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

Puerto Rico Convention Center District Authority

(A Component Unit of the Commonwealth of Puerto Rico)

BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION AND SUPPLEMENTAL SCHEDULES

JUNE 30, 2018

AND

INDEPENDENT AUDITORS' REPORT

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

JUNE 30, 2018

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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, 2018, 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND TAX CONSULTANTS
Member Firm of The American Institute and the Puerto Rico Society of Certified Public Accountants

Tel. 787.777.0660 • Fax. 787.765.8033 • www.llmdcpa.com

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, 2018, 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 15 to the financial statements, there is substantial uncertainty due to the current economic situation of the Commonwealth's and the Government Development Bank. Also, approximately $30.3 million of the Authority's own revenues for fiscal year 2018 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, 2018 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.

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

April 8, 2019
San Juan, Puerto Rico

CONTADORES PUBLICOS AUTORIZADOS
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COLEGIO DE CONTADORES PUBLICOS AUTORIZADOS DE PUERTO RICO

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

Introduction

As management of the 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, 2018. 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 Authority's operations.

Financial Highlights

- The Authority's total assets decreased by $ 16 million in 2018 or 2.26%
- The Authority's total liabilities increased by $ 24.4 million in 2018 or 4.11%
- The Authority's net position decreased by $ 40.4 million in 2018 or 34.33%
- Operating revenues increased by $ 1.1 million in 2018 or 4.07%
- Direct operating costs and expenses increased by $ 842 thousand in 2018 or 9.95%
- Other operating expenses increased by $ 4.5 million in 2018 or 13.43%
- Non-operating revenues (expenses) — net decreased by $ 6.6 million in 2018 or 23.48%
- The Authority's deposits in the Government Development Bank (GDB) are impaired for the amount of $2.4 million due to the latter's insolvency.
- Revenues received from the Puerto Rico Tourism Company (PRTC) increased by $ 592 thousand. Additionally, investments decreased by $ 8.8 million as they were used for bond payments.

Overview of the Financial Statements

This discussion and analysis section is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements are designed to provide readers with a broad overview of the Authority's basic finances in a manner similar to a private sector business. These basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental entities. Using the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which they are incurred. This presentation means that financial information is reported using accounting methods similar to those followed by the private sector companies. These statements offer both short-term and long-term financial information about the activities of the Authority.

Required Financial Statements for Business-Type Activities.

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

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

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

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

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

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

Financial Analysis of the Fiscal Year Ended June 30, 2018

The following summarizes the Authority's financial position as of June 30, 2018 and 2017 (in thousands):

STATEMENTS OF NET POSITION (in 000's)

	2018	2017	Variance
Assets:			
Current assets	$ 36,449	$ 38,630	$ (2,181)
Capital assets - net	641,393	652,199	(10,806)
Other noncurrent assets	16,781	19,825	(3,044)
Total assets	$ 694,623	$ 710,654	$ (16,031)

(Continued)

STATEMENTS OF NET POSITION (in 000's)

	2018	2017	Variance
Liabilities:			
Current liabilities	$ 65,899	$ 37,168	$ 28,731
Noncurrent liabilities	551,412	555,764	(4,352)
Total liabilities	617,311	592,932	24,379
Net position:			
Invested in capital assets	48,690	78,113	(29,423)
Restricted for debts service and construction	822	9,658	(8,836)
Restricted for rental and event services	321	1,325	(1,004)
Unrestricted	27,479	28,626	(1,147)
Total net position	77,312	117,722	(40,410)
Total liabilities and net position	$ 694,623	$ 710,654	$ (16,031)

(Concluded)

Analysis of Assets

The Authority has remained focused on its mission of promoting economic activities by providing world-class 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 2018 fiscal year, total assets decreased by $16 million or 2.26% when compared to the previous year. The decrease in this category can be attributed to the following:

- Decrease in investments by $8.8 million, depleting the trust reserves that remained in order to make some debt service payments on the Authority's bonds.

- Net decrease in capital assets by $10.8 million related to the net effect of the following: increase in accumulated depreciation by $9.5 million mainly related to the depreciation expense recognized during the year; net increase in construction in progress and depreciable assets by $1.2 million and $300 thousand, respectively, mainly related to additions during the year and impairment loss of $2.8 million related to the Thermal Energy Production Facility.

- Net increase in cash by $5.6 million mainly related to collection of approximately $2 million from previous years' receivables with the PRTC mainly related to a payment plan agreement reached during the year and collections from renting office space to Federal Emergency Management Agency (FEMA) as command center inside the Convention Center after Hurricane Maria.

- Net decrease in the due from PRTC balance of approximately $2 million as explained before.

- Decrease in notes receivable by $1.3 million due to collections of prior year subordinated credit agreement with outstanding balance of $360 thousand and the allowance provision of $940 thousand related to the Thermal Energy Production Facility outstanding balance recognized during the year.

- Amortization of prepaid insurance by $400 thousand during the year.

- Increase in accounts receivable-net by $1.7 million related to the net effect of the following: increase in accounts receivable from insurance claims by $1 million related to Hurricanes Irma and María, increase in the Authority's rent receivable by $300 thousand, increase in Convention Center's and Coliseum's accounts receivable by $3.9 million and $400 thousand, respectively related to additional rent, food and beverage income resulting from FEMA's and other agencies' expanded use of the Authority's services in the aftermath of Hurricanes Irma and María, increase in the Convention Center's and Coliseum's allowance for doubtful accounts by $2.2 million mainly due to deterioration in the quality of certain accounts receivable, and decrease in Coliseum's deferred billing by $1.7 million due to current year's amortization.

Analysis of Liabilities

For the 2018 fiscal year, total liabilities increased by $24.4 million or 4.11% when compared to the previous year. The increase can be attributed to the net effect of following:

- Net increase in accounts payable and accrued expenses of $ 3.4 million directly related to the service provided in the Convention Center for FEMA, Puerto Rico State Agency for Emergency and Disaster Management and several other government departments after Hurricane María.

- Decrease in unearned revenues of $1.8 million related to amortization during the year.

- Increase in accrued interest by $10.1 million related to the unpaid interests on the lines of credit with GDB (see Note 10 to the financial statements).

- Decrease in bonds payable by $700 thousand related to related premium amortization during the year (see Note 11 to the financial statements).

- Increase in interest payable on bonds by $9.2 million related to interest accrued and not paid during the year (see Note 11 to the financial statements).

