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, 2019

AND

INDEPENDENT AUDITORS' REPORT

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

JUNE 30, 2019

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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, 2019, 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.

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, 2019, 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 basic financial statements, there is substantial uncertainty due to the current economic situation of the Commonwealth's and the cease of operations of the Government Development Bank for Puerto Rico. Also, approximately $30 million of the Authority's own revenues for fiscal year 2019 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, 2019 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 13 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 revenues and expenses—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.

March 31, 2020
San Juan, Puerto Rico

License No. 90
Expiration date: December 1st, 2022

Stamp No. E402895 of the Puerto Rico Society of Certified Public Accountants was affixed to the original of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 06/30/2019

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, 2019. 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 $ 21.3 million in 2019 or 3.07%
- The Authority's total liabilities increased by $ 20.3 million in 2019 or 3.29%
- The Authority's net position decreased by $ 41.6 million in 2019 or 53.85%
- Operating revenues increased by $ 3 million in 2019 or 10.70%
- Direct operating costs and expenses increased by $ 1 million in 2019 or 11.04%
- Other operating expenses increased by $ 291 thousand in 2019 or .076%
- Non-operating revenues (expenses) — net increase by $ 3 million in 2019 or 13.73%
- Revenues received from the Puerto Rico Tourism Company (PRTC) increased by $ 428 thousand.

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, 2019

The following summarizes the Authority's financial position as of June 30, 2019 and 2018 (in thousands):

STATEMENTS OF NET POSITION (in 000's)

	2019	2018	Variance
Assets:			
Current assets	$ 26,546	$ 36,449	$ (9,903)
Capital assets - net	629,246	641,393	(12,147)
Other noncurrent assets	17,536	16,781	755
Total assets	$ 673,328	$ 694,623	$ (21,295)

(Continued)

STATEMENTS OF NET POSITION (in 000's)

	2019	2018	Variance
Liabilities:			
Current liabilities	$ 92,314	$ 65,899	$ 26,415
Noncurrent liabilities	545,332	551,412	(6,080)
Total liabilities	637,646	617,311	20,335
Net position:			
Invested in capital assets	12,285	48,690	(36,405)
Restricted for debts service and construction	1,101	822	279
Restricted for rental and event services	-	321	(321)
Unrestricted	22,296	27,479	(5,183)
Total net position	35,682	77,312	(41,630)
Total liabilities and net position	$ 673,328	$ 694,623	$ (21,295)

(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 2019 fiscal year, total assets decreased by $21million or 3.07% when compared to the previous year. The decrease in this category can be attributed to the following:

- Net decrease in capital assets by $12.1 million related to the net effect of the following: increase in accumulated depreciation by $6.1 million mainly related to the depreciation expense recognized during the year of $10 million partially offset by a decrease in accumulated depreciation of $3.9 million due to depreciable asset retirement; net decrease in nondepreciable and depreciable assets by $6 million, mainly related to additions during the year of $5 million, offset by retirements and impairments of $10.5 million and $500 thousand, respectively.

- Net cash decrease of $8.9 million mainly related to various capital expenditures totaling $5 million during the current year and net cash used in operations of almost $11 million. Capital expenditures during the year relate to construction in progress, building improvements, and furniture and fixtures in the amount of $3.5 million, $900 thousand and $600 thousand, respectively.

- Increase in prepaid expenses of $500 thousand mainly related to funds received and paid to Puerto Rico Electric Power Authority (PREPA) and Puerto Rico Aqueduct and Sewer Authority (PRASA) during the year.

- Decrease in accounts receivable net by $1.1 mainly related to the collection of approximately $1 million related to public assistance program reimbursements.

- Decrease in the due from Puerto Rico Tourism Company (PRTC) balance of $1.4 million mainly related to collections of previous years' receivable related to a payment plan agreement reached during the prior year.

- Increase in note receivable of $2 million related to the Thermal Energy Production Facility (TEP) settlement agreement payment plan and transfer of such facilities.

Analysis of Liabilities
For the 2019 fiscal year, total liabilities increased by $20.3 million or 3.29% when compared to the previous year. The increase can be attributed to the net effect of following:

- Increase in interest payable on bonds by $17.3 million related to interest accrued and not paid during the year (see Note 11 to the financial statements).

- Increase in accrued interest by $10 million related to interests accrued and not paid on the lines of credit with GDB (see Note 10 to the financial statements).

- Net decrease in accounts payable and accrued expenses of $2.1 million mainly related to payments made to PREPA and PRASA.

- Decrease in unearned revenues of $400 thousand related to amortization during the year.

- Decrease in bonds payable by $660 thousand related to bond issuance premium amortization during the year (see Note 11 to the financial statements).

- Decrease in customer deposits by $1.7 million mainly related to a decrease in advance ticket sales during fiscal year 2019, related to certain events in 2018 that did not recur in 2019.

- Decrease in line of credit payable by $2.4 million related to deposit offset allocation to such outstanding balance as a result of the Qualifying Modification process of GDB.

- Increase in note payable by $300 thousand related to restaurant remodeling advances.

Long-Term Debt

The Authority's long-term debt consists of two lines of credit with the GDB Debt Recovery Authority and bonds payable, which amounted to approximately $142.8 million and $352 million, respectively, as of June 30, 2019. 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 2019 fiscal year, net position decreased by $41.6 million or 53.85% 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 $36.4 million directly related to the net effect of the following: decrease in capital assets of $12.1, decrease in bonds payable by $660 thousand, decrease in line of credit payable by $2.4 million, increase in accrued interest by $10 million, and increase in interest on bonds payable by $17.3 million. As capital assets continue to depreciate without a corresponding decrease in the Authority's debt (as such is not being repaid), the net investment in capital asset will also continue to decrease.

- Decrease in unrestricted net position by $5.2 million.

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

	2019	2018	Variance
Operating revenues	$ 31,535	$ 28,486	$ 3,049
Direct operating costs and expenses	10,328	9,301	1,027
Other operating expenses	38,389	38,098	291
Nonoperating revenues (expenses) — net	(24,449)	(21,497)	(2,952)
Change in net position	(41,631)	(40,410)	(1,221)
Net position — beginning of year	77,312	117,722	(40,410)
Net position — end of year	$ 35,681	$ 77,312	$ (41,631)

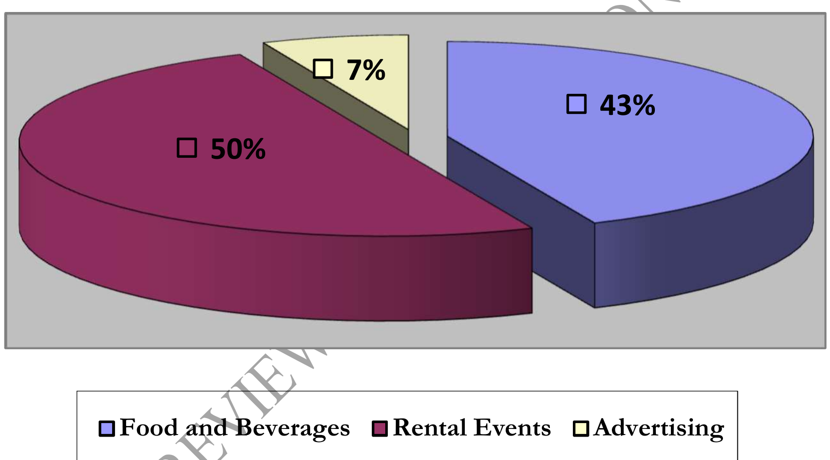
Analysis of Operating Revenues

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.

