fixed for the entire five-year period.

On December 23, 2016, the 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. The lease agreement has a forty years term, which shall expire on the fortieth anniversary of the commencement of operations and could be extended for two terms of twenty additional years. The lessee will pay rent, following the commencement of operations and throughout the first five lease years, $294,000 per annum payable in twelve (12) equal monthly installments of $24,500. Beginning on the sixth lease year and thereafter on the first day of each five years interval, the rent shall be adjusted upwards at a rate of 5% calculated on the then prevailing rent. Upon such adjustment, the rent shall be fixed for the entire five-year period.

Construction in Progress

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 to assess the structural soundness and condition of the Coliseum. As of June 30, 2017, construction in progress related to the Coliseum amounted to $5,063,011. 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.

During the year ended June 30, 2017, the Authority disposed $99,016 of construction in progress related to the Trocadero Diverplex Complex project. The project was on hold since 2012 and management believes that there are no expectation for its completion.

District Live

On September 15, 2016, the Authority entered into a Development Agreement (the Agreement) with DL 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.

As part of this Agreement, the Authority agreed with DLH, another commercial entity, to be the managing entity and make capital contributions for the development and construction of a hotel to be operated under a Marriott brand. The 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. The hotel will also include a casino, also ancillary to the hotel operations under a lease agreement.

Effective September 15, 2016, the Authority transferred land, described as Parcel J1, to DL free and clear of title of liens and encumbrances at a value of approximately $3,950,000. For its contribution, the Authority holds a participation interest of 30% in DL. DLM holds the remaining 70% of participation interest. The book value of the land at the date of the transfer was $8,018,671. A loss on land disposal was recognized for $4,068,671 and is included in non-operating revenues (expenses) in the statement of revenues, expenses and changes in net position.

Effective September 15, 2016, the Authority transferred land, described as Parcel J2, to DLH free and clear of title of liens and encumbrances at a value of approximately $3,950,000. For its contribution, the Authority holds a participation interest of 30% in DLH. DLHM holds the remaining 70% of participation interest. The book value of the land at the date of the transfer was $2,529,195. A gain on land disposal was recognized for $1,420,805 and is included in non-operating revenues (expenses) in the statement of revenues, expenses and changes in net position.

Loss on Sale of Land

On October 24, 2016, the Authority sold, with the approval of the BOD, two parcels of land at a purchase price of $757,000. This purchase price equaled the appraised value at the purchase date. This sale represented a loss of $2,532,917 to the Authority.

9. 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, 2017, the accrued interest on the lines of credit amounted to $27,960,640 and has been included as such 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 2017, the Authority accrued interest on this line of credit amounting to $1,009,502 and has been included as such in the accompanying statement of net positon.

The activity of the lines of credit for the year ended June 30, 2017, is as follows:

Description	Beginning Balance 2016	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. In fact, further debt service payments under these lines of credit have ceased since June 2015.

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.

10. 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 2026, with interest rates ranging from 4% to 5%	$ 166,920,000
Term bonds maturing through 2036, with interest rates ranging from 4-1/2% to 5%	219,495,000
Total bonds outstanding	386,415,000
Add bonds premiums — net	4,137,426
Total bonds payable	$ 390,552,426

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

Year Ending	Principal	Interest
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
	$ 386,415,000	$ 211,032,973

The activity of bonds payable for the year ended June 30, 2017, is as follows:

Description	2016	Issuances	Payments/ Amortization	2017	Current Portion
Serial Bonds	$178,245,000	$ -	$ (11,325,000)	$166,920,000	$ 11,780,000
Term Bonds	219,495,000	-	-	219,495,000	-
Total bonds outstanding	397,740,000	-	(11,325,000)	386,415,000	11,780,000
Premium, net	4,937,681	-	(800,255)	4,137,426	-
Total bonds	$402,677,681	$ -	$ (12,125,255)	$390,552,426	$ 11,780,000

11. 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, 2017, amounted to $53,524 included within administrative expenses (salaries and related benefits line item) in statement of revenues, expenses, and changes in net position.

12. 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 and Coliseum. 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, 2017, consulting and management services amounted to $835,130 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 $559,078, has been recorded by the Authority, within current account payables and accrued expenses in the accompanying statement of net position.

13. 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 (as amended by Act No. 05-17) and EO 2016-010 and the subsequent fiscal plan of GDB proposing the winding down of its operations (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. Pursuant such analysis, the Authority established an impairment reserve of $2,418,320 for its deposits held at GDB.