- Increase in customer deposits by $4.2 million mainly related to events during fiscal year 2019 for which deposits were received during fiscal year 2018.

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 $365.6 million, respectively, as of June 30, 2018. 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 10 and 11 to the basic financial statements for additional information on the Authority's long-term debt.

Analysis of Net Position

For the 2018 fiscal year, net position decreased by $40.4 million or 34.33% 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 $29.4 million directly related to the net effect of the following: decrease in capital assets of $10.8, decrease in bonds payable by $700 thousand, increase in accrued interest by $10.1 million, and increase in interest on bonds payable by $9.2 million.

- Decrease in restricted net position reserved for debt services, construction, and rental and event services by $9.8 million due to the following: decrease in investments by $8.8 million during the year used for partial payment of bonds and decrease in restricted cash net of customer deposits by $1 million.

- Decrease in unrestricted net position by $1.2 million.

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

	2018	2017	Variance
Operating revenues	$ 28,486	$ 27,373	$ 1,113
Direct operating costs and expenses	9,301	8,459	842
Administrative expenses	38,098	33,587	4,511
Nonoperating revenues (expenses) — net	(21,497)	(28,093)	6,596
Change in net position	(40,410)	(42,766)	2,356
Net position — beginning of year	117,722	160,488	(42,766)
Net position — end of year	$ 77,312	$ 117,722	$ (40,410)

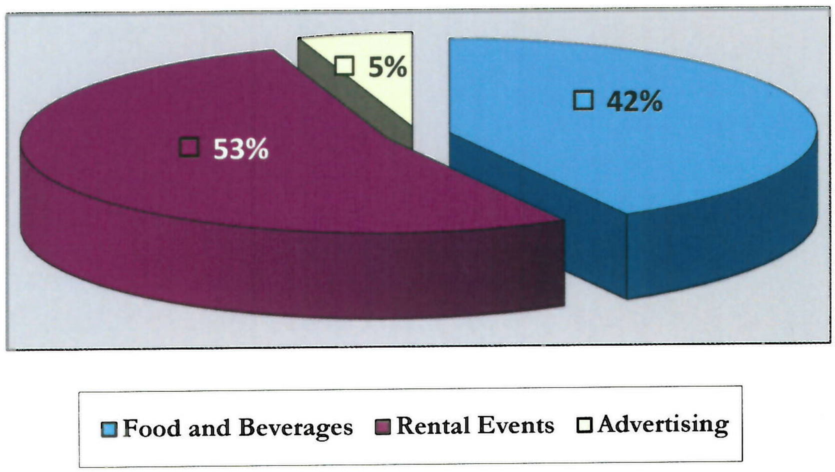
Analysis of Operating Revenues

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

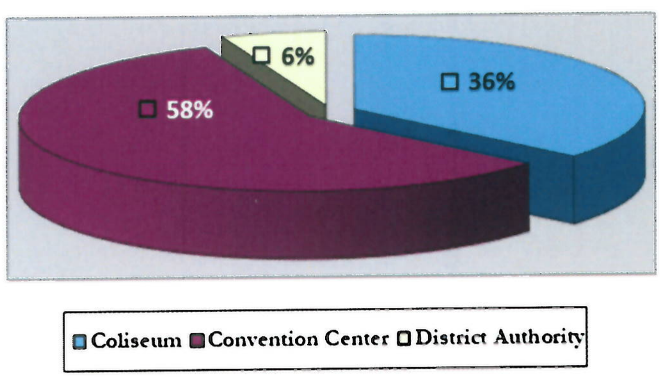
The increase in the operating income of the Authority by $1.1 million during the year ended June 30, 2018 is the combination of an increase in food and beverage income by $2 million, decrease in rental and event services income by $400 thousand and a decrease in advertising income by $500 thousand. Increase of $2 million in food and beverage income is due to the net effect of an increase in the Convention Center income by $3 million (mainly related to the fact that FEMA and the Puerto Rico State Agency for Emergency and Disaster Management operated their command center inside the Convention Center after Hurricane María and employees from such agencies consumed food and beverage in the Authority's facilities) and a decrease in the Coliseum income by $1 million mainly related to the cancellation of events scheduled as a result of Hurricane María and its aftermath. Decrease of $400 thousand in rental and event services income is due to the net effect of an increase in the Convention Center income by $2.9 million mainly related to FEMA and the Puerto Rico State Agency for Emergency and Disaster Management leasing additional space for the command center in the aftermath of Hurricane María, a decrease in the Coliseum income by $2.9 million mainly related to the cancellation of events scheduled as a result of Hurricane María and its aftermath, and a decrease in the Authority income by $400 thousand mainly related to the TEP Facility agreement reached. Decrease of $500 thousand in advertising income is mainly due to a decrease in the Coliseum income mainly related to cancellation of events as a result of Hurricane María and its aftermath.

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

2018 Revenues



2018 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 2018 fiscal year, direct operating costs and expenses increased by $841 thousands or 9.95% when compared to the previous year, mostly in line with the increase in operating revenues.

Analysis of Other Operating Expenses

For the 2018 fiscal year, other operating expenses increased by $4.5 million or 13.43% when compared to the previous year. The increase is mainly due to the impairment loss in capital assets of $2.8 million during the current year. Also, there was an increase of $831 thousands and $1.4 millions in professional and contract services and bad debt expense, respectively. On the other hand, there was a decrease of $286 and $858 thousands in utilities and other expenses, respectively. The remaining increase of $700 thousands is in line with the increase in operating revenue.

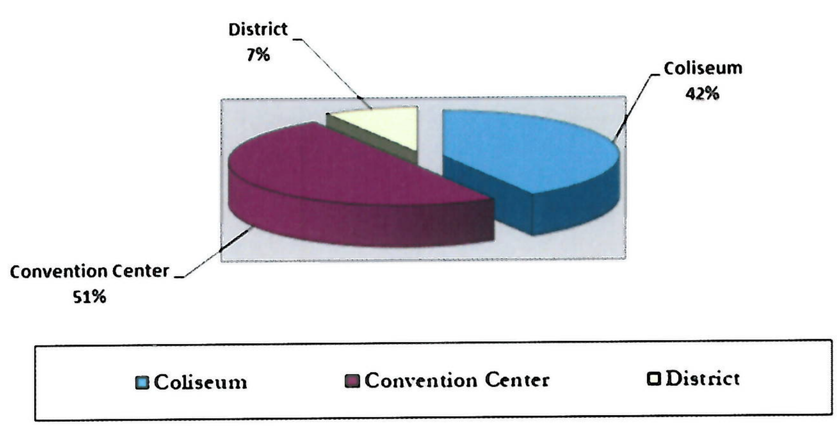
Analysis of Non-Operating Revenues (Expenses)

For the 2018 fiscal year, non-operating expenses had a net decrease of $6.6 million or 23.48% when compared to the previous year. The decrease in this category is attributed principally as a result of $5.2 million loss events incurred in prior year in certain land dispositions, which did not recur in the current year. Interest expense and contributions from Puerto Rico Tourism Company remained relatively stable.