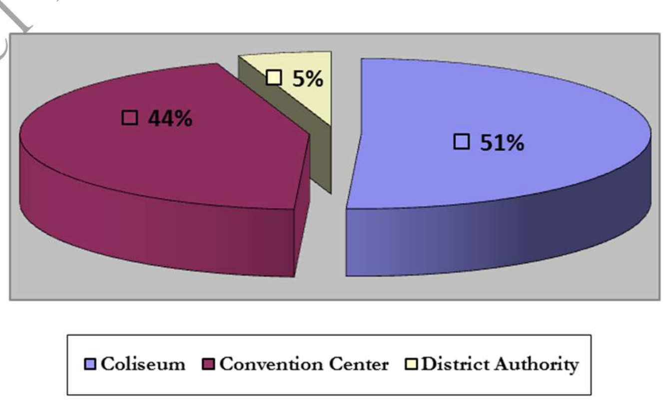
The increase in the operating income of the Authority by $3 million during the year ended June 30, 2019 is the combination of an increase in food and beverage income by $1.7 million, increase in rental and event services income by $706 thousand and an increase in advertising income by $612 thousand. Increase of $1.7 million in food and beverage income is due to the net effect of the decrease in the Convention Center income by $413 thousand and an increase in the Coliseum income by $2.1 million, substantially related to the suites and club seat rental and event services.

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

2019 Revenues



2019 Revenues (segregated by venue)



Analysis of Direct Operating Costs and Expenses
Direct operating costs and expenses fluctuated in direct relation to operating revenues as compared with previous fiscal year. For the 2019 fiscal year, direct operating costs and expenses increased by $1 million or 11.04% when compared to the previous year, mostly in line with the increase in operating revenues of 10.70%.

Analysis of Other Operating Expenses
Other operating expenses did not experience a significant net fluctuation from the previous year. For the 2019 fiscal year, other operating expenses increased by $291 thousand or 0.76% when compared to the previous fiscal year.

Analysis of Non-Operating Revenues (Expenses)
For the 2019 fiscal year, non-operating expenses had a net increase of $2.9 million or 13.73% when compared to the previous year. The increase in this category can be attributed mainly to the following:

- Increase of $4.5 million due to the loss in the transfer of land to the Puerto Rico Development Fund as part of Parcel C settlement agreement.

- Increase of $3.7 million due to hurricane recovery expenses in the amount of $3.8 million partially offset by contribution from Federal Government in the amount of $100 thousand.

- Decrease of $2.7 million as a result of contributions received from the Commonwealth.

- Decrease of $2.4 million related to a custodial credit loss recovery as part of the Qualifying Modification process of GDB.

- Increase of $1 million related to the decrease in other income during fiscal year 2019.

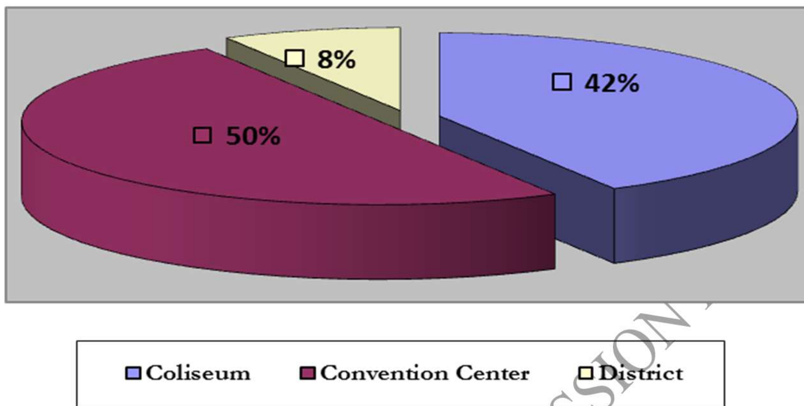
- Decrease of $700 thousand in interest expense related to outstanding debt premiums amortization.

  Decrease of $400 thousand related to an increase in contributions from Puerto Rico Tourism Company.

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:

2019 Capital Assets



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SCHEDULE OF CAPITAL ASSETS (IN 000'S)

Asset Classification	2019	2018	Variance
Capital assets not being depreciated:			
Land	$ 158,595	$ 163,085	$ (4,490)
Land improvements	109,288	109,288	-
Construction in progress	2,475	6,309	(3,834)
Total capital assets not being depreciated	270,358	278,682	(8,324)
Capital assets being depreciated:			
Building	473,964	473,964	-
Improvements — other than land	15,571	14,730	841
Furniture and fixture	23,465	22,021	1,444
Equipment	96	96	-
Vehicles	105	96	9
Total capital assets being depreciated	513,201	510,907	2,294
Less accumulated depreciation and impairment	(154,313)	(148,196)	(6,117)
Capital assets being depreciated — net	358,888	362,711	(3,823)
Capital assets — net	$ 629,246	$ 641,393	$ (12,147)

Significant fluctuations noted in the Authority's capital assets are as follow:

- Decrease of $4.5 million in land assets due to land ultimately transferred to Puerto Rico Development Fund as part of Parcel C settlement agreement.

- Increase of $841 thousand in improvements other than land responds principally to transfers from construction in progress of approximately $6.8 million, offset with the transfer of the $6 million TEP Facility during the year to an unrelated entity.

- Increase of $1.4 million in furniture and fixtures is due to transfers from construction in progress of $800 thousand and capital expenditures additions amounting to $600 thousand during fiscal year 2019.

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 KNOWN FACTS

Uncertainty on Receipts of Revenues from Puerto Rico Tourism Company:

As further discussed in note 5 to the basic financial statements, the Treasury Department withheld during fiscal year 2019 approximately $30 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.

On July 3, 2019, approximately $21.7 million debt service payment ($13 million in principal and $8.7 million in interest) due on the series 2006A was not made. On January 2, 2020, the approximately $8.3 million debt service payment in interest that was due and not made.

As further disclosed in detail in Note 16 to the basic financial statements, several assignment, purchase and sale and lease agreements involving certain real estate property and parking facilities of the Authority have been entered into with other related and unrelated entities.

On January 6 and 7, 2020, Puerto Rico sustained a series of strong earthquakes, which caused significant damages to individual and family housing as well as to public schools and small businesses, predominantly concentrated in several municipalities in the southwestern part of the island. These earthquakes have been followed by hundreds of aftershocks that have continued to recur through the date of these financial statements. Management has not identified yet the impact, if any, that these earthquakes may have on the Authority's programs or operations.