As discussed in Note 6, 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 EO 2015-046 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, 2017, such reserves amounted to $8,745,461, which were used to pay such amount in interest out of the total interest of $9,278,156 that was due on January 1, 2017. However, the principal payment due on July 1, 2017 of $11,780,000 was not made by the Authority, although such principal and the interest portion that remained unpaid at July 1, 2017 was covered by debt's existing insurance policies. The Debt Service Reserves do not longer have enough funds to cover the debt service due in January 2018 and it is uncertain if the insurance policies will cover such amounts.

Uncertainties

The discussion in the following paragraphs regarding uncertainties of the Authority due to the current situation of the Commonwealth and GDB, 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, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards"*, 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.

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.

Under the provisions of PROMESA, 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. 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 final outcome of this process is currently uncertain.

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

14. SUBSEQUENT EVENTS

Hurricanes Irma and María

On September 6, 2017 and September 20, 2017, respectively, Hurricanes Irma and María struck Puerto Rico. The storms produced heavy rains and windstorm. As a result, a widespread amount of property damage was caused by these events, which will require repairs and replacements. In the aftermath, power and water service failure, blocked roads and lack of communication, also triggered business interruption island wide. The Authority incurred in losses related to these events of approximately, including property damages and extraordinary expenses. The Authority is insured with a reputable insurance company. Management believes the Authority is adequately insured and the impact of uninsured or uncovered loss claim and/ or assets impairment, if any, will not be significant.

GDB Fiscal Plan and Restructuring Support Agreement

On May 15, 2017, FAFAA and GDB announced that a Restructuring Support Agreement was reached between GDB and a significant group of GDB's creditors (GDB RSA), including municipal deposit holders. Following the potential approval of the GDB RSA by the Oversight Board and the U.S. District Court for the District of Puerto Rico, the terms of the GDB RSA is expected to be implemented through a Qualifying Modification pursuant Title VI of PROMESA (specifically Section 601), which is expected to be finalized and become effective no later than February 9, 2018. Under the GDB RSA, the creditors, one of which includes the Authority, will be able to exchange its credit balances for one of three types of bonds to be issued by a new governmental entity or authority. These new bonds will carry different levels of principal and interest repayments which will carry substantial principal haircuts and interest rates tied to the haircuts selected by the creditor: Series A (principal haircut of 45% and interest rate of 7.5%); Series B (principal haircut of 40% and interest rate of 5.5%) and Series C (principal haircut of 25% and interest rate of 3.5%). Bondholders and depositors will start collecting as soon as the GDB RSA is completed for its implementation. Series C holders' rights will be subordinated to the previous two series, which will need to collect first prior to Series C. The GDB RSA will not depend on funds or appropriations coming from the Commonwealth's general fund. For the

Commonwealth's applicable governmental and business-type entities and component units, one of which is the Authority , the GDB RSA provides the option to net their debts (basically their lines of credit with GDB against its deposits and investments held also on GDB).The GDB RSA was negotiated and accepted in principle with representatives of: (i) Ad Hoc group of GDB bondholders, (ii) Cooperatives Alliance and ES Group (making up over 40 cooperatives in Puerto Rico and (iii) the group known as Local Bondholders (or "Bonistas del Patio").

On July 12, 2017, the Oversight Board approved GDB's plan to restructure its debt under the provisions of Title VI of PROMESA; and with such approval, the Oversight Board also certified, subject to certain conditions, the GDB RSA referred to in the previous paragraph, though which the Title VI negotiations are expected to take place. On August 24, 2017, the Governor signed Act No.109-2017, which paves the way for the GDB RSA.

In light of the severe damage and devastation resulting from hurricanes Irma and María, certain terms of the GDB RSA required modification and it was not possible to implement such Restructuring on the timeline initially contemplated. On April 6, 2018, after extensive arm's length negotiations, the parties to the GDB RSA agreed to an amendment (the Amended GDB RSA) which resulted in (i) the adoption of a revised term sheet setting forth the material terms of the restructuring (the "**Revised Restructuring Term Sheet**") and (ii) a further extension of the GDB RSA milestones. The Revised Restructuring Term Sheet makes several important changes to the GDB RSA, particularly as it relates to the treatment of Puerto Rico's 78 municipalities. Since hurricanes Irma and María hit Puerto Rico, the GDB RSA Parties have worked collaboratively to find ways to provide relief to Puerto Rico's municipalities as they recover from the storms. As a result of those efforts, the Amended GDB RSA provides that, upon consummation of the restructuring, the full amount of each municipality's deposits held at GDB will be automatically applied against the balance of any loan owed by such municipality to GDB. In addition to provide municipalities with immediate liquidity, the Amended GDB RSA gives each municipality the opportunity to receive immediate payment, before consummation of the restructuring, of 55% of such municipality's undisbursed certified Excess CAE (as defined in the GDB Restructuring Act) held at GDB in exchange for a release of claims related thereto.