Capital Assets

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

2018 Capital Assets



SCHEDULE OF CAPITAL ASSETS (IN 000'S)

Asset Classification	2018	2017	Variance
Capital assets not being depreciated:			
Land	$ 163,085	$ 163,085	$ 0
Land improvements	109,288	109,288	0
Construction in progress	6,309	5,064	1,245
Total capital assets not being depreciated	278,682	277,437	1,245
Capital assets being depreciated:			
Building	473,964	473,925	39
Improvements — other than land	14,730	14,394	336
Furniture and fixture	22,021	22,036	(15)
Equipment	96	240	(144)
Vehicles	96	60	36
Total capital assets being depreciated	510,907	510,655	252
Less accumulated depreciation and impairment	(148,196)	(135,893)	(12,303)
Capital assets being depreciated — net	362,711	374,762	(12,051)
Capital assets — net	$ 641,393	$ 652,199	$ (10,806)

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 further discussed in note 6 to the basic financial statements, the Treasury Department withheld during fiscal year 2018 approximately $30.3 million that were destined to the Authority from PRTC due to the Executive Order No. EO-2015-46 (Clawback Provisions). Currently, the Authority does not know when such distributions will be received. Without such distributions, the Authority has not been able to pay in full 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 would allow the Authority to keep meeting its debt obligation payment deadlines and re-establishing the reserves used. However, such distributions increases have not materialized, therefore, it is not expected that the Authority will be able to meet the subsequent payment requirements on its debt obligation.

On July 3, 2018, approximately $21.4 million in debt service payment ($12.4 million in principal and $9 million in interest) due was not made. On January 2, 2019, approximately $8.7 million in debt service payment in interest 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, 2018

ASSETS	
CURRENT ASSETS:	
Cash — net	$ 11,937,082
Accounts receivable — net	8,409,642
Due from Puerto Rico Tourism Company	6,310,962
Prepaid expenses	212,203
Other assets	284,726
Restricted assets:	
Cash — net	8,473,262
Investments	821,606
Total current assets	36,449,483
NONCURRENT ASSETS:	
Prepaid insurance	7,768,773
Long-term accounts receivable, net	1,113,408
Investments in commercial entities	7,898,468
Capital assets:	
Nondepreciable:	
Land	163,085,214
Land improvements	109,288,493
Construction in progress	6,308,205
Depreciable:	
Building	473,963,993
Improvements — other than land	14,729,597
Furniture and fixtures	22,020,986
Equipment	96,266
Vehicles	95,542
Accumulated depreciation and impairment	(148,195,110)
Total noncurrent assets	658,173,835
TOTAL ASSETS	$ 694,623,318

(Continued)

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF NET POSITION

June 30, 2018

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:	
Accounts payable and accrued expenses	$ 11,810,296
Unearned revenues	3,286,725
Current liabilities payable from restricted assets:	
Current portion of bonds payable	24,150,000
Interest payable on bonds	18,500,011
Customer deposits payable	8,151,958
Total current liabilities	65,898,990
NONCURRENT LIABILITIES:	
Unearned revenues	1,358,680
Accrued interests — line of credit	39,095,185
Borrowings under line of credit	145,284,916
Bonds payable	365,673,254
Total noncurrent liabilities	551,412,035
Total liabilities	617,311,025
NET POSITION:	
Net investment in capital assets	48,689,820
Restricted for construction	821,606
Restricted for rental and event services	321,304
Unrestricted	27,479,563
Total net position	77,312,293
TOTAL LIABILITIES AND NET POSITION	$ 694,623,318

(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, 2018

OPERATING REVENUES:	
Food and beverage	$ 11,961,116
Rental and event services	15,086,833
Advertising	1,438,283
Total operating revenues	28,486,232
DIRECT OPERATING COSTS AND EXPENSES:	
Food and beverage	5,818,382
Rental and event services	3,157,776
Advertising	324,728
Total direct operating costs and expenses	9,300,886
GROSS OPERATING PROFIT	19,185,346
OTHER OPERATING EXPENSES:	
Salaries and related benefits	910,873
Professional and contract services	6,726,134
Depreciation	9,883,664
Insurance	2,603,608
Impairment loss on capital assets	2,799,562
Utilities	6,880,544
Advertising	695,655
Repairs and maintenance	4,159,647
Bad debt expense	3,234,719
Other, net	203,227
Total other operating expenses	38,097,633
OPERATING LOSS	(18,912,287)
NON-OPERATING REVENUES (EXPENSES):	
Interest expense	(27,356,620)
Contributions from Puerto Rico Tourism Company	4,194,692
Interest income	36,112
Other income, net	1,628,255
Total non-operating expenses — net	(21,497,561)
CHANGE IN NET POSITION	(40,409,848)
NET POSITION — Beginning of year	117,722,141
NET POSITION — End of year	$ 77,312,293

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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Collections of operating revenues	$ 22,747,759
Payments to suppliers for operating expenses	(23,327,707)
Payments to employees	(910,873)
Net cash used in operating activities	(1,490,821)
CASH FLOWS PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES -	
Contributions from Puerto Rico Tourism Company	6,205,592
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital expenditures	(1,877,688)
Payment of interest - bonds payable	(8,009,723)
Net cash used in capital and related financing activities	(9,887,411)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturity of investments	8,843,163
Reinvestment earnings	(6,564)
Collection from notes receivable	360,562
Advances to notes receivable	(52,495)
Collection of interest income	36,112
Other income	1,628,255
Net cash provided by investing activities	10,809,033
NET INCREASE IN CASH	5,636,393
CASH — Beginning of year	14,773,951
CASH — End of year	$ 20,410,344
RECONCILIATION TO STATEMENT OF NET ASSETS:	
Cash — unrestricted	$ 11,937,082
Cash — restricted	8,473,262
TOTAL CASH — End of year	$ 20,410,344

(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, 2018

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	$ (18,912,287)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	9,883,664
Impairment loss on capital assets	2,799,562
Provision for doubtful accounts	3,234,719
Amortization of prepaid insurance	437,627
Amortization of premium/discounts on bonds	(729,172)
Changes in operating assets and liabilities:	
Decrease (increase) in assets:	
Accounts receivable	(3,946,508)
Prepaid expenses and other assets	(20,002)
(Decrease) increase in liabilities:	
Accounts payable and accrued expenses	3,347,654
Customer deposits payable	4,205,887
Unearned revenues	(1,791,965)
Total adjustments	17,421,466
NET CASH USED IN OPERATING ACTIVITIES	$ (1,490,821)

(Concluded)

See notes to basic financial statements.