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PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF NET POSITION

June 30, 2019

ASSETS	
CURRENT ASSETS:	
Cash	$ 4,737,506
Accounts receivable — net	7,536,445
Due from Puerto Rico Tourism Company	4,928,627
Note receivable	439,992
Prepaid expenses	1,105,559
Other assets	290,498
Restricted assets:	
Cash	6,696,432
Investments	810,969
Total current assets	26,546,028
NONCURRENT ASSETS:	
Prepaid insurance	7,331,147
Long-term accounts receivable — net	803,240
Note receivable	1,503,346
Investments in commercial entities	7,897,903
Capital assets:	
Nondepreciable:	
Land	158,595,214
Land improvements	109,288,493
Construction in progress	2,474,884
Depreciable:	
Building	473,963,993
Improvements — other than land	15,571,058
Furniture and fixtures	23,465,173
Equipment	95,618
Vehicles	105,207
Accumulated depreciation	(154,313,644)
Total noncurrent assets	646,781,632
TOTAL ASSETS	$ 673,327,660

(Continued)

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

STATEMENT OF NET POSITION
June 30, 2019

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:	
Accounts payable and accrued expenses	$ 9,725,904
Unearned revenues	3,197,830
Current portion of bonds payable	37,135,000
Interest payable on bonds	35,848,824
Current liabilities payable from restricted assets:	
Customer deposits payable	6,406,243
Total current liabilities	92,313,801
NONCURRENT LIABILITIES:	
Unearned revenues	1,054,710
Accrued interests — line of credit	49,119,492
Borrowings under line of credit	142,830,284
Bonds payable	352,027,978
Note payable	300,000
Total noncurrent liabilities	545,332,464
Total liabilities	637,646,265
NET POSITION:	
Net investment in capital assets	12,284,418
Restricted for construction	1,101,158
Unrestricted	22,295,819
Total net position	35,681,395
TOTAL LIABILITIES AND NET POSITION	$ 673,327,660

(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, 2019

OPERATING REVENUES:	
Rental and event services	$ 15,792,870
Food and beverage	13,692,079
Advertising	2,049,629
Total operating revenues	31,534,578
DIRECT OPERATING COSTS AND EXPENSES:	
Rental and event services	3,649,127
Food and beverage	6,063,749
Advertising	614,609
Total direct operating costs and expenses	10,327,485
GROSS OPERATING PROFIT	21,207,093
OTHER OPERATING EXPENSES:	
Salaries and related benefits	1,000,196
Professional and contract services	7,095,576
Depreciation	9,972,945
Insurance	4,660,798
Impairment loss on capital assets	468,630
Utilities	7,620,382
Advertising	896,701
Repairs and maintenance	4,240,580
Legal contingencies	861,119
Provision for doubtful accounts	104,257
Other	1,467,432
Total other operating expenses	38,388,616
OPERATING LOSS	(17,181,523)
NON-OPERATING REVENUES (EXPENSES):	
Interest expense	(26,709,230)
Contributions from Puerto Rico Tourism Company	4,622,778
Contributions from Commonwealth of Puerto Rico	2,671,003
Contributions from Federal Government	120,368
Hurricane recovery expenses	(3,806,603)
Custodial credit loss recovery	2,454,632
Equity in net loss of commercial entities	(565)
Loss on transfer of land	(4,490,000)
Gain on transfer of capital asset	50,301
Interest income	116,521
Other income, net	521,420
Total non-operating expenses — net	(24,449,375)
CHANGE IN NET POSITION	(41,630,898)
NET POSITION — Beginning of year	77,312,293
NET POSITION — End of year	$ 35,681,395

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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Collections of operating revenues	$ 32,220,821
Payments to suppliers for operating expenses	(42,121,958)
Payments to employees	(1,000,196)
Net cash used in operating activities	(10,901,333)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES -	
Contributions from Puerto Rico Tourism Company	6,005,113
Contributions from Commenwealth of Puerto Rico	2,671,003
Contributions from Federal Government	120,368
Hurricane expenses paid	(3,806,603)
	4,989,881
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital expenditures	(4,934,084)
Repayments of lines of credit	(2,454,632)
Proceeds from issuance of note payable	300,000
Net cash used in capital and related financing activities	(7,088,716)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturity of investments	14,250
Reinvestment earnings	(3,613)
Collection from notes receivable	256,662
Collection of interest income	116,521
Other income	1,185,310
Net cash provided by investing activities	4,023,762
NET DECREASE IN CASH	(8,976,406)
CASH — Beginning of year	20,410,344
CASH — End of year	$ 11,433,938
RECONCILIATION TO STATEMENT OF NET ASSETS:	
Cash — unrestricted	$ 4,737,506
Cash — restricted	6,696,432
TOTAL CASH — End of year	$ 11,433,938
NON-CASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest on line of credit	$ 10,024,306
Transfer of property in exchange of note receivable	2,200,000
Loss on transfer of land	4,490,000
Transfers from nondepreciable assets	3,222,524
	$ 19,936,830

(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, 2019

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	$ (17,181,523)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	9,972,945
Impairment loss on capital assets	468,630
Provision for doubtful accounts	104,257
Amortization of prepaid insurance	437,626
Amortization of premium/discounts on bonds	(660,276)
Changes in operating assets and liabilities:	
Decrease (increase) in assets:	
Accounts receivable	1,079,108
Prepaid expenses and other assets	(899,128)
Decrease in liabilities:	
Accounts payable and accrued expenses	(2,084,392)
Customer deposits payable	(1,745,715)
Unearned revenues	(392,865)
Total adjustments	6,280,190
NET CASH USED IN OPERATING ACTIVITIES	$ (10,901,333)

(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) 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, insurance, utilities, advertising, repairs and maintenance, legal contingencies, bad debt expenses, other, 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 Puerto Rico Tourism Company (PRTC), which have been recorded in the year in which the funds were available to the Authority, as disclosed in Note 5. Additionally, the Authority received contributions from the Commonwealth to reduce outstanding utilities' debts; and contributions from the federal government related to hurricane relief assistance. Contributions are recorded as part of non-operating revenues in the accompanying statement of revenues, expenses, and changes in net position. PRTC contributions represent one 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, 2019. The Authority's cash composition as of June 30, 2019 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 types 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 $468,630 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, 2019.

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. Act No. 26 of April 29, 2017 established that no cash payments were to be made to employees for accrued vacations and sick leave days, except in the case of employees who quit, retire or are terminated. In such cases, employees are eligible for a payment of their accrued vacation days not exceeding 90 days. 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.

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

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 is not included in the calculation of net investment in capital assets. Instead, the portion of the debt is included in the same net position component as the unspent proceeds.

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

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

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.

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 14 for a description of the Authority's significant legal proceedings.

s) *Future Adoption of Accounting Principles*

The GASB has issued the following accounting pronouncements that have effective date after June 30, 2019:

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. 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.