The Amended GDB RSA also results in a simplified structure whereby GDB's financial creditors will exchange their claims for only one tranche of new bonds (the tranche with the Upfront Exchange Ratio of 55%), instead of the three tranches under the original GDB RSA. The Public Entity Trust structure contemplated in the original GDB RSA is also simplified due to the anticipated restoration of federal funds by the Commonwealth and final satisfaction of numerous claims. The remaining claims in the Public Entity Trust will be satisfied through the approximately $905 million claim against the Commonwealth held by the Public Entity Trust.

On March 23, 2018, GDB submitted to the Oversight Board a revised fiscal plan (the "Amended Fiscal Plan"), for the most part to incorporate the provisions of the Amended GDB RSA and its revised implementation timelines. On April 20, 2018, the Oversight Board certified the Amended Fiscal Plan.

<u>Bonds in Nonpayment – PRCCDA Bonds Series 20006A</u>

On July 3, 2017, of the approximately $21.1 million debt service ($11.8 million in principal and $9.3 million in interest) due on the Series 2006A, only interest of $8.7 million was paid, with the entire principal amount due of $11.8 million remaining unpaid. On January 2, 2018, the approximately $9 million debt service payment in interest that was due was not made.

The Authority has evaluated subsequent events from the balance sheet date through April 30, 2018, 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, 2017

	Convention Center District Authority	Convention Center	Coliseum	Total
ASSETS				
CURRENT ASSETS:				
Cash — net	$ 4,429,778	$ 1,170,826	$ 3,902,233	$ 9,502,837
Accounts receivable — net	308,780	569,345	4,521,072	5,399,197
Due from Puerto Rico Tourism Company	-	8,321,862	-	8,321,862
Prepaid expenses	4,561	22,139	202,422	229,122
Other assets	-	104,183	143,622	247,805
Restricted assets:				
Cash — net	-	579,516	4,691,598	5,271,114
Investments	-	9,658,205	-	9,658,205
Total current assets	4,743,119	20,426,076	13,460,947	38,630,142
NONCURRENT ASSETS:				
Prepaid insurance	-	8,206,400	-	8,206,400
Long-term accounts receivable, net	-	93,158	2,331,459	2,424,617
Notes receivable	1,295,514	-	-	1,295,514
Investments in commercial entities	7,898,468	-	-	7,898,468
Capital assets:				
Nondepreciable:				
Land	29,665,175	104,863,577	28,556,462	163,085,214
Land improvements	7,622,474	101,666,019	-	109,288,493
Construction in progress	-	-	5,063,011	5,063,011
Depreciable:				
Building	32,286,887	243,758,582	197,879,524	473,924,993
Improvements — other than land	13,482,219	912,115	-	14,394,334
Furniture and fixtures	526,727	8,421,806	13,087,832	22,036,365
Equipment	239,957	-	-	239,957
Vehicles	43,790	-	15,747	59,537
Accumulated depreciation	(6,014,744)	(65,340,513)	(64,537,923)	(135,893,180)
Total noncurrent assets	87,046,467	402,581,144	182,396,112	672,023,723
TOTAL ASSETS	$ 91,789,586	423,007,220	195,857,059	710,653,865

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

SCHEDULE OF NET POSITION INFORMATION
June 30, 2017

	Convention Center District Authority	Convention Center	Coliseum	Total
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	$ 5,246,259	$ 1,002,445	$ 2,213,938	$ 8,462,642
Unearned revenues	-	221,854	3,479,423	3,701,277
Current liabilities payable from restricted assets:				
Current portion of bonds payable	-	11,780,000	-	11,780,000
Interest payable on bonds	-	9,278,157	-	9,278,157
Customer deposits payable	-	579,516	3,366,555	3,946,071
Total current liabilities	5,246,259	22,861,972	9,059,916	37,168,147
NONCURRENT LIABILITIES:				
Unearned revenues	-	94,550	2,641,543	2,736,093
Accrued interests — line of credit	1,009,502	-	27,960,640	28,970,142
Borrowings under line of credit	4,490,000	-	140,794,916	145,284,916
Bonds payable	-	378,772,426	-	378,772,426
Total noncurrent liabilities	5,499,502	378,866,976	171,397,099	555,763,577
Total liabilities	10,745,761	401,728,948	180,457,015	592,931,724
NET POSITION:				
Net investment in capital assets	72,352,983	(5,548,997)	11,309,097	78,113,083
Restricted for debt service	-	8,745,461	-	8,745,461
Restricted for construction	-	912,744	-	912,744
Restricted for rental and event services	-	-	1,325,043	1,325,043
Unrestricted	8,690,842	17,169,064	2,765,904	28,625,810
Total net position	81,043,825	21,278,272	15,400,044	117,722,141
TOTAL LIABILITIES AND NET POSITION	$ 91,789,586	$ 423,007,220	$ 195,857,059	$ 710,653,865