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", presented within 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 within 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 Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority, and the Director of the Office of Management and Budget. 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 sale of food and beverage, rental and event services, and advertising in connection with the Authority's principal on-going operations. Non-direct operating expenses include salaries and related benefits, professional and contract services, depreciation and amortization, insurance, utilities, advertising, repairs and maintenance, bad debt expenses, other, net, and allocation of administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, such as revenues associated with, or restricted by donors to use, 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) Leases

The Authority has entered in several non-cancelable lease agreements where it acts as a lessor. The Authority accounts for leases in accordance with the provisions of *GASB Codification L20 "Leases"*. GASB Codification L20 requires that the Authority evaluates each lease for classification as either a capital lease or an operating lease. The Authority performs this evaluation at the inception of the lease and when a modification is made to a lease.

Currently, all of the Authority's leases are considered to be operating leases.

d) *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.

e) *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, 2018. The Authority's cash composition as of June 30, 2018 is disclosed in Note 3.

f) *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.

g) *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 in 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 (losses) 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 statement of net position as investments in commercial entities.

h) 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.

i) 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 (3) 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 are 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 an impairment loss in the amount of $2,799,562 has been included in the other operating expenses section of the accompanying statement of revenues, expenses, and changes in net position for the year ended June 30, 2018.

j) Compensated Absences

The employees of the Authority are granted 15 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.

k) Bonds Payable

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

l) Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s), thus will not be recognized as an outflow of resources (expense) until then. Similarly, deferred inflows of resources represents an acquisition of net position that applies to a future period(s), thus will not be recognized as an inflow of resource (revenue) until then. The Authority has no items that qualify for reporting in this category.

m) Net Position

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

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

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

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

n) Restricted Assets

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

o) Non-Exchange Transactions

Contributions – GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, establishes accounting and financial reporting standards for non-exchange transactions involving financial or capital resources (for example, most taxes, grants, and private donations). In a non-exchange 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 non-exchange 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 non-exchange 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.

p) *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.

q) *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. Refer to Note 14 for further details about claims under such policies.

r) *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 13 for a description of the Authority's material legal proceedings.

s) *Future Adoption of Accounting Principles*

The GASB has issued the following accounting pronouncements that have effective date after June 30, 2018:

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. 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.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.* The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. Management is evaluating the impact that this Statement will have on the Authority's basic financial statements. .

GASB Statement No. 90, *Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retrospectively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. 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, 2018, the Authority has interest-bearing demand deposits as follows:

Financial Institution	Carrying Amount	Interest	Depository Bank Balance
GDB	$ -	0.10 %	$ 2,442,358
Non-government banks	20,250,939	0.87% - 1.00%	22,507,070
	$ 20,250,939		$ 24,949,428

As of June 30, 2018, reconciliation to the statement of net position is as follows:

Current assets — cash:	
Unrestricted, including cash on-hand of $159,405	$ 11,937,082
Restricted	8,473,262
Total current assets — cash	$ 20,410,344

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

Custodial credit risk is the risk that, in an event of a bank failure, the Authority's deposit might not be recovered. The Authority is authorized to deposit funds in Government Development Bank (GDB), a component unit of the Commonwealth, and/or in the custody of financial institutions approved by the Commonwealth. Commonwealth's regulations require domestic commercial banks to maintain collateral securities pledged for the security of public deposits at an amount not less than 100% of the amounts in excess of federal insurance coverage. All securities pledged as collateral are held by the Secretary of the Treasury of the Commonwealth of Puerto Rico (the Treasury Department). GDB is exempt from the collateral requirements established by the Commonwealth. The Authority has $2,442,358 in deposits subject to credit risk as of June 30, 2018, 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 its obligations in full. Pursuant to enacted legislations and executive orders by two separate government administrations, GDB has been ordered to suspend loan disbursements, to impose restrictions on the withdrawal and transfer of deposits from GDB and has been imposed a moratorium on its debt obligations, among other measures. On March 23, 2018, GDB ceased its operations and it has been since then, winding down in an orderly fashion under Title VI of the Puerto Rico, Oversight, Management and Economic Stability Act ("PROMESA"). A summary of PROMESA's provisions is further disclosed below.

On April 6, 2016, the Governor signed into law Act 21-2016, as amended, known as the "Moratorium Act" or "Act 21." Act 21 allowed the Governor to declare a moratorium on debt service payments and to stay related creditor remedies for a temporary period for the Commonwealth and certain government instrumentalities, including the GDB. Act 21 also created the Puerto Rico Fiscal Agency and Financial Advisory Authority (the "FAFAA"), as an independent public corporation to assume GDB's role as fiscal agent, financial advisor and reporting agent for the Commonwealth, its instrumentalities, and municipalities.

On June 30, 2016, President Barack Obama signed PROMESA into law (as codified under 48 U.S.C. §§ 2101-2241). In general terms, PROMESA seeks to provide the Commonwealth with fiscal and economic discipline through, among other things: (i) the establishment of the Financial Oversight and Management Board for Puerto Rico (the "Oversight Board"), whose responsibilities include the certification of fiscal plans and budgets for the Commonwealth and its related entities; (ii) a temporary stay of all creditor lawsuits; and (iii) two alternative methods to adjust unsustainable debt: (a) a voluntary debt modification process under Title VI of PROMESA, which establishes a largely out-of-court debt restructuring process through which modifications to financial debt can be accepted by a supermajority of creditors; and (b) a quasi-bankruptcy proceeding under Title III of PROMESA, which establishes an in-court debt restructuring process substantially based upon incorporated provisions of the U.S. Bankruptcy Code. Each of these elements are divided among PROMESA's seven titles.