GASB Statement No. 91, *Conduit Debt Obligations.* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. Management is evaluating the impact that this Statement will have on the Authority's basic financial statements.

GASB Statement No. 92, *Omnibus 2020.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; the applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, to reporting assets accumulated for postemployment benefits; the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements; measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and terminology used to refer to derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged. Management is evaluating the impact that this Statement will have on the Authority's basic financial statements.

3. CASH AND INVESTMENTS

Cash and Deposits

As of June 30, 2019, the Authority has interest-bearing demand deposits as follows:

Financial Institution	Carrying Amount	Interest	Depository Bank Balance
Non-government banks	$ 11,322,108	0.87% - 1.00%	13,257,264

As of June 30, 2019, reconciliation to the statement of net position is as follows:

Current assets — cash:	
Unrestricted, including cash on hand of $111,830	$ 4,737,506
Restricted:	
Customer advance deposits	1,494,912
Advance ticket sales	4,911,331
Improvement advances	290,189
Total restricted	6,696,432
Total current assets — cash	$ 11,433,938

Custodial Credit Risk and Impairment Recovery 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 was 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 was exempt from the collateral requirements established by the Commonwealth. The Authority had $2,454,632 in deposits subject to credit risk as of November 6, 2018, which was the bank balance of cash within GDB at that date.

On November 29, 2018, GDB completed a restructuring of certain of its indebtedness pursuant to a Qualifying Modification under Title VI of the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA). Under the Qualifying Modification, holders of certain bond and deposit claims against GDB exchanged their claims for bonds (at an upfront exchange ratio of 55%) issued by a newly created public instrumentality—the GDB Debt Recovery Authority (the DRA) created under Act No. 109 of August 24, 2017, known as the Government Development Bank for Puerto Rico Debt Restructuring Act (the GDB Restructuring Act)—and GDB transferred to such entity its municipal loan portfolio, a portion of its public entity loan portfolio (including those lines of credit issued to the Authority), its real estate owned assets and its unencumbered cash. This Qualifying Modification required certain offsets between financial instruments assets and liabilities held by GDB; therefore, the deposits held at GDB were applied to outstanding balances payable by the Authority (see Note 10). This transaction caused the recorded custodial credit losses amounting to $2,454,632 on the deposits held with GDB to be reversed during the fiscal year ended June 30, 2019, recognized as custodial credit loss recovery (Non-operating Revenue (Expenses)) within the accompanying statement of revenues, expenses and changes in net position.

<u>**Investments**</u>

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, 2019 are shown in the table below:

Description	Rating	Amount
Money market fund (Dreyfus Cash Management — Investor Shares)	A-1+	$ 810,969

Reconciliation to the statement of net position as of June 30, 2019, is as follows:

Restricted investments — current	$ 810,969
Restricted investments — noncurrent	-
	$ 810,969

Fair Value of Investments

At June 30, 2019, the Authority had the following recurring fair value measurements:

		Fair Value Measurements Using		
Investments by fair value level	June 30, 2019	Level 1	Level 2	Level 3
Debt securities - Money Market Mutual Funds	$ 810,969	$ 810,969	-	-

4. ACCOUNTS RECEIVABLE

As of June 30, 2019, the Authority has accounts receivable as follows:

	Current	Noncurrent
Trade receivables, net	$ 4,849,773	$ -
Deferred billing	2,595,637	803,240
Other	91,035	-
	$ 7,536,445	$ 803,240

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, 2019, are considered current receivables within the accompanying statement of net position and consist of:

Description	Total
Trade receivables	$ 7,560,906
Less: allowance for doubtful accounts	(2,711,133)
Trade receivables — net	$ 4,849,773

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, 2019, the deferred billing and non-monetary consideration related to the long-term agreements are included as current and long-term accounts receivable within the accompanying statement of net position; and were as follows:

	Current	Noncurrent	Total
Deferred billing:			
Billable	$ 2,552,177	$ 803,240	$ 3,355,417
Non-monetary consideration	43,460	-	43,460
	$ 2,595,637	$ 803,240	$ 3,398,877

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

Year Ending	Billable	Non-monetary Consideration	Total
2020	$ 2,552,177	$ 43,460	$ 2,595,637
2021	740,740	-	740,740
2022	62,500	-	62,500
	$ 3,355,417	$ 43,460	$ 3,398,877

As of June 30, 2019, the unearned revenues were as follows:

	Current	Noncurrent	Total
Unearned revenues:			
Unearned billing related to long-term agreements	$ 3,091,348	$ 1,054,710	$ 4,146,058
Other	106,482	-	106,482
	$ 3,197,830	$ 1,054,710	$ 4,252,540

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

Year Ending	Total
2020	$ 3,197,830
2021	981,794
2022	72,916
	$ 4,252,540

5. DUE FROM PUERTO RICO TOURISM COMPANY

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

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

- To provide the funding for the debt service related to Authority's bonds payable described in Note 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, 2019, the Authority's revenues related to the contribution from PRTC related to the collection of hotel room taxes amounted to $4,622,778. 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, 2019, due from PRTC amounted to $4,928,627.

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 on 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 million of these revenues during fiscal year 2019. As of June 30, 2019, 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.

6. NOTE RECEIVABLE

Thermal Energy Production Facility Settlement 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).

On December 6, 2018, the Authority and 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. CCHPR agreed to pay to the Authority the amount of $36,666 on the date of the execution of the agreement; followed by fifty-eight (58) monthly installments in the amount of $36,666 commencing on January 20, 2019, and a final payment to be made on November 20, 2023 in the amount of $36,706. As of June 30, 2019 the outstanding principal of the non-interest bearing note receivable amounted to $1,943,338 of which $439,992 are considered current receivables and are included within the accompanying statement of net position.

7. 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		3,947,903
Equity in net assets	$	7,897,903

District Live, LLC	$	-
District Live Hotel Ventures, LLC		(565)
Equity in losses	$	(565)

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, 2019, approximates its share of underlying equity in the net assets of DL. As of June 30, 2019, DL's assets and liabilities totaled $44,921,481 and $29,385,226, respectively (unaudited). DL had no revenues or earnings/ (losses) for the year ended June 30, 2019 due to its construction in progress status.

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, 2019, approximates its share of underlying equity in the net assets of DLH. As of June 30, 2019, DLH's assets totaled $10,031,673 (unaudited). DLH had no liabilities (unaudited). DLH's net loss for the year ended June 30, 2019 was $1,882. DLH had no revenues for the year ended June 30, 2019 due to its construction in progress status.