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, 2017

	Convention Center District Authority	Convention Center	Coliseum	Total
OPERATING REVENUES:				
Food and beverage	$ -	$ 5,834,512	$ 4,071,928	$ 9,906,440
Rental and event services	2,063,664	4,422,185	9,011,604	15,497,453
Advertising	-	266,127	1,703,455	1,969,582
Total operating revenues	2,063,664	10,522,824	14,786,987	27,373,475
DIRECT OPERATING COSTS AND EXPENSES:				
Food and beverage	-	3,351,030	1,785,704	5,136,734
Rental and event services	-	1,185,753	1,885,410	3,071,163
Advertising	-	-	251,619	251,619
Total direct operating costs and expenses	-	4,536,783	3,922,733	8,459,516
GROSS OPERATING PROFIT	2,063,664	5,986,041	10,864,254	18,913,959
OTHER OPERATING EXPENSES:				
Salaries and related benefits	835,130	-	-	835,130
Professional and contract services	821,288	2,577,964	2,495,459	5,894,711
Depreciation and amortization	928,706	5,027,105	3,974,017	9,929,828
Insurance	146,143	1,320,927	1,113,849	2,580,919
Utilities	1,746,211	3,073,383	2,346,828	7,166,422
Advertising	58,225	106,432	87,307	251,964
Repairs and maintenance	916,111	1,212,557	1,841,491	3,970,159
Bad debt expense	1,785,520	49,017	1,000	1,835,537
Legal contingencies	66,588	-	-	66,588
Other	184,494	481,489	389,674	1,055,657
Allocation of administrative expenses	(4,043,774)	1,111,513	2,932,261	-
Total other operating expenses	3,444,642	14,960,387	15,181,886	33,586,915
OPERATING LOSS	(1,380,978)	(8,974,346)	(4,317,632)	(14,672,956)
NON-OPERATING REVENUES (EXPENSES):				
Interest expense	(269,400)	(17,754,078)	(9,855,644)	(27,879,122)
Contributions from Puerto Rico Tourism Company	-	3,602,954	-	3,602,954
Custodial credit loss	(13,499)	(563)	(565)	(14,627)
Loss on transfer of land	(2,647,866)	-	-	(2,647,866)
Loss on sale of land	(2,532,917)	-	-	(2,532,917)
Equity in net loss of commercial entities	(1,532)	-	-	(1,532)
Interest income	317,134	637	565	318,336
Other income, net	665,770	20,361	375,788	1,061,919
Total non-operating expenses — net	(4,482,310)	(14,130,689)	(9,479,856)	(28,092,855)
LOSS BEFORE TRANSFERS	(5,863,288)	(23,105,035)	(13,797,488)	(42,765,811)
TRANSFERS IN (OUT)	9,892,740	(11,810,426)	1,917,686	-
CHANGE IN NET POSITION	4,029,452	(34,915,461)	(11,879,802)	(42,765,811)
NET POSITION — Beginning of year	77,014,373	56,193,733	27,279,846	160,487,952
NET POSITION — End of year	$ 81,043,825	$ 21,278,272	$15,400,044	$ 117,722,141

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, 2017

OPERATING REVENUES:	
Food and beverage	$ 5,834,512
Rental and event services	4,422,185
Advertising	266,127
Total operating revenues	10,522,824
DIRECT OPERATING COSTS AND EXPENSES:	
Food and beverage	3,351,030
Rental and event services	1,185,753
Total direct operating costs and expenses	4,536,783
GROSS OPERATING PROFIT	5,986,041
OTHER OPERATING EXPENSES:	
Professional and contract services	2,577,964
Insurance	883,301
Utilities	3,073,383
Advertising	106,432
Repairs and maintenance	1,212,557
Bad debt expense	49,017
Other	481,489
Allocation of administrative expenses	1,111,513
Total other operating expenses	9,495,656
OPERATING LOSS	(3,509,615)
OTHER NON-OPERATING INCOME	
Interest income	637
Other income, net	20,361
Total non-operating expenses — net	20,998
LOSS	$ (3,488,617)

RECONCILIATION OPERATING LOSS TO LOSS BEFORE TRANSFERS

LOSS	$ (3,488,617)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO LOSS BEFORE TRANSFERS	
Depreciation and amortization	(5,027,105)
Interest expense	(17,754,078)
Contributions from Puerto Rico Tourism Company	3,602,954
Loss on cash impairment	(563)
Bond insurance expense	(437,626)
LOSS BEFORE TRANSFERS	$ (23,105,035)