Act 2-2017 subsequently repealed and replaced the provisions of Act 21 regarding FAFAA, maintaining and extending most of the provisions of Act 21. FAFAA has also been assigned the tasks of overseeing matters related to the restructuring or adjustment of the Commonwealth's financial liabilities, coordinating liability management or other transactions with respect to such obligations, and ensuring compliance with fiscal plans and budgets approved by the Oversight Board pursuant to PROMESA.

With the establishment of FAFAA, GDB's role has been reduced solely to act as an agent in (i) collecting on its loan portfolio and (ii) disbursing funds pursuant to strict priority guidelines. Therefore, taking into consideration the scenario described above, given the reduced services that GDB is currently providing and given that no appropriations were assigned to GDB for fiscal year 2018, GDB's management has concluded that an orderly wind down would mitigate the impact on its stakeholders (municipalities, depositors, and other creditors). Part of this wind down process consists of a restructuring support agreement, the GDB Restructuring Support Agreement (GDB RSA) entered into by FAFAA and GDB on May 15, 2017 with a significant portion of GDB's major stakeholders, subject to different milestones.

The proposed GDB Title VI Plan contemplated by the GDB RSA provides for certain of GDB's creditors—consisting primarily of holders of the Bank public bonds and deposit claims held by certain municipalities of the Commonwealth and certain municipal and nonpublic entities—to exchange their claims against GDB at a discount for new bonds (the New Bonds). Upon the approval of the GDB Title VI Plan, such GDB's creditors will receive New Bonds, and their claims, valued at full face value but without accrued interest, will be exchanged for New Bonds at an "Upfront Exchange Ratio" of 55%. The New Bonds will be issued by a newly formed special purpose instrumentality created pursuant to statute (the Issuer).

As a condition to closing the Qualifying Modification, the claims held by and against GDB, on the one hand, and the Commonwealth and its agencies, instrumentalities and affiliates, on the other, will be resolved pursuant to a settlement. The settlement will release all of the GDB's non-loan claims against the Commonwealth and certain agencies, instrumentalities, and affiliates of the Commonwealth, as identified in the GDB RSA, and allow each of these entities to receive their pro rata share of the beneficial interests in a trust (the "Public Entity Trust") in exchange for releasing their claims against GDB.

The assets of the Public Entity Trust include claims against the Commonwealth for loans with an outstanding principal balance of approximately $905 million to be asserted by the Public Entity Trust in the Commonwealth's Title III cases. The GDB RSA also requires the Commonwealth's governmental and business-type entities to net their debts with GDB against their deposits and investments also held by GDB.

On June 30, 2017, FAFAA and GDB submitted the GDB RSA to the Oversight Board for its preliminary approval, including a request that the Initial GDB Fiscal Plan, dated April 20, 2017, be amended. On July 12, 2017, the Oversight Board authorized the Bank to pursue a restructuring of its debts under Title VI of PROMESA and conditionally certified the GDB RSA as a Qualified Modification under Title VI of PROMESA. On August 1, 2017, the Oversight Board certified the Revised GDB Fiscal Plan.

On August 24, 2017, the Governor signed into law the Government Development Bank for Puerto Rico Debt Restructuring Act (Act 109-2017), which established as public policy the Government's support for the GDB RSA and enabled GDB to execute the provisions of the GDB RSA. Pursuant to Act 109-2017, effective as of the closing date of the Qualifying Modification, among other provisions, the balance of liabilities owed between any government entity and GDB may be automatically determined by applying the outstanding balance of any deposit of such entity against the outstanding balance of any loan of such entity with GDB in a manner consistent with the Qualifying Modification.

On April 6, 2018, FAFAA, GDB and certain of GDB's financial creditors entered into a fourth amendment to the GDB RSA. The GDB RSA, as amended, is consistent with the underlying strategy of the New GDB Fiscal Plan, namely providing for a transaction resulting in an orderly wind-down of GDB's operations. The GDB RSA also sets forth the parameters for a proposed GDB Title VI Plan under which distributable cash flow would be allocated among GDB's various financial creditors and provides greater clarity as to how GDB's operations would be wound down (the GDB Title VI Plan). The fourth amendment to the GDB RSA established to, among other things: (i) further refine and restructure the terms of the Qualifying Modification, including simplifying the overall transaction structure, (ii) provide additional relief to municipalities as they recover from Hurricanes Irma and María and (iii) ensure that the Issuer will receive additional assets in the restructuring.

On April 25, 2018, FAFAA and the Bank resubmitted the GDB RSA, as amended by the four amendments thereto, to the Oversight Board for recertification. On May 8, 2018, the Oversight Board recertified the GDB RSA as compliant with the New GDB Fiscal Plan and certified the GDB RSA as a Qualifying Modification under section 601 of PROMESA.

On July 18, 2018, the Governor signed into law Act 147 of 2018, amending Act 109-2017 to reflect the changes incorporated in the fourth amendment to the GDB RSA. On November 6, 2018, the District Court finally approved the GDB RSA as it concluded that the Qualifying Modification provisions pursuant Title VI of PROMESA had been satisfied.

As GDB serves as the depositary of some of the Authority's funds, the Authority's cash and time deposits with GDB have been 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, 2018		
Type of Deposit	**Deposit Balance**	**Impairment Loss**	**Book Balance**
Unrestricted:			
Cash	$ 1,130,587	(1,130,587)	$ -
Certificate of Deposit	1,084,685	(1,084,685)	-
Total unrestricted	$ 2,215,272	(2,215,272)	$ -
Restricted:			
Cash restricted for construction	$ 227,086	(227,086)	$ -
Total restricted	$ 227,086	(227,086)	$ -
Total deposits	$ 2,442,358	(2,442,358)	$ -

As discussed herein, on November 6, 2018, the District Court approved the GDB RSA as it concluded that the Qualifying Modification provisions pursuant Title VI of PROMESA had been satisfied. This approved restructuring will require during fiscal year 2019, as it is executed, certain offsets between financial instruments assets and liabilities held by GDB; therefore, some of the recorded custodial credit losses disclosed above on the deposits held with GDB may subsequently reverse.