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, 2019, is as follows:

Description	Beginning Balance	Additions/ Transfers	Retirements/Impairment/ Transfers	Ending Balance
Capital assets not being depreciated:				
Land	$ 163,085,214	-	(4,490,000)	$ 158,595,214
Land improvements	109,288,493	-	-	109,288,493
Construction in progress	6,308,205	3,465,333	(7,298,654)	2,474,884
Total capital assets not being depreciated	278,681,912	3,465,333	(11,788,654)	270,358,591
Capital assets being depreciated:				
Building	473,963,993	-	-	473,963,993
Improvements — other than land	14,729,597	6,841,461	(6,000,000)	15,571,058
Furniture and fixture	22,020,986	1,447,649	(3,462)	23,465,173
Equipment	96,266	-	(648)	95,618
Vehicles	95,542	9,665	-	105,207
Total capital assets being depreciated	510,906,384	8,298,775	(6,004,110)	513,201,049
Less accumulated depreciation and impairment	(148,195,110)	(9,972,945)	3,854,411	(154,313,644)
Capital assets being depreciated — net	362,711,274	(1,674,170)	(2,149,699)	358,887,405
Capital assets — net	$ 641,393,186	$ 1,791,163	$ (13,938,353)	$ 629,245,996

Lease Agreements

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 (10%), 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 contingent to the commencement of operations, 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. Refer to Note 16 for further details about the subsequent cancellation of the agreement.

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.

On June 1, 2018, the Authority entered into a parking lease agreement with DL Parking Manager, LLC for the control and operation of the Parking Facilities constructed by the Authority. The lease agreement has a five year term, which shall expire on the fifth anniversary of the commencement of operations of the "DL Hotel Project". The lessee will pay rent, following the commencement of operations and throughout the five lease years, $1,000,000 per annum payable in four (4) equal quarterly installments of $250,000.

<u>District Live</u>

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.

<u>Loss on Transfer of Land</u>

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 Puerto Rico Development Fund (PRDF), a blended component unit of GDB 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. The Authority transferred land to PRDF with a book value of $4,490,000; however, no sale had been made as of fiscal year ended June 30, 2019. Therefore, the Authority recorded a loss in the amount of the transferred land asset. On September 3, 2019, Parcel C was sold. Refer to Note 16 for further details.

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, 2019.

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

Year Ending June 30,	Amount
2020	1,795,464
2021	1,815,573
2022	1,782,640
2023	1,761,526
2024	1,772,776
2025- 2029	3,562,649
2030- 2034	3,855,694
2035- 2039	4,245,403
2040- 2044	4,693,570
2045- 2049	5,208,961
2050- 2054	5,801,661
2055- 2059	6,483,266
2060- 2064	7,267,112
2065- 2069	3,497,088
2070- 2074	1,257,628
2075- 2079	1,257,628
2080- 2084	1,257,628
2085- 2089	1,257,628
2090- 2091	293,447
	58,867,342

Contingent income associated with the non-cancelable operating leases was approximately $635,886 for the year ended June 30, 2019. 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, 2019, the accrued interest on the lines of credit amounted to $47,573,870 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, 2019, the Authority's accrued interest on this line of credit amounts to $1,545,622 and has been included as such in the accompanying statement of net position.

The activity of the lines of credit for the year ended June 30, 2019, is as follows:

Description	Beginning Balance 2018	Additions/ Transfer Borrowings	Deposits Offset (Note 3)	Ending Balance 2019
Borrowings under lines of credit — Coliseum	$ 140,794,916	$ -	$ (2,378,772)	$ 138,416,144
Borrowings under line of credit — Parcel C	4,490,000	-	$ (75,860)	4,414,140
	$ 145,284,916	$ -	$ (2,454,632)	$ 142,830,284

The debt service of these lines of credit depends on future appropriations by the Legislative Assembly and the availability of funds to meet such appropriations. 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 PRDF, 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 8 for further developments regarding the Parcel C and the expropriation process.

As discussed in Note 3, on November 29, 2018, GDB completed a restructuring of certain of its indebtedness pursuant to a Qualifying Modification under Title VI of PROMESA. Before carrying out the transaction, GDB applied the outstanding balance of any deposits held by the Authority against the outstanding balance of any loans issued to the Authority by GDB. As a result, the deposits held by the Authority amounting to approximately $2,454,632, were applied against the lines of credit due to GDB, and were presented as a reduction in lines of credit activity for the year ended June 30, 2019.

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

The debt service requirements not paid as referred to in the previous paragraph are insured by three different insurance companies: Ambac Assurance Corporation ("Ambac"), Financial Guaranty Insurance Company ("FGIC") and CDC IXIS Financial Guaranty North America, Inc. ("CIFG NA"). The Authority's Debt Service Reserves do not longer have enough funds to cover the debt service due and it is uncertain if the corresponding insurance policies will fully cover such amounts. Ambac and CIFG have been covering the full debt service requirements on the bonds series covered by their corresponding insurance policies. FGIC has been subject to a Rehabilitation Plan and has been paying their corresponding portions based on an established percentage of debt service that has ranged from 25% in fiscal year 2017 to 38.5% through October 13, 2019. After October 13, 2019, the debt service percentage coverage will be 43.5%. Through June 30, 2019, a total of $37,135,000 and $29,636,027 of principal and interest payments, respectively, have been made up by the aforementioned insurance companies. Even though these insurance companies have been paying principal and interest on such bonds, such payments do not reduce the Authority's debt. Upon the insurance companies' payments, they become the owner of the surrendered Bond Obligations and are fully subrogated to all the Bondholder Rights to payments.

Bonds payable at June 30, 2019 consist of the following:

	Amount
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	2,747,978
Total bonds payable	$ 389,162,978

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

Year Ending	Principal	Interest
2020	$ 37,135,000	$ 35,848,824
2021	13,635,000	16,699,563
2022	14,320,000	16,017,813
2023	15,005,000	15,330,951
2024	15,720,000	14,618,213
2025-2029	91,130,000	60,551,141
2030-2034	116,080,000	35,606,107
2035-2037	83,390,000	7,614,904
	$ 386,415,000	$ 202,287,516

The activity of bonds payable for the year ended June 30, 2019, is as follows:

Description	2018	Issuances	Payments/ Amortization	2019	Current Portion
Serial Bonds	$166,920,000	$ -	$ -	$166,920,000	$ 37,135,000
Term Bonds	219,495,000	-	-	219,495,000	-
Total bonds outstanding	386,415,000	-	-	386,415,000	37,135,000
Premium, net	3,408,254	-	(660,276)	2,747,978	-
Total bonds	$389,823,254	$ -	$ (660,276)	$389,162,978	$ 37,135,000

12. NOTE PAYABLE

On December 5, 2018, the Authority entered into a note payable agreement with AEG Management PR, LLC pursuant to the provisions established within section 9 subsection (o) of the Management Services Agreement entered between both parties. The non-interest-bearing note is to be used to perform repairs and improvements to "Ficus Café" (the Restaurant). The note had an outstanding balance of $300,000 and is to be repaid in twenty-two (22) monthly installments of $13,636 commencing four (4) months after the Restaurant begins operations. As of June 30, 2019, the Restaurant is expected to begin operations on February 2020.