Investments

Certain proceeds from the bonds issued on March 15, 2006 (see Note 11) 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, 2018 are shown in the table below:

Description	Rating	Amount
Money market fund (Dreyfus Cash Management — Investor Shares)	AAAm	821,606
		$ 821,606

Reconciliation to the statement of net position as of June 30, 2018, is as follows:

Restricted investments — current	$ 821,606
Restricted investments — noncurrent	-
	$ 821,606

Fair Value of Investments

At June 30, 2018, the Authority had the following recurring fair value measurements:

Investments by fair value level	June 30, 2018	Fair Value Measurements Using Level 1	Level 2	Level 3
Debt securities - Money Market Mutual Funds	$ 821,606	$ 821,606	-	-

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	-
Equity in earnings	$ -

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, 2018, approximates its share of underlying equity in the net assets of DL. As of June 30, 2018, DL's assets and liabilities totaled $23,721,475 and $9,708,199, respectively (unaudited). DL had no revenues or earnings/(losses) for the year ended June 30, 2018.

District Live Hotel Ventures, LLC

Effective September 15, 2016, the 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, 2018, approximates its share of underlying equity in the net assets of DLH. As of June 30, 2018, DLH's assets and liabilities totaled $15,050,398 and $1,368,993, respectively (unaudited). DLH had no revenues or earnings/(losses) for the year ended June 30, 2018.

5. ACCOUNTS RECEIVABLE

As of June 30, 2018, the Authority has accounts receivable as follows:

	Current	Noncurrent
Trade receivables, net	$ 5,256,772	$ -
Deferred billing	3,051,375	1,113,408
Other	101,495	-
	$ 8,409,642	$ 1,113,408

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, 2018, consist of:

Description	Total
Trade receivables	$ 8,435,840
Less: allowance for doubtful accounts	(3,179,068)
Trade receivables — net	$ 5,256,772

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, 2018, the deferred billing and non-monetary consideration related to the long-term agreements were as follows:

	Current	Noncurrent	Total
Deferred billing:			
Billable	$ 2,982,803	$ 1,069,093	$ 4,051,896
Non-monetary consideration	68,572	44,315	112,887
	$ 3,051,375	$ 1,113,408	$ 4,164,783

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

Year Ending	Billable	Non-monetary Consideration	Total
2019	$ 2,982,803	$ 68,572	$ 3,051,375
2020	881,593	42,530	924,123
2021	125,000	1,785	126,785
2022	62,500	-	62,500
	$ 4,051,896	$ 112,887	$ 4,164,783

As of June 30, 2018, the unearned revenues were as follows:

	Current	Noncurrent	Total
Unearned revenues:			
Unearned billing related to long-term agreements	$ 3,236,059	$ 1,358,680	$ 4,594,739
Other	50,666	-	50,666
	$ 3,286,725	$ 1,358,680	$ 4,645,405

The unearned revenues will be earned in the following years as follows:

Year Ending	Total
2019	$ 3,286,725
2020	1,134,097
2021	151,667
2022	72,916
	$ 4,645,405

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 11.

- 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, 2018, the Authority's revenues related to the contribution from PRTC related to the collection of hotel room taxes amounted to $4,194,692. 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, 2018, due from PRTC amounted to $6,310,962.

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 11. 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 2018. As of June 30, 2018, the Authority did not have available funds to meet its future bond payment obligations. Refer to Note 15 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 so.

7. NOTES 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, 2018, the entire amount of such note receivable had been collected.

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, 2018, the outstanding principal of the note receivable amounting to $6,101,389 has been fully reserved. Refer to Note 16 for further details about the subsequent sale of the TEP Facility.

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, 2018, is as follows:

Description	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Capital assets not being depreciated:				
Land	$ 163,085,214	-	-	$ 163,085,214
Land improvements	109,288,493	-	-	109,288,493
Construction in progress	5,063,011	1,580,457	(335,263)	6,308,205
Total capital assets not being depreciated	277,436,718	1,580,457	(335,263)	278,681,912
Capital assets being depreciated:				
Building	473,924,993	39,000	-	473,963,993
Improvements — other than land	14,394,334	335,263	-	14,729,597
Furniture and fixture	22,036,365	205,535	(220,914)	22,020,986
Equipment	239,957	5,789	(149,480)	96,266
Vehicles	59,537	48,000	(11,995)	95,542
Total capital assets being depreciated	510,655,186	633,587	(382,389)	510,906,384
Less accumulated depreciation and impairment	(135,893,180)	(12,683,226)	381,296	(148,195,110)
Capital assets being depreciated — net	374,762,006	(12,049,639)	(1,093)	362,711,274
Capital assets — net	$ 652,198,724	$ (10,469,182)	$ (336,356)	$ 641,393,186

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 involved 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 Partners, 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 years 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, 2018, construction in progress related to the Coliseum amounted to $4,750,025. 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.

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 Marriot 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.

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.

9. LEASES

The Authority is the lessor of its land to various entities. These lease agreements are non-cancelable operating leases with fixed minimum rentals and non-cancelable operating use and lease agreements with annually adjusted rates. Rental income is earned from leasing various parcels of land to hotels, restaurants and to several other entities. Land subject to those lease agreements had a carrying amount of $7,555,800 at June 30, 2018.

Minimum guaranteed income on all non-cancelable operating leases is as follows:

Year Ending June 30,	Amount
2019	762,381
2020	795,464
2021	815,573
2022	782,640
2023	761,526
2024-2028	3,610,961
2029-2033	3,784,753
2034- 2038	4,163,822
2039- 2043	4,599,751
2044- 2048	5,101,069
2049- 2053	5,677,585
2054- 2058	6,340,579
2059- 2063	7,103,022
2064- 2068	4,755,111
2069- 2073	1,257,628
2074- 2078	1,257,628
2079- 2083	1,257,628
2084- 2088	1,257,628
2089- 2091	544,972
	54,629,721

Contingent income associated with the non-cancelable operating leases was approximately $584,961 for the year ended June 30, 2018. Contingent income is earned based on contract clauses other than the base rent clause.

10. 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, 2018, the accrued interest on the lines of credit amounted to $37,816,283 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 to fund the expropriation of Parcel C, located in the Convention Center District area. The source of income for the payment of the line of credit would be the proceeds from the sale or the rental revenue to be derived from Parcel C. The maximum credit limit on this facility amounted to $6,675,000 and expired on September 30, 2014. As of June 30, 2018, the Authority's accrued interest on this line of credit amounts to $1,278,902 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, 2018, is as follows:

Description	Beginning Balance 2017	Additions/ Transfer Borrowings	Payments Repayments	Ending Balance 2018
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 had 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.