Debt service requirements on note payable at June 30, 2019, are as follows:

Year Ending	Amount
2020	$ -
2021	163,636
2022	136,364
	$ 300,000

13. 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, 2019, amounted to $64,782 included within administrative expenses (salaries and related benefits line item) in the statement of revenues, expenses, and changes in net position.

14. 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, 2019, consulting and management services amounted to $748,151 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 $2,961,862 to cover for anticipated unfavorable judgments at June 30, 2019. This amount is included within accounts payable and accrued expenses in the statement of net position, and represents the amount estimated by assigned legal counsel as probable liability that will require future available financial resources for its payment.

15. LIQUIDITY RISK AND UNCERTAINTIES

Liquidity Risk

As discussed in Note 5, 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. Since July 1, 2017, the Authority did not have available funds to meet its future bond payment obligations.

Uncertainties

The discussion in the following paragraphs regarding uncertainties of the Authority due to the current situation of the Commonwealth, provides the necessary background and support for management's evaluation as to whether there is substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond date of the financial statements or for an extended period if there is currently known information that may raise substantial doubt shortly thereafter. GASB Statement No. 56, *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. The final outcome of this process is currently uncertain.

Based on the aforementioned events, liquidity constraints considerations and resulting uncertainties; 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

Bonds in Nonpayment – PRCCDA Bonds Series 2006A

On July 3, 2019, the approximately $21.7 million debt service payment ($13 million in principal and $8.7 million in interest) due on the series 2006A was not made. On January 2, 2020, the approximately $8.3 million debt service payment in interest that was due was not made.

Thermal Energy Agreement

On August 19, 2019, the Authority entered into a Thermal Energy Agreement with DL, LLC. As part of the agreement entered by both parties DL, LLC agreed to purchase a quantity of chilled water produced by the cooling system of the Puerto Rico Convention Center to be used by DL, LLC's entertainment facilities. This agreement has a term of fifteen (15) years and shall end on the fifteenth (15th) anniversary of the date in which the Authority has made available and delivered thermal energy to the entertainment facilities of DL, LLC. DL, LLC has the option to renew this agreement for an additional one (1) year period. As part of the agreement, the Authority is to provide DL, LLC with 100% of its thermal energy requirements at a cost based on the volume of energy provided.

Parcel C Purchase and Sale Agreement

On September 3, 2019, the Puerto Rico Development Fund (PRDF) entered into a Purchase and Sale Agreement with PG Parcel C Owner, LLC for the sale of Parcel C property. As part of the Purchase and Sale Agreement, PG Parcel C Owner, LLC agreed to pay PRDF the lump sum of $5,070,000. PRDF had acquired the ownership of Parcel C as a result of the assignment and settlement agreement reached among all the parties involved surrounding the Parcel C property. As a result of the sale of Parcel C, the Authority expects to be released from the payment of the GDB line of credit amounting to $4,490,000. Refer to Note 8 for additional information of the aforementioned agreement.

Proposed Title III Joint Plan of Adjustment for the Commonwealth, ERS and PBA

On September 27, 2019, the Oversight Board created by PROMESA filed a joint Title III plan of adjustment for the Commonwealth, ERS, and PBA [ECF No. 8765] (the Joint Plan) along with a disclosure statement related thereto [ECF No. 8765] (the Disclosure Statement). The Joint Plan and Disclosure Statement remain subject to Title III Court approval and it is not certain that the Title III Court will ultimately confirm the Joint Plan.

Parcel B1C Transfer Agreement

On October 29, 2019, the Authority entered into a sale and transfer agreement with CCHPR Hospitality, LLC (CCHPR) for the sale of Parcel B1C. The asset purchase price amounted to $2,700,000, which is to be paid by CCHPR to the Authority. The purchase price is to be paid as follows; $2,000,000 will be paid by CCHPR on October 29, 2019 and a promissory note amounting to $700,000 due on May 31, 2020.

Parking Lease and Option to Purchase Agreement

On October 29, 2019, the Authority entered into a parking lease and option to purchase agreement with CCHPR Hospitality, LLC for the development of a parking facility. This lease agreement has a term of five (5) years and shall end on the fifth (5th) anniversary of the day the parking facility opens for business (Commencement Date). As part of the agreement, CCHPR agrees to rent two hundred and twenty-two (222) parking spaces at a monthly cost of fifty dollars each ($50), for an annual rent amount of $133,200. Additionally, CCHPR was granted a purchase option in the amount of $3.1M if CCHPR exercises the option within the first two (2) years of the lease term; if the option is exercised after the first two (2) years of the lease term the purchase price shall be determined by a formal appraisal at the date of the execution.

Parking Lease Agreement

On November 25, 2019, the Authority entered into a parking lease agreement with DL Parking Manager, LLC for the development, construction and operation of a surface parking facility that shall accommodate approximately 654 motor vehicles. The lease agreement has a term of five (5) years and shall end after the fifth (5th) anniversary of the commencement of operations with consecutive one (1) year extensions to be approved by the Authority. After the first (1st) anniversary of the commencement of operations, DL Parking Manager, LLC is to pay the Authority rent in the amount of $1.2M annually, in four (4) equal quarterly installments of $300,000.

3rd Millennium Surgery Center Ground Lease Cancelation

On November 25, 2019, the Authority notified 3rd Millennium Surgery Center, LLC (3MS) that the Ground Lease and Development Agreement for the development and construction of a comprehensive medical services center had been cancelled due to the fact that 3MS did not complete their predevelopment phase within the agreed terms of the Ground Lease and Development Agreement. Refer to Note 8 for additional information about the agreement.

Impact of Earthquakes

On January 6 and 7, 2020, Puerto Rico sustained a series of strong earthquakes, which caused significant damages to individual and family housing as well as to public schools and small businesses, predominantly concentrated in several municipalities in the southwestern part of the island. These earthquakes have been followed by hundreds of aftershocks that have continued to recur through the date of these financial statements. Management has not identified yet the impact, if any, that these earthquakes may have on the Authority's programs or operations.

Assignment and Assumption of Sublease Agreement

On February 21, 2020, the Authority entered into a assignment and assumption of sublease agreement with DRA to transfer its right, tittle and interest in the Authority's sublease agreement with Lighthouse Group, LLC (LG LLC). As part of the agreement entered into by the Authority and DRA, the Authority shall be indemnified and held harmless from any loss, liability, damage, penalty, charge, or out-of-pocket expenses incurred by DRA in connection with any claim arising from its collections attempt on LG LLC related to the sublease agreement rights transferred after the execution of the assignment and assumption of sublease agreement.

The Authority has evaluated subsequent events from the balance sheet date through March 31, 2020, the date at which the financial statements were available to be issued, and determined there are no other material items to disclose.

Coronavirus Pandemic, Lock-Down and Economic Stabilization Measures

Coronavirus Pandemic, Lock-Down
In December 2019, China had alerted the World Health Organization (WHO) of several cases of an unusual form of pneumonia in the Wuhan province. Substantive information about what has now been identified as coronavirus only came to light in early 2020. The coronavirus (SARS / Covid-19) evolved from a local health outbreak to a worldwide pandemic.

On March 11th, 2020, the World Health Organization declared the Coronavirus disease ("COVID-19") as a global pandemic. As a result of the health threat and to contain the virus spread across PR, the Governor issued executive order EO 2020-020, on March 12,2020, declaring a state of emergency in PR to concentrate all efforts and implement necessary measures to safeguard the health, well-being and public safety of the citizens. The executive order authorizes the Commonwealth's Secretary of the Treasury and the Executive Director of the PROMB to set up a special budget, from any available funds, including the Emergency Fund, to cover all necessary costs for the containment of the virus throughout the island and sharing information with the municipalities.

On March 15, 2020 and following Center for Disease Control (CDC) guidance, the Governor issued executive order EO 2020-023 ordering a curfew for all citizens requiring them to stay at home from 9 p.m. to 5 a.m., allowing them to use the public roads, within this time frame, under specific circumstances such as: (1) purchasing food, pharmaceutical and basic necessity products; (2) keeping medical appointments or visiting a hospital, laboratory, or healthcare facility; (3) commuting, for public and private employees who provide essential services; (4) returning to place of residence from an allowed activity; (5) providing assistance, care, transportation of senior citizens, children, dependents, people with disabilities or requiring medical or professional attention; and (6) visiting financial institutions, provided that all necessary precautions are taken to prevent the risk of spreading the disease. Also, the executive order mandated that any person with reasonable suspicion of being exposed to the COVID-19 remain quarantined for fourteen (14) days, as of the issuance of the order, to prevent them from posing a risk to public health and transmission to non-infected persons.

In addition, it ordered the closure of all governmental operations, except for those related to essential services, and the closure of all businesses in Puerto Rico from March 15, 2020, at 6 p.m., until March 30, 2020, unless otherwise provided. Furthermore, the order established criminal penalties and fines for any person who failed to comply with the evacuation orders issued by the Commonwealth's Public Safety Department or its Bureaus.

On March 23, 2020, the Governor issued executive order EO 2020-026 to create and establish the Executive Committee of Medical Advice, also known as the COVID-19 Medical Task Force, which will perform functions jointly with the Department of Health and will be in charge of studies, research and development of strategic plans to manage the Coronavirus pandemic emergency and provide a coordinated response to the citizens of Puerto Rico.

On March 27, 2020, the Governor issued executive order EO 2020-028 to activate the National Guard Medical Unit to provide support to the DOH and any other agency providing services during the pandemic emergency.

On March 30, 2020, the Governor issued executive orders EO 2020-029 and EO 2020-030 ordering a lockdown in Puerto Rico. The citizens of Puerto Rico are instructed to stay at their residences the 24 hours of a day for the 7 days of the week from March 31, 2020 to April 12, 2020 and only be allowed to use the public roads, during the hours between 5 a.m. and 7 p.m., under the circumstances previously allowed by EO 2020-023. In addition, the executive order establishes a transit order, based on the last number of the vehicle license plates, for their citizens to use their cars to buy food, pharmaceutical and basic necessity products, visit financial institutions and receiving any of the allowed services. Moreover, the order provides a description of the services and businesses that are allowed to operate during the emergency; informs its citizens that the collection of tolls fees will be reinstated after March 31, 2020; provides a limited window for payroll related employees to visit their employer's offices to process the payroll payments for the month of March; orders the Department of Natural Resources to shut down all docks to discourage the maritime traffic of recreational boats and authorizes the agency to establish a surveillance plan of the island's coasts, in coordination with the state and municipal police, to enforce compliance with the instructions provided by the executive order; establishes a mandatory 14-day quarantine for all passengers arriving to the Luis Muñoz Marin international airport as of the issue date of the executive order.

Economic Stabilization Measures

On March 23, 2020, the Oversight Board agreed with the Commonwealth to provide support to the Puerto Rican people, frontline workers, educators and students, and small businesses. The $787 million Emergency Measure Support Package consists of $500 million that had to be authorized as an incremental appropriation to the fiscal year 2020 General Fund budget in compliance with the budgetary process under PROMESA, $157 million of reapportionment within the current fiscal year 2020 Commonwealth General Fund budget, and $131 million of Federal funds. This Emergency Measures Support Package is in addition to the availability of $160 million from Puerto Rico's Emergency Reserve Fund the Oversight Board had already authorized.

On March 27, 2020, President Trump signed into law the Coronavirus, Aid, Relief, and Economic Security Act (CARES Act), commonly known as "Phase Three" of coronavirus economic relief. The CARES Act provides a stimulus to individuals, businesses, and hospitals in response to the economic distress caused by the COVID-19 pandemic; creates a $349 billion loan program for small businesses, including 501(c)(3) non-profits and physician practices; allocates $500 billion for assistance to businesses, states, and municipalities; expands telehealth services in Medicare, including services unrelated to COVID-19 treatments; expands eligibility for unemployment insurance and provides people with an additional $600 per week on top of the unemployment amount determined by each state; expands the Defense Production Act, allowing for a period of two years when the government may correct any shortfall in resources without regard to the current expenditure limit of $50 million; provides the U.S. Secretary of the Treasury with the authority to make loans or loan guarantees to states, municipalities, and eligible businesses and loosens a variety of regulations prior legislation imposed through the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Economic Stabilization Act of 2008, and others; and authorizes supplemental appropriations to help the government respond to COVID-19 pandemic emergency.

The further development, duration and ultimate health, civil and economic impact of the coronavirus cannot be predicted at this date.

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SUPPLEMENTAL SCHEDULES

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

SCHEDULE OF NET POSITION INFORMATION
June 30, 2019

	Convention Center District Authority	Convention Center	Coliseum	Total
ASSETS				
CURRENT ASSETS:				
Cash	$ 1,257,873	$ 402,951	$ 3,076,682	$ 4,737,506
Accounts receivable — net	1,061,507	2,567,251	3,907,687	7,536,445
Due from Puerto Rico Tourism Company	-	4,928,627	-	4,928,627
Note receivable	439,992	-	-	439,992
Prepaid expenses	110,481	995,078	-	1,105,559
Other assets	-	136,894	153,604	290,498
Restricted assets:				
Cash	-	1,279,601	5,416,831	6,696,432
Investments	-	810,969	-	810,969
Total current assets	2,869,853	11,121,371	12,554,804	26,546,028
NONCURRENT ASSETS:				
Prepaid insurance	-	7,331,147	-	7,331,147
Long-term accounts receivable — net	-	122,500	680,740	803,240
Note receivable	1,503,346	-	-	1,503,346
Investments in commercial entities	7,897,903	-	-	7,897,903
Capital assets:				
Nondepreciable:				
Land	25,175,175	104,863,577	28,556,462	158,595,214
Land improvements	7,622,474	101,666,019	-	109,288,493
Construction in progress	757,128	84,315	1,633,441	2,474,884
Depreciable:				
Building	32,325,887	243,758,582	197,879,524	473,963,993
Improvements — other than land	8,035,740	1,863,861	5,671,457	15,571,058
Furniture and fixtures	520,855	9,372,580	13,571,738	23,465,173
Equipment	95,618	-	-	95,618
Vehicles	41,460	48,000	15,747	105,207
Accumulated depreciation	(6,586,521)	(75,276,483)	(72,450,640)	(154,313,644)
Total noncurrent assets	77,389,065	393,834,098	175,558,469	646,781,632
TOTAL ASSETS	$ 80,258,918	404,955,469	188,113,273	673,327,660