At the time of the expropriation of Parcel C referred to above, such parcel was also subject to a mortgage loan in favor of the Puerto Rico Development Fund (PRDF), a blended component unit of GDB, which secured a loan that had been granted by PRDF to an unrelated party for the development of Parcel C. Pursuant to the expropriation of Parcel C, such unrelated party had initiated an eminent domain proceeding in court against the Authority with respect to Parcel C as a result of disagreements between both parties as to the proper fair value of such property. Refer to Note 16 for further developments regarding the Parcel C and the expropriation process.

11. 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. 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. Subsequent principal and interest payments have not been made. Refer to Note 16 for further details.

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	3,408,254
Total bonds payable	$ 389,823,254

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

Year Ending	Principal	Interest
2019	$ 24,150,000	$ 27,174,417
2020	12,985,000	17,024,188
2021	13,635,000	16,358,688
2022	14,320,000	15,674,382
2023-2027	82,755,000	61,263,325
2028-2032	105,395,000	46,287,383
2033- 2037	133,175,000	18,505,131
	$ 386,415,000	$ 202,287,514

The activity of bonds payable for the year ended June 30, 2018, is as follows:

Description	2017	Issuances	Payments/ Amortization	2018	Current Portion
Serial Bonds	$166,920,000	$ -	$ -	$166,920,000	$ 24,150,000
Term Bonds	219,495,000	-	-	219,495,000	-
Total bonds outstanding	386,415,000	-	-	386,415,000	24,150,000
Premium, net	4,137,426	-	(729,172)	3,408,254	-
Total bonds	$390,552,426	$ -	$ (729,172)	$389,823,254	$ 24,150,000

12. 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, 2018, amounted to $28,667 included within administrative expenses (salaries and related benefits line item) in statement of revenues, expenses, and changes in net position.

13. 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, 2018, consulting and management services amounted to $982,618 included within administrative expenses (professional and contract services line item) in statement of revenues, expenses, and changes in net position.

Contingencies

The Authority is a defendant and a party in various legal proceedings claims pertaining to matters incidental to the performance of its normal operations. The Authority has recognized $2,066,589 to cover for anticipated unfavorable judgments at June 30, 2018. This amount is included within accounts payable and accrued expenses in the statement of net position, and represents the amount estimated as probable liability that will require future available financial resources for its payment.

14. HURRICANE EXPENSES

On September 20, 2017, Hurricane María impacted Puerto Rico resulting in the incurrence of additional costs related to professional services, materials, and repairs. During fiscal year 2018, the insurance company paid approximately $1,000,000 related to insurance recovery estimated claims. As of June 30, 2018, management recorded an insurance receivable of approximately $990,000 for additional estimated claims expected to be received, which is included as part of accounts receivables in the accompanying statement of net position.

15. 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), related executive orders and the subsequent fiscal plan of GDB proposing the winding down of its operations, 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 has recognized a custodial credit loss of $2,442,358 for its deposits held at GDB, as further discussed in Note 3.

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 were not 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, 2018, the Authority did not have available funds to meet its future bond payment obligations. The principal payments due on July 3, 2017 of $11,780,000 and July 3, 2018 of $12,370,000 were not made by the Authority, although such principal and the interest portions that remained unpaid were covered by debt's existing insurance policies. The Debt Service Reserves do not longer have enough funds to cover the debt service due 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.

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.

16. SUBSEQUENT EVENTS

Bahia Urbana

Effective February 6, 2019, the Authority entered into a four years lease agreement with a third party who will administrate, operate and manage Bahia Urbana Park and Arena Pier Ten Parking.

Thermal Energy Production Facility

On December 6, 2018, the Authority and CCHPR Hospitality LLC (CCHPR) entered into a settlement and transfer agreement in which all obligations and claims between the Authority and CCHPR under the Thermal Energy Production Facility agreements were settled and the Authority transferred ownership to CCHPR of the Thermal Energy Production Facility which cost, net of accumulated depreciation was approximately $2,200,000 and is presented as part of the Improvements-other than land balance within capital assets in the Statement of Net Position as of June 30, 2018.

Assignment of Proceeds Agreement

On October 12, 2018, an assignment and settlement agreement was reached among all the parties involved surrounding the Parcel C property described in Note 10, whereas the mortgage loan obligation of the unrelated party with PRDF was released in exchange for the transfer of the title of Parcel C to PRDF. PRDF, in turn, agreed to assign the proceeds to be received in an eventual sale or transfer of such Parcel C, to the Authority, where the Authority desires that such payment assignment be applied to repay the $4,490,000 line of credit from GDB.

GDB Fiscal Plan and Restructuring Support Agreement

On July 18, 2018, the Governor signed into law Act 147 of 2018, amending Act 109-2017 to reflect the changes incorporated in the fourth amendment to the GDB RSA. On November 6, 2018, the District Court finally approved the GDB RSA as it concluded that the Qualifying Modification provisions pursuant Title VI of PROMESA had been satisfied. Further information about the GDB RSA can be found in Note 3.

Bonds in Nonpayment – PRCCDA Bonds Series 2006A

On July 3, 2018, the approximately $21.4 million debt service payment ($12.4 million in principal and $9 million in interest) due on the series 2006A was not made. On January 2, 2019, the approximately $8.7 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 8, 2019, 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, 2018

	Convention Center District Authority	Convention Center	Coliseum	Total
ASSETS				
CURRENT ASSETS:				
Cash — net	$ 7,527,609	$ 18,956	$ 4,390,517	$ 11,937,082
Accounts receivable — net	1,624,361	3,108,635	3,676,646	8,409,642
Due from Puerto Rico Tourism Company	-	6,310,962	-	6,310,962
Prepaid expenses	-	21,138	191,065	212,203
Other assets	-	134,170	150,556	284,726
Restricted assets:				
Cash — net	-	943,986	7,529,276	8,473,262
Investments	-	821,606	-	821,606
Total current assets	9,151,970	11,359,453	15,938,060	36,449,483
NONCURRENT ASSETS:				
Prepaid insurance	-	7,768,773	-	7,768,773
Long-term accounts receivable, net	-	97,218	1,016,190	1,113,408
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	871,775	686,405	4,750,025	6,308,205
Depreciable:				
Building	32,325,887	243,758,582	197,879,524	473,963,993
Improvements — other than land	13,482,219	1,247,378	-	14,729,597
Furniture and fixtures	521,022	8,430,905	13,069,059	22,020,986
Equipment	96,266	-	-	96,266
Vehicles	31,795	48,000	15,747	95,542
Accumulated depreciation and impairment	(9,570,139)	(70,291,528)	(68,333,443)	(148,195,110)
Total noncurrent assets	82,944,942	398,275,329	176,953,564	658,173,835
TOTAL ASSETS	$ 92,096,912	409,634,782	192,891,624	694,623,318