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF NET POSITION INFORMATION

June 30, 2019

	Convention Center District Authority	Convention Center	Coliseum	Total
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	$ 4,840,071	$ 3,019,890	$ 1,865,943	$ 9,725,904
Unearned revenues	-	275,764	2,922,066	3,197,830
Current portion of bonds payable	-	37,135,000	-	37,135,000
Interest payable on bonds	-	35,848,824	-	35,848,824
Current liabilities payable from restricted assets:				
Customer deposits payable	-	989,412	5,416,831	6,406,243
Total current liabilities	4,840,071	77,268,890	10,204,840	92,313,801
NONCURRENT LIABILITIES:				
Unearned revenues	-	182,500	872,210	1,054,710
Accrued interests — line of credit	1,545,622	-	47,573,870	49,119,492
Borrowings under line of credit	4,414,140	-	138,416,144	142,830,284
Bonds payable	-	352,027,978	-	352,027,978
Note Payable	300,000	-	-	300,000
Total noncurrent liabilities	6,259,762	352,210,478	186,862,224	545,332,464
Total liabilities	11,099,833	429,479,368	197,067,064	637,646,265
NET POSITION:				
Net investment in capital assets	62,028,054	(38,631,351)	(11,112,285)	12,284,418
Restricted for construction	-	1,101,158	-	1,101,158
Unrestricted	7,131,031	13,006,294	2,158,494	22,295,819
Total net position	69,159,085	(24,523,899)	(8,953,791)	35,681,395
TOTAL LIABILITIES AND NET POSITION	$ 80,258,918	$ 404,955,469	$ 188,113,273	$ 673,327,660

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, 2019

	Convention Center District Authority	Convention Center	Coliseum	Total
OPERATING REVENUES:				
Rental and event services	1,636,416	5,098,096	9,058,358	15,792,870
Food and beverage	$ -	$ 8,409,360	$ 5,282,719	$ 13,692,079
Advertising	-	359,233	1,690,396	2,049,629
Total operating revenues	1,636,416	13,866,689	16,031,473	31,534,578
DIRECT OPERATING COSTS AND EXPENSES:				
Rental and event services	-	1,573,618	2,075,509	3,649,127
Food and beverage	-	4,151,541	1,912,208	6,063,749
Advertising	-	101,662	512,947	614,609
Total direct operating costs and expenses	-	5,826,821	4,500,664	10,327,485
GROSS OPERATING PROFIT	1,636,416	8,039,868	11,530,809	21,207,093
OTHER OPERATING EXPENSES:				
Salaries and related benefits	1,000,196	-	-	1,000,196
Professional and contract services	1,069,937	3,159,381	2,866,258	7,095,576
Depreciation	870,794	4,975,507	4,126,644	9,972,945
Insurance	792,942	2,137,190	1,730,666	4,660,798
Impairment loss on capital assets	182,740	285,890	-	468,630
Utilities	1,262,793	3,267,206	3,090,383	7,620,382
Advertising	153,881	650,000	92,820	896,701
Repairs and maintenance	1,876,470	1,448,970	915,140	4,240,580
Legal contingencies	861,119	-	-	861,119
Provision for doubtful accounts	99,654	-	4,603	104,257
Other	60,353	1,056,255	350,824	1,467,432
Allocation of administrative expenses	(2,574,200)	500,000	2,074,200	-
Total other operating expenses	5,656,679	17,480,399	15,251,538	38,388,616
OPERATING LOSS	(4,020,263)	(9,440,531)	(3,720,729)	(17,181,523)
NON-OPERATING REVENUES (EXPENSES):				
Interest expense	(266,720)	(16,684,924)	(9,757,586)	(26,709,230)
Contributions from Puerto Rico Tourism Company	-	4,622,778	-	4,622,778
Contributions from Commonwealth of Puerto Rico	2,671,003	-	-	2,671,003
Contributions from Federal Government	120,368	-	-	120,368
Hurricane recovery expenses	(3,806,603)	-	-	(3,806,603)
Custodial credit loss recovery	2,454,632	-	-	2,454,632
Equity in net loss of commercial entities	(565)	-	-	(565)
Loss on transfer of land	(4,490,000)	-	-	(4,490,000)
Gain on transfer of capital asset	50,301	-	-	50,301
Interest income	91,642	3,755	21,124	116,521
Other income, net	81,929	147,716	291,775	521,420
Total non-operating revenues (expenses) — net	(3,094,013)	(11,910,675)	(9,444,687)	(24,449,375)
LOSS BEFORE TRANSFERS	(7,114,276)	(21,351,206)	(13,165,416)	(41,630,898)
TRANSFERS IN (OUT)	(5,120,762)	951,460	4,169,302	-
CHANGE IN NET POSITION	(12,235,038)	(20,399,746)	(8,996,114)	(41,630,898)
NET POSITION — Beginning of year	81,394,123	(4,124,153)	42,323	77,312,293
NET POSITION — End of year	$ 69,159,085	$ (24,523,899)	$ (8,953,791)	$ 35,681,395

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF REVENUES AND EXPENSES - PUERTO RICO CONVENTION CENTER

For The Year Ended June 30, 2019

OPERATING REVENUES:	
Food and beverage	$ 8,409,360
Rental and event services	5,098,096
Advertising	359,233
Total operating revenues	13,866,689
DIRECT OPERATING COSTS AND EXPENSES:	
Food and beverage	4,151,541
Rental and event services	1,573,618
Advertising	101,662
Total direct operating costs and expenses	5,826,821
GROSS OPERATING PROFIT	8,039,868
OTHER OPERATING EXPENSES:	
Professional and contract services	3,159,381
Insurance	2,137,190
Impairment loss on capital assets	285,890
Utilities	3,267,206
Advertising	650,000
Repairs and maintenance	1,448,970
Other	1,056,255
Allocation of administrative expenses	500,000
Total other operating expenses	12,504,892
OPERATING LOSS	(4,465,024)
OTHER NON-OPERATING INCOME	
Interest income	3,755
Other income, net	147,716
Total non-operating income	151,471
LOSS	$ (4,313,553)

RECONCILIATION OPERATING LOSS TO LOSS BEFORE TRANSFERS

LOSS	$ (4,313,553)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO LOSS BEFORE TRANSFERS	
Depreciation	(4,975,507)
Interest expense	(16,684,924)
Contributions from Puerto Rico Tourism Company	4,622,778
LOSS BEFORE TRANSFERS	$ (21,351,206)

☙End of Report☙