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

SCHEDULE OF NET POSITION INFORMATION
June 30, 2018

	Convention Center District Authority	Convention Center	Coliseum	Total
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	$ 4,933,887	$ 4,077,967	$ 2,798,442	$ 11,810,296
Unearned revenues	-	252,953	3,033,772	3,286,725
Current liabilities payable from restricted assets:				
Current portion of bonds payable	-	24,150,000	-	24,150,000
Interest payable on bonds	-	18,500,011	-	18,500,011
Customer deposits payable	-	943,986	7,207,972	8,151,958
Total current liabilities	4,933,887	47,924,917	13,040,186	65,898,990
NONCURRENT LIABILITIES:				
Unearned revenues	-	160,764	1,197,916	1,358,680
Accrued interests — line of credit	1,278,902	-	37,816,283	39,095,185
Borrowings under line of credit	4,490,000	-	140,794,916	145,284,916
Bonds payable	-	365,673,254	-	365,673,254
Total noncurrent liabilities	5,768,902	365,834,018	179,809,115	551,412,035
Total liabilities	10,702,789	413,758,935	192,849,301	617,311,025
NET POSITION:				
Net investment in capital assets	69,277,572	(17,913,927)	(2,673,825)	48,689,820
Restricted for construction	-	821,606	-	821,606
Restricted for rental and event services	-	-	321,304	321,304
Unrestricted	12,116,551	12,968,168	2,394,844	27,479,563
Total net position	81,394,123	(4,124,153)	42,323	77,312,293
TOTAL LIABILITIES AND NET POSITION	$ 92,096,912	$ 409,634,782	$ 192,891,624	$ 694,623,318

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, 2018

	Convention Center District Authority	Convention Center	Coliseum	Total
OPERATING REVENUES:				
Food and beverage	$ -	$ 8,822,282	$ 3,138,834	$ 11,961,116
Rental and event services	1,664,437	7,335,246	6,087,150	15,086,833
Advertising	-	302,687	1,135,596	1,438,283
Total operating revenues	1,664,437	16,460,215	10,361,580	28,486,232
DIRECT OPERATING COSTS AND EXPENSES:				
Food and beverage	-	4,536,908	1,281,474	5,818,382
Rental and event services	-	1,696,565	1,461,211	3,157,776
Advertising	-	155,183	169,545	324,728
Total direct operating costs and expenses	-	6,388,656	2,912,230	9,300,886
GROSS OPERATING PROFIT	1,664,437	10,071,559	7,449,350	19,185,346
OTHER OPERATING EXPENSES:				
Salaries and related benefits	910,873	-	-	910,873
Professional and contract services	1,002,022	3,259,675	2,464,437	6,726,134
Depreciation	942,287	4,941,915	3,999,462	9,883,664
Insurance	520,641	1,301,860	781,107	2,603,608
Impairment loss on capital assets	2,799,562	-	-	2,799,562
Utilities	1,114,826	3,051,016	2,714,702	6,880,544
Advertising	38,959	604,317	52,379	695,655
Repairs and maintenance	706,444	2,170,462	1,282,741	4,159,647
Bad debt expense	992,614	1,705,660	536,445	3,234,719
Other	(637,069)	545,012	295,284	203,227
Allocation of administrative expenses	(1,000,000)	1,000,000	-	-
Total other operating expenses	7,391,159	18,579,917	12,126,557	38,097,633
OPERATING LOSS	(5,726,722)	(8,508,358)	(4,677,207)	(18,912,287)
NON-OPERATING REVENUES (EXPENSES):				
Interest expense	(269,400)	(17,231,576)	(9,855,644)	(27,356,620)
Contributions from Puerto Rico Tourism Company	-	4,194,692	-	4,194,692
Interest income	34,492	274	1,346	36,112
Other income, net	1,337,648	149,007	141,600	1,628,255
Total non-operating expenses — net	1,102,740	(12,887,603)	(9,712,698)	(21,497,561)
LOSS BEFORE TRANSFERS	(4,623,982)	(21,395,961)	(14,389,905)	(40,409,848)
TRANSFERS IN (OUT)	4,974,280	(4,006,464)	(967,816)	-
CHANGE IN NET POSITION	350,298	(25,402,425)	(15,357,721)	(40,409,848)
NET POSITION — Beginning of year	81,043,825	21,278,272	15,400,044	117,722,141
NET POSITION — End of year	$ 81,394,123	$ (4,124,153)	$ 42,323	$ 77,312,293

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, 2018

OPERATING REVENUES:	
Food and beverage	$ 8,822,282
Rental and event services	7,335,246
Advertising	302,687
Total operating revenues	16,460,215
DIRECT OPERATING COSTS AND EXPENSES:	
Food and beverage	4,536,908
Rental and event services	1,696,565
Advertising	155,183
Total direct operating costs and expenses	6,388,656
GROSS OPERATING PROFIT	10,071,559
OTHER OPERATING EXPENSES:	
Professional and contract services	3,259,675
Insurance	1,301,860
Utilities	3,051,016
Advertising	604,317
Repairs and maintenance	2,170,462
Bad debt expense	1,705,660
Other	545,012
Allocation of administrative expenses	1,000,000
Total other operating expenses	13,638,002
OPERATING LOSS	(3,566,443)
OTHER NON-OPERATING INCOME	
Interest income	274
Other income, net	149,007
Total non-operating expenses — net	149,281
LOSS	$ (3,417,162)

RECONCILIATION OPERATING LOSS TO LOSS BEFORE TRANSFERS

LOSS	$ (3,417,162)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO LOSS BEFORE TRANSFERS	
Depreciation	(4,941,915)
Interest expense	(17,231,576)
Contributions from Puerto Rico Tourism Company	4,194,692
LOSS BEFORE TRANSFERS	$ (21,395,